

The following is the text of a report set out on pages I-1 to I-70, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BUYANG INTERNATIONAL HOLDING INC AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Buyang International Holding Inc (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 November 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants,

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Central, Hong Kong

29 November 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Revenue	4	374,041	362,153	440,356	159,502	149,807
Cost of sales		(300,314)	(284,570)	(363,187)	(132,450)	(122,328)
Gross profit		73,727	77,583	77,169	27,052	27,479
Other revenue	5(a)	2,106	2,565	937	123	98
Other net gain/(loss)	5(b)	4,021	(4,487)	(2,554)	(2,435)	3,160
Selling and distribution expenses		(9,565)	(8,257)	(10,208)	(4,223)	(2,967)
Administrative and other operating expenses		(7,666)	(22,223)	(15,549)	(7,257)	(5,873)
Profit from operations		62,623	45,181	49,795	13,260	21,897
Finance income		681	2,071	2,097	1,191	620
Finance costs		(2,591)	(1,512)	(1,569)	(992)	(664)
Net finance (costs)/income	6(a)	(1,910)	559	528	199	(44)
Profit before taxation	6	60,713	45,740	50,323	13,459	21,853
Income tax	7	(14,617)	(11,034)	(12,660)	(3,420)	(5,471)
Profit for the year/period		46,096	34,706	37,663	10,039	16,382
Other comprehensive income for the year/ period (after tax and reclassification adjustments)						
<i>Items that will not be reclassified to profit or loss:</i>						
Exchange difference on translation of financial statements of the Company		—	(8,527)	(2,767)	(2,440)	3,570
<i>Item that may be reclassified subsequently to profit or loss:</i>						
Exchange difference on translation of financial statements of entities outside mainland China		(2,325)	6,311	2,789	2,459	(3,602)
Other comprehensive income for the year/ period		(2,325)	(2,216)	22	19	(32)
Total comprehensive income for the year/ period		43,771	32,490	37,685	10,058	16,350
Earnings per share	10					
Basic and diluted (RMB)		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	53,657	66,904	60,550	56,749
Right-of-use assets	12(a)	7,733	7,218	17,408	17,103
Intangible assets	13	104	382	268	221
Deferred tax assets	24(b)	1,051	623	901	1,502
Prepayments		41	855	13	228
		<u>62,586</u>	<u>75,982</u>	<u>79,140</u>	<u>75,803</u>
Current assets					
Inventories	15	61,798	67,268	77,927	67,976
Trade and other receivables	16	47,580	76,334	91,003	89,809
Pledged deposits	17	23,854	24,496	27,986	16,697
Cash and cash equivalents	18(a)	52,271	95,753	72,206	99,980
		<u>185,503</u>	<u>263,851</u>	<u>269,122</u>	<u>274,462</u>
Current liabilities					
Bank loans	19	—	50,059	30,035	30,231
Trade and other payables	20	192,021	97,208	90,105	74,329
Contract liabilities	21	3,756	6,833	3,791	3,640
Lease liabilities	12(b)	372	395	419	429
Financial liabilities at fair value through profit or loss	22	643	—	—	—
Current taxation	24(a)	4,016	320	1,673	2,099
		<u>200,808</u>	<u>154,815</u>	<u>126,023</u>	<u>110,728</u>
Net current (liabilities)/assets		<u>(15,305)</u>	<u>109,036</u>	<u>143,099</u>	<u>163,734</u>
Total assets less current liabilities		<u>47,281</u>	<u>185,018</u>	<u>222,239</u>	<u>239,537</u>
Non-current liabilities					
Lease liabilities	12(b)	8,379	7,984	7,565	6,878
Deferred income	23	366	299	254	1,889
		<u>8,745</u>	<u>8,283</u>	<u>7,819</u>	<u>8,767</u>
NET ASSETS		<u>38,536</u>	<u>176,735</u>	<u>214,420</u>	<u>230,770</u>
CAPITAL AND RESERVES					
Share capital	25(b)	347	1,057	1,057	1,057
Reserves	25(d)	38,189	175,678	213,363	229,713
TOTAL EQUITY		<u>38,536</u>	<u>176,735</u>	<u>214,420</u>	<u>230,770</u>

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset					
Interest in a subsidiary	14	9	98,013	95,214	98,830
		9	98,013	95,214	98,830
Current assets					
Trade and other receivables	16	351	280	191	198
Cash and cash equivalents	18(a)	1	59	*	17
		352	339	191	215
Current liability					
Trade and other payables	20	12	1,366	1,408	1,490
		12	1,366	1,408	1,490
Net current assets/(liabilities)		340	(1,027)	(1,217)	(1,275)
Total assets less current liabilities		349	96,986	93,997	97,555
NET ASSETS		349	96,986	93,997	97,555
CAPITAL AND RESERVES					
Share capital	25(b)	347	1,057	1,057	1,057
Reserves	25(d)	2	95,929	92,940	96,498
TOTAL EQUITY		349	96,986	93,997	97,555

* Amount less than RMB1,000

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

Attributable to equity shareholders of the Company							
	Share capital	Share Premium	Capital reserve	PRC statutory reserve	Exchange reserve	Retained profits	Total (deficit)/ equity
Note	RMB'000 (Note 25(b))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000 (Note 25(d)(iv))	RMB'000	RMB'000
Balance at 1 January 2019	347	—	(45,000)	9,707	(4)	29,715	(5,235)
Changes in equity for 2019:							
Profit for the year	—	—	—	—	—	46,096	46,096
Other comprehensive income for the year	—	—	—	—	(2,325)	—	(2,325)
Total comprehensive income	—	—	—	—	(2,325)	46,096	43,771
Appropriation of statutory reserve	—	—	—	4,377	—	(4,377)	—
Balance at 31 December 2019 and 1 January 2020	347	—	(45,000)	14,084	(2,329)	71,434	38,536
Changes in equity for 2020:							
Profit for the year	—	—	—	—	—	34,706	34,706
Other comprehensive income for the year	—	—	—	—	(2,216)	—	(2,216)
Total comprehensive income	—	—	—	—	(2,216)	34,706	32,490
Issue of shares	710	104,999	—	—	—	—	105,709
Appropriation of statutory reserve	—	—	—	3,016	—	(3,016)	—
Balance at 31 December 2020 and 1 January 2021	1,057	104,999	(45,000)	17,100	(4,545)	103,124	176,735

Attributable to equity shareholders of the Company

Note	Share capital RMB'000 (Note 25(b))	Share Premium RMB'000 (Note 25(d)(i))	Capital reserve RMB'000 (Note 25(d)(ii))	PRC statutory reserve RMB'000 (Note 25(d)(iii))	Exchange reserve RMB'000 (Note 25(d)(iv))	Retained profits RMB'000	Total equity RMB'000
	1,057	104,999	(45,000)	17,100	(4,545)	103,124	176,735
Balance at 1 January 2021							
Changes in equity for 2021:							
Profit for the year	—	—	—	—	—	37,663	37,663
Other comprehensive income for the year	—	—	—	—	22	—	22
Total comprehensive income	—	—	—	—	22	37,663	37,685
Appropriation of statutory reserve	—	—	—	3,314	—	(3,314)	—
	1,057	104,999	(45,000)	20,414	(4,523)	137,473	214,420
Balance at 31 December 2021 and 1 January 2022							
Changes in equity for the five months ended 31 May 2022:							
Profit for the period	—	—	—	—	—	16,382	16,382
Other comprehensive income for the period	—	—	—	—	(32)	—	(32)
Total comprehensive income	—	—	—	—	(32)	16,382	16,350
Balance at 31 May 2022	1,057	104,999	(45,000)	20,414	(4,555)	153,855	230,770

Attributable to equity shareholders of the Company

Note	Share capital	Share Premium	Capital reserve	PRC statutory reserve	Exchange reserve	Retained profits	Total equity
	RMB'000 (Note 25(b))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000 (Note 25(d)(iv))	RMB'000	RMB'000
	1,057	104,999	(45,000)	17,100	(4,545)	103,124	176,735
Balance at 31 December 2020 and 1 January 2021							
Changes in equity for five months ended 31 May 2021:							
Profit for the period	—	—	—	—	—	10,039	10,039
Other comprehensive income for the period	—	—	—	—	19	—	19
Total comprehensive income	—	—	—	—	19	10,039	10,058
Balance at 31 May 2021	1,057	104,999	(45,000)	17,100	(4,526)	113,163	186,793

(Unaudited)

Balance at 31 December 2020 and

1 January 2021

Changes in equity for five months ended

31 May 2021:

Profit for the period

Other comprehensive income for the period

Total comprehensive income

Balance at 31 May 2021

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Operating activities						
Cash generated from operations	18(b)	104,833	46,948	37,796	22,121	37,690
PRC corporate income tax paid		(18,641)	(14,302)	(11,585)	(5,339)	(5,646)
Net cash generated from operating activities		86,192	32,646	26,211	16,782	32,044
Investing activities						
Payment for purchase of property, plant and equipment and intangible assets		(13,645)	(24,932)	(17,243)	(8,109)	(3,717)
Payment for purchase of land use rights		—	—	(10,406)	—	(317)
Proceeds from disposal of property, plant and equipment		67	481	462	444	—
Net payment for settlement of derivative financial instruments		(3,397)	(263)	—	—	—
Net release of pledged deposits for derivative financial instruments		4,658	1,057	—	—	—
Interest received		681	2,071	2,097	1,191	620
Net cash used in investing activities		(11,636)	(21,586)	(25,090)	(6,474)	(3,414)
Financing activities						
Proceeds from bank loans	18(c)	63,165	50,000	30,000	—	—
Repayment of bank loans	18(c)	(127,347)	—	(50,000)	—	—
Proceeds from related parties	18(c)	171,050	2,375	—	—	—
Repayment to related parties	18(c)	(189,598)	(14,168)	—	—	—
Proceeds from issue of shares		—	105,709	—	—	—
Deemed distribution arising from the reorganisation	18(c),25d(ii)	(1,050)	(103,950)	—	—	—
Interest paid	18(c)	(2,087)	(968)	(1,131)	(482)	(288)
Payment for listing expenses	18(c)	(819)	(3,503)	(1,291)	(655)	(651)
Capital element of lease rentals paid	18(c)	(350)	(372)	(395)	(395)	(419)
Interest element of lease rentals paid	18(c)	(507)	(485)	(462)	(462)	(438)
Net cash (used in)/generated from financing activities		(87,543)	34,638	(23,279)	(1,994)	(1,796)
Net (decrease)/increase in cash and cash equivalents		(12,987)	45,698	(22,158)	8,314	26,834
Cash and cash equivalents at the beginning of the year/period		67,583	52,271	95,753	95,753	72,206
Effect of foreign exchange rate changes		(2,325)	(2,216)	(1,389)	(1,129)	940
Cash and cash equivalents at the end of the year/period	18(a)	52,271	95,753	72,206	102,938	99,980

The accompanying notes form part of the Historical Financial Information.

Notes to the historical financial information

1 Basis of preparation and presentation of Historical Financial Information

Buyang International Holding Inc (the “Company”) was incorporated in Cayman Islands on 14 November 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus. The Company and its subsidiaries (together, “the Group”) are principally engaged in the sales and production of a broad range of aluminum alloy wheels for automobiles.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities and legal status	Name of statutory auditor
			Held by the Company	Held by the subsidiary		
Buyang (Hong Kong) Limited (Note (a))	Hong Kong 26 November 2018	HKD10,000/ HKD10,000	100%	—	Investment holding, limited liability company	Credential Certified Public Accountant (Practising) for the period from 26 November 2018 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020
Zhejiang Buyang Auto Wheel Co., Ltd. (“Buyang Wheel”) 浙江步陽汽輪有限公司 (Notes (b) and (c))	The PRC 3 September 2007	RMB60,000,000 /RMB60,000,000	—	100%	Manufacturing and sales of wheels, limited liability company	Not applicable

Notes:

- (a) As at the date of this report, statutory audit of the company for the year ended 31 December 2021 has not been completed.
- (b) As at the date of this report, no statutory financial statements have been prepared for the company for the Relevant Periods.
- (c) The official name of this company is in Chinese. The English translation of the company name is for identification purpose only.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, including HKFRS 16, *Leases*, consistently throughout the Relevant Periods. The Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2022 and not adopted in the Historical Financial Information are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 Significant accounting policies

(a) *Basis of measurement*

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for derivative financial instruments (see Note 2(d)) which are stated at their fair value.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “Functional Currency”).

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand, except when otherwise indicated, which is the functional currency of the Group’s subsidiaries established in the mainland China. The functional currency of the Company and the Company’s subsidiaries outside mainland China are Hong Kong Dollars (“HKD”). The Group translates the financial statements of the Company and the Company’s subsidiaries outside the mainland China from HKD into RMB.

(b) *Use of estimates and judgements*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each Relevant Periods the fair value is remeasured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	<u>Estimated useful life</u>
Machinery equipment	3 – 10 years
Electronic and other equipment	5 years
Motor vehicles	5 years
Moulds	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(h)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost (the acquisition date fair value) less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	<u>Estimated useful life</u>
Software	3 years
Emission Permits	5 years

Both the period and method of amortisation are reviewed annually.

(g) Lease assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group

enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use assets recognised when a lease is capitalised are initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(e) and 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and presents lease liabilities separately in the consolidated statements of financial position.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);
- financial assets measured at FVOCI (recycling);

Other financial assets measured at fair value, including equity instruments designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not

have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each Relevant Periods to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

— Reversals of impairment losses

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(r)(iii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash

and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i).

(m) *Interest-bearing borrowings*

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(n) *Trade and other payables*

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) *Employee benefits*

Short-term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each Relevant Periods, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse

either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each Relevant Periods. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each Relevant Periods and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable

estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as other revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants related to assets are initially recognised as deferred income and then recognised in profit or loss as other revenue on a systematic basis over the useful life of the asset.

(s) ***Translation of foreign currencies***

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each Relevant Periods. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the Relevant Periods. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) ***Borrowing costs***

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) ***Related parties***

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third-party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Significant accounting judgements and estimates

Key sources of estimation uncertainty

Note 26(e) contains information about the assumptions and their risk factors relating to fair value of other equity investments and derivative financial instruments. Other key sources of estimation uncertainty are as follows:

(i) ***Impairments of non-financial assets***

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are

reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(ii) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(iii) *Impairment of trade and other receivables*

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iv) *Depreciation and amortisation*

Items of property, plant and equipment other than freehold land and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any Relevant Periods. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods are adjusted if there are significant changes from previous estimates.

4 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in the sales and production of a broad range of aluminum alloy wheels for automobiles. The Group's revenue from contracts with customers were recognised at point in time for the Relevant Periods.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of aluminum alloy wheels	363,456	354,209	429,458	156,252	146,617
Sales of others	10,585	7,944	10,898	3,250	3,190
	<u>374,041</u>	<u>362,153</u>	<u>440,356</u>	<u>159,502</u>	<u>149,807</u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(i).

(ii) During the Relevant Periods, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods are set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	38,070	*	*	*	*
Customer B	*	39,479	*	*	*
Customer C	*	*	46,708	21,283	*
Customer D	*	*	*	*	15,348

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

Note: Customer B and C include a group of entities that are under the common control of the same ultimate shareholder.

Details of concentrations of credit risk arising from these customers are set out in Note 26(a).

- (iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For sales contracts of goods with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations.

(b) *Segment reporting*

The Group manages its businesses by divisions, which are organised by geography. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no segment information is presented.

Geographical information

- (i) Revenue from external customers by continent of delivery

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Asia	206,739	171,252	206,921	73,459	84,981
Europe	68,260	56,303	76,710	33,525	21,151
America	82,906	115,786	145,643	47,252	40,606
Africa	15,920	16,271	8,926	4,396	2,184
Oceania	216	2,541	2,156	870	885
	<u>374,041</u>	<u>362,153</u>	<u>440,356</u>	<u>159,502</u>	<u>149,807</u>

- (ii) Non-current asset

The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is provided.

5 Other revenue and other net gain/(loss)

(a) Other revenue

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	2,106	2,508	937	123	98
Others	—	57	—	—	—
	<u>2,106</u>	<u>2,565</u>	<u>937</u>	<u>123</u>	<u>98</u>

(b) Other net gain/(loss)

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	(1,512)	(187)	(126)	(131)	(1)
Net exchange gain/(loss)	1,065	(4,680)	(2,428)	(2,304)	3,161
Net realised and unrealised gain on derivative financial instruments	4,468	380	—	—	—
	<u>4,021</u>	<u>(4,487)</u>	<u>(2,554)</u>	<u>(2,435)</u>	<u>3,160</u>

6 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance costs/(income)

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income on bank deposits	(681)	(2,071)	(2,097)	(1,191)	(620)
Interest on bank loans	2,084	1,027	1,107	803	484
Interest on lease liabilities (Note 12(b))	507	485	462	189	180
Net finance costs/(income)	<u>1,910</u>	<u>(559)</u>	<u>(528)</u>	<u>(199)</u>	<u>44</u>

(b) Staff costs

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits	46,709	44,117	50,426	19,497	16,230
Contributions to defined contribution scheme (Note)	2,001	102	1,963	748	631
	<u>48,710</u>	<u>44,219</u>	<u>52,389</u>	<u>20,245</u>	<u>16,861</u>

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB2,142,000 to social insurance during the year ended 31 December 2020 (the years ended 31 December 2019, 2021 and the five months ended 31 May 2021 (unaudited) and 2022: nil, nil, nil (unaudited), nil).

(c) *Other items*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of inventories* (Note 15(b))	300,314	284,570	363,187	132,450	122,328
Depreciation					
— Property, plant and equipment	11,643	13,164	15,164	5,902	6,469
— Right-of-use assets	509	507	506	194	307
Amortisation of intangible assets (Note 13)	414	150	114	47	47
(Reversal of impairment)/impairment loss on trade and other receivables (Note 26(a))	(2,597)	539	771	961	998
Listing expenses	4,216	14,415	6,757	2,951	1,533

* Cost of inventories include RMB55,276,000, RMB51,554,000, RMB60,134,000, RMB23,142,000 (unaudited) and RMB20,292,000 relating to staff costs and depreciation expenses for each of the years ended 31 December 2019, 2020 and 2021 and for the five months ended 31 May 2021 (unaudited) and 2022 respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 **Income tax**(a) *Income tax in the consolidated statements of profit or loss and other comprehensive income represents*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
PRC corporate income tax (Note 24(a))	12,466	10,606	12,938	3,716	6,072
Deferred tax					
Origination and reversal of temporary differences (Note 24(b)(i))	2,151	428	(278)	(296)	(601)
	<u>14,617</u>	<u>11,034</u>	<u>12,660</u>	<u>3,420</u>	<u>5,471</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The applicable profits tax rate of the Group's subsidiary incorporated in Hong Kong was 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD 2 million in assessable profits earned by a company will be

taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) The Group's PRC subsidiary is subject to PRC income tax at 25%.

(b) *Reconciliation between tax expense and profit before taxation at applicable tax rates:*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	60,713	45,740	50,323	13,459	21,853
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	14,981	11,207	12,640	3,408	5,466
Tax effect of non-deductible expenses, net of non-taxable income	(364)	(173)	20	12	5
Actual tax expense	14,617	11,034	12,660	3,420	5,471

8 **Directors' remuneration**

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) as follows:

	Year ended 31 December 2019				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Xu Jingjun	—	—	—	—	—
Ying Yonghui	—	42	300	5	347
Hu Huijuan	—	39	118	5	162
Non-executive directors					
Xu Buyun	—	—	—	—	—
Total	—	81	418	10	509

Year ended 31 December 2020

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Xu Jingjun	—	—	—	—	—
Ying Yonghui	—	51	310	*	361
Hu Huijuan	—	56	212	*	268
Non-executive directors					
Zhu Ning	—	53	100	*	153
Xu Buyun	—	—	—	—	—
Independent non-executive directors					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	160	622	*	782

Year ended 31 December 2021

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Xu Jingjun	—	107	210	5	322
Ying Yonghui	—	61	320	7	388
Hu Huijuan	—	61	276	7	344
Non-executive directors					
Zhu Ning	—	55	100	7	162
Xu Buyun	—	—	—	—	—
Independent non-executive directors					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	284	906	26	1,216

Five months ended 31 May 2021 (unaudited)					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Xu Jingjun	—	32	63	1	96
Ying Yonghui	—	24	133	3	160
Hu Huijuan	—	25	115	3	143
Non-executive directors					
Zhu Ning	—	22	42	3	67
Xu Buyun	—	—	—	—	—
Independent non-executive directors					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	103	353	10	466

Five months ended 31 May 2022					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Xu Jingjun	—	49	105	3	157
Ying Yonghui	—	24	133	3	160
Hu Huijuan	—	23	115	3	141
Non-executive directors					
Zhu Ning	—	22	42	3	67
Xu Buyun	—	—	—	—	—
Independent non-executive directors					
Yeung Man Simon	—	—	—	—	—
Chen Jingeng	—	—	—	—	—
Fu Yi	—	—	—	—	—
Total	—	118	395	12	525

* Amount less than RMB1,000

Notes:

- (i) On 14 November 2018 and 25 September 2020, Mr. Xu Buyun and Mr. Zhu Ning were appointed as non-executive directors of the Company, respectively.
- (ii) On 25 September 2020, Ms. Xu Jingjun, Mr. Ying Yonghui and Ms. Hu Huijuan were appointed as executive directors of the Company.
- (iii) On 28 October 2020, Mr. Yeung Man Simon, Mr. Chen Jingeng and Mr. Fu Yi were appointed as independent non-executive directors of the Company.
- (iv) The emolument for Xu Jingjun before 28 February 2021 was borne by Buyang Group Co., Ltd. ("Buyang PRC"), a related party of the Group, who has waived its right to seek reimbursement from the Group.

9 Individuals with the highest emoluments

Of the five individuals with the highest emoluments, one, two, three, three and three directors during the years ended 31 December 2019, 2020 and 2021 and for the five months ended 31 May 2021 (unaudited) and 2022, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest individuals of the Group are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	199	181	110	45	43
Discretionary bonuses	644	447	384	160	160
Retirement scheme contributions	19	1	7	3	3
	<u>862</u>	<u>629</u>	<u>501</u>	<u>208</u>	<u>206</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK\$ nil to HK\$1,000,000	4	3	2	2	2

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the number of ordinary shares as at each reporting date during the Relevant Periods will be significantly different from the number of ordinary shares immediately after the completion of the public listing of the Group.

11 Property, plant and equipment

	<u>Machinery equipment</u>	<u>Moulds</u>	<u>Electronic and other equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2019	101,820	36,796	2,417	1,270	2,064	144,367
Additions	—	—	—	—	13,080	13,080
Transfers from construction in progress	4,865	8,166	—	—	(13,031)	—
Disposals	(3,810)	(1,097)	(451)	(465)	—	(5,823)
At 31 December 2019 and 1 January 2020	102,875	43,865	1,966	805	2,113	151,624
Additions	—	—	15	6	27,517	27,538
Transfers from construction in progress	18,228	8,958	—	—	(27,186)	—
Disposals	(337)	(487)	—	—	—	(824)
At 31 December 2020 and 1 January 2021	120,766	52,336	1,981	811	2,444	178,338
Additions	—	—	7	—	10,472	10,479
Transfers from construction in progress	3,903	7,717	—	—	(11,620)	—
Disposals	(6,415)	—	—	—	—	(6,415)
At 31 December 2021 and 1 January 2022	118,254	60,053	1,988	811	1,296	182,402
Additions	—	—	—	—	2,696	2,696
Transfers from construction in progress	64	2,178	—	—	(2,242)	—
Disposals	(10)	—	—	—	—	(10)
At 31 May 2022	<u>118,308</u>	<u>62,231</u>	<u>1,988</u>	<u>811</u>	<u>1,750</u>	<u>185,088</u>
Accumulated depreciation:						
At 1 January 2019	(59,768)	(27,164)	(2,204)	(1,051)	—	(90,187)
Charge for the year	(7,215)	(4,743)	(21)	(45)	—	(12,024)
Written back on disposals	2,344	1,035	423	442	—	4,244
At 31 December 2019 and 1 January 2020	(64,639)	(30,872)	(1,802)	(654)	—	(97,967)
Charge for the year	(7,446)	(6,125)	(15)	(37)	—	(13,623)
Written back on disposals	144	12	—	—	—	156

	Machinery equipment	Moulds	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020 and 1 January 2021	(71,941)	(36,985)	(1,817)	(691)	—	(111,434)
Charge for the year	(8,177)	(8,020)	(17)	(31)	—	(16,245)
Written back on disposals	<u>5,827</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,827</u>
At 31 December 2021 and 1 January 2022	(74,291)	(45,005)	(1,834)	(722)	—	(121,852)
Charge for the period	(3,415)	(3,061)	(7)	(13)	—	(6,496)
Written back on disposals	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9</u>
At 31 May 2022	<u>(77,697)</u>	<u>(48,066)</u>	<u>(1,841)</u>	<u>(735)</u>	<u>—</u>	<u>(128,339)</u>
Net book value:						
At 31 December 2019	<u>38,236</u>	<u>12,993</u>	<u>164</u>	<u>151</u>	<u>2,113</u>	<u>53,657</u>
At 31 December 2020	<u>48,825</u>	<u>15,351</u>	<u>164</u>	<u>120</u>	<u>2,444</u>	<u>66,904</u>
At 31 December 2021	<u>43,963</u>	<u>15,048</u>	<u>154</u>	<u>89</u>	<u>1,296</u>	<u>60,550</u>
At 31 May 2022	<u>40,611</u>	<u>14,165</u>	<u>147</u>	<u>76</u>	<u>1,750</u>	<u>56,749</u>

12 Right of use assets and lease liabilities

(a) Right-of-use assets

	<u>Property & leased land</u>	<u>Land use rights</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020 and 1 January 2021	10,310	—	10,310
Additions	<u>—</u>	<u>10,723</u>	<u>10,723</u>
At 31 December 2021, 1 January 2022 and 31 May 2022	<u>10,310</u>	<u>10,723</u>	<u>21,033</u>
Accumulated amortisation:			
At 1 January 2019	(2,062)	—	(2,062)
Charge for the year	<u>(515)</u>	<u>—</u>	<u>(515)</u>
At 31 December 2019 and 1 January 2020	(2,577)	—	(2,577)
Charge for the year	<u>(515)</u>	<u>—</u>	<u>(515)</u>
At 31 December 2020 and 1 January 2021	(3,092)	—	(3,092)
Charge for the year	<u>(515)</u>	<u>(18)</u>	<u>(533)</u>
At 31 December 2021 and 1 January 2022	(3,607)	(18)	(3,625)
Charge for the period	(215)	(90)	(305)
At 31 May 2022	<u>(3,822)</u>	<u>(108)</u>	<u>(3,930)</u>
Net book value:			
At 31 December 2019	<u>7,733</u>	<u>—</u>	<u>7,733</u>
At 31 December 2020	<u>7,218</u>	<u>—</u>	<u>7,218</u>
At 31 December 2021	<u>6,703</u>	<u>10,705</u>	<u>17,408</u>
At 31 May 2022	<u>6,488</u>	<u>10,615</u>	<u>17,103</u>

The Group has obtained the right to use the leasehold land and premises as its office and business operation through tenancy agreements. The leases typically run for an initial period of 20 years.

The Group acquired land use rights in Zhejiang province in 2021 and the land use rights is depreciated over 50 years from the commencement of the lease period.

(b) Lease liabilities

	At 31 December			At 31 May	
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Maturity analysis-contractual undiscounted cash flows					
Within 1 year or on demand	857	857	857	857	
More than 1 year but less than 5 years	3,428	3,428	3,428	3,428	
More than 5 years	<u>8,570</u>	<u>7,713</u>	<u>6,856</u>	<u>5,999</u>	
Total undiscounted lease liabilities	12,855	11,998	11,141	10,284	
Less: total future interest expenses	<u>(4,104)</u>	<u>(3,619)</u>	<u>(3,157)</u>	<u>(2,977)</u>	
Present value of lease liabilities	<u>8,751</u>	<u>8,379</u>	<u>7,984</u>	<u>7,307</u>	
Lease liabilities included in the consolidated statements of financial position					
Current	372	395	419	429	
Non-current	<u>8,379</u>	<u>7,984</u>	<u>7,565</u>	<u>6,878</u>	
	<u>8,751</u>	<u>8,379</u>	<u>7,984</u>	<u>7,307</u>	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Amounts recognised in profit or loss					
Interest on lease liabilities	<u>507</u>	<u>485</u>	<u>462</u>	<u>189</u>	<u>180</u>

13 Intangible assets

	<u>Software</u>	<u>Emission Permits</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost:			
At 1 January 2019, 31 December 2019 and 1 January 2020	1,242	—	1,242
Additions	<u>165</u>	<u>263</u>	<u>428</u>
At 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 May 2022	<u>1,407</u>	<u>263</u>	<u>1,670</u>
Accumulated amortisation:			
At 1 January 2019	(724)	—	(724)
Charge for the year	<u>(414)</u>	<u>—</u>	<u>(414)</u>
At 31 December 2019 and 1 January 2020	(1,138)	—	(1,138)
Charge for the year	<u>(121)</u>	<u>(29)</u>	<u>(150)</u>
At 31 December 2020 and 1 January 2021	(1,259)	(29)	(1,288)
Charge for the year	<u>(55)</u>	<u>(59)</u>	<u>(114)</u>
At 31 December 2021 and 1 January 2022	(1,314)	(88)	(1,402)
Charge for the period	(23)	(24)	(47)
At 31 May 2022	<u>(1,337)</u>	<u>(112)</u>	<u>(1,449)</u>
Net book value:			
At 31 December 2019	<u>104</u>	<u>—</u>	<u>104</u>
At 31 December 2020	<u>148</u>	<u>234</u>	<u>382</u>
At 31 December 2021	<u>93</u>	<u>175</u>	<u>268</u>
At 31 May 2022	<u>70</u>	<u>151</u>	<u>221</u>

The amortisation charge during the Relevant Periods is included in “Administrative and other operating expenses” in the consolidated statements of profit or loss and other comprehensive income.

14 Interest in a subsidiary

The Company

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted share, at cost	9	9	9	9
Amount due from a subsidiary	—	98,004	95,205	98,821
	<u>9</u>	<u>98,013</u>	<u>95,214</u>	<u>98,830</u>

Please refer to Note 2(c) for the particulars of subsidiaries during the Relevant Periods.

The amount due from a subsidiary above represents the advances the Company offered to its wholly owned subsidiary Buyang (Hong Kong) Limited as at 31 December 2020, 31 December 2021 and 31 May 2022. The amount is unsecured, interest-free and has no fixed term of repayment.

15 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	23,965	22,081	14,516	7,965
Work in progress	12,014	10,389	13,825	11,383
Finished goods	26,113	34,689	49,222	49,328
Others	<u>337</u>	<u>529</u>	<u>1,050</u>	<u>78</u>
	62,429	67,688	78,613	68,754
Write-down of inventories	<u>(631)</u>	<u>(420)</u>	<u>(686)</u>	<u>(778)</u>
	<u>61,798</u>	<u>67,268</u>	<u>77,927</u>	<u>67,976</u>

(b) *The analysis of the amount of inventories recognised as expenses and included in profit or loss are as follows:*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	300,289	284,781	362,921	132,254	122,236
Write-down/(reversal of write-down) of inventories	25	(211)	266	196	92
	<u>300,314</u>	<u>284,570</u>	<u>363,187</u>	<u>132,450</u>	<u>122,328</u>

16 Trade and other receivables

The Group

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables					
— Third parties		44,453	64,421	78,092	82,515
Bills receivable		710	1,582	597	577
Less: Loss allowance for trade and bills receivables	26(a)	(72)	(611)	(1,025)	(2,023)
Financial assets measured at amortised cost		45,091	65,392	77,664	81,069
Value-added tax recoverable and others		633	2,879	16	15
Prepayment		1,856	8,063	13,323	8,725
		<u>47,580</u>	<u>76,334</u>	<u>91,003</u>	<u>89,809</u>

The Company

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayment	<u>351</u>	<u>280</u>	<u>191</u>	<u>198</u>

Ageing analysis of trade and bills receivables

As at the end of each Relevant Periods, the ageing analysis of trade and bills receivables based on the date of revenue recognition and net of loss allowance is as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 3 months	41,696	62,660	70,512	70,196
Over 3 months but within 6 months	2,321	2,088	5,014	7,992
Over 6 months but within 12 months	1,074	644	381	1,118
Over 12 months	—	—	1,757	1,763
	<u>45,091</u>	<u>65,392</u>	<u>77,664</u>	<u>81,069</u>

Further details on the Group's credit risk management policy and credit risk arising from trade and other receivables are set out in Note 26(a).

17 Pledged deposits

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Guarantee deposits for issuance of bank acceptance notes	22,797	24,496	27,986	16,697
Guarantee deposits for derivative financial instruments	1,057	—	—	—
	<u>23,854</u>	<u>24,496</u>	<u>27,986</u>	<u>16,697</u>

The pledged deposits will be released upon the settlement of the relevant bank acceptance notes by the Group or maturity of the relevant derivative financial instruments.

18 Cash and cash equivalents and other cash flow

(a) Cash and cash equivalents comprise:

The Group

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	52,270	95,752	72,206	99,978
Cash in hand	1	1	*	2
	<u>52,271</u>	<u>95,753</u>	<u>72,206</u>	<u>99,980</u>

* Amount less than RMB1,000

The Company

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	<u>1</u>	<u>59</u>	<u>*</u>	<u>17</u>

* Amount less than RMB1,000

(b) Reconciliation of profits before taxation to cash generated from operations

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation		60,713	45,740	50,323	13,459	21,853
Adjustments for:						
Depreciation:						
— Property, plant and equipment	11	12,024	13,623	16,245	6,661	6,496
— Right-of-use assets	12	515	515	533	215	305
Amortisation of intangible assets	13	414	150	114	47	47
Finance costs		2,591	1,512	1,569	992	664
Interest income	6(a)	(681)	(2,071)	(2,097)	(1,191)	(620)
Net realised and unrealised gain on derivative financial instruments	5(b)	(4,468)	(380)	—	—	—
Net loss on disposal of property, plant and equipment	5(b)	1,512	187	126	131	1
(Reversal of impairment)/impairment loss on trade and other receivables	6(c)	(2,597)	539	771	961	998
Net exchange loss/(gain)		519	(101)	(34)	(30)	44
Operating profit before changes in working capital		70,542	59,714	67,550	21,245	29,788
Decrease/(increase) in inventories		15,688	(5,470)	(10,659)	(8,114)	9,951
Decrease/(increase) in trade and other receivables		10,152	(22,210)	(11,398)	7,563	257
(Increase)/decrease in pledged deposits		(6,582)	(1,699)	(3,490)	995	11,289
Increase/(decrease) in trade and other payables		16,142	13,603	(1,120)	1,650	(15,079)
(Decrease)/increase in contract liabilities		(1,475)	3,077	(3,042)	(1,199)	(151)
Increase/(decrease) in deferred income		366	(67)	(45)	(19)	1,635
Cash generated from operations		<u>104,833</u>	<u>46,948</u>	<u>37,796</u>	<u>22,121</u>	<u>37,690</u>

(c) *Reconciliation of liabilities arising from financing activities*

	Bank loans	Advances from related parties	Lease liabilities	Payable for listing expenses	Payable for deemed distribution arising from reorganisation	Dividend payable	Total
	RMB'000 Note 19	RMB'000 Note 20	RMB'000 Note 12(b)	RMB'000 Note	RMB'000 Note 20	RMB'000	RMB'000
At 1 January 2019	63,666	28,735	9,101	—	105,000	—	206,502
Changes from financing cash flows:							
Proceeds from bank loans	63,165	—	—	—	—	—	63,165
Repayment of bank loans	(127,347)	—	—	—	—	—	(127,347)
Proceeds from related parties	—	171,050	—	—	—	—	171,050
Repayment to related parties	—	(189,598)	—	—	—	—	(189,598)
Capital element of lease rentals paid	—	—	(350)	—	—	—	(350)
Interest element of lease rentals paid	—	—	(507)	—	—	—	(507)
Payment for listing expenses	—	—	—	(819)	—	—	(819)
Deemed distribution arising from the reorganisation (Note 25d(ii))	—	—	—	—	(1,050)	—	(1,050)
Interest paid	(2,087)	—	—	—	—	—	(2,087)
Total changes from financing cash flows	(66,269)	(18,548)	(857)	(819)	(1,050)	—	(87,543)
Other changes:							
Interest expenses (Note 6(a))	2,084	—	507	—	—	—	2,591
Payment by related parties on behalf of the Group	—	1,987	—	—	—	—	1,987
Listing expense capitalised	—	—	—	1,405	—	—	1,405
Net exchange loss	519	—	—	—	—	—	519
Total other changes	2,603	1,987	507	1,405	—	—	6,502

	Bank loans	Advances from related parties	Lease liabilities	Payable for listing expenses	Payable for deemed distribution arising from reorganisation	Dividend payable	Total
	RMB'000 Note 19	RMB'000 Note 20	RMB'000 Note 12(b)	RMB'000 Note	RMB'000 Note 20	RMB'000	RMB'000
At 31 December 2019 and 1 January 2020	—	12,174	8,751	586	103,950	—	125,461
Changes from financing cash flows:							
Proceeds from bank loans	50,000	—	—	—	—	—	50,000
Proceeds from related parties	—	2,375	—	—	—	—	2,375
Repayment to related parties	—	(14,168)	—	—	—	—	(14,168)
Capital element of lease rentals paid	—	—	(372)	—	—	—	(372)
Interest element of lease rentals paid	—	—	(485)	—	—	—	(485)
Payment for listing expenses	—	—	—	(3,503)	—	—	(3,503)
Deemed distribution arising from the reorganisation (Note 25d(ii))	—	—	—	—	(103,950)	—	(103,950)
Interest paid	(968)	—	—	—	—	—	(968)
Total changes from financing cash flows	49,032	(11,793)	(857)	(3,503)	(103,950)	—	(71,071)
Other changes:							
Interest expenses (Note 6(a))	1,027	—	485	—	—	—	1,512
Payment by related parties on behalf of the Group	—	907	—	—	—	—	907
Listing expense capitalised	—	—	—	4,291	—	—	4,291
Net exchange gain	—	(101)	—	—	—	—	(101)
Total other changes	1,027	806	485	4,291	—	—	6,609

	Bank loans	Advances from related parties	Lease liabilities	Payable for listing expenses	Payable for deemed distribution arising from reorganisation	Dividend payable	Total
	RMB'000 Note 19	RMB'000 Note 20	RMB'000 Note 12(b)	RMB'000 Note	RMB'000 Note 20	RMB'000	RMB'000
At 31 December 2020 and 1 January 2021	50,059	1,187	8,379	1,374	—	—	60,999
Changes from financing cash flows:							
Proceeds from bank loans	30,000	—	—	—	—	—	30,000
Repayment of bank loans	(50,000)	—	—	—	—	—	(50,000)
Capital element of lease rentals paid	—	—	(395)	—	—	—	(395)
Interest element of lease rentals paid	—	—	(462)	—	—	—	(462)
Payment for listing expenses	—	—	—	(1,291)	—	—	(1,291)
Interest paid	(1,131)	—	—	—	—	—	(1,131)
Total changes from financing cash flows	(21,131)	—	(857)	(1,291)	—	—	(23,279)
Other changes:							
Interest expenses (Note 6(a))	1,107	—	462	—	—	—	1,569
Listing expense capitalised	—	—	—	1,792	—	—	1,792
Net exchange gain	—	(34)	—	—	—	—	(34)
Total other changes	1,107	(34)	462	1,792	—	—	3,327
At 31 December 2021 and 1 January 2022	30,035	1,153	7,984	1,875	—	—	41,047
Changes from financing cash flows:							
Capital element of lease rentals paid	—	—	(419)	—	—	—	(419)
Interest element of lease rentals paid	—	—	(438)	—	—	—	(438)

	Advances from		Lease	Payable	Payable for	Dividend	Total
	Bank	related	liabilities	for listing	distribution	payable	
	loans	parties		expenses	arising from		
	RMB'000	RMB'000	RMB'000	RMB'000	reorganisation	RMB'000	RMB'000
	Note 19	Note 20	Note 12(b)	Note	Note 20		
Payment for listing expenses	—	—	—	(651)	—	—	(651)
Interest paid	(288)	—	—	—	—	—	(288)
Total changes from financing cash flows	(288)	—	(857)	(651)	—	—	(1,796)
Other changes:							
Interest expenses (Note 6(a))	484	—	180	—	—	—	664
Listing expense capitalised	—	—	—	331	—	—	331
Net exchange loss	—	44	—	—	—	—	44
Total other changes	484	44	180	331	—	—	1,039
At 31 May 2022	30,231	1,197	7,307	1,555	—	—	40,290

Note: Payable for listing expense is contained in the other payables and accruals as disclosed in note 20.

(d) *Total cash outflow for leases*

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within financing cash flows	857	857	857	857	857
Within investing cash flows	—	—	10,406	—	317
	857	857	11,263	857	1,174

19 Bank loans

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured bank loans	—	50,000	30,000	30,000
Interest payable	—	59	35	231
	—	50,059	30,035	30,231

Notes:

- (i) As at 31 December 2020, unsecured bank loan of RMB50,000,000 bearing interests at a fixed rate of 3.85% was repaid on 18 June 2021.
- (ii) As at 31 December 2021 and 31 May 2022, unsecured bank loan of RMB30,000,000 bearing interests at a fixed rate of 3.85%.

20 Trade and other payables

The Group

	Note	At 31 December			At 31 May
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Trade payables					
— Third parties		25,680	32,815	23,153	22,806
— Related parties	28(d)	1,154	280	485	3,742
Bills payables		22,797	24,496	27,986	16,697
		49,631	57,591	51,624	43,245
Payable for deemed distribution arising from reorganisation					
— Related parties	25(d)(ii)&28(d)	103,950	—	—	—
Other payables and accruals		16,881	27,761	25,688	23,639
Advances from related parties	28(d)	12,174	1,187	1,153	1,197
Financial liabilities measured at amortised cost		182,636	86,539	78,465	68,081
Accrued payroll and other benefits		9,067	10,301	10,456	5,414
Other taxes and charges payable		318	368	1,184	834
		192,021	97,208	90,105	74,329

- (a) **All of the trade payables are expected to be settled within one year or repayable on demand**

The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 28(d).

The Company

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Financial liabilities measured at amortised cost				
Other payables	<u>12</u>	<u>1,366</u>	<u>1,408</u>	<u>1,490</u>

As of the end of the Relevant Periods, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 3 months	32,759	41,743	32,455	28,414
Over 3 months but within 6 months	15,477	14,405	18,128	13,422
Over 6 months but within 12 months	592	338	173	517
Over 12 months	<u>803</u>	<u>1,105</u>	<u>868</u>	<u>892</u>
	<u>49,631</u>	<u>57,591</u>	<u>51,624</u>	<u>43,245</u>

21 Contract liabilities

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Sales of aluminum alloy wheels	<u>3,756</u>	<u>6,833</u>	<u>3,791</u>	<u>3,640</u>

Movements in contract liabilities were as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January	5,231	3,756	6,833	3,791
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period	(4,763)	(3,315)	(5,435)	(2,635)
Increase in contract liabilities as a result of receipts in advances	<u>3,288</u>	<u>6,392</u>	<u>2,393</u>	<u>2,484</u>
At 31 December/31 May	<u>3,756</u>	<u>6,833</u>	<u>3,791</u>	<u>3,640</u>

22 Financial liabilities at fair value through profit or loss

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency derivatives	643	—	—	—
At 31 December/31 May	<u>643</u>	<u>—</u>	<u>—</u>	<u>—</u>

23 Deferred income

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	366	299	254	1,889
	<u>366</u>	<u>299</u>	<u>254</u>	<u>1,889</u>

24 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
PRC corporate income tax				
At 1 January	10,191	4,016	320	1,673
Charged to profit or loss	12,466	10,606	12,938	6,072
Payments during the year/period	<u>(18,641)</u>	<u>(14,302)</u>	<u>(11,585)</u>	<u>(5,646)</u>
At the end of the year/period	<u>4,016</u>	<u>320</u>	<u>1,673</u>	<u>2,099</u>

(b) Deferred tax assets recognised**(i) Movement of each component of deferred tax assets**

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Impairment loss on trade and other receivables	Lease expenses	Accrued expenses	Inventory provision	Fair value change of derivatives financial instruments	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	668	213	379	152	1,790	—	3,202
(Charged)/credited to profit or loss	(649)	42	94	6	(1,736)	92	(2,151)
At 31 December 2019	19	255	473	158	54	92	1,051
Credited/(charged) to profit or loss	134	35	(473)	(53)	(54)	(17)	(428)
At 31 December 2020	153	290	—	105	—	75	623
Credited/(charged) to profit or loss	193	30	—	67	—	(12)	278
At 31 December 2021	346	320	—	172	—	63	901
Credited to profit or loss	160	10	—	22	—	409	601
At 31 May 2022	506	330	—	194	—	472	1,502

(ii) Reconciliation to the consolidated statements of financial position:

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	1,051	623	901	1,502

(c) Deferred tax liabilities not recognised

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The Group has not recognised deferred tax liabilities as at 31 December 2019, 2020 and 2021 and 31 May 2022 in respect of undistributed earnings of

RMB69,105,000, RMB100,225,000, RMB134,841,000 and RMB151,237,000 as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

25 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25(b))	(Note 25(d)(i))	(Note 25(d)(iv))		
Balance at 1 January 2019	347	—	(4)	—	343
Change in equity for 2019:					
Loss for the year	—	—	—	(2)	(2)
Other comprehensive income for the year	—	—	8	—	8
Total comprehensive income	—	—	8	(2)	6
Balance at 31 December 2019 and 1 January 2020	347	—	4	(2)	349
Change in equity for 2020:					
Loss for the year	—	—	—	(545)	(545)
Other comprehensive income for the year	—	—	(8,527)	—	(8,527)
Total comprehensive income	—	—	(8,527)	(545)	(9,072)
Issue of shares (Note 25(b))	710	104,999	—	—	105,709
Balance at 31 December 2020 and 1 January 2021	<u>1,057</u>	<u>104,999</u>	<u>(8,523)</u>	<u>(547)</u>	<u>96,986</u>
Change in equity for 2021:					
Loss for the year	—	—	—	(222)	(222)
Other comprehensive income for the year	—	—	(2,767)	—	(2,767)
Total comprehensive income	—	—	(2,767)	(222)	(2,989)
Balance at 31 December 2021 and 1 January 2022	1,057	104,999	(11,290)	(769)	93,997
Change in equity for the five months ended 31 May 2022:					
Loss for the period	—	—	—	(12)	(12)
Other comprehensive income for the period	—	—	3,570	—	3,570
Total comprehensive income	—	—	3,570	(12)	3,558

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25(b))	(Note 25(d)(i))	(Note 25(d)(iv))		
Balance at 31 May 2022	1,057	104,999	(7,720)	(781)	97,555
(Unaudited)					
Balance at 31 December 2020 and 1 January 2021	1,057	104,999	(8,523)	(547)	96,986
Change in equity for the five months ended 31 May 2021:					
Loss for the period	—	—	—	(161)	(161)
Other comprehensive income for the period	—	—	(2,440)	—	(2,440)
Total comprehensive income	—	—	(2,440)	(161)	(2,601)
Balance at 31 May 2021	1,057	104,999	(10,963)	(708)	94,385

(b) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 November 2018 with an authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each.

On 14 November 2018, the Company issued and allotted 1 share with a par value of USD1.00 and 49,999 shares with a par value of USD 1.00 each (RMB equivalent 347,000) with fully paid respectively, to the shareholders of the Company, as detailed in the section headed “History, Reorganization and Corporate Structure” to the Prospectus.

On 24 March 2020, the Company issued and allotted a total of 100,000 new shares with a par value of USD1.00 each (RMB equivalent 710,000) with fully paid to the shareholders of the Company as detailed in the section headed “History, Reorganization and Corporate Structure” to the Prospectus. The shareholders of the Company subscribed 100,000 shares with total consideration of USD14,888,780 (RMB equivalent 105,709,000) on 24 March 2020.

On 1 May 2020, (i) the authorised share capital of the Company was increased from USD50,000 divided into 50,000 shares with a par value of USD1.00 each to USD2,000,000 divided into 2,000,000 shares with a par value of USD1.00 each by creation of additional 1,950,000 shares with a par value of USD1.00 each; (ii) each authorised, issued and unissued share of USD1.00 was subdivided into 2,000,000,000 shares with a par value of USD0.001 each. Upon completion of the increase of authorised share capital and share subdivision, the authorised share capital of the Company was USD2,000,000 divided into 2,000,000,000 shares with par value of USD0.001 each.

Accordingly, the issued 150,000 shares of the Company with par value of USD1.00 each are subdivided into 150,000,000 shares with a par value of USD0.001 each thereafter.

(c) Dividends

The directors of the Company did not propose any declaration of dividend during the Relevant Periods.

(d) *Nature and purpose of reserves*

(i) Share Premium

Share premium represents the difference between the consideration and the par value of the issued and paid-up shares of the Company.

(ii) Capital reserve

Capital reserve represents the excess of consideration paid by the Group over the paid-in capital of Buyang Wheel pursuant to a reorganisation as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

In 2018, the Company, through its wholly-owned subsidiary, acquired 1% and 99% equity interests in Buyang Wheel from the then equity holder of Buyang Wheel, which is also controlled by Mr. Xu Buyun, with an aggregate consideration of RMB105,000,000. The total consideration for such acquisition of equity interests under common control was accounted for as deemed distribution and debited to capital reserve of the Group, among which RMB1,050,000 was settled on 27 March 2019 and RMB103,950,000 was settled on 24 March 2020, which give rise to an outstanding payable of RMB72,450,000 and RMB31,500,000 to Mr. Xu Buyun and Ms. Chen Jiangyue as at 31 December 2019, respectively, for deemed distribution arising from the reorganisation.

(iii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which is incorporated in the PRC. The PRC statutory reserve is established until the reserve balance reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, the PRC statutory reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is handled with in accordance with the accounting policies set out in Note 2(s).

(e) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt-to-asset ratios as at 31 December 2019, 2020 and 2021 and 31 May 2022 were as follows:

	<u>At 31 December</u>			<u>At 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Total liabilities	209,553	163,098	133,842	119,495
Total assets	248,089	339,833	348,262	350,265
Debt to asset ratios	<u>84.47%</u>	<u>47.99%</u>	<u>38.43%</u>	<u>34.12%</u>

26 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and financial risk management policies and practises used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. As at 31 December 2019, 2020 and 2021 and 31 May 2022, 4.39%, 25.25%, 4.91% and 8.89%, respectively, of trade receivables were due from the Group's largest customer and 37.82%, 53.90%, 37.84% and 39.05%, respectively, of trade receivables were due from the Group's five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mostly due from the date of revenue recognition. Normally, the Group does not obtain collateral from customers.

The Group does not provide any guarantees which would expose the Group to credit risk.

In respect of trade receivables, the Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix and individually determined to be impaired.

At 31 December 2019, 2020 and 2021 and 31 May 2022, the Group's trade receivables of RMB nil, RMB357,000, RMB2,056,000 and RMB6,748,000 respectively were individually determined to be impaired. The individually impaired receivables related to a customer that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for impairment of trade and other receivables of RMB nil, RMB357,000, RMB231,000 and RMB996,000 respectively were recognised as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

For the provision matrix method, as the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on ageing information which is analysed base on the date of revenue recognition is not further distinguished between the Group's different customer bases.

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables by using a provision matrix as at 31 December 2019, 2020 and 2021 and 31 May 2022:

	<u>At 31 December 2019</u>		
	Expected loss rate	Gross carrying	Loss
		amount	allowance
		%	RMB'000
Within 3 months	0.08%	41,020	34
Over 3 months but within 6 months	0.21%	2,326	5
Over 6 months but within 12 months	2.27%	1,099	25
Over 12 months	100.00%	8	8
		<u>44,453</u>	<u>72</u>

	<u>At 31 December 2020</u>		
	Expected loss rate	Gross carrying	Loss
		amount	allowance
		%	RMB'000
Within 3 months	0.09%	61,232	55
Over 3 months but within 6 months	1.83%	2,026	37
Over 6 months but within 12 months	9.04%	708	64
Over 12 months	100.00%	98	98
		<u>64,064</u>	<u>254</u>

	At 31 December 2021		
	Expected	Gross	Loss
	loss rate	carrying	allowance
	%	RMB'000	RMB'000
Within 3 months	0.17%	70,032	117
Over 3 months but within 6 months	1.80%	5,098	92
Over 6 months but within 12 months	35.35%	495	175
Over 12 months	99.76%	411	410
		<u>76,036</u>	<u>794</u>

	At 31 May 2022		
	Expected	Gross	Loss
	loss rate	carrying	allowance
	%	RMB'000	RMB'000
Within 3 months	0.23%	68,311	159
Over 3 months but within 6 months	1.66%	5,709	95
Over 6 months but within 12 months	8.89%	1,069	95
Over 12 months	100.00%	678	678
		<u>75,767</u>	<u>1,027</u>

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance in respect of trade receivables measured at amortised cost during the Relevant Periods is as follows:

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	2,669	72	611	1,025
(Reversal of impairment)/impairment loss recognised	(2,597)	539	771	998
Amounts written-off	—	—	(357)	—
At the end of the year/period	<u>72</u>	<u>611</u>	<u>1,025</u>	<u>2,023</u>

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each Relevant Periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	At 31 December 2019					
	Within	More than	More than	More than	Total	Carrying
	1 year or	1 year but	2 years but			
	on demand	less than	less than	5 years		
RMB'000	2 years	5 years	RMB'000	RMB'000	RMB'000	amount
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	182,636	—	—	—	182,636	182,636
Lease liabilities	857	857	2,571	8,570	12,855	8,751
Financial liabilities at fair value through profit or loss	643	—	—	—	643	643
	184,136	857	2,571	8,570	196,134	192,030
	184,136	857	2,571	8,570	196,134	192,030
	At 31 December 2020					
	Within	More than	More than	More than	Total	Carrying
	1 year or	1 year but	2 years but			
	on demand	less than	less than	5 years		
RMB'000	2 years	5 years	RMB'000	RMB'000	RMB'000	amount
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	50,957	—	—	—	50,957	50,059
Trade and other payables	86,539	—	—	—	86,539	86,539
Lease liabilities	857	857	2,571	7,713	11,998	8,379
	138,353	857	2,571	7,713	149,494	144,977
	138,353	857	2,571	7,713	149,494	144,977

At 31 December 2021						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	30,971	—	—	—	30,971	30,035
Trade and other payables	78,465	—	—	—	78,465	78,465
Lease liabilities	857	857	2,571	6,856	11,141	7,984
	<u>110,293</u>	<u>857</u>	<u>2,571</u>	<u>6,856</u>	<u>120,577</u>	<u>116,484</u>
At 31 May 2022						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	30,683	—	—	—	30,683	30,231
Trade and other payables	68,081	—	—	—	68,081	68,081
Lease liabilities	857	857	2,571	5,999	10,284	7,307
	<u>99,621</u>	<u>857</u>	<u>2,571</u>	<u>5,999</u>	<u>109,048</u>	<u>105,619</u>

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates are the cash at bank as at the end of each of the Relevant Periods. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates are bank loans as at 31 December 2020 and 2021 and 31 May 2022 that are measured at amortised cost, and the change of market interest rate does not materially expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and borrowings which give rise to receivables, cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD"), Euros ("EUR"), and Swiss Franc ("CHF").

(i) Exposure to currency risk

The following table details the Group's exposure as at 31 December 2019, 2020 and 2021 and 31 May 2022 to currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in

RMB translated using the spot rate of the end of each Relevant Periods. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB'000)															
	At 31 December												At 31 May			
	2019				2020				2021				2022			
	USD	EUR	CHF	RMB	USD	EUR	CHF	RMB	USD	EUR	CHF	RMB	USD	EUR	CHF	RMB
The functional currency is RMB:																
Trade and other receivables	37,441	—	—	—	56,368	—	—	—	53,241	—	—	—	55,334	—	—	—
Cash and cash equivalents	12,360	1,445	22	—	32,203	—	—	—	18,094	—	—	—	18,675	—	—	—
Pledged deposits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bank loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Trade and other payables	(2,524)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	47,277	1,445	22	—	88,571	—	—	—	71,335	—	—	—	74,009	—	—	—
The functional currency is HKD:																
Trade and other payables	—	—	—	(103,950)	—	—	—	—	—	—	—	—	—	—	—	—
Cash and cash equivalents	—	—	—	—	1	—	—	—	1	—	—	—	1	—	—	—
	—	—	—	(103,950)	1	—	—	—	1	—	—	—	1	—	—	—
Net exposure arising from recognised assets and liabilities	47,277	1,445	22	(103,950)	88,572	—	—	—	71,336	—	—	—	74,010	—	—	—

Changes in the fair value of foreign currency derivatives that economically hedge monetary liabilities denominated in foreign currencies are recognised in profit or loss (Note 5(b)). The net fair value of foreign currency derivatives used by the Group as economic hedges of monetary liabilities denominated in foreign currencies at 31 December 2019, 2020 and 2021 and 31 May 2022 were RMB 643,000, RMB nil, RMB nil and RMB nil respectively, recognised as foreign currency derivatives (Note 22).

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each Relevant Periods had changed at that date, assuming all other risk variables remained constant.

	At 31 December						At 31 May	
	2019		2020		2021		2022	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after tax and retained profits
%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	
USD	5% (5%)	1,773 (1,773)	5% (5%)	3,321 (3,321)	5% (5%)	2,675 (2,675)	5% (5%)	2,775 (2,775)
EUR	5% (5%)	54 (54)	5% (5%)	— —	5% (5%)	— —	5% (5%)	— —
CHF	5% (5%)	1 (1)	5% (5%)	— —	5% (5%)	— —	5% (5%)	— —
RMB	5% (5%)	(4,340) 4,340	5% (5%)	— —	5% (5%)	— —	5% (5%)	— —

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each Relevant Periods for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at 31 December 2019, 2020 and 2021 and 31 May 2022, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB.

(e) *Fair value measurement*

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in

HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2019	Fair value measurement at 31 December 2019 categorised into		
	RMB'000	Level 1	Level 2	Level 3
Liabilities:				
Financial liabilities at fair value through profit or loss				
— Foreign currency derivatives	643	—	643	—

	Fair value at 31 December 2020	Fair value measurement at 31 December 2020 categorised into		
	RMB'000	Level 1	Level 2	Level 3
Liabilities:				
Financial liabilities at fair value through profit or loss				
— Foreign currency derivatives	—	—	—	—

	Fair value at 31 December 2021	Fair value measurement at 31 December 2021 categorised into		
	RMB'000	Level 1	Level 2	Level 3
Liabilities:				
Financial liabilities at fair value through profit or loss				
— Foreign currency derivatives	—	—	—	—

	Fair value at 31 May 2022	Fair value measurement at 31 May 2022 categorised into		
	RMB'000	Level 1	Level 2	Level 3
Liabilities:				
Financial liabilities at fair value through profit or loss				
— Foreign currency derivatives	—	—	—	—

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of foreign exchange option contracts in Level 2 is determined by using Garman and Kohlhagen model. This model is an extension of Black Scholes model in foreign exchange options. The models incorporate various inputs, including risk-free interest rates of local currency and foreign currency.

The fair value of foreign exchange forward contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) Fair value of financial assets and liabilities carried at other than fair value

As at 31 December 2019, 2020 and 2021 and 31 May 2022, financial assets carried at other than fair value are expected to be collected in one year or less and these financial liabilities are due within one year or less. As a result, the carrying amount of these financial assets and liabilities not measured at fair value are a reasonable approximation of their fair value.

27 Commitments

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment:				
Contracted for	41	1,230	13	339

28 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	495	508	585	239	238
Contributions to defined contribution retirement plans	13	1	13	6	6
	<u>508</u>	<u>509</u>	<u>598</u>	<u>245</u>	<u>244</u>

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Name of and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Mr. Xu Buyun 徐步雲先生	Controlling shareholder of the Company
Mrs. Chen Jiangyue 陳江月女士	Mr. Xu Buyun's close family member and the shareholder of the Company
First Oriental Limited ("First Oriental")	Shareholder of the Company, controlled by Mr. Xu Buyun and Mrs. Chen Jiangyue
Ms. Xu Jingjun 徐璟珺女士	Mr. Xu Buyun's close family member and the key management personnel
Buyang PRC 步陽集團有限公司及其子公司*	Corporate Controlled by Mr. Xu Buyun, immediate holding company of Buyang Wheel before the Reorganisation
Zhejiang Feishen Automobile Co., Ltd. ("Zhejiang Feishen") 浙江飛神車業有限公司*	Corporate Controlled by Mr. Xu Buyun's close family member

* The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

(c) *Significant related party transactions*

The particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods:					
— Zhejiang Feishen	23	—	—	—	—
Increase in advances from:					
— Buyang PRC	171,987	1,994	—	—	—
— Ms. Xu Jingjun	1,050	—	—	—	—
— Zhejiang Feishen	—	—	—	—	—
— First Oriental	—	1,288	—	—	—
Decrease in advances from:					
— Buyang PRC	189,598	13,061	—	—	—
— Ms. Xu Jingjun	—	1,050	—	—	—
— Zhejiang Feishen	—	57	—	—	—
Fuel expenses and utilities paid/payable to:					
— Buyang PRC	23,379	9,549	7,874	3,251	2,882
Interest expense on lease liabilities:					
— Buyang PRC ⁽ⁱ⁾	507	485	462	189	180

Notes:

- (i) The amount of rent payable excluding value-added tax by the Group under the lease is RMB857,000 per year. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB10,310,000.

Bank loan of USD1,991,000 (equivalent to approximately RMB13,663,000) bearing interests at a fixed rate of 3.88% per annum were secured by trade receivables of the Group of USD2,237,000 (equivalent to approximately RMB15,351,000) and properties owned by Buyang PRC and guaranteed by Buyang PRC, and was repaid in October 2019.

Bank loans of RMB20,000,000 bearing interests at a fixed rate of 5.22% per annum were secured by properties owned by Mr. Xu Buyun and Mrs. Chen Jiangyue, and were repaid in October 2019. Bank loans of RMB30,000,000 bearing interests at a fixed rate of 5.00% per annum were secured by properties owned by Buyang PRC and guaranteed by Buyang PRC, and were repaid in October 2019. All the above-mentioned guarantees or pledge of assets provided by Buyang PRC, Mr. Xu Buyun and Mrs. Chen Jiangyue have been released before 31 December 2019.

(d) Significant related party balances

	At 31 December			At 31 May
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to:				
Zhejiang Feishen				
— Non-trade nature	57	—	—	—
Ms. Xu Jingjun				
— Non-trade nature	1,050	—	—	—
Mr. Xu Buyun				
— Non-trade nature				
— Payable for deemed distribution arising from reorganisation	72,450	—	—	—
Mrs. Chen Jiangyue				
— Non-trade nature				
— Payable for deemed distribution arising from reorganisation	31,500	—	—	—
First Oriental				
— Non-trade nature	—	1,187	1,153	1,197
Buyang PRC				
— Trade nature	1,154	280	485	3,742
— Non-trade nature	11,067	—	—	—
	<u>117,278</u>	<u>1,467</u>	<u>1,638</u>	<u>4,939</u>
Lease liabilities due to:				
— Buyang PRC	<u>8,751</u>	<u>8,379</u>	<u>7,984</u>	<u>7,307</u>

Amounts due from/(to) related parties are unsecured and interest-free.

Amounts due to related parties that are non-trade nature as at 31 May 2022 is the interest-free payables which will be settled by 18 November 2022 or upon listing of the Company's shares on the Stock Exchange, whichever is earlier.

29 Immediate and ultimate controlling party

At 31 December 2019, 2020 and 2021 and 31 May 2022, the directors consider the immediate parent of the Group to be First Oriental Limited. This entity does not produce financial statements available for public use. The directors consider the ultimate controlling party of the Group to be Mr. Xu Buyun.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the Relevant Periods and which have not been adopted in these Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements, Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKFRS 4, <i>Extension of the temporary exemption from applying HKFRS 9</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
HKFRS 17 <i>Insurance Contracts</i> and Amendments to HKFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

31 Subsequent events

- (a) The Subscription and Set-off Agreement dated 18 November 2022 entered into between the Company and First Oriental Limited, pursuant to which First Oriental Limited agreed to subscribe for, and the Company agreed to allot and issue 2,000,000 shares of the Company in consideration of HKD1,410,336.64 which shall be set-off by the amount due to First Oriental Limited by the Company of HKD1,410,336.64;
- (b) Pursuant to the resolutions of the Company's shareholders passed on 18 November 2022, conditional upon the fulfilment or waiver of the conditions set out in the section headed "Structure and Conditions of the Global Offering" and subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of new shares under global offering, the directors of the Company are authorised to allot and issue a total of 598,000,000 shares credited as fully paid at par to shareholders whose names appear on the register of members of our Company at the close of business on the date immediately prior to the Listing Date in proportion to their respective shareholdings by way of capitalisation of the sum of USD598,000 standing to the credit of the share premium account of the Company.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries that comprise the Group in respect of any period subsequent to 31 May 2022.