

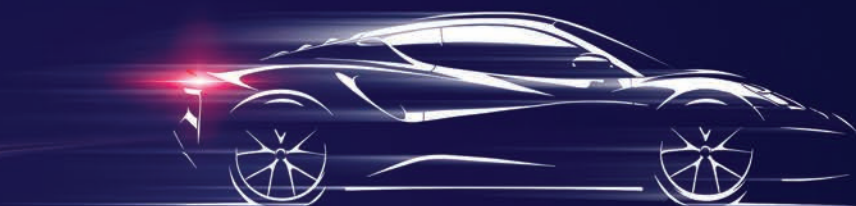


浙江世寶股份有限公司

ZHEJIANG SHIBAO COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1057



STEERING THE FUTURE

Interim Report **2026**

CONTENTS

Corporate Information	2
Key Accounting Information and Financial Indicators	6
Unaudited Interim Financial Statements	
Consolidated Balance Sheet	7
Balance Sheet of the Parent Company	9
Consolidated Income Statement	10
Income Statement of the Parent Company	11
Consolidated Statement of Cash Flows	12
Statement of Cash Flows of the Parent Company	13
Consolidated Statement of Changes in Equity	14
Statement of Changes in Equity of the Parent Company	15
Notes to the Financial Statements	16
Discussion and Analysis of Operations	109
Corporate Governance and Other Information	123
Glossary	127



CORPORATE INFORMATION

(English translation for reference only)



Legal Name

Zhejiang Shibao Company Limited*
浙江世寶股份有限公司

Board of Directors

Executive Directors

Mr. Zhang Bao Yi (張寶義) (*Vice Chairman and General Manager*)
Mr. Tang Hao Han (湯浩瀚) (*Vice Chairman and Deputy General Manager*)
Ms. Zhang Lan Jun (張蘭君) (*Finance Director*)
Mr. Zhou Yu (周裕) (*Deputy General Manager*)

Non-executive Directors

Mr. Zhang Shi Quan (張世權) (*Chairman*)
Mr. Zhang Shi Zhong (張世忠)

Employee Director

Mr. Wu Lang Ping (吳琅平)

Independent Non-executive Directors

Mr. Gong Jun Jie (龔俊傑) (*resigned on 30 June 2026*)
Mr. Li Xing Jian (李興建)
Mr. Min Haitao (閔海濤)
Mr. Tsui Chun Shing (徐晉誠)
Mr. Wang Zhi Fu (王志福) (*appointed on 30 June 2026*)

Senior Management

Mr. Yu Zhong Chao (虞忠潮)
Ms. Liu Xiao Ping (劉曉平)

Audit Committee

Mr. Tsui Chun Shing (徐晉誠) (*Chairman*)
Mr. Zhang Shi Zhong (張世忠)
Mr. Min Haitao (閔海濤)

Remuneration Committee

Mr. Tsui Chun Shing (徐晉誠) (*Chairman*)
Mr. Zhang Shi Zhong (張世忠)
Mr. Min Haitao (閔海濤)

Nomination Committee

Mr. Min Haitao (閔海濤) (*Chairman*)
Mr. Tsui Chun Shing (徐晉誠)
Ms. Zhang Lan Jun (張蘭君)

Investment and Strategy Committee

Mr. Zhang Shi Quan (張世權) (*Chairman*)
Mr. Zhang Bao Yi (張寶義)
Mr. Tang Hao Han (湯浩瀚)

Environmental, Social and Governance Committee

Mr. Zhang Bao Yi (張寶義) (*Chairman*)
Mr. Zhang Shi Quan (張世權)
Mr. Tang Hao Han (湯浩瀚)

* For identification purposes only



CORPORATE INFORMATION

(English translation for reference only)

Secretary of The Board

Ms. Liu Xiao Ping (劉曉平)

Company Secretary

Ms. Huen Lai Chun (禰麗珍)

Authorised Representatives

Ms. Zhang Lan Jun (張蘭君)

Ms. Huen Lai Chun (禰麗珍)

Registered Office

No. 2290 Hehua South Street,
Choujiang Jie Dao,
Yiwu, Zhejiang Province,
China (Post code: 322000)

Principal Place of Business in Hong Kong

Unit C, 5/F., Jonsim Place,
228 Queen's Road East, Wanchai,
Hong Kong

Legal Advisers

as to PRC law
King & Wood Mallesons Shanghai Office
17th Floor, One ICC,
999 Huaihai Middle Road,
Xuhui District, Shanghai,
China

Auditors

Pan-China Certified Public Accountants
Tower B, China Building,
1366 Qianjiang Road, Hangzhou,
Zhejiang Province,
China

Principal Bankers

Industrial and Commercial Bank of China Corporation Limited
– Yiwu Branch
No. 128, Huangyuan Road, Yiwu, Jinhua, Zhejiang Province, China

Industrial and Commercial Bank of China Corporation Limited
– Beijing Zi Zhu Yuan Road Sub-branch
1F, Yin Hai Mansion, No. 10, Zhong Guan Cun South Road Jia, Haidian District,
Beijing, China

Industrial and Commercial Bank of China Corporation Limited
– Hangzhou Qiantang District Sub-branch
No. 5, 6th Avenue, Qiantang District, Hangzhou, Zhejiang Province, China

Industrial and Commercial Bank of China Corporation Limited
– Siping Zhongyang Dong Lu Sub-branch
No. 141 Nanyijing Road, Tiedong District, Siping, Jilin Province, China

Industrial and Commercial Bank of China Corporation Limited
– Changzhou Luoxi Sub-branch
Nos. 7-118, 7-119, 7-120, Tonghang Square, Luoxi Town, Xinbei District,
Changzhou, Jiangsu Province, China

CORPORATE INFORMATION

(English translation for reference only)



Bank of China Limited
– Siping DiZhi Street Sub-branch
No. 311 Dizhi Street, Tiexi District, Siping, Jilin Province, China

Bank of Communications Co., Ltd.
– Anhui Pilot Free Trade Zone, Wuhu Area Sub-branch
1F, Office Building, No. 17 Gangwan Road, Wuhu Area of
China (Anhui) Pilot Free Trade Zone, China

China CITIC Bank Corporation Limited
– Hangzhou Economic and Technological Development Zone Sub-branch
Building 2, Singapore Hangzhou Science and Technology Park,
No. 2 Science Park Road, Baiyang Street, Qiantang District, Hangzhou,
Zhejiang Province, China

Hua Xia Bank Co., Limited
– Yiwu Sub-branch
1F, Building B7, Headquarters Economic Park, Choujiang Street, Yiwu,
Jinhua, Zhejiang Province, China

Shanghai Pudong Development Bank Co., Ltd.
– Wuhu Area of China (Anhui) Pilot Free Trade Zone Wuhu Sub-branch
1F, Wuhu Yihe Shangshui Hotel Building, Intersection of Gangwan Road and
Pujiang Road, Wuhu, Anhui Province, China

Bank of NingBo Co., Ltd.
– Jinhua Yiwu Fotang Small and Micro Integrated Sub-branch
No. 1045–1049, Block 11, Baolong Plaza, Fotang Town, Yiwu, Jinhua,
Zhejiang Province, China

Bank of Hangzhou Co., Ltd.
– Qiantang Sub-branch
No. 829 and 831 Jinsha Avenue, Qiantang District, Hangzhou,
Zhejiang Province, China



CORPORATE INFORMATION

(English translation for reference only)

Hong Kong H Share Registrar and Transfer Office

Contact Information

Place of Listing

Website

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

Corporate communication/Investor relations

Ms. Liu Xiao Ping (劉曉平) *Secretary of the Board*
No. 6, 17th Avenue,
Qiantang District,
Hangzhou,
Zhejiang Province,
China
(Post code: 310018)
Tel.: +86 571 2802 5692
Fax: +86 571 2802 5691
Email: ir@shibaogroup.com

Company secretary services

Ms. Huen Lai Chun (禰麗珍) *Company Secretary*
Unit C, 5/F., Jonsim Place,
228 Queen's Road East, Wanchai,
Hong Kong
Tel.: +852 3104 8118
Fax: +852 3104 8119
Email: ir@shibaogroup.com

A Shares: Shenzhen Stock Exchange
Stock Name: Zhejiang Shibao Stock Code: 002703
H Shares: The Stock Exchange of Hong Kong Limited
Stock Name: Zhejiang Shibao Stock Code: 1057

www.zjshibao.com

KEY ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

(English translation for reference only)

	January – June 2026 RMB (Unaudited)	January – June 2025 RMB (Unaudited)	Change
Revenue	1,720,713,225.78	1,524,160,127.15	12.90%
Net profit attributable to shareholders of listed company	103,717,594.73	93,034,442.81	11.48%
Net profit after non-recurring gains and losses attributable to shareholders of listed company	94,207,273.98	80,169,228.88	17.51%
Net cash flows from operating activities	207,634,645.58	91,180,969.09	127.72%
Basic earnings per share (RMB/Share)	0.1261	0.1131	11.49%
Diluted earnings per share (RMB/Share)	0.1261	0.1131	11.49%
Weighted average return on net assets	4.88%	4.68%	0.20%

	30 June 2026 RMB (Unaudited)	31 December 2025 RMB (Audited)	Change
Total assets	3,954,404,825.98	3,834,729,716.54	3.12%
Net assets attributable to shareholders of listed company	2,177,956,316.56	2,074,238,721.83	5.00%



UNAUDITED INTERIM FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

CONSOLIDATED BALANCE SHEET

30 June 2026

Item	30 June 2026	31 December 2025
Current Assets:		
Cash on hand and at bank	641,935,869.56	488,868,474.45
Financial assets held for trading	1,112,300.00	1,846,700.00
Accounts receivable	1,213,919,926.07	1,161,637,660.14
Financing receivables	199,399,330.76	428,919,782.43
Prepayments	21,004,421.05	10,131,834.42
Other receivables	3,350,087.08	2,550,186.83
Inventories	529,486,867.79	505,959,202.27
Other current assets	19,379,973.52	27,366,793.18
Total current assets	2,629,588,775.83	2,627,280,633.72
Non-current Assets:		
Investment in other equity instruments	10,000,000.00	
Investment property	218,230,723.92	222,528,386.69
Fixed assets	768,549,157.57	676,599,101.48
Construction in progress	147,238,045.97	133,601,448.90
Right-of-use assets	6,746,880.90	7,086,427.58
Intangible assets	79,945,269.11	77,162,888.51
Deferred income tax assets	46,532,658.25	44,244,220.92
Other non-current assets	47,573,314.43	46,226,608.74
Total non-current assets	1,324,816,050.15	1,207,449,082.82
Total Assets	3,954,404,825.98	3,834,729,716.54
Current Liabilities:		
Short-term borrowings	137,924,863.39	109,488,226.66
Notes payable	293,261,359.29	226,760,088.05
Accounts payable	1,035,962,859.95	1,130,764,560.89
Receipts in advance	9,056,601.66	4,250,507.11
Contract liabilities	18,378,564.12	15,366,470.31
Staff costs payable	38,521,966.12	52,838,819.88
Tax payable	5,334,482.76	9,757,416.52
Other payables	4,367,605.99	4,014,527.25
Non-current liabilities due within 1 year	2,038,487.19	1,776,177.16
Other current liabilities	127,430,940.37	123,971,870.86
Total current liabilities	1,672,277,730.84	1,678,988,664.69
Non-current Liabilities:		
Lease liabilities	4,814,295.14	5,529,833.00
Deferred income	61,568,930.27	45,784,336.43
Deferred income tax liabilities	1,755,940.22	1,756,698.22
Total non-current liabilities	68,139,165.63	53,070,867.65
Total liabilities	1,740,416,896.47	1,732,059,532.34

CONSOLIDATED BALANCE SHEET

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	30 June 2026	31 December 2025
Shareholders' Equity:		
Share capital	822,632,384.00	822,632,384.00
Capital reserve	493,434,091.80	493,434,091.80
Surplus reserve	152,936,965.74	152,936,965.74
Retained earnings	708,952,875.02	605,235,280.29
Total equity attributable to equity holders of the parent	<u>2,177,956,316.56</u>	<u>2,074,238,721.83</u>
Minority interests	<u>36,031,612.95</u>	<u>28,431,462.37</u>
Total equity	<u>2,213,987,929.51</u>	<u>2,102,670,184.20</u>
Total Liabilities and Equity	<u>3,954,404,825.98</u>	<u>3,834,729,716.54</u>

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei



BALANCE SHEET OF THE PARENT COMPANY

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	30 June 2026	31 December 2025
Current Assets:		
Cash on hand and at bank	22,262,928.82	13,660,126.71
Accounts receivable	269,822,329.82	314,896,683.81
Financing receivables	29,481,614.25	18,170,350.41
Prepayments	1,249,926.28	1,079,466.15
Other receivables	122,118,034.98	143,664,842.19
Inventories	79,016,740.97	69,906,399.43
Other current assets	1,678,435.58	684,386.27
Total current assets	525,630,010.70	562,062,254.97
Non-current Assets:		
Long-term receivables	498,406,996.78	482,149,768.96
Long-term equity investments	365,159,214.87	365,159,214.87
Investments in other equity instruments	10,000,000.00	
Investment property	218,230,723.92	222,528,386.69
Fixed assets	89,726,633.04	94,123,758.77
Construction in progress	6,964,925.23	1,064,308.02
Intangible assets	11,459,596.37	12,633,281.22
Deferred income tax assets	1,567,551.98	1,789,117.79
Total non-current assets	1,201,515,642.19	1,179,447,836.32
Total Assets	1,727,145,652.89	1,741,510,091.29
Current Liabilities:		
Short-term borrowings	23,012,707.49	34,022,666.66
Notes payable	13,500,000.00	9,300,000.00
Accounts payable	140,893,514.59	162,585,560.76
Receipts in advance	9,056,601.66	4,250,507.11
Contract liabilities	66,420.00	
Staff costs payable	6,210,495.91	5,331,150.60
Tax payable	1,186,486.06	2,836,312.93
Other payables	3,086,214.02	2,311,791.02
Other current liabilities	2,942,390.55	2,889,694.01
Total current liabilities	199,954,830.28	223,527,683.09
Non-current Liabilities:		
Deferred income	2,872,188.63	3,408,793.63
Total non-current liabilities	2,872,188.63	3,408,793.63
Total liabilities	202,827,018.91	226,936,476.72
Shareholders' Equity:		
Share capital	822,632,384.00	822,632,384.00
Capital reserve	498,867,056.74	498,867,056.74
Surplus reserve	89,709,062.88	89,709,062.88
Retained earnings	113,110,130.36	103,365,110.95
Total equity	1,524,318,633.98	1,514,573,614.57
Total Liabilities and Equity	1,727,145,652.89	1,741,510,091.29

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

CONSOLIDATED INCOME STATEMENT

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2026	January – June 2025
1. Total operating revenue	1,720,713,225.78	1,524,160,127.15
Including: Operating revenue	1,720,713,225.78	1,524,160,127.15
2. Total operating costs	1,610,929,796.25	1,440,140,763.01
Including: Operating costs	1,395,581,939.40	1,249,656,548.38
Business taxes and surcharges	9,218,580.31	10,536,953.95
Selling expenses	26,856,998.37	23,222,614.74
General and administrative expenses	75,228,356.41	73,834,235.77
Research and development expenses	102,950,580.17	83,500,294.63
Financial expenses	1,093,341.59	-609,884.46
Including: Interest expenses	1,210,838.93	495,065.87
Interest income	1,196,274.43	1,701,380.41
Add: Other gains	15,391,600.67	20,176,402.80
Investment gains (“–” as loss)	463,570.10	2,571,824.23
Gains on fair value change (“–” as loss)	-734,400.00	-467,843.58
Credit impairment losses (“–” as loss)	1,779,452.67	-2,227,772.24
Assets impairment losses (“–” as loss)	-16,724,901.69	-10,780,782.97
Gains from disposal of assets (“–” as loss)	-97,377.65	5,629,755.00
3. Operating profit (“–” as loss)	109,861,373.63	98,920,947.38
Add: Non-operating income	138,543.01	326,769.65
Less: Non-operating expenses	971,366.66	624,691.13
4. Total profit (“–” as total loss)	109,028,549.98	98,623,025.90
Less: Income tax expenses	-2,289,195.33	-3,473,187.87
5. Net profit (“–” as net loss)	111,317,745.31	102,096,213.77
(1) Classification by business continuity		
1. Net profit from continuing operations (“–” as net loss)	111,317,745.31	102,096,213.77
(2) Classification by ownership		
1. Net profit attributable to shareholders of the parent (“–” as net loss)	103,717,594.73	93,034,442.81
2. Profit or loss attributable to minority shareholders (“–” as net loss)	7,600,150.58	9,061,770.96
6. Other comprehensive income, net of tax		
7. Total comprehensive income	111,317,745.31	102,096,213.77
Total comprehensive income attributable to equity holders of the parent	103,717,594.73	93,034,442.81
Total comprehensive income attributable to minority shareholders	7,600,150.58	9,061,770.96
8. Earnings per share:		
(1) Basic earnings per share	0.1261	0.1131
(2) Diluted earnings per share	0.1261	0.1131

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei



INCOME STATEMENT OF THE PARENT COMPANY

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2026	January – June 2025
1. Operating revenue	236,457,470.66	236,914,197.73
Less: Operating costs	199,430,299.83	193,221,640.84
Business taxes and surcharges	2,553,990.26	2,326,221.23
General and administrative expenses	14,919,929.19	19,600,923.97
Research and development expenses	9,532,353.36	10,081,049.33
Financial expenses	346,419.09	166,448.01
Including: Interest expenses	377,691.92	300,788.88
Interest income	49,528.13	161,196.54
Add: Other gains	1,725,104.49	1,876,112.77
Investment gains (“–” as loss)	2,083,598.72	27,859,132.38
Credit impairment losses (“–” as loss)	–397.15	–481.04
Assets impairment losses (“–” as loss)	–3,369,575.10	–2,044,623.14
Gains from disposal of assets (“–” as loss)	–45,424.67	–172,714.39
2. Operating profit (“–” as loss)	10,067,785.22	39,035,340.93
Add: Non–operating income		0.02
Less: Non–operating expenses	101,200.00	91,113.70
3. Total profit (“–” as total loss)	9,966,585.22	38,944,227.25
Less: Income tax expenses	221,565.81	898,809.13
4. Net profit (“–” as net loss)	9,745,019.41	38,045,418.12
(1) Net profit from continuing operations (“–” as net loss)	9,745,019.41	38,045,418.12
5. Other comprehensive income, net of tax		
6. Total comprehensive income	9,745,019.41	38,045,418.12
7. Earnings per share		

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



Item	January – June 2026	January – June 2025
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,071,132,457.41	888,369,745.31
Return of taxes and levies	13,415,451.37	7,347,882.82
Cash received relating to other operating activities	189,734,945.24	129,312,666.60
Sub-total of cash inflow from operating activities	1,274,282,854.02	1,025,030,294.73
Cash paid for purchase of goods and acceptance of services	552,584,815.21	515,809,428.23
Cash paid to and on behalf of employees	212,449,799.99	181,088,107.70
Payment of taxes and levies	37,838,476.05	51,043,726.49
Cash paid relating to other operating activities	263,775,117.19	185,908,063.22
Sub-total of cash outflow from operating activities	1,066,648,208.44	933,849,325.64
Net cash flows from operating activities	207,634,645.58	91,180,969.09
2. Cash flows from investing activities:		
Cash received from return of investments	331,991,473.00	383,250,196.15
Cash received from investment gains	837,253.45	3,106,517.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,266,152.89	11,823,586.60
Sub-total of cash inflow from investing activities	334,094,879.34	398,180,299.84
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	125,370,214.17	99,635,214.97
Cash paid for investments	311,991,473.00	385,000,000.00
Sub-total of cash outflow from investing activities	437,361,687.17	484,635,214.97
Net cash flows from investing activities	-103,266,807.83	-86,454,915.13
3. Cash flows from financing activities:		
Cash received from borrowings	78,912,155.90	42,600,000.00
Sub-total of cash inflow from financing activities	78,912,155.90	42,600,000.00
Cash paid for debt repayments	50,465,560.00	21,100,000.00
Cash paid for distribution of dividend and profit or payment of interest expenses	1,080,261.05	49,687,219.77
Cash paid relating to other financing activities	1,277,156.40	872,697.00
Sub-total of cash outflow from financing activities	52,822,977.45	71,659,916.77
Net cash flows from financing activities	26,089,178.45	-29,059,916.77
4. Effect of changes in foreign exchange rate on cash and cash equivalents	-144,723.14	-71,418.72
5. Net increase in cash and cash equivalents	130,312,293.06	-24,405,281.53
Add: Opening balance of cash and cash equivalents	304,145,318.69	212,968,954.82
6. Closing balance of cash and cash equivalents	434,457,611.75	188,563,673.29

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei



STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2026	January – June 2025
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	109,473,072.50	128,526,351.10
Cash received relating to other operating activities	19,292,069.07	6,652,705.77
Sub-total of cash inflow from operating activities	128,765,141.57	135,179,056.87
Cash paid for purchase of goods and acceptance of services	27,313,031.09	35,315,395.96
Cash paid to and on behalf of employees	20,514,566.68	17,590,429.04
Payment of taxes and levies	9,402,113.49	11,942,507.69
Cash paid relating to other operating activities	9,444,739.88	7,841,650.82
Sub-total of cash outflow from operating activities	66,674,451.14	72,689,983.51
Net cash flows from operating activities	62,090,690.43	62,489,073.36
2. Cash flows from investing activities:		
Cash received from return of investments		170,000,000.00
Cash received from investment gains		25,213,164.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	27,400.00	173,565.00
Cash received relating to other investing activities	29,658,689.94	
Sub-total of cash inflow from investing activities	29,686,089.94	195,386,729.71
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	15,869,099.98	31,875,678.95
Cash paid for investments	10,000,000.00	160,000,000.00
Cash paid relating to other investing activities	45,915,917.76	78,214,262.70
Sub-total of cash outflow from investing activities	71,785,017.74	270,089,941.65
Net cash flows from investing activities	-42,098,927.80	-74,703,211.94
3. Cash flows from financing activities:		
Cash received from borrowings	23,000,000.00	34,000,000.00
Sub-total of cash inflow from financing activities	23,000,000.00	34,000,000.00
Cash paid for debt repayments	34,000,000.00	11,000,000.00
Cash paid for distribution of dividend and profit or payment of interest expenses	387,651.09	49,647,804.16
Sub-total of cash outflow from financing activities	34,387,651.09	60,647,804.16
Net cash flows from financing activities	-11,387,651.09	-26,647,804.16
4. Effect of changes in foreign exchange rate on cash and cash equivalents	-1,309.43	48,910.47
5. Net increase in cash and cash equivalents	8,602,802.11	-38,813,032.27
Add: Opening balance of cash and cash equivalents	3,267,361.16	51,741,191.85
6. Closing balance of cash and cash equivalents	11,870,163.27	12,928,159.58

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

First half of 2026														
Item	Attributable to equity holders of the parent													
	Other equity instruments				Less: Inventory shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Sub-total	Minority interest	Total owner's equity
	Share capital	Preferred shares	Perpetual bonds	Others										
1. Balance at the end of last year	822,632,384.00				493,434,091.80			152,936,965.74		605,235,280.29		2,074,238,721.83	28,431,462.37	2,102,670,184.20
2. Balance at the beginning of year	822,632,384.00				493,434,091.80			152,936,965.74		605,235,280.29		2,074,238,721.83	28,431,462.37	2,102,670,184.20
3. Increase/decrease during the period ("+" for increase, "-" for decrease)														
(1) Total comprehensive income										103,717,594.73		103,717,594.73	7,600,150.58	111,317,745.31
(2) Profit distribution														
(i) Distribution to equity holders (or shareholders)														
(3) Special reserve														
(i) Withdrawal during the period							8,834,237.28					8,834,237.28	761,921.70	9,596,158.98
(ii) Usage during the period							8,834,237.28					8,834,237.28	761,921.70	9,596,158.98
4. Balance at the end of period	822,632,384.00				493,434,091.80			152,936,965.74		708,952,875.02		2,177,956,316.56	36,031,612.95	2,213,987,929.51

First half of 2025														
Item	Attributable to equity holders of the parent													
	Other equity instruments				Less: Inventory shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Sub-total	Minority interest	Total owner's equity
	Share capital	Preferred shares	Perpetual bonds	Others										
1. Balance at the end of last year	822,632,384.00				493,434,091.80			147,118,034.42		479,895,222.14		1,943,079,732.36	7,801,312.35	1,950,881,044.71
2. Balance at the beginning of year	822,632,384.00				493,434,091.80			147,118,034.42		479,895,222.14		1,943,079,732.36	7,801,312.35	1,950,881,044.71
3. Increase/decrease during the period ("+" for increase, "-" for decrease)														
(1) Total comprehensive income										43,676,499.77		43,676,499.77	9,061,770.96	52,738,270.73
(2) Profit distribution										93,034,442.81		93,034,442.81	9,061,770.96	102,096,213.77
(i) Distribution to equity holders (or shareholders)										-49,357,943.04		-49,357,943.04		-49,357,943.04
(3) Special reserve														
(i) Withdrawal during the period							5,641,797.82					5,641,797.82	561,931.90	6,203,729.72
(ii) Usage during the period							5,641,797.82					5,641,797.82	561,931.90	6,203,729.72
4. Balance at the end of period	822,632,384.00				493,434,091.80			147,118,034.42		523,571,721.91		1,986,756,232.13	16,863,083.31	2,003,619,315.44

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

		First half of 2026											
		Other equity instruments				Capital reserve	Less: Inventory shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Others	Total owner's equity
		Share capital	Preferred shares	Perpetual bonds	Others								
Item													
1.	Balance at the end of last year	822,632,384.00				498,867,056.74				89,709,062.88	103,365,110.95		1,514,573,614.57
2.	Balance at the beginning of year	822,632,384.00				498,867,056.74				89,709,062.88	103,365,110.95		1,514,573,614.57
3.	Increase/decrease during the period ("-" for decrease)										9,745,019.41		9,745,019.41
	(1) Total comprehensive income										9,745,019.41		9,745,019.41
	(2) Profit distribution												
	(i) Distribution to equity holders (or shareholders)												
	(3) Special reserve												
	(i) Withdrawal during the period								2,532,561.70				2,532,561.70
	(ii) Usage during the period								2,532,561.70				2,532,561.70
4.	Balance at the end of period	822,632,384.00				498,867,056.74				89,709,062.88	113,110,130.36		1,524,318,633.98

	First half of 2025											
	Other equity instruments				Capital reserve	Less: Inventory shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Others	Total owner's equity
Item	Share capital	Preferred shares	Perpetual bonds	Others								
1. Balance at the end of last year	822,632,384.00			498,867,056.74				83,890,131.56	100,352,672.16			1,505,742,244.46
2. Balance at the beginning year	822,632,384.00			498,867,056.74				83,890,131.56	100,352,672.16			1,505,742,244.46
3. Increase/decrease during the period ("-" for decrease)										-11,312,524.92		-11,312,524.92
(1) Total comprehensive income										38,045,418.12		38,045,418.12
(2) Profit distribution										-49,357,943.04		-49,357,943.04
(i) Distribution to equity holders (or shareholders)										-49,357,943.04		-49,357,943.04
(3) Special reserve												
(i) Withdrawal during the period								1,614,461.17				1,614,461.17
(ii) Usage during the period								1,614,461.17				1,614,461.17
4. Balance at the end of period	822,632,384.00			498,867,056.74				83,890,131.56	89,040,147.24			1,494,429,719.54

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



1. GENERAL

Zhejiang Shibao Company Limited (hereafter referred to as the “Company”) is a joint stock limited company approved by the document (ZHE SHANG SHI 2004 37) (浙上市2004 37號) issued by the Listing Affair Team (上市工作領導小組) of the People’s Government of Zhejiang Province. The Company was established by ways of promotion jointly by Zhejiang Shibao Holding Group Co., Ltd., Wu Wei Xu (吳偉旭), Wu Lang Yue (吳琅躍), Du Chun Mao (杜春茂) and Chen Wen Hong (陳文洪) on the basis of Zhejiang Shibao Steering Gear Co., Ltd.. The Company was registered and incorporated with Zhejiang Administration for Industry & Commerce on 30 April 2004. Currently, it holds the business licence with a creditability code (913300001476445210) issued by the Zhejiang Administration Bureau of Industry and Commerce. The current share capital of the Company is RMB822,632,384.00 divided into a total of 822,632,384 shares (RMB1 for each share). Of which, shares with selling restrictions include 19,799,310 A Shares; shares without selling restrictions include 586,048,074 A Shares and 216,785,000 H Shares. The Company’s Shares were listed on the GEM of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange on 16 May 2006 and 2 November 2012, respectively. On 9 March 2011, the Company’s Shares were approved to be listed and traded on the Main Board of the Hong Kong Stock Exchange. It has consolidated to the main board of Shenzhen Stock Exchange since 6 April 2021.

The Company operates in the automotive parts and components manufacturing industry. The main business activities are the R&D, production and sales of automotive steering gears and other key components of steering systems.

The financial statements have been approved for publication at the 15th meeting of the eighth session of the Board of the Company on 21 August 2026.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of Preparation

The financial statements of the Company are presented on the going concern basis.

(2) Evaluation on Ability of Continuing Operation

The Company does not have any event or circumstance that arises material concerns about assumptions on continuing operation within twelve months from the end of the Reporting Period.

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Important Note: The Company has made specific accounting policies and accounting estimates regarding impairment on financial assets, inventories, depreciation of fixed assets, construction in progress, intangible asset and income recognition according to actual production and operation features.

(1) Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the requirements of ASBE, and have truly and fully reflected the information of the Company, including the financial position, results of operations and cash flows.

(2) Accounting Year

The accounting year is from 1 January to 31 December.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(3) Operating Cycle

The operating business cycle of the Company is relatively shorter. A period of 12 months is taken to identify the current nature of assets and liabilities.

(4) Functional Currency

Renminbi ("RMB") is adopted as functional currency.

(5) Method for Determining Materiality Criteria and Basis for Selection

The Company prepares and discloses financial statements in accordance with the principle of materiality. The matters disclosed in the notes to the financial statements involving the judgment of materiality criteria and the determination methods and selection basis of materiality criteria are as follows:

Matters disclosed involving the judgment of materiality criteria	Method for determining materiality criteria and basis for selection
Material accounts receivable with bad debt provision on individual basis	Individual basis exceeding of total assets $\times 0.1\%$
Recovery or reversal for bad debt provisions of material accounts receivable	
Material accounts receivable written off	
Other material receivables with bad debt provision on individual basis	Individual basis exceeding of total assets $\times 0.1\%$
Recovery or reversal for bad debt provisions of other material receivables	
Other material accounts receivable written off	
Material prepayments aged over 1 year	Individual basis exceeding of total assets $\times 0.1\%$
Material construction in progress	Individual basis of construction investment exceeding of total assets $\times 0.3\%$
Material accounts payable aged over 1 year	Individual basis exceeding of total assets $\times 0.1\%$
Other material payables aged over 1 year	Individual basis exceeding of total assets $\times 0.1\%$
Material receipts in advance aged over 1 year or overdue	Individual basis exceeding of total assets $\times 0.1\%$
Material contract liabilities aged over 1 year	Individual basis exceeding of total assets $\times 0.1\%$
Material cash flows from investing activities	Individual basis exceeding of total assets $\times 5\%$
Significant non-wholly owned subsidiaries	Total assets exceeding 1% of the Group's total assets

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(6) Accounting Treatment for Business Combinations Involving and Not Involving Entities Under Common Control

1. Accounting treatment for business combinations involving entities under common control

Assets and liabilities obtained by the Company in the business combination are recognised at their carrying amounts at the combination date as recorded by the party being combined. The Company adjusts its capital reserves by the difference between the carrying amount of the ownership rights in the acquiree accounted for in the consolidated financial statement of the ultimate controlling party and the carrying amount of the consideration paid for the business combination (or aggregate carrying amount of the shares issued). If the balance of the capital reserve is insufficient for the written-off, then the retained profits will be adjusted accordingly.

2. Accounting treatment for business combinations not involving entities under common control

The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the combination date, was recognised as goodwill. In case the fair value of the consideration paid is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree and the consideration paid for the combination is conducted. If the review indicates that the fair value of the consideration paid is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

(7) Judgment Criteria of Control and Preparation Basis of Consolidated Financial Statements

1. Judgment criteria of control

Control is achieved when the Group has power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power of the investee to influence the amount of returns.

2. Preparation basis of consolidated financial statements

The parent includes all subsidiaries under its control in the consolidation scope for consolidated financial statements, which are prepared by the parent pursuant to ASBE 33 – Consolidated financial statements based on the financial statements of the parent and its subsidiaries and other relevant information.

(8) Recognition Standards for Cash and Cash Equivalents

Cash shown in the Statement of Cash Flows comprises cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

(9) Foreign Currency Translation

Upon initial recognition, foreign currency transactions are translated into Renminbi amounts using the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from different exchange rates, except those relating to the principle of and interests on the foreign currency borrowings for the acquisition, construction or production of assets eligible for capitalization, are recognised in current profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change its carrying amount in Renminbi. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate at the fair value recognition dates. The differences arising from the above translations are recognised in current profit or loss or capital reserves.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Financial Instruments

1. Classification of financial assets and financial liabilities

The Company classifies its financial assets into the following three categories at initial recognition: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss (FVTPL).

The Company classifies its financial liabilities into the following four categories at initial recognition: (1) financial liabilities at FVTPL; (2) financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets; (3) financial guarantee contracts not classified as those specified in the above item (1) or (2), and loan commitment for loans to be granted at an interest rate below the market rate which is not classified as those specified in the above item (1); and (4) financial liabilities at amortised cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Basis of recognition and initial measurement method of financial assets and financial liabilities

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument. Financial assets or financial liabilities are initially recognised at fair value. For financial assets or financial liabilities at FVTPL, the relevant transaction costs are directly recognised in current profit or loss; for other financial assets or financial liabilities, the relevant transaction costs are recognised in their initial recognition amount. However, accounts receivable initially recognised by the Company which do not contain a significant financing component, or financing components in a contract valid for less than one year which are not considered by the Company, are initially measured at transaction price as defined in ASBE 14 – Revenue.

(2) Subsequent measurement of financial assets

1) Financial assets at amortised cost

They are subsequently measured at amortised cost, using the effective interest method. Any gains or losses on financial assets at amortised cost which are not part of the hedging relationship is recorded in the current profit or loss at derecognition, reclassification, amortisation using the effective interest method, or recognition of impairment.

2) Debt instrument investments at fair value through other comprehensive income

They are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method are recorded in the current profit or loss, while other gains or losses are recorded in other comprehensive income. At derecognition, cumulative gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in the current profit or loss.

3) Equity instrument investment at fair value through other comprehensive income

They are subsequently measured at fair value. Dividends obtained (excluding those obtained as investment costs recovered) are recorded in the current profit or loss, while other gains or losses are recorded in other comprehensive income. At derecognition, cumulative gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in retained profits.

4) Financial assets at FVTPL

They are subsequently measured at fair value, and any gain or loss therefrom (including interest and dividend incomes) is recorded in the current profit or loss, unless such financial assets are part of the hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Financial Instruments *(continued)*

2. Recognition, measurement and derecognition of financial assets and financial liabilities *(continued)*

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at FVTPL

Such financial liabilities include trading liabilities (including derivative instruments classified as financial liabilities) and financial liabilities designated as at FVTPL. Such financial liabilities are subsequently measured at fair value. Changes in fair value of financial liabilities designated as at FVTPL as a result of changes in the Company's own credit risk are recorded in other comprehensive income, unless this approach creates or enlarges an accounting mismatch in the profit or loss. Other gains or losses on such financial liabilities (including interest expenses and changes in fair value other than as a result of changes in the Company's own credit risk) is recorded in the current profit or loss, unless such financial assets are part of the hedging relationship. At derecognition, cumulative gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in retained profits.

2) Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets

Measured in accordance with ASBE 23 — Transfer of Financial Assets.

3) Financial guarantee contracts not classified as those specified in 1) or 2) above, and loan commitment for loans to be granted at an interest rate below the market rate which is not classified as those specified in the above 1)

Subsequently measured at the higher of the following two amounts upon initial recognition: ① the amount of loss provision determined in accordance with the impairment provisions of financial instruments, and ② initial amount recognized net of accumulated amortization determined in accordance with relevant requirements of "ASBE 14 — Revenue".

4) Financial liabilities at amortised cost

They are measured at amortised cost, using the effective interest method. Any gains or losses on financial liabilities at amortised cost which are not part of the hedging relationship is recorded in the current profit or loss at derecognition, or amortisation using the effective interest method.

(4) Derecognition of financial assets and liabilities

1) Financial assets are derecognised when one of the following conditions is met:

① contractual rights to the cash flows from the financial assets expire;

② the financial assets have been transferred, and such transfer meets the requirements in ASBE 23 — Transfer of Financial Assets on derecognition of financial assets.

2) financial liabilities (or part thereof) are derecognised if present obligations for the financial liabilities (or part thereof) are released.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Financial Instruments *(continued)*

3. Recognition and measurement of transfer of financial assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, the Company shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; if the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company shall continue to recognise the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and (1) if the Company has not retained control of the financial asset, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; (2) if the Company has retained control of the financial asset, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset, and relevant liabilities accordingly.

If a transfer of financial assets in their entirety qualifies for derecognition, the difference between the following two items is recorded in the current profit or loss: (1) the carrying amount of the transferred financial assets at the date of derecognition; (2) the sum of the consideration received for the transfer of financial assets and the portion of accumulated fair value adjustments previously recorded in other comprehensive income which is derecognised (with the transferred assets being debt instrument investments at fair value through other comprehensive income). If a part of a financial asset is transferred, and such transferred portion qualifies for derecognition in its entirety, the carrying amount of the financial asset prior to the transfer is allocated between the portion derecognised and the portion retained, based on their respective relative fair values at the date of transfer, and the difference between the following two items is recorded in the current profit or loss: (1) the carrying amount of the portion derecognised; (2) the sum of the consideration of the portion derecognised, and the portion of accumulated fair value adjustments previously recorded in other comprehensive income which is derecognised (with the transferred assets being debt instrument investments at fair value through other comprehensive income).

4. Determination of fair value of financial assets and financial liabilities

The Company recognizes the fair values of relevant financial assets and financial liabilities by adopting valuation techniques which are currently applicable and have sufficient data available and other information support. The Company categorizes inputs of the valuation techniques into the following levels:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (2) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the relevant asset or liability, either directly or indirectly; including similar quoted prices of assets and liabilities in active markets, the same or similar quoted prices of assets and liabilities in non-active markets, other significant inputs other than quoted prices such as observable interest rate curves and return curves in the normal quoting intervals, and the inputs verified by the markets etc.;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. including interest rate, volatility in equity prices, future cash flows in respect of the abandoned obligations committed in the business combination, financial predictions using own data etc. which cannot be directly observed or verified by observable market data.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Financial Instruments *(continued)*

5. Impairment on financial assets

Based on expected credit losses, the Company accounts for the impairment of, and recognises provisions for losses on, financial assets at amortised cost, debt instrument investments at fair value through other comprehensive income, contract assets, lease receivables, loan commitment not classified as financial liabilities at FVTPL, and financial guarantee contracts not classified as financial liabilities at FVTPL or financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages. Among them, purchased or originated credit-impaired financial assets shall be discounted at the adjusted effective interest rate of the financial assets.

For purchased or originated credit-impaired assets, the Company recognises as loss reserves on the balance sheet date, only the cumulative changes in lifetime expected credit losses from initial recognition.

For receivables and contract assets arising from a transaction under ASBE 14 — Revenue, the Company adopts a simplified measurement approach, and calculates the loss reserves based on the lifetime expected credit loss.

In addition to financial assets in respect of which the aforesaid measurement approaches are adopted, the Company assesses whether there has been a significant increase in its credit risk, at each balance sheet date. If there has been a significant increase in the credit risk since initial recognition, the loss reserves are measured at lifetime expected credit loss; if there has not been a significant increase in the credit risk since initial recognition, the loss reserves are measured at 12-month expected credit loss.

Whether there has been a significant increase in the credit risk on a financial instrument since initial recognition is determined, using available, reasonable and supportable information including forward-looking information, and through comparing the risk of default on the financial instrument at the balance sheet date to that at the date of initial recognition.

The Company assumes that there has not been a significant increase in the credit risk, if a financial instrument is determined to have a low credit risk at the balance sheet date.

The Company assesses the expected credit risk and measures the expected credit losses on the basis of an individual financial instrument or a group of financial instruments. When conducting an assessment and measurement based on a group of financial instruments, the Company categorizes financial instruments into various groups based on common characteristics of credit risks.

Expected credit losses are remeasured at each balance sheet date, and any increase or reversal of loss reserves arising therefrom is recorded in the current profit or loss as impairment losses or gains. For a financial asset at amortised cost, the loss reserve reduces the carrying amount of the financial asset as shown in the balance sheet; for a debt instrument investment at fair value through other comprehensive income, the loss reverse is recognised in other comprehensive income without reducing the carrying amount of the financial asset.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Financial Instruments *(continued)*

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately from each other in the balance sheet and are not offset. However, financial assets and financial liabilities are offset and the net amount are presented in the balance sheet when both of the following conditions are satisfied: (1) the Company has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Company intends either to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

When the transfer of financial assets does not satisfy the derecognition conditions, the Company shall not set off such transferred financial assets with the relevant liabilities.

(11) Recognition Criteria for and Provision Method of ECL of Accounts Receivable

1. Accounts receivable for which ECL is provided based on credit risk characteristics portfolio

Groups	Grouping basis	Expected credit loss calculation approach
Bank acceptance bills receivable	Type of notes	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate
Commercial acceptance bills receivable		
Accounts Receivable – grouping by age	Age	A table of the age of accounts receivable and the expected credit losses is prepared, and the expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions
Accounts Receivable – group of related dealings within the scope of combination	Related parties within the scope of combination (Note)	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate
Other receivables – group of receivables from government	Nature of receivables	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and 12-month or lifetime expected credit loss rate.
Other receivables – group of security deposits receivable		
Other receivables – group of imprest receivable and other groups		
Other receivables – group of related dealings within the scope of combination	Related parties within the scope of combination (Note)	

(Note): it represents the related parties within the scope of combination

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Recognition Criteria for and Provision Method of ECL of Accounts Receivable (continued)

2. Table of the aging of the group of age and the expected credit loss rate

Age	Expected credit loss rate of amounts receivable (%)
Within 1 year (inclusive)	0.09
1-2 years	5.52
2-3 years	23.15
Over 3 years	100.00

The aging of accounts receivable is calculated from the initial recognition date.

3. Recognition criteria for amounts receivable for which expected credit loss is provided on an individual basis

For amounts receivable with significantly different credit risks and portfolio credit risks, the Company makes provision for expected credit loss on an individual basis.

(12) Inventories

1. Classifications of inventories

Inventories are finished goods or merchandise held for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method at the end of every month.

3. Inventory system

The Company maintains a perpetual inventory system.

4. Amortisation methods for consumables including low-value consumables and packaging materials

(1) *Low-value consumables*

Low-value consumables are amortised in full when received for use.

(2) *Packaging materials*

Packaging materials are amortised in full when received for use.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(12) Inventories *(continued)*

5. Recognition criteria and provision method of provision for diminution in the value of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Any excess of the cost over the net realisable value of each item/class of inventories is recognised as a provision for diminution in the value of inventories. For inventories directly for sale, net realisable value is measured based on the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories that need processing, net realisable value is measured based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realisable values are determined and compared with their corresponding costs respectively to recognise the amount of provision, or reversal of provision, for diminution in the value of inventories.

(13) Non-current Assets or Disposal Groups Classified as Held for Sale, Termination of Operations

1. Classification of non-current assets or disposal groups held for sale

Non-current assets or disposal groups that meet the following conditions are classified as held for sale: (1) based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; (2) the sale is very likely to happen, that is, the company has already made a resolution on a sales plan and obtained a certain purchase commitment, and it is expected that the sale will be completed within one year.

The non-current assets or disposal groups that the Company has acquired specially for resale are classified as held for sale on the acquisition date when they meet the condition that "it is expected that the sale will be completed within one year" on the acquisition date, and are likely to satisfy other conditions of being classified as held for sale in a short-term (usually being 3 months).

If the Company undertakes to sell the non-current assets or disposal groups even though the non-related party transaction fails to be finished within one year as a result of the following reasons beyond the control of the Company, such non-current assets or disposal groups will continue to be classified as held for sale: (1) the buyer or other party unexpectedly sets conditions leading to delay of the sale, and the Company has taken measures for such conditions in a timely manner and is expected to deal with such delay factors successfully within one year since such conditions leading to the delay of the sale are set; (2) the sale of non-current assets or disposal groups held for sale fail to complete within one year due to rare circumstances, and in the first year, the Company has taken necessary measures for these new situations and re-satisfies the conditions of being classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(13) Non-current Assets or Disposal Groups Classified as Held for Sale, Termination of Operations *(continued)*

2. Measurement of the non-current assets or disposal groups held for sale

(1) Initial measurement and subsequent measurement

For the initial measurement and remeasurement of the non-current assets or the disposal groups held for sale on the balance sheet date, if their book value is higher than the net amount after the fair value less the selling expenses, the book value shall be reduced to the net amount after their fair value less the selling expenses, and the reduced amount is recognized as the impairment loss of assets and recorded in the current profit or loss with provision made for impairment of assets held for sale.

For the non-current assets or disposal groups classified as held for sale at the acquisition date, they are measured at the lower of their initial measurement amount and the net amount after their fair value less the selling expenses based on the assumption that such non-current assets or disposal groups are not classified as held for sale at the time of initial measurement. Except for the non-current assets or disposal groups acquired in a business combination, the difference arising from considering the net amount of such non-current assets or disposal groups after their fair value less the selling expenses as the initial measurement amount is recorded in the current profit or loss.

For the impairment loss amount of assets recognized in the disposal groups held for sale, it shall first write down the book value of the goodwill in the disposal groups, then write down the book value in proportion of the book value of each non-current asset in the disposal groups.

The non-current assets in the non-current assets or disposal groups held for sale is not depreciated or amortized, and the debt interests and other fees in the disposal groups held for sale continue to be recognized.

(2) Accounting treatment of the reverse of asset impairment loss

In respect of the non-current assets held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the asset impairment loss amount recognized after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The impairment loss on assets recognized before being classified as held for sale will not be reversed.

In respect of the disposal groups held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the asset impairment loss amount recognized in non-current assets after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The reduced book value of the goodwill as well as the impairment loss on assets recognized before the non-current assets are classified as held for sale will not be reversed.

The subsequent reversed amount in respect of the impairment loss on assets recognized in the disposal groups held for sale will increase the book value in proportion of the book value of each non-current assets (other than goodwill) in the disposal groups.

(3) Accounting treatment of the non-current assets or disposal group that no longer being classified as held for sale and being derecognized

If the non-current assets or disposal groups are no longer classified as held for sale since they no longer meet the condition of being classified as held for sale or the non-current assets are removed from the disposal groups held for sale, they will be measured at the lower of the following: 1) the amount after their book value before they are classified as held for sale is adjusted based on the depreciation, amortization or impairment that should have been recognized given they are not classified as held for sale; 2) the recoverable amount.

The unrecognized profit or loss will be recorded in the current profit or loss when derecognizing the non-current assets or disposal group held for sale.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(13) Non-current Assets or Disposal Groups Classified as Held for Sale, Termination of Operations *(continued)*

3. Criteria for recognition of termination of operations

A component that meets one of the following conditions, has been disposed of or is classified as held for sale and can be distinguished separately is recognized as the termination of operation:

- (1) The component represents an independent main business or a separate main operating area;
- (2) The component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;
- (3) The component is a subsidiary acquired exclusively for resale.

4. Presentation method of termination of operations

The Company presents profit or loss from continuing operations and profit or loss from termination of operations in the income statement. Operating profit or loss and disposal profit or loss such as impairment loss and reversal amount of termination of operations are presented as profit or loss from termination of operations. For the termination of operations presented in the current period, the information originally presented as profit or loss from continuing operations in the current financial statements is re-presented as the profit or loss from termination of operations in the comparable period. If the termination of operations no longer meets the conditions for the classification of the held for sale category, the information originally presented as the profit or loss from termination of operations in the current financial statements is re-presented as the profit or loss from continuing operations for the comparable period.

(14) Long-Term Equity Investments

1. Judgement on joint control and significant effects

Joint control is recognized as control held for a certain arrangement under the relevant agreement, the relevant activity of which should be unanimously agreed by the parties sharing the control. The influence is deemed as significant if there involves the power of participating in decision making on the financial and operational policies of the investee, but the power cannot control or jointly control with other parties the formulation of the policies.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(14) Long-Term Equity Investments *(continued)*

2. Determination of investment cost

- (1) If formed through corporate merge under joint control, and the consideration for such combination is settled by cash payment, transfer of non-cash assets, debt obligation and issuance of equity securities by the merging party, the initial investment cost shall be the Company's share of the carrying amount of shareholders' equity of the party being combined showed in the consolidated financial statement of the equities under common control at the combination date. The difference between the initial investment cost of the long term equity investment and the carrying amount of paid combined consideration or the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

The Company realizes long-term equity investment formed through business combination under joint control by trading step by step and judges whether the trade belongs to "package deal". For the trade which belongs to "package deal", the trades are handled as one trade which has obtained the right to control. For the trades which do not belong to "package deal", the initial investment cost shall be the share of the carrying amount shown on the consolidated financial statement of the equities under common control based on the net assets of the party being combined after combination at the combination date. The difference between the initial investment cost of long-term equity investment at the combination date and the carrying amount of the long-term equity investment before combination plus the carrying amount of new share consideration further obtained at the combination date shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

- (2) For a long-term equity investment obtained through a business combination not involving entities under common control, the initial investment cost is the fair value of the consideration given for combination at the acquisition date.

As for business combinations which involve enterprises not under common control and are carried out in stages, the accounting treatment of separate financial report and consolidated financial report shall be different:

- 1) In the separate financial report, the initial investment cost which is accounted for using the newly adopted cost method is the sum of carrying value of equity investment originally held and the addition of investment cost.
- 2) To judge whether the transaction is a "package deal" for the purpose of the consolidated financial statement. For the transaction which is categorized as a "package deal", the accounting treatment will be applied on it as if they were of a transaction obtaining the right to control the acquiree. For those which is not categorized as a "package deal", the equity interest of the acquiree held before the date of acquisition is re-measured according to its fair value at the date of acquisition. The difference between the fair value and its carrying amount is recognized as investment income of the applicable period. If the equity interests of the acquiree held before the date of acquisition involves other comprehensive income accounted for using equity accounting method, they are transferred to income for the period covering the date of acquisition together with the relevant other comprehensive income, excluding other comprehensive income resulting from changes in net liabilities or net assets arising from the designated benefit plan through the re-measurement on the investee.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(14) Long-Term Equity Investments *(continued)*

2. Determination of investment cost *(continued)*

- (3) A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the investment is acquired by cash, or at the fair value of the equity securities issued if the investment is acquired by issuing equity securities. For those obtained through debt restructuring, the initial investment cost is recognized pursuant to ASBE 12 — Debt Restructuring. For those obtained through exchange of non-monetary assets, the initial investment cost is recognized pursuant to ASBE 7 — Exchange of Non-monetary Assets.

3. Subsequent measurement and recognition

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The cost method is used for long-term equity investment of associates and joint ventures.

4. Accounting treatment on disposal of investment in a subsidiary to loss of its right to control in stages through various transactions

(1) Judgment principle of whether it is a “package deal”

If the equity investment in a subsidiary is disposed of in stages through multiple transactions until the control is lost, the Company determines whether the step-by-step transaction is a “package deal” by taking into account the terms of the transaction agreement for each step of the step-by-step transaction, the disposal consideration obtained, the target of the equity sold, the disposal method, the disposal time point and other information. The terms, conditions and economic effects of each transaction meet one or more of the following conditions, which generally indicate that multiple transactions are classified as a “package deal”:

- 1) These transactions were entered into at the same time or with consideration of each other’s influence;
- 2) These transactions as a whole can achieve a complete commercial result;
- 3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- 4) A transaction is not economical on its own, but it is economical when considered together with other transactions.

(2) Accounting treatment for the transaction which is not categorized as a “package deal”

1) Separate financial statements

For equity interests disposed of, the difference between the carrying amount and the actual consideration obtained is recognized as profit or loss. For the remaining equity interests, those which are still entitled to a significant influence on the investee or perform joint control with other parties are accounted for using equity method. Those which do not control, jointly control or have a significant influence on the investee are accounted for pursuant to the relevant regulations of ASBE 22 — Recognition and Measurement of Financial Instruments.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(14) Long-Term Equity Investments *(continued)*

4. Accounting treatment on disposal of investment in a subsidiary to loss of its right to control in stages through various transactions *(continued)*

(2) Accounting treatment for the transaction which is not categorized as a “package deal” *(continued)*

2) Consolidated financial statements

Prior to the loss of right to control, the capital reserve (capital premium) is adjusted with the difference between the consideration of the disposal and the entitled share of the net assets of the subsidiary that would have been entitled to by the disposed long-term equity investment and continuously accounted for from the acquisition date or combination date. If the balance of the capital premium is insufficient for the written-off, then the retained profits will be written off accordingly.

When the right to control the former subsidiary is lost, the remaining equities are re-measured at fair value at the date when the right to control is lost. The sum of the consideration obtained from disposal and the fair value of the remaining equity interests less the share of the net assets of the subsidiary that would have been entitled to and continuously accounted for according to the original shareholding percentage from the acquisition date or combination date is recognized as investment income for the period covering the date of loss of control, offsetting the goodwill at the same time. Other comprehensive income related to the equity investment in the former subsidiary shall be transferred to the investment income for the period covering the date of loss of control.

(3) Accounting treatment for the transaction which is categorized as a “package deal”

1) Separate financial statements

The transactions are treated as one single transaction of disposal of a subsidiary and loss of right to control. However, prior to the loss of right to control, the difference between each of the consideration of disposal and the book value of the long-term equity investment corresponding to the disposal of investment is recognized as other comprehensive income in the separate financial statements and transferred to profit or loss for the period covering when the right of control is lost.

2) Consolidated financial statements

The transactions are treated as one single transaction of disposal of a subsidiary and loss of right to control. However, prior to the loss of right to control, the difference between each of the consideration of disposal and the share of net assets of that subsidiary that would have been entitled to by the disposed investment is recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period covering when the right of control is lost.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(15) Investment Property

- Investment properties include the right to use the leased land, the land held for appreciation and transfer and the leased buildings.
- Investment properties are measured at cost initially and under the cost model subsequently, and are depreciated or amortised, using a method similar to that for fixed assets and intangible assets.

(16) Fixed Assets

1. Recognition of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful lives over one accounting year, and is measured at the actual cost incurred till it is ready for intended use.

2. Depreciation of fixed assets

Class	Depreciation method	Useful life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Life average	10–70	5	9.50–1.36
Machinery and equipment	Life average	5–15	5	19.00–6.33
Motor vehicles	Life average	4–8	5	23.75–11.88
Office equipment and others	Life average	3–10	5	31.67–9.50

(17) Construction in Progress

- Construction-in-progress is recognised when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost incurred till it is ready for intended use.
- Construction-in-progress is transferred into fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on the previous estimated value, but need not to adjust the depreciation retrospectively.

Class	Standards and timing for the transfer of construction in progress to fixed assets
Buildings	The main project and auxiliary project have been substantially completed and the project has met the pre-determined design requirements, and have completed the acceptance by inspection, design, construction, supervision and other units
Machinery and equipment	To meet the design requirements or contractual standards after installation and commissioning

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Borrowing Costs

1. Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

2. Timing of borrowing costs capitalization

- (1) Borrowing costs shall be capitalized when: 1) capital expenditures and 2) borrowing costs have been incurred, and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- (3) The capitalization of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalization are ready for their intended use or sale.

3. Capitalization rate and amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

(19) Intangible Assets

1. Intangible assets include land use rights, management software, patented technology, and non-patented technology, and are initially measured at cost.
2. Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the pattern of the economic benefits relating to the intangible assets are expected to be realised. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortised on a straight-line basis over the following useful life:

Item	Useful life and its determination basis	Amortization method
Land use rights	50 years, legal ownership	Straight-line basis
Patented technology	10 years, the useful life is determined with reference to the period that can bring economic benefits to the Company	Straight-line basis
Non-patented technology	5–10 years, the useful life is determined with reference to the period that can bring economic benefits to the Company	Straight-line basis
Management software	5 years, the useful life is determined with reference to the period that can bring economic benefits to the Company	Straight-line basis



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(19) Intangible Assets *(continued)*

3. The scope of R&D expenses

(1) Personnel labor expenses

Personnel labor expenses include salaries, basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund for the Company's R&D personnel, as well as labor expenses for external R&D personnel.

For R&D personnel serve multiple R&D projects at the same time, the labor expenses are determined based on the working hours of the R&D personnel of each R&D project provided by the management department of the Company, and are allocated among different R&D projects on a pro rata basis.

For personnel directly engaged in R&D activities and external R&D personnel engaged in non-R&D activities, the Company allocates the actual personnel labor expenses according to the working hours of R&D personnel in their different positions between R&D expenses and production and operation expenses based on reasonable methods such as the proportion of actual working hours.

(2) Direct input expenses

Direct input expenses refer to the relevant expenses actually incurred by the Company for the implementation of R&D activities. Including: 1) Direct consumption of materials, fuel and power; 2) The development and production of moulds and technical equipment for intermediate experiments and trial production of products, which do not constitute the purchase expenses for samples, prototypes and general testing methods of fixed assets, and the inspection expenses for trial production of products; 3) Operation, maintenance, adjustment, inspection, testing and maintenance expenses of instruments and equipment used in R&D activities.

(3) Depreciation expenses and long-term deferred expenses

Depreciation expenses refer to the charges for instruments, equipment and buildings in use for R&D activities.

Where instruments, equipment and buildings in use used for R&D activities, which are also used for non R&D activities, necessary records shall be made for the use of such instruments, equipment and buildings in use, and the actual depreciation expenses shall be allocated between R&D expenses and production and operation expenses using reasonable methods based on factors such as the actual working hours and area of use.

Long-term deferred expenses refer to the expenses incurred in the process of reconstruction, modification, renovation and repair of R&D facilities, which are classified according to the actual expenses and amortized equally over the specified period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(19) Intangible Assets *(continued)*

3. The scope of R&D expenses *(continued)*

(4) Amortization expense of intangible assets

Amortization expense of intangible assets refers to the amortization expense of software, intellectual property and non-patented technologies (proprietary technologies, licenses, design and calculation methods, etc.) used in R&D activities.

(5) Design expenses

Design expenses refer to the expenses incurred for the conceptualization, development and manufacturing of new products and processes, the formulation of processes, technical specifications, procedures, and the design of operational characteristics, including the expenses related to the creative design activities for obtaining innovative, creative and breakthrough products.

(6) Equipment commissioning expenses

Equipment commissioning expenses refer to the expenses incurred in R&D activities during the preparation of tooling, including the expenses incurred in the development of specialized production machines, changes in production and quality control procedures, or the formulation of new methods and standards.

The expenses incurred for regular tooling preparation and industrial engineering for large-scale batch and commercial production are not included in the classified scope.

(7) Entrusted external R&D expenses

Entrusted external R&D expenses refer to the expenses incurred by the Company in entrusting other domestic or overseas institutions or individuals to conduct R&D activities (the results of R&D activities are owned by the Company and are closely related to the Company's major operating business).

(8) Other expenses

Other expenses refer to other expenses directly related to R&D activities in addition to the above expenses, including technical books and reference materials, information translation, expert consultation, high-tech R&D insurance premiums, expenses for the retrieval, argumentation, assessment, appraisal and acceptance of R&D results and for the application, registration, agencies, conference, travelling, communication of intellectual property.

4. Expenditures for internal research and development activities are expensed in the period as incurred. The expenses of internal research and development projects during the development stage are recognised as intangible assets when all of the following conditions are satisfied: (1) The completion of such intangible assets for use or sale is technically feasible; (2) The Company has the intention to use or sell the intangible assets upon completion; (3) The way in which the intangible assets bring economic benefits shows that there exists consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilisation; (4) The Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; (5) The expenses attributable to such intangible assets can be measured reliably at the development stage.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(20) Partial Long-Term Asset Impairment

For long-term assets such as long-term equity investment, investment property measured under cost method, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, when there is evidence at the balance sheet date that the assets are impaired, the recoverable amounts are estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination.

If the recoverable amount of the abovementioned long-term assets is lower than its carrying amount, the difference is recognised as provision for asset impairment and recorded in the current profit or loss.

(21) Long-term deferred expenses

Long-term deferred expenses are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded at their actual costs, and evenly amortized within its beneficiary period or stipulated period. If items of long-term deferred expenses fail to be beneficial to the following accounting periods, the residual values of such items are all included in profit or loss.

(22) Staff Costs

1. Staff costs include short-term benefits, post-employment benefits, dismissal benefits and other long-term employee benefits.

2. Accounting treatment for short-term remuneration

During the accounting period when the staff is providing services for the Company, the actual short-term remuneration is recognized as liabilities and charged over profit or loss or relevant cost of asset for the current period.

3. Accounting treatment of post-employment benefits

Post-employment benefits are divided into the established withdrawal and deposit plan and the established benefit plan.

- (1) The Company will recognize the amounts shall be deposited as the debts according to the established withdrawal and deposit plan and recognize them in the current profit or loss or relevant assets cost during the period when the employee provides services to the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(22) Staff Costs *(continued)*

3. Accounting treatment of post-employment benefits *(continued)*

(2) The accounting treatment on the established benefit plan generally include the following procedures:

- 1) According to the projected unit credit method, the Company adopted unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, calculate the obligations arising from the defined benefit plan and determine the period of relevant obligations belonging to. Meanwhile, the obligation arising from the defined benefit plan is discounted to determine the present value of such obligation under the defined benefit plan and the service cost for the current period;
- 2) Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the defined benefit plan less the fair value of the defined benefit plan are recognised as a net debt or asset of a defined benefit plan. Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to calculate the net assets of the defined benefit plan;
- 3) At the end of the period, the cost of staff costs from the defined benefit plan will be recognised as the service cost, the net interest on the net assets or net debts from the defined benefit plan and the changes arising from the remeasurement of the net assets or net debts from the defined benefit plan. Of which, the service cost and the net interest on the net assets or net debts from the defined benefit plan will be recognised in the current profit or loss or relevant assets cost. The changes arising from the remeasurement of the net assets or net debts from the defined benefit plan will be recognised in other comprehensive income and shall not be reversed to the profit or loss in subsequent accounting periods, but the amounts recognised in other comprehensive income can be transferred within the scope of interests.

4. Accounting treatment of dismissal benefits

When provide dismissal benefits to the employee, the staff costs debts arising from the recognition of dismissal will be recognised in the current profit or loss at the earlier of: (1) when the Company cannot unilaterally withdraw the dismissal benefits for the release of the labour relationship or the dismissal proposal; (2) when the Company recognised relevant costs or expenses associated with the reorganization of the payment of the dismissal benefits.

5. Accounting treatment of other long-term benefits

Other long-term benefits provided by the Company to the employee, when meeting the determined conditions for withdrawal and deposit plan will conduct accounting treatment according to the determined withdrawal and deposit plan. Other long-term benefits other than this will conduct accounting treatment according to the determined benefit plan. In order to simplify the relevant accounting treatment, the generated staff costs is recognized as service cost and the total net amount of the components such as net interest amount of net liabilities or net assets in terms of other long-term employees' benefits and changes arising from re-measuring the net liabilities or net assets in terms of other long-term employees' benefits is recognized as profit or loss or relevant cost of asset for the current period.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(23) Provision for liability

1. Provisions for liability are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and loss-making contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of the obligation, and a reliable estimate of the amount of the obligation can be made.
2. Provisions are initially stated at the best estimate of the expenditure expected to be required for settling the present obligation. Carrying values of all provisions for liability are reviewed at balance sheet date.

(24) Revenue

1. Revenue recognition

At contract inception, the Company assesses the contract to identify each individual obligation thereunder and to determine whether an obligation is satisfied over time or at a point in time.

A performance obligation is satisfied over time if one of the following criteria is met, otherwise it is satisfied at a point in time: (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (2) the Company's performance creates goods that the customer controls as the goods are created; (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date during the term of the contract.

In the case of an obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. If the Company is unable to reasonably measure its progress towards complete satisfaction of a performance obligation and expects to recover the costs incurred, the revenue is recognised in line with cost incurred, until the progress towards complete satisfaction of a performance obligation can be reasonably determined. In the case of a performance obligation that is satisfied at a point in time, the revenue is recognised at the point in time at which a customer obtains control of relevant goods or services. To determine the point in time at which a customer obtains control of goods, the Company considers the following indicators: (1) the Company has a present right to payment for the goods, or the customer has the present obligation to pay for the goods; (2) the Company has transferred the legal title to the goods to the customer, or the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, or the customer has physical possession of the goods; (4) the Company has transferred the significant risks and rewards of ownership of the goods to the customer, or the customer has the significant risks and rewards of ownership of the asset; (5) the customer has accepted the goods; (6) other indicators that the customer obtains control of the goods.

2. Revenue measurement

- (1) The Company recognises as revenue the amount of the transaction price that is allocated to that performance obligation. Transaction price is the amount of consideration in a contract to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties or expected to be refunded to a customer.
- (2) If a contract has variable consideration, the Company determines the appropriate estimate based on the expected value or the most likely amount, provided that a transaction price including variable consideration shall not exceed the amount of cumulative revenue recognised which is highly unlikely to be subject to significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(24) Revenue *(continued)*

2. Revenue measurement *(continued)*

- (3) If a contract contains a significant financing component, the Company determines the transaction price based on the amount that a customer would have paid when it obtains control of goods or services. The difference between the transaction price and the contract consideration is amortised, using the effective interest method, during the term of the contract. The Company does not take into consideration, significant financing components contained in a contract, if the Company expects, at contract inception, that the period between when the Company transfers goods or services to a customer and when the customer pays for the goods or services will be one year or less.
- (4) If there are two or more performance obligations under a contract, the Company shall, at contract inception, allocate the transaction price to each performance obligation in proportion to the stand-alone selling prices of goods underlying each performance obligation.

3. Methods of revenue recognition

The Company sells automotive steering gears and other key components of steering systems, for which it shall perform obligations at a point in time. Revenue of products for domestic sales are recognised when the following conditions are satisfied: the Company has delivered the goods to customers according to contracts and customers have accepted the same; the payment for goods have been collected, or payment receipts have been received, and relevant future economic benefits will probably flow to the Company. Revenue of products for export sales are recognised when the following conditions are satisfied: the Company has declared the goods to customs in accordance with contracts and obtained a bill of lading; the payment for goods have been collected, or payment receipts have been received, and relevant future economic benefits will probably flow to the Company.

(25) Contract acquisition costs, Contract performance costs

Incremental costs incurred by the Company to obtain a contract which are expected to be recovered are treated as costs of obtaining a contract and recognised as an asset. Costs of obtaining a contract which are amortised over a period of not more than one year are directly recorded in the current profit or loss as incurred.

Costs incurred by the Company for the performance of a contract are recognised as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, fixed assets or intangible assets but meet all the following conditions:

- 1. they are directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;
- 2. they increase the resources to be utilised in the Company's future satisfaction of its performance obligation;
- 3. they are expected to be recoverable.

The Company amortizes assets relating to contract costs on the same basis as that for the recognition of revenue from goods or services relating to such assets and records the amortized assets in the current profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(25) Contract acquisition costs, Contract performance costs *(continued)*

If the carrying amount of assets related to contract costs exceeds the remaining consideration expected to be obtained due to the transfer of goods or services related to such assets less estimated costs to be incurred, the Company makes a provision for impairment for the excess and recognizes it as an impairment loss on the assets. If the remaining consideration expected to be obtained due to the transfer of goods or services related to the assets less estimated costs to be incurred exceeds the carrying amount of the assets due to subsequent changes in the impairment factors for prior periods, the provision for impairment previously made for the assets is reversed and included in the current profit or loss, provided that the carrying amount of the assets after the reversal is not more than the carrying amount of the assets as at the date of reversal assuming that the provision for impairment has not been made.

(26) Contract assets, Contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

The Company presents the right of the Company to charge consideration from the customer unconditionally (i.e. only depends on the passage of time) as a receivable, while the consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is presented as a contract assets.

The Company presents the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contract liability.

(27) Government Grants

1. The government grants are recognised when (1) the Company is able to comply with the conditions attaching to the government grants; (2) the Company is able to receive the government grants. Government grants which are monetary assets are measured at the amount received or receivable. Government grants which are non-monetary assets are measured at fair value, or at nominal amount if the fair value cannot be reliably measured.

2. Judgment basis and accounting methods on the government grants relating to assets

Government grants which shall be used for constructing or otherwise forming long-term assets as specified in government documents are classified as government grants related to assets. In the absence of specific requirements in government documents, the determination is made according to basic conditions for obtaining the grants; if constructing or otherwise forming long-term assets is treated as a basic condition, the grants are classified as government grants related to assets. Government grants relating to assets are offset against the carrying amount of such assets or recognised as deferred income. Government grants relating to assets recognised as deferred income are included in profit or loss on a reasonable and systematic basis over the useful lives of the relevant assets. Government grants measured at notional amount are directly recorded in profit or loss. For assets sold, transferred, disposed or damaged prior to the end of their useful lives, balance of unallocated deferred income is transferred to profit or loss for the period in which the disposal occurred.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(27) Government Grants *(continued)*

3. Judgment basis and accounting methods on the government grants relating to revenue

Other than government grants pertinent to assets, other government grants are government grants pertinent to income. The Company classifies government grants that contain both assets-related and income-related portion or those that are difficult to distinguish as the ones related to income on an entire basis. Government grants relating to income and applied towards reimbursement of related costs or losses in subsequent periods are recognised as deferred income and taken to current profit or loss or offset the related costs for the period in which the related costs or losses are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in current profit or loss or offset the related costs.

4. Government grants related to the Company's daily operations are included in other income or offset against relevant expenses according to the economic nature of business. Government grants that are not related to the Company's daily operations are included in the non-operating income or expenses.

(28) Deferred Tax Assets and Deferred Tax Liabilities

1. Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.
2. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.
3. The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognised in current profit or loss as tax expense or profit, excluding income tax arising from business combination, as well as transactions or items directly recognised in equity.
5. When the following conditions are met at the same time, the Company presents the deferred income tax assets and deferred income tax liabilities as the net amount after offsetting: (1) the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis; (2) the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxable entity or related to different taxable entities, but the involved taxable entities intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and pay off debts simultaneously in each future period in which significant deferred income tax assets and deferred income tax liabilities are reversed.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(29) Leases

1. Company as a lessee

As at the commencement date of the lease term, the Company identifies the leases with a lease term of 12 months or less and without purchase options as short-term leases, and the leases of individual leased assets with relatively low original value as low-value asset leases. Where the leased assets are sublet or expected to be sublet, the original leases are not identified as low-value asset leases.

For short-term leases and low-value asset leases, the amount of lease payment is included in the relevant asset costs or profit or loss on a straight-line basis over the lease term.

Except for the elective practical expedients adopted for the short-term leases and low-value asset leases, the Company recognizes right-of-use assets and lease liabilities for the leases as at the commencement date of the lease term.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost. Such cost includes: 1) the amount of the initial measurement of the lease liability; 2) any lease payments made on or before the commencement date of the lease less any lease incentives received (if any); 3) initial direct expenses incurred by the lessee; 4) costs expected to be incurred by the lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease.

Provision for depreciation is made on right-of-use assets by the Company on a straight-line basis. Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life of the leased assets. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(2) Lease liabilities

As at the commencement date of the leases, the Company recognizes lease liability at the present value of the outstanding lease payments. In calculating the present value of the lease payments, the Company uses the interest rate implicit in the leases or, if that rate cannot be readily determined, the incremental borrowing rate of the Company as the discount rate. The differences between the amount of lease payments and its present value are recognized as unrealized finance costs, for which interest expenses are calculated at the discount rate used to determine the present value of the lease payments over the lease term and are recorded in profit or loss. The variable lease payments not included in the measurement of the lease liability are charged to profit or loss in the period in which they are actually incurred.

After the commencement date of the lease term, when there is change in either the in-substance fixed payments, the amount expected to be payable under a residual value guarantee, the index or rate used to determine the amount of lease payments, the assessment results on the purchase options, extension options or termination options or the actual exercise of such options, the lease liability is remeasured to the present value of the revised lease payments, and a corresponding adjustment is made to the carrying amount of the right-of-use assets. Where the carrying amount of the right-of-use asset has been reduced to zero while further reduction is required to be made to the carrying amount of the lease liability, the remaining amount is recorded in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(29) Leases *(continued)*

2. Company as a lessor

On the commencement date of the lease, leases that transfer substantially all the risks and rewards of ownership of the leased asset are classified as finance leases, while others are classified as operating leases.

(1) Operating leases

The Company recognizes the lease receivables as rental income on a straight-line basis over the lease term, and the initial direct costs are capitalized and allocated on the same basis as that for the recognition of rental income and are charged in profit or loss in instalment. The variable lease payments received by the Company that are associated with the operating lease and are not included in the lease receivables are credited in the profit or loss when incurred.

(2) Finance leases

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases as at the commencement date of the lease (the aggregate sum of the unguaranteed residual values and the present value of the outstanding finance lease receivables as at the commencement date of the lease discounted using the interest rate implicit in the lease) and the relevant finance lease asset is derecognized. The Company calculates and recognizes the interest income at the interest rate implicit in the lease over the lease term.

The variable lease payments received by the Company that are not included in the measurement of net investment in the leases are included in the profit or loss when incurred.

(30) Safety production expenses

The safety production expenses withdrawn by the Company in accordance with the provisions of "the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprise" (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Management are included in the cost of relevant products or profit or loss for the current period, and are also included in the item of "special reserve". When the extracted safety production expenses are used, they are directly offset against the special reserve if they are expenses. When fixed assets are formed, the expenses incurred are collected through the item of "construction in progress", and recognized as fixed assets when the safety project is completed and ready for its intended use; at the same time, the special reserve is offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount is recognized. The fixed assets will not be depreciated in subsequent periods.

(31) Segment Reporting

The Company determines the operating segments on the basis of the internal organisational structure, management requirements and internal reporting system. The operating segments of the Company refer to the component that meets all of the following conditions:

1. The component is able to generate income and incur expenses in daily activities;
2. The management is able to regularly evaluate the operating results of the segment to determine the allocation of resources and assess its performance;
3. The financial position, operating results, cash flow and other relevant accounting information of the segment can be obtained through analysis.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(32) Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertain factors are reviewed on an ongoing basis by the Company. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key sources of estimation uncertainty are as follows:

1. Recognition of deferred tax assets

As stated in Note 3 (28) to the financial statements, deferred tax assets are recognised by the Company at the deductible temporary difference between the carrying amount of assets and liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount) based on the tax rate applicable to the period when the asset is recovered or the liability is settled. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

2. Financial instruments and impairment of contract assets

As stated in Note 3 (10), (11) to the financial statements, based on expected credit losses, the Company accounts for the impairment of, and recognizes provisions for financial assets at amortised cost (accounts receivables, other receivables), debt instrument investments at fair value through other comprehensive income (financing receivables).

3. Provision for inventory obsolescence

As stated in Note 3 (12) to the financial statements, as at the balance sheet date, the Company's inventories are stated at the lower of cost and net realizable value, provision for inventory obsolescence will be made based on the surplus of cost over net realizable value of inventories; For inventories for direct sales, net realizable value is recognized at the estimated selling price of such inventories in the ordinary course of business, less estimated costs necessary to make the sale and relevant taxes; For inventories which require processing before sale, net realizable value is recognized at the estimated selling price of the finished goods produced in the ordinary course of business, less estimated costs to be incurred upon completion, costs necessary to make the sale and relevant taxes; As at the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realizable values are determined and compared with their corresponding costs respectively to recognize the amount of provision, or reversal of provision, for inventory obsolescence.

4. Long-term asset impairment

As mentioned in Note 3 (20) to the financial statements, for long-term assets such as long-term equity investment, investment property measured under cost method, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, when there is evidence that the assets are impaired as at the balance sheet date, the recoverable amount is estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination. The result of the measurement of the recoverable amounts shows that, if the recoverable amount of the long-term asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The amount written down is recognized as impairment loss through profit or loss and is provided for the corresponding asset impairment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



4. TAXATION

(1) Major taxes and tax rates

Type of tax	Basis	Tax rate
Value added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after deducting the deductible input VAT of the period, is VAT payable	13%, 9%, 6%, 5%(Note 1)
Property tax	Price based tax: residual value after deducting 30% from the original value of the property; rental income based tax: rental income	1.2%, 12%
Urban maintenance and construction tax	Actual amount of payable turnover tax	7%, 5%
Education surcharge	Actual amount of payable turnover tax	3%
Local education surcharge	Actual amount of payable turnover tax	2%
Corporate income tax	Amount of taxable profit	15%, 20%, 25% (Note 2)

(Note 1): The sale of the steering systems, parts and other commodities by the Company and the respective subsidiaries have been subject to the VAT at the rate of 13%. The “exemption, offset and rebate” tax policy has applied to export goods of Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, and the export rebate was 13%. The transfer of patented technologies and provision of services and otherwise by the Company and the respective subsidiaries have been subject to the VAT at the rate of 6%. The leasing of real estate acquired before 30 April 2016 by the Company and its subsidiaries, namely, Hangzhou New Shibao Electric Power Steering Co., Ltd. and Wuhu Sterling Steering System Co., Ltd., are subject to the VAT at the simplified rate of 5%, while the leasing of real estate acquired after 30 April 2016 is subject to the VAT at the rate of 9%.

(Note 2): Details of corporate income tax rates of different entities.

Name of entity	Income tax rate
The Company	15%
Hangzhou Shibao Auto Steering Gear Co., Ltd.	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd.	15%
Jilin Shibao Machinery Manufacturing Co., Ltd.	15%
Beijing Autonics Technology Co., Ltd.	15%
Wuhu Sterling Steering System Co., Ltd.	15%
Jiangsu Feiying Automotive Technology Co., Ltd.	20%
Others	25%



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

4. TAXATION (continued)

(2) Tax Concession

- 1) According to the “Announcement on Filing of High-tech Enterprises Recognized and Reported by Zhejiang Provincial Certification Authority in 2023” (《對浙江省認定機構2023年認定報備的高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, the Company and its subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd., obtained the High-tech Enterprise Certificates (No. GR202333007462, GR202333007079 and GR202333005129, respectively), with a valid period from 2023 to 2025. During the Reporting Period, the Company and its subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd., have applied for re-certification as a high-tech enterprise. As of the date of this announcement, the review results have not been received yet. The Company and its subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd., were subject to a reduced enterprise income tax rate of 15% during the current period.
- (2) According to the “Announcement on Filing of the Second Batch of High-tech Enterprises Recognized and Reported by Beijing Municipal Certification Authority in 2023” (《對北京市認定機構2023年認定報備的第二批高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, a subsidiary of the Company, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202311001400), with a valid period from 2023 to 2025. During the Reporting Period, Beijing Autonics Technology Co., Ltd. has applied for re-certification as a high-tech enterprise. As of the date of this announcement, the review results has not been received yet. Beijing Autonics Technology Co., Ltd. was subject to a reduced enterprise income tax rate of 15% during the current period.
- (3) According to the “Announcement on Filing of the Second Batch of High-tech Enterprises Recognized and Reported by Anhui Provincial Certification Authority in 2023” (《對安徽省認定機構2023年認定報備的第二批高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, a subsidiary of the Company, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202334006504), with a valid period from 2023 to 2025. During the Reporting Period, Wuhu Sterling Steering System Co., Ltd. has applied for re-certification as a high-tech enterprise. As of the date of this announcement, the review results has not been received yet. Wuhu Sterling Steering System Co., Ltd. was subject to a reduced enterprise income tax rate of 15% during the current period.
- (4) According to the “Announcement on Filing of the First Batch of High-tech Enterprises Recognized and Reported by Jilin Provincial Certification Authority in 2024” (《對吉林省認定機構2024年認定報備的第一批高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, a subsidiary of the Company, Jilin Shibao Machinery Manufacturing Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202422000495), with a valid period from 2024 to 2026, and was subject to an enterprise income tax rate of 15% during the current period.
- (5) According to the Announcement on the Value-added Tax Super Deduction Policy for Advanced Manufacturing Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation [2023] No. 43) (《關於先進製造業企業增值稅加計抵減政策的公告》(財政部稅務總局公告2023年第43號)) issued by the Ministry of Finance and the State Administration of Taxation, from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct 5% of the current deductible input tax from the VAT payable. During the current period, the Company, the Company's subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd., Hangzhou New Shibao Electric Power Steering Co., Ltd., Jilin Shibao Machinery Manufacturing Co., Ltd., Beijing Autonics Technology Co., Ltd. and Wuhu Sterling Steering System Co., Ltd., were entitled to the above super deduction policy.
- (6) According to the Notice on Value-added Tax Policies for Software Products (Cai Shui [2011] No. 100) (《關於軟體產品增值稅政策的通知》(財稅〔2011〕100號)) issued by the Ministry of Finance and the State Administration of Taxation, general VAT taxpayers selling software products developed and manufactured by themselves shall implement the immediate refund policy for the part of the actual VAT burden exceeding 3%. Beijing Autonics Technology Co., Ltd., a subsidiary of the Company, enjoyed the above policies during the current period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



4. TAXATION (continued)

(2) Tax Concession (continued)

- (7) According to the Announcement on Further Supporting Tax Policies for the Entrepreneurship and Employment of Self-employed Retired Soldiers jointly issued by the Ministry of Finance, the State Taxation Administration, and the Ministry of Veterans Affairs (Announcement No. 14 of 2023 of the Ministry of Finance, the State Taxation Administration, and the Ministry of Veterans Affairs)(《關於進一步扶持自主就業退役士兵創業就業有關稅收政策的公告》(財政部稅務總局退役軍人事務部公告2023年第14號)), from 1 January 2023 to 31 December 2027, where an enterprise hires self-employed retired soldiers, enters into labor contracts with them for a term of more than one year, and pays social insurance premiums for them in accordance with the law, the enterprise is entitled, from the month in which the labor contracts are executed and social insurance premiums are paid, to fixed-amount tax credits for three years based on the actual number of such persons hired. Such tax credits shall be applied in sequence against value-added tax, urban maintenance and construction tax, education surcharge, local education surcharge, and enterprise income tax. During the current period, the Company enjoyed the aforesaid tax incentives.
- (8) According to the “Announcement on the Further Support of Tax Policies for Key Groups’ Entrepreneurship and Employment (Announcement No.15 of 2023 of the Ministry of Finance, the State Administration of Taxation, the Ministry of Human Resources and Social Security, and the Ministry of Agriculture and Rural Affairs)” (《關於進一步支持重點群體創業就業有關稅收政策的公告》(財政部、稅務總局、人力資源社會保障部、農業農村部公告2023年第15號)) issued by the Ministry of Finance, the State Administration of Taxation, the Ministry of Human Resources and Social Security, and the Ministry of Agriculture and Rural Affairs, from 1 January 2023 to 31 December 2027, enterprises that recruit poverty alleviation populations, as well as those who have been unemployed for more than 6 months and registered with public employment service agencies under the Ministry of Human Resources and Social Security, holding an Employment and Entrepreneurship Certificate or an Employment Unemployment Registration Certificate (indicating “Enterprise Absorption Tax Policy”), and sign a labor contract with them for more than 1 year and pay social insurance premiums in accordance with the law, the VAT, urban maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax shall be deducted in a fixed amount successively according to the actual number of recruits within 3 years from the month of signing the labor contract and paying social insurance. During the current period, the Company enjoyed the above tax benefits.
- (9) According to the Announcement of the Ministry of Finance and the State Taxation Administration on Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households through Relevant Tax and Fee Policies (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration)(《財政部稅務總局關於進一步支援小微企業和個體工商戶發展有關稅費政策的公告》(財政部稅務總局公告2023年第12號)), from 1 January 2023 to 31 December 2027, value-added tax small-scale taxpayers, small low-profit enterprises, and individual industrial and commercial households are entitled to a 50% reduction in resource tax (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), cultivated land occupation tax, education surcharge, and local education surcharge. During the current period, the Company’s subsidiaries, namely, Jiangsu Feiying Automotive Technology Co., Ltd. and Erdos Sterling Steering System Co., Ltd., enjoyed the aforesaid tax incentives
- (10) According to the Notice of the Anhui Provincial Department of Finance and the Anhui Provincial Tax Service of the State Taxation Administration on Reducing the Local Water Conservancy Construction Fund for Small, Medium and Micro Enterprises in Anhui Province (Wan Cai Zong [2022] No. 299)(《安徽省財政廳國家稅務總局安徽省稅務局關於我省中小微企業減征地方水利建設基金的通知》(皖財綜[2022]299號)), from 1 January 2022 to 31 December 2022, the local water conservancy construction fund levied on small, medium and micro enterprises shall be collected at 90% of the current applicable rate. According to the Notice of the Anhui Provincial Department of Finance and the Anhui Provincial Tax Service of the State Taxation Administration on Continuing the Reduction of the Local Water Conservancy Construction Fund for Small, Medium and Micro Enterprises in Anhui Province (Wan Cai Zong [2026] No. 196)(《安徽省財政廳國家稅務總局安徽省稅務局關於我省中小微企業繼續減征地方水利建設基金的通知》(皖財綜[2026]196號)), the implementation period of the Notice of the Anhui Provincial Department of Finance and the Anhui Provincial Tax Service of the State Taxation Administration on Reducing the Local Water Conservancy Construction Fund for Small, Medium and Micro Enterprises in Anhui Province (Wan Cai Zong [2022] No. 299)(《安徽省財政廳國家稅務總局安徽省稅務局關於我省中小微企業減征地方水利建設基金的通知》(皖財綜[2022] 299號)) has been further extended to 31 December 2026. During the current period, the Company’s subsidiary, Anqing Sterling Automotive Safety Systems Co., Ltd., enjoyed the aforesaid tax incentive.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Notes to the Consolidated Balance Sheet

1. Cash on hand and at bank

Item	Balance at the end of the period	Balance at the end of last year
Cash	337,985.35	354,643.69
Bank deposits	444,540,428.14	344,209,488.52
Other monetary funds	197,057,456.07	144,304,342.24
Total	641,935,869.56	488,868,474.45
Including: total funds placed overseas		

2. Financial assets held for trading

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Classified as financial assets at fair value through profit or loss	1,112,300.00	1,846,700.00
Including: Stock investment	1,112,300.00	1,846,700.00
Total	1,112,300.00	1,846,700.00

(2) Other statements

As of 30 June 2026, its subsidiary, Hangzhou Shibao Auto Steering Gear Co., Ltd., holds 200,000 shares of Hanma Technology Group CO., LTD. (Stock short name: Hanma Technology, stock code 600375). The fair value of the shares at the end of the period is RMB3.69 per share, and the value of the stock investment at the end of the period is RMB738,000.00. Hangzhou Shibao Auto Steering Gear Co., Ltd., and Wuhu Sterling Steering System Co., Ltd. (both subsidiaries) holds 190,000 shares of Zotye Automobile Co., Ltd. (眾泰汽車股份有限公司) (Stock short name: ST Zotye, stock code: 000980). The fair value of the shares at the end of the period is RMB1.97 per share, and the value of the stock investment at the end of the period is RMB374,300.00.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

3. Accounts receivable

(1) Breakdown

1) Breakdown by type

Type	Carrying amount		Balance at the end of the period		Book value
	Amount	(%)	Amount	Provision (%)	
Bad debt provision on individual basis	59,144,621.74	4.62	56,230,306.74	95.07	2,914,315.00
Bad debt provision by groups	1,221,417,502.13	95.38	10,411,891.06	0.85	1,211,005,611.07
Total	1,280,562,123.87	100.00	66,642,197.80	5.20	1,213,919,926.07

Type	Carrying amount		Balance at the end of last year		Book value
	Amount	(%)	Amount	Provision (%)	
Bad debt provision on individual basis	67,252,109.75	5.47	60,157,631.75	89.45	7,094,478.00
Bad debt provision by groups	1,162,807,200.86	94.53	8,264,018.72	0.71	1,154,543,182.14
Total	1,230,059,310.61	100.00	68,421,650.47	5.56	1,161,637,660.14

2) Significant accounts receivable with bad debt provision on individual basis

Company Name	Balance at the end of last year		Balance at the end of the period			Basis of provision
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts	Provision (%)	
Hubei Meiyang Auto Industrial Co., Ltd. (湖北美洋汽車工業有限公司)	12,938,468.47	12,938,468.47	12,938,468.47	12,938,468.47	100.00	Amount is not expected to be recovered
Tiba International Trade (Shanghai) Co., Ltd. (提拔國際貿易(上海)有限公司)	9,853,600.00	9,853,600.00	9,853,600.00	9,853,600.00	100.00	Amount is not expected to be recovered
Tanex International Trading (Hong Kong) Limited (塔內克斯國際貿易(香港)有限公司)	9,867,900.00	4,933,950.00	3,596,880.00	1,798,440.00	50.00	Partial amount is not expected to be recovered
Nanjing Golden Dragon Bus Co., Ltd. (南京金龍客車製造有限公司)	7,266,701.12	7,266,701.12	7,266,701.12	7,266,701.12	100.00	Amount is not expected to be recovered
Jiangsu Jintan Auto Industry Co., Ltd. (江蘇金壇汽車工業有限公司)	6,646,258.01	6,646,258.01	6,646,258.01	6,646,258.01	100.00	Amount is not expected to be recovered
Sub-total	46,572,927.60	41,638,977.60	40,301,907.60	38,503,467.60	95.54	



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

3. Accounts receivable (continued)

(1) Breakdown (continued)

3) Accounts receivable with bad debt provision according to the age

Age	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	1,204,452,787.03	1,084,007.53	0.09
1–2 years	5,753,505.69	317,593.51	5.52
2–3 years	2,863,915.94	662,996.55	23.15
Over 3 years	8,347,293.47	8,347,293.47	100.00
Sub-total	1,221,417,502.13	10,411,891.06	0.85

(2) Aging analysis

Age	Balance at the end of the period		
	Carrying amount	Provision of bad debts	Provision (%)
Within 1 year	1,211,183,245.52	4,645,562.02	0.38
1–2 years	7,730,726.03	2,294,813.85	29.68
2–3 years	15,459,953.15	13,513,622.76	87.41
Over 3 years	46,188,199.17	46,188,199.17	100.00
Sub-total	1,280,562,123.87	66,642,197.80	5.20

Age	Balance at the end of last year		
	Carrying amount	Provision of bad debts	Provision (%)
Within 1 year	1,161,258,793.78	8,663,381.60	0.75
1–2 years	20,271,876.47	13,251,138.15	65.37
2–3 years	12,346,379.50	10,324,869.86	83.63
Over 3 years	36,182,260.86	36,182,260.86	100.00
Sub-total	1,230,059,310.61	68,421,650.47	5.56

The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

The Company's and its subsidiaries' trading terms with their customers generally offer a certain credit period. However, new customers are often required to make payment in advance. The credit period is generally 60-90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

3. Accounts receivable (continued)

(3) Change in provision for bad debts

1) Breakdown

Item	Balance at the beginning of the period	Amount changed during the period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Other	
Bad debt provision on individual basis	60,157,631.75	48,538.27	3,975,863.28			56,230,306.74
Bad debt provision by groups	8,264,018.72	2,147,872.34				10,411,891.06
Total	68,421,650.47	2,196,410.61	3,975,863.28			66,642,197.80

2) No significant amounts of provision for bad debts recovered or reversed during the period.

(4) No accounts receivable written off during the period

(5) The five largest accounts receivable

Company Name	Carrying amount at the end of the period	Percentage of total balance of accounts receivable at the end of the period (%)	Bad debt provision for accounts receivable
Chery Automobile Co., Ltd.	174,525,040.97	13.63	157,544.95
Leapmotor Automobile Co., Ltd.	158,047,494.43	12.34	142,242.74
Hu'nan Geely Automobile Parts Co., Ltd.	111,813,197.78	8.73	100,631.88
South East (Fujian) Motor Corporation Ltd.	109,517,877.20	8.55	98,566.09
Beijing Ideal Automobile Co., Ltd	61,053,775.86	4.77	54,948.40
Sub-total	614,957,386.24	48.02	553,934.06



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

4. Financing receivables

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Bank acceptance bills	199,399,330.76	428,919,782.43
Total	199,399,330.76	428,919,782.43

(2) Financing receivable pledged at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance bills	8,621,087.90
Sub-total	8,621,087.90

(3) At the end of the period, the financing receivable that were not matured as at the balance sheet date but had been endorsed or discounted by the Company

Item	Amounts not yet derecognized at the end of the period
Bank acceptance bills	1,126,650,668.61
Sub-total	1,126,650,668.61

As the acceptor of the bank acceptance bill is a commercial banker which has high creditability, it is less likely that the banker fails to settle the bank acceptance bills when they become due. Therefore, the Company has derecognized the endorsed and discounted bank acceptance bills. However, if such acceptance bills are unsettled when they become due, the Company will bear the joint liability to the note holders in accordance with the Law of Negotiable Instruments.

5. Prepayments

(1) Aging analysis

1) Breakdown

Aging	Balance at the end of the period			
	Carrying amount	(%)	Provision for bad debts	Book value
Within 1 year	19,669,663.50	93.65		19,669,663.50
1-2 years	617,351.13	2.94		617,351.13
2-3 years	410,230.21	1.95		410,230.21
Over 3 years	307,176.21	1.46		307,176.21
Subtotal	21,004,421.05	100.00		21,004,421.05

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

5. Prepayments (continued)

(1) Aging analysis (continued)

1) Breakdown (continued)

Aging	Carrying amount	Balance at the end of last year		Book value
		(%)	Provision for bad debts	
Within 1 year	8,671,830.52	85.59		8,671,830.52
1-2 years	803,878.03	7.93		803,878.03
2-3 years	235,846.97	2.33		235,846.97
Over 3 years	420,278.90	4.15		420,278.90
Subtotal	<u>10,131,834.42</u>	<u>100.00</u>		<u>10,131,834.42</u>

2) As at the end of the period, there were no material prepayments aged over 1 year.

(2) The five largest prepayments

Name	Carrying amount	Percentage of the prepayments (%)
Anhui Kaistin Technology Co., Ltd.	6,065,275.54	28.88
Xinxiang Guangyi Metal Products Co., Ltd.	4,328,832.91	20.61
Hangzhou Ruiou Aggregation Technology Co., Ltd.	1,436,608.27	6.84
Shanghai Yi'an Enterprise Management Consulting Co., Ltd.	827,000.00	3.94
National Grid Jilin Province Electric Power Supply Co., Ltd. Siping City Electric Power Supply	<u>628,817.61</u>	<u>2.99</u>
Total	<u>13,286,534.33</u>	<u>63.26</u>

6. Other receivables

(1) Classification by nature

Nature of the receivables	Balance at the end of the period	Balance at the end of last year
Security deposits	1,151,077.00	1,470,005.00
Imprest	1,604,897.60	915,726.43
Others	618,350.12	188,693.04
Total Carrying amount	3,374,324.72	2,574,424.47
Less: Provision for bad debts	<u>24,237.64</u>	<u>24,237.64</u>
Total book value	<u>3,350,087.08</u>	<u>2,550,186.83</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

6. Other receivables (continued)

(2) Aging analysis

Age	Balance at the end of the period	Balance at the end of last year
Within 1 year	2,706,758.83	713,648.48
1–2 years	232,020.43	1,358,568.46
2–3 years	131,330.92	217,717.99
Over 3 years	304,214.54	284,489.54
Total Carrying amount	3,374,324.72	2,574,424.47
Less: Provision for bad debts	24,237.64	24,237.64
Total book value	3,350,087.08	2,550,186.83

(3) Bad debt provision

1) Breakdown by types

Types		Balance at the end of the period				
		Carrying amount		Provision for bad debts		Book value
		Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	24,237.64	0.72	24,237.64	100.00		
Provision for bad debts by groups	3,350,087.08	99.28			3,350,087.08	
Total	3,374,324.72	100.00	24,237.64	0.72	3,350,087.08	

Types	Balance at the end of last year				Book value
	Carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	24,237.64	0.94	24,237.64	100.00	
Provision for bad debts by groups	<u>2,550,186.83</u>	<u>99.06</u>	<u> </u>	<u> </u>	<u>2,550,186.83</u>
Total	<u>2,574,424.47</u>	<u>100.00</u>	<u>24,237.64</u>	<u>0.94</u>	<u>2,550,186.83</u>

- 2) There are no other receivables with significant bad debt provision on individual basis at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

6. Other receivables (continued)

(3) Bad debt provision (continued)

3) Other receivables with bad debt provision by groups

Group	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Deposits receivable	1,151,077.00		
Imprest receivable and etc.	2,199,010.08		
Sub-total	3,350,087.08		

(4) Change in provision for bad debts

1) Breakdown

Item	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit loss	lifetime expected credit losses (not credit impaired)	lifetime expected credit losses (credit impaired)	
Balance at the beginning of the period			24,237.64	24,237.64
Balance at the beginning of the current period				
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision made during the period				
Recovered or reversed during the period				
Written off during the period				
Other changes				
Balance at the end of the period			24,237.64	24,237.64
Provision for bad debts at the end of the period (%)			0.72	0.72

2) There was no recovery or reversal of significant provisions for bad debts during the period.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

6. Other receivables (continued)

(5) There are no other receivables from products actually sold during the period.

(6) The five largest other receivables

Name	Nature of the receivables	Carrying amount at the end of the period	Aging	Percentage of other receivables (%)	Provision for bad debts
GDH Property Investment (Changzhou) Limited	Security deposit	602,161.00	within 1 year	17.85	
Yiwu Wenchuang Business Management Co., Ltd.	Other	227,384.00	within 1 year	6.74	
Zhejiang Chuangku Technology Co., Ltd.	Other	202,337.00	within 1 year	6.00	
Hangzhou Qiantang Urban Renewal Construction Co., Ltd.	Security deposit	130,800.00	within 1 year	3.88	
Hangzhou Hanglian Thermal Power Co., Ltd.	Security deposit	100,000.00	over 3 years	2.96	
Sub-total		1,262,682.00		37.43	

7. Inventories

(1) Breakdown

Item	Balance at the end of the period		
	Carrying amount	Provision	Book value
Raw materials	231,943,657.92	32,049,154.77	199,894,503.15
Work-in-progress	26,901,936.95		26,901,936.95
Finished good	333,790,819.83	36,063,090.59	297,727,729.24
Low-value consumables	9,223,133.11	4,260,434.66	4,962,698.45
Total	601,859,547.81	72,372,680.02	529,486,867.79

Item	Balance at the end of last year		
	Carrying amount	Provision	Book value
Raw materials	203,469,594.03	34,622,230.82	168,847,363.21
Work-in-progress	19,702,922.76		19,702,922.76
Finished good	352,636,057.86	39,060,452.12	313,575,605.74
Low-value consumables	8,088,044.56	4,254,734.00	3,833,310.56
Total	583,896,619.21	77,937,416.94	505,959,202.27

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

7. Inventories (continued)

(2) Provision

1) Breakdown

Item	Balance at the beginning of the period	Increase during the period		Decrease during the period		Balance at the end of the period
		Provision	Others	Reversal or write-off	Others	
Raw materials	34,622,230.82	6,555,086.01		9,128,162.06		32,049,154.77
Finished goods	39,060,452.12	9,821,251.51		12,818,613.04		36,063,090.59
Low-value consumables	4,254,734.00	348,564.17		342,863.51		4,260,434.66
Sub-total	<u>77,937,416.94</u>	<u>16,724,901.69</u>		<u>22,289,638.61</u>		<u>72,372,680.02</u>

2) Determination of specific basis for net realizable value and reasons for transfer of provision for inventory obsolescence during the period

Item	Specific basis for determination of the net realizable value	Reason for write-off of provision for inventory obsolescence
Relevant raw materials, finished goods and low-value consumables such as automotive steering gears, etc.	The net realizable value is determined, based on the estimated selling price of relevant products less estimated costs to be incurred for completion, estimated sales expenses and relevant taxes	During the current period, inventories with provision for inventory obsolescence at the beginning of the period were consumed or sold

8. Other current assets

Item	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for bad debts	Book value	Carrying amount	Provision for bad debts	Book value
VAT input tax recoverable	9,750,663.81		9,750,663.81	20,530,832.96		20,530,832.96
Prepaid corporate income tax	3,216,348.57		3,216,348.57	3,478,977.81		3,478,977.81
Prepaid expenses	6,255,637.54		6,255,637.54	3,210,301.54		3,210,301.54
Prepaid medical insurance	157,323.60		157,323.60	146,680.87		146,680.87
Total	<u>19,379,973.52</u>		<u>19,379,973.52</u>	<u>27,366,793.18</u>		<u>27,366,793.18</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

9. Investment in Other Equity Instruments

(1) Details

Item	Beginning Balance	Additional Investment	Reduced Investment	Changes in the Current Period	
				Gains and Losses Recognized in Other Comprehensive Income for the Current Period	Others
Suzhou Xianxing Intelligent Technology Co., Ltd. (蘇州線行智能科技有限公司)		10,000,000.00			
Total		10,000,000.00			

Item	Closing Balance	Dividend Income Recognized in Current Period	Cumulative Gains and Losses Recognized in Other Comprehensive Income at the End of Current Period	
Suzhou Xianxing Intelligent Technology Co., Ltd. (蘇州線行智能科技有限公司)				10,000,000.00
Total				10,000,000.00

10. Investment property

Item	Buildings	Land use right	Total
Original carrying amount			
Balance at the beginning of the period	228,065,003.18	27,591,574.26	255,656,577.44
Balance at the end of the period	228,065,003.18	27,591,574.26	255,656,577.44
Accumulated depreciation and accumulated amortization			
Balance at the beginning of the period	26,505,164.57	6,623,026.18	33,128,190.75
Increase during the period	4,021,747.01	275,915.76	4,297,662.77
1) Provision or amortisation	4,021,747.01	275,915.76	4,297,662.77
Balance at the end of the period	30,526,911.58	6,898,941.94	37,425,853.52
Carrying amount			
Carrying amount at the end of the period	197,538,091.60	20,692,632.32	218,230,723.92
Carrying amount at the beginning of the period	201,559,838.61	20,968,548.08	222,528,386.69

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

11. Fixed assets

(1) Breakdown

Item	Buildings and structures	Equipment	Transportation vehicles	Other office equipment and others	Total
Cost					
Balance at the beginning of the period	400,576,741.25	989,847,211.91	26,696,071.06	43,067,295.95	1,460,187,320.17
Increase during the period	1,278,556.83	121,439,182.69	959,371.01	15,206,378.80	138,883,489.33
1) Purchase		1,225,988.01	959,371.01	2,709,407.02	4,894,766.04
2) Transfer from construction in progress	1,278,556.83	120,213,194.68		12,496,971.78	133,988,723.29
Decrease during the period	435,640.51	20,029,136.02	709,227.82	415,251.93	21,589,256.28
1) Disposal or write-off	435,640.51	20,029,136.02	709,227.82	415,251.93	21,589,256.28
Balance at the end of the period	<u>401,419,657.57</u>	<u>1,091,257,258.58</u>	<u>26,946,214.25</u>	<u>57,858,422.82</u>	<u>1,577,481,553.22</u>
Accumulated depreciation					
Balance at the beginning of the period	138,729,133.98	590,757,431.19	14,575,907.71	25,987,265.76	770,049,738.64
Increase during the period	6,002,694.53	35,501,340.62	1,618,495.36	2,316,245.19	45,438,775.70
1) Provision	6,002,694.53	35,501,340.62	1,618,495.36	2,316,245.19	45,438,775.70
Decrease during the period	243,229.62	16,782,332.84	260,475.69	379,801.49	17,665,839.64
1) Disposal or write-off	243,229.62	16,782,332.84	260,475.69	379,801.49	17,665,839.64
Balance at the end of the period	<u>144,488,598.89</u>	<u>609,476,438.97</u>	<u>15,933,927.38</u>	<u>27,923,709.46</u>	<u>797,822,674.70</u>
Provision					
Balance at the beginning of the period	825,717.39	12,712,762.66			13,538,480.05
Decrease during the period		2,428,759.10			2,428,759.10
1) Disposal or write-off		2,428,759.10			2,428,759.10
Balance at the end of the period	<u>825,717.39</u>	<u>10,284,003.56</u>			<u>11,109,720.95</u>
Book value					
Balance at the end of the period	<u>256,105,341.29</u>	<u>471,496,816.05</u>	<u>11,012,286.87</u>	<u>29,934,713.36</u>	<u>768,549,157.57</u>
Balance at the beginning of the period	<u>261,021,889.88</u>	<u>386,377,018.06</u>	<u>12,120,163.35</u>	<u>17,080,030.19</u>	<u>676,599,101.48</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

11. Fixed assets (continued)

(2) Information about fixed assets without certificate of title

Project	Carrying amount	Reason for not obtaining certificate of title
The Siping research and development building and complex plant	16,930,059.68	Still under process
Sub-total	16,930,059.68	

12. Construction in progress

(1) Breakdown

Project name	Balance at the end of the period		
	Carrying amount	Provision	Book value
The annual production of 600,000 automotive intelligent steering system technology transformation project	23,298,726.49		23,298,726.49
The automotive intelligent steering system and key components development project	35,486,220.97		35,486,220.97
Other sundry projects	88,453,098.51		88,453,098.51
Total	147,238,045.97		147,238,045.97

Project name	Balance at the end of last year		
	Carrying amount	Provision	Book value
The annual production of 600,000 automotive intelligent steering system technology transformation project	46,600,911.82		46,600,911.82
The automotive intelligent steering system and key components development project	26,499,628.97		26,499,628.97
Other sundry projects	60,500,908.11		60,500,908.11
Total	133,601,448.90		133,601,448.90

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

12. Construction in progress (continued)

(2) Movement of material construction in progress projects during the period

Project name	Budget (RMB'0,000)	Balance at the beginning of the period	Increase during the period	Transfer to fixed assets	Balance at the end of the period
The annual production of 600,000 automotive intelligent steering system technology transformation project	30,000.00	46,600,911.82	42,575,566.89	65,877,752.22	23,298,726.49
The automotive intelligent steering system and key components development project	50,000.00	26,499,628.97	23,961,789.71	14,975,197.71	35,486,220.97
Sub-total		<u>73,100,540.79</u>	<u>66,537,356.60</u>	<u>80,852,949.93</u>	<u>58,784,947.46</u>

Project name	Percentage of accumulative invested amount to budget (%)	Construction progress (%)	Accumulated amount of capitalized interests	Amount of capitalized interests during the period	Interest rate of capitalized interests during the period (%)	Source of fund
The annual production of 600,000 automotive intelligent steering system technology transformation project	50.05	50.05				Internal fund/ fund raising
The automotive intelligent steering system and key components development project	19.83	19.83				Internal fund/ fund raising
Sub-total						

13. Right-of-use assets

Item	Building and structures	Total
Cost		
Balance at the beginning of the period	8,858,034.48	8,858,034.48
Increase during the period	614,538.90	614,538.90
(1) New lease	<u>614,538.90</u>	<u>614,538.90</u>
Balance at the end of the period	<u>9,472,573.38</u>	<u>9,472,573.38</u>
Accumulated depreciation		
Balance at the beginning of the period	1,771,606.90	1,771,606.90
Increase during the period	954,085.58	954,085.58
(1) Provision	<u>954,085.58</u>	<u>954,085.58</u>
Balance at the end of the period	<u>2,725,692.48</u>	<u>2,725,692.48</u>
Book value		
Book value at the end of the period	<u>6,746,880.90</u>	<u>6,746,880.90</u>
Book value at the beginning of the period	<u>7,086,427.58</u>	<u>7,086,427.58</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

14. Intangible assets

(1) Breakdown

Item	Land use right	Patented technology	Non-patented technology	Management software	Total
Cost					
Balance at the beginning of the period	71,873,320.31	1,281,666.67	48,696,372.12	47,889,636.01	169,740,995.11
Increase during the period			1,000,000.00	6,009,228.77	7,009,228.77
1) Purchase			1,000,000.00	6,009,228.77	7,009,228.77
Balance at the end of the period	<u>71,873,320.31</u>	<u>1,281,666.67</u>	<u>49,696,372.12</u>	<u>53,898,864.78</u>	<u>176,750,223.88</u>
Accumulated amortization					
Balance at the beginning of the period	24,758,979.63	1,281,666.67	48,696,372.12	17,841,088.18	92,578,106.60
Increase during the period	733,016.04		50,000.00	3,443,832.13	4,226,848.17
1) Provision	733,016.04		50,000.00	3,443,832.13	4,226,848.17
Balance at the end of the period	<u>25,491,995.67</u>	<u>1,281,666.67</u>	<u>48,746,372.12</u>	<u>21,284,920.31</u>	<u>96,804,954.77</u>
Book value					
Book value at the end of the period	<u>46,381,324.64</u>		<u>950,000.00</u>	<u>32,613,944.47</u>	<u>79,945,269.11</u>
Book value at the beginning of the period	<u>47,114,340.68</u>			<u>30,048,547.83</u>	<u>77,162,888.51</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(1) Notes to the Consolidated Balance Sheet *(continued)*

14. Intangible assets *(continued)*

(2) Analysis of carrying amount of the land use rights

Item	Balance at the end of the period (Note)	Balance at the end of last year (Note)
Outside Hong Kong	67,073,956.96	68,082,888.76
Including: interim lease	67,073,956.96	68,082,888.76
Sub-total	67,073,956.96	68,082,888.76

(Note): Including the book value of land use rights in investment property.

(3) Information about land use rights without certificate of title

Item	Carrying amount	Reason for not obtaining certificate of title
Lot No. SP2023-22	<u>1,374,844.00</u>	Still under process
Sub-total	<u>1,374,844.00</u>	



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

15. Goodwill

(1) Breakdown

Name of the investee or item becomes goodwill	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Wuhu Sterling Steering System Co., Ltd.	<u>4,694,482.34</u>	<u>4,694,482.34</u>		<u>4,694,482.34</u>	<u>4,694,482.34</u>	
Total	<u>4,694,482.34</u>	<u>4,694,482.34</u>		<u>4,694,482.34</u>	<u>4,694,482.34</u>	

(2) Original carrying amount of goodwill

Name of the investee or item becomes goodwill	Balance at the beginning of the period	Arising from business combination during the period	Decrease during the period		Balance at the end of the period
			Disposal	Others	
Wuhu Sterling Steering System Co., Ltd.	<u>4,694,482.34</u>				<u>4,694,482.34</u>
Total	<u>4,694,482.34</u>				<u>4,694,482.34</u>

(3) Impairment provision for goodwill

Name of the investee or item becomes goodwill	Balance at the beginning of the period	Increase during the period		Decrease during the period		Balance at the end of the period
		Provision	Others	Disposal	Others	
Wuhu Sterling Steering System Co., Ltd.	<u>4,694,482.34</u>					<u>4,694,482.34</u>
Total	<u>4,694,482.34</u>					<u>4,694,482.34</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

16. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets which are not offset

Item	Balance at the end of the period		Balance at the end of last year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	138,990,990.90	20,848,648.65	146,335,269.58	21,950,290.45
Profits not realized from intra-group transactions	12,416,620.05	1,862,493.00	12,407,490.90	1,861,123.64
Accrued warranty expenses, etc.	125,696,394.70	18,854,459.20	122,268,107.31	18,340,216.09
Deferred income from government grant	46,261,139.10	6,939,170.87	29,075,984.23	4,361,397.64
Changes in fair value of financial assets held for trading	1,332,100.00	199,815.00	597,700.00	89,655.00
Lease liabilities	6,852,782.33	1,713,195.58	7,306,010.16	1,826,502.54
Total	331,550,027.08	50,417,782.30	317,990,562.18	48,429,185.36

(2) Deferred income tax liabilities which are not offset

Item	Balance at the end of the period		Balance at the end of last year	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	14,887,157.80	2,233,073.67	16,089,050.31	2,413,357.54
Asset valuation surplus arising from business combination not under the common control	6,885,081.47	1,721,270.37	7,026,792.88	1,756,698.22
Right-of-use assets	6,746,880.90	1,686,720.23	7,086,427.58	1,771,606.90
Total	28,519,120.17	5,641,064.27	30,202,270.77	5,941,662.66

(3) Deferred income tax assets or liabilities shown in the net amount after offset

Item	Balance at the end of the period		Balance at the end of last year	
	Offset amount of deferred tax assets against deferred tax liabilities	Balance of deferred tax assets or deferred tax liabilities after offset	Offset amount of deferred tax assets against deferred tax liabilities	Balance of deferred tax assets or deferred tax liabilities after offset
Deferred tax assets	3,885,124.05	46,532,658.25	4,184,964.44	44,244,220.92
Deferred tax liabilities	3,885,124.05	1,755,940.22	4,184,964.44	1,756,698.22



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

16. Deferred income tax assets and deferred income tax liabilities (continued)

(4) Analysis of unrecognized deferred income tax assets

Item	Balance at the end of the period	Balance at the end of last year
Deductible temporary differences	23,886.92	23,797.84
Deductible losses	81,249,462.05	105,914,176.47
Total	81,273,348.97	105,937,974.31

(5) Deductible losses from unrecognized deferred income tax assets will be matured in the following years

Year	Balance at the end of the period	Balance at the end of last year	Note
2026	1,572,528.04	1,572,528.04	
2027	823,151.53	18,808,480.32	
2028	1,958,423.98	4,079,977.06	
2029	23,374,709.23	28,145,903.26	
2030	13,870,629.02	14,137,197.79	
2031	1,818,073.31	157,733.72	
2032		8,719,747.55	
2033		19,705,080.47	
2034			
2035	6,447,714.41	10,587,528.26	
2036	31,384,232.53		
Total	81,249,462.05	105,914,176.47	

17. Other non-current assets

Item	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Prepaid for purchase of long-term assets	47,573,314.43		47,573,314.43	46,226,608.74		46,226,608.74
Total	47,573,314.43		47,573,314.43	46,226,608.74		46,226,608.74

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

18. Assets with restrictions in ownership or use rights

(1) Restricted assets at the end of the period

Item	Balance at the end of the period	Carrying amount at the end of the period	Restricted type	Reason for restriction
Monetary funds	197,057,444.02	197,057,444.02	Pledges	Issuing acceptance bills and depositing into assets pool margin
Monetary funds	27,000.00	27,000.00	Freeze	Amount frozen by ETC
Monetary funds	1,074.06	1,074.06	Freeze	Suspended account deposits
Financing receivables	8,621,087.90	8,621,087.90	Pledges	Pledge for the assets pool
Accounts receivable	405,585.01	405,219.98	Pledges	Receivables from the financing platform transferred and not subject to termination confirmation
Fixed assets	114,542,463.11	66,566,225.84	Security	Pledge for comprehensive credit
Intangible assets	32,113,646.04	20,931,158.39	Security	Pledge for comprehensive credit
Total	352,768,300.14	293,609,210.19		

(2) Restricted assets at the end of last year

Item	Balance at the end of last year	Carrying amount at the end of last year	Restricted type	Reason for restriction
Monetary funds	30,000,000.00	30,000,000.00	Earmarking	Earmarked wealth management products
Monetary funds	144,304,342.24	144,304,342.24	Pledges	Issuing acceptance bills and depositing into assets pool margin
Monetary funds	25,000.00	25,000.00	Freeze	Amount frozen by ETC
Monetary funds	1,073.79	1,073.79	Freeze	Suspended account deposits
Financing receivables	18,417,626.57	18,417,626.57	Pledges	Pledge for the assets pool
Accounts receivable	4,104,568.67	4,100,874.56	Pledges	Receivables from the financing platform transferred and not subject to termination confirmation
Fixed assets	114,542,463.11	69,737,582.07	Security	Pledge for comprehensive credit
Intangible assets	32,113,646.04	21,248,205.41	Security	Pledge for comprehensive credit
Total	343,508,720.42	287,834,704.64		



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

19. Short-term borrowings

Type	Balance at the end of the period	Balance at the end of last year
Credit loans	129,012,707.49	93,022,666.66
Pledge loans		13,865,560.00
Mortgage loans	8,912,155.90	2,600,000.00
Total	137,924,863.39	109,488,226.66

20. Notes payable

(1) Breakdown

Type	Balance at the end of the period	Balance at the end of last year
Bank acceptance bills	293,261,359.29	226,760,088.05
Total	293,261,359.29	226,760,088.05

(2) There are no mature but unpaid notes payable at the end of the period.

21. Accounts payable

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Operating purchase payable	994,647,920.13	1,091,948,435.41
Long-term assets purchase payable	41,314,939.82	38,816,125.48
Total	1,035,962,859.95	1,130,764,560.89

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

21. Accounts payable (continued)

(2) Aging analysis

Age	Balance at the end of the period	Balance at the end of last year
Within 1 year	993,741,037.86	1,102,211,104.39
1-2 years	28,985,897.72	13,982,852.33
2-3 years	3,492,869.91	3,387,949.90
Over 3 years	9,743,054.46	11,182,654.27
Total	1,035,962,859.95	1,130,764,560.89

The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

(3) As at the end of the period, no material accounts payable aged over 1 year.

22. Receipts in advance

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Receipts in advance from land and house rent	9,056,601.66	4,250,507.11
Total	9,056,601.66	4,250,507.11

(2) As at the end of the period, no material receipts in advance aged over 1 year.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

23. Contract liabilities

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Receipts in advance from sale of commodities	18,378,564.12	15,366,470.31
Total	18,378,564.12	15,366,470.31

(2) As at the end of the period, no material contract liabilities aged over 1 year.

24. Staff costs payable

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Short-term remuneration	51,683,585.51	187,326,899.48	201,923,870.11	37,086,614.88
Post-employment benefits – established withdrawal and deposit plan	1,155,234.37	12,840,029.72	12,559,912.85	1,435,351.24
Total	52,838,819.88	200,166,929.20	214,483,782.96	38,521,966.12

(2) Breakdown of short-term remuneration

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Salaries, bonus, allowances and subsidies	50,671,417.98	162,983,698.87	177,954,117.79	35,700,999.06
Staff welfare (Note)		11,654,987.31	11,654,987.31	
Social insurance	729,246.99	7,188,720.29	7,095,221.03	822,746.25
Including: Medical insurance	643,334.15	6,568,065.54	6,456,416.85	754,982.84
Work injury insurance	85,912.84	620,654.75	638,804.18	67,763.41
Housing funds	124,640.00	3,558,021.00	3,586,938.00	95,723.00
Labour union funds and employee education funds	158,280.54	1,941,472.01	1,632,605.98	467,146.57
Total	51,683,585.51	187,326,899.48	201,923,870.11	37,086,614.88

(Note): Including non-monetary benefits of RMB515,390.71 which are all corresponding provision of depreciation made on buildings and other assets provided to employee to use free of charge.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

24. Staff costs payable (continued)

(3) Breakdown of established withdrawal and deposit plan

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Basic pension insurance	1,116,343.93	12,428,917.59	12,159,621.02	1,385,640.50
Unemployment insurance	38,890.44	411,112.13	400,291.83	49,710.74
Total	<u>1,155,234.37</u>	<u>12,840,029.72</u>	<u>12,559,912.85</u>	<u>1,435,351.24</u>

According to the “Labor Law of the People’s Republic of China” and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the labour force for some reasons. The Company and its subsidiaries will then be no longer responsible for providing further retirement benefits to the employees.

(4) Other statements

The Group had no forfeited contributions (i.e. contributions that can be handled by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions). As at 30 June 2026, the Group had no forfeited contributions available to reduce the existing level of contributions.

25. Taxes payable

Item	Balance at the end of the period	Balance at the end of last year
Value added tax	417,796.62	2,512,333.47
Enterprise income tax	35,685.54	1,343,673.43
Withhold of individual income tax	620,589.58	1,026,443.88
Urban maintenance and construction tax	584,071.19	160,952.00
Real estate tax	1,134,370.19	2,142,817.72
Land use tax	772,168.95	1,433,682.48
Others	<u>1,769,800.69</u>	<u>1,137,513.54</u>
Total	<u>5,334,482.76</u>	<u>9,757,416.52</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

26. Other payables

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Security deposits	3,705,200.00	2,935,200.00
Others	662,405.99	1,079,327.25
Total	4,367,605.99	4,014,527.25

(2) As at the end of the period, no material other payables aged over 1 year.

27. Non-current liabilities due within 1 year

Item	Balance at the end of the period	Balance at the end of last year
Long-term borrowings due within 1 year	2,038,487.19	1,776,177.16
Total	2,038,487.19	1,776,177.16

28. Other current liabilities

Item	Balance at the end of the period	Balance at the end of last year
Accrued expenses	126,885,528.75	123,268,289.42
Accruals to be transferred to output tax	545,411.62	703,581.44
Total	127,430,940.37	123,971,870.86

29. Lease liability

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Lease payments	5,020,861.67	5,837,214.89
Less: Unrecognized financing charges	206,566.53	307,381.89
Total	4,814,295.14	5,529,833.00

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

30. Deferred income

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Reason
Government grants	45,784,336.43	20,079,600.00	4,295,006.16	61,568,930.27	Related to assets
Total	<u>45,784,336.43</u>	<u>20,079,600.00</u>	<u>4,295,006.16</u>	<u>61,568,930.27</u>	

31. Share capital

Item	Balance at the beginning of the period	Increase/decrease during the period ("-" as decrease)					Balance at the end of the period
		Issuance of new shares	Bonus shares	Transfer from reserves	Others	Sub-total	
Shares with selling restrictions							
A Shares	19,799,310.00						19,799,310.00
H Shares							
Shares without selling restrictions							
A Shares	586,048,074.00						586,048,074.00
H Shares	<u>216,785,000.00</u>						<u>216,785,000.00</u>
Total	<u>822,632,384.00</u>						<u>822,632,384.00</u>

32. Capital reserve

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Capital premium (Share premium)	486,989,702.76			486,989,702.76
Other capital reserve	<u>6,444,389.04</u>			<u>6,444,389.04</u>
Total	<u>493,434,091.80</u>			<u>493,434,091.80</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

33. Special reserve

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Production safety costs		8,834,237.28	8,834,237.28	
Total		8,834,237.28	8,834,237.28	

(2) Other description

During the period, the increase or decrease in special reserves was due to the provision and utilization of production safety costs by the Company and its subsidiaries.

34. Surplus reserve

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Statutory reserve funds	152,936,965.74			152,936,965.74
Total	152,936,965.74			152,936,965.74

35. Retained earnings

(1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Retained earnings at the beginning of the year	605,235,280.29	479,895,222.14
Add: Net profit attributable to equity holders of the parent	103,717,594.73	93,034,442.81
Less: Transfer to statutory reserve funds		
Dividends payable on common stock		49,357,943.04
Retained earnings at the end of the period	708,952,875.02	523,571,721.91

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement

1. Operating revenue/cost of sales

(1) Breakdown

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Main business	1,679,699,346.36	1,382,751,476.50	1,489,482,599.60	1,237,012,053.45
Other business	41,013,879.42	12,830,462.90	34,677,527.55	12,644,494.93
Total	1,720,713,225.78	1,395,581,939.40	1,524,160,127.15	1,249,656,548.38
Including: Revenue from contracts with customers	1,710,417,515.04	1,391,284,276.63	1,514,497,189.50	1,246,615,463.44

(2) Breakdown of revenue

1) Disaggregation of revenue from contracts with customers by types of goods or services

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Steering system and parts	1,658,052,456.19	1,375,002,070.06	1,456,401,804.24	1,222,638,243.18
Parts and others	21,646,890.17	7,749,406.44	33,080,795.36	14,373,810.27
Others	30,718,168.68	8,532,800.13	25,014,589.90	9,603,409.99
Sub-total	1,710,417,515.04	1,391,284,276.63	1,514,497,189.50	1,246,615,463.44

2) Disaggregation of revenue from contracts with customers by geographical areas of operations

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Domestic	1,645,344,651.94	1,358,383,711.99	1,447,555,822.72	1,209,827,297.08
Abroad	65,072,863.10	32,900,564.64	66,941,366.78	36,788,166.36
Sub-total	1,710,417,515.04	1,391,284,276.63	1,514,497,189.50	1,246,615,463.44



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

1. Operating revenue/cost of sales (continued)

(2) Breakdown of revenue (continued)

- 3) Disaggregation of revenue from contracts with customers by timing of transfer of goods or services

Item	Balance for the current period	Balance for the corresponding period last year
Revenue recognized at a point in time	1,710,417,515.04	1,514,497,189.50
Sub-total	1,710,417,515.04	1,514,497,189.50

(3) Performance obligation

The Company and the subsidiaries sell automotive steering systems and other key components of steering systems in the capacity of main responsible person, for which it shall perform obligations upon the delivery of products. There was a credit period of 60–180 days for the contract price, and there were no significant financing components or variable considerations.

- (4) The revenue of RMB8,789,174.66 recognized for the period was included in the book value of contract liabilities at the beginning of the period

2. Business taxes and surcharges

Item	Balance for the current period	Balance for the corresponding period last year
Urban maintenance and construction tax	1,917,920.33	2,965,192.91
Education surcharge	847,406.37	1,292,246.12
Local education surcharge	564,937.57	861,497.38
Stamp duty	1,425,991.57	1,261,735.84
Real estate tax	3,149,546.51	2,840,810.27
Land use tax	1,301,703.66	1,299,650.98
Vehicles and vessels tax	9,610.00	11,429.04
Environmental tax	1,464.30	2,815.78
Water resource tax		1,575.63
Total	9,218,580.31	10,536,953.95

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

3. Selling expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	5,570,790.31	5,718,963.33
Agency service fee	9,956,600.41	8,593,155.27
Entertainment charge	6,386,983.79	4,165,918.94
Transportation and storage cost	2,010,252.35	2,119,754.11
Travelling expenses	796,175.92	795,002.06
Depreciation of fixed assets	47,034.55	35,504.17
Others	2,089,161.04	1,794,316.86
Total	26,856,998.37	23,222,614.74

4. General and administration expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	41,701,929.72	43,751,974.11
Office cost	8,239,682.00	7,415,848.93
Entertainment charge	8,404,514.32	7,448,611.06
Professional service fee	4,052,382.18	3,058,224.88
Depreciation of fixed assets	4,483,978.77	4,421,131.82
Travelling expenses	3,958,932.91	3,388,721.05
Amortization of intangible assets	1,741,503.98	1,204,646.02
Others	2,645,432.53	3,145,077.90
Total	75,228,356.41	73,834,235.77

5. Research and development expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	54,243,124.08	43,306,292.71
Direct investment	33,796,427.53	26,510,525.92
Depreciation of fixed assets	5,530,188.28	5,345,916.00
Energy costs	1,667,470.42	1,704,930.13
Amortization of intangible assets	1,526,862.66	588,884.10
Others	6,186,507.20	6,043,745.77
Total	102,950,580.17	83,500,294.63



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

6. Financial expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	1,210,838.93	495,065.87
Interest income	-1,196,274.43	-1,701,380.41
Exchange gains and losses	144,723.14	71,418.72
Others	934,053.95	525,011.36
Total	1,093,341.59	-609,884.46

7. Other gains

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Government grants related to assets	4,295,006.16	3,849,024.84	1,254,221.10
Government grants related to income	4,783,407.84	3,687,222.59	4,302,965.93
Refund of the handling fees for withholding and payment of individual income tax	231,748.36	144,976.05	
Tax relief	72,700.00	243,800.00	
VAT super deduction	6,008,738.31	12,251,379.32	
Total	15,391,600.67	20,176,402.80	5,557,187.03

8. Investment gains

Item	Balance for the current period	Balance for the corresponding period last year
Loss on discount of financing receivables	-287,202.23	-579,543.69
Investment gains from disposal of financial assets held for trading	750,772.33	2,971,510.24
Gain from debt restructuring		179,857.68
Total	463,570.10	2,571,824.23

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

9. Change of fair value gains

Item	Balance for the current period	Balance for the corresponding period last year
Financial assets held for trading	-734,400.00	-467,843.58
Including: Financial assets at fair value through profit or loss	-734,400.00	-467,843.58
Total	-734,400.00	-467,843.58

10. Credit impairment losses

Item	Balance for the current period	Balance for the corresponding period last year
Bad debt losses of accounts receivable	1,779,452.67	-2,227,772.24
Total	1,779,452.67	-2,227,772.24

11. Assets impairment losses

Item	Balance for the current period	Balance for the corresponding period last year
Provision for inventories losses	-16,724,901.69	-10,780,782.97
Total	-16,724,901.69	-10,780,782.97

12. Gains from disposal of assets

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Gains from disposal of fixed assets	-97,377.65	5,629,755.00	-97,377.65
Total	-97,377.65	5,629,755.00	-97,377.65



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

13. Non-operating income

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Transfer from payments not incurred	130,741.94	110,162.06	130,741.94
Penalty income		180,306.00	
Others	7,801.07	36,301.59	7,801.07
Total	138,543.01	326,769.65	138,543.01

14. Non-operating expenses

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Local water conservancy construction funds	341,740.15	404,565.67	
Losses on write-off of non-current assets	276,520.18	111,404.46	276,520.18
Penalty expenses	1,200.00		1,200.00
Donation expenses	100,000.00	90,000.00	100,000.00
Late payment penalty for tax		14,848.07	
Others	251,906.33	3,872.93	251,906.33
Total	971,366.66	624,691.13	629,626.51

15. Income tax expenses

(1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Current income tax expenses		944,857.68
Deferred income tax	-2,289,195.33	-4,418,045.55
Total	-2,289,195.33	-3,473,187.87

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(2) Notes to the Consolidated Income Statement *(continued)*

15. Income tax expenses *(continued)*

(2) Adjusting process for accounting profits and income tax expenses

Item	Balance for the current period	Balance for the corresponding period last year
Total profit	109,028,549.98	98,623,025.90
Income tax expenses based on tax rate of the parent company	16,354,282.50	14,793,453.89
Effects of different applicable tax rates on subsidiaries	-195,838.94	-145,804.15
Effects of adjusting income tax for prior periods		236,579.35
Effects of including and excluding research and development expenses	-15,448,972.58	-12,616,877.20
Effects of non-deductible costs, expenses and losses	1,809,094.14	921,353.74
The effect of utilization of deductible loss arising from deferred income tax assets not previously recognized	-9,308,342.01	-8,627,372.15
The effect of deductible temporary difference arising from unrecognized deferred income tax assets or deductible loss during the period	4,500,581.56	1,965,478.65
Income tax expenses	-2,289,195.33	-3,473,187.87

(3) Other statements

No provision for Hong Kong profits tax has been made for the period from January to June 2025 and January to June 2026 as the Company and its other subsidiaries had no profits generated in or arising from Hong Kong.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows

1. Cash received from or paid for significant investing activities

(1) Cash received from investment

Item	Balance for the current period	Balance for the corresponding period last year
Redemption of bank wealth management products	331,991,473.00	380,000,000.00
Sub-total	331,991,473.00	380,000,000.00

(2) Cash paid to acquire fixed assets, intangible assets and other long-term assets

Item	Balance for the current period	Balance for the corresponding period last year
Paid for engineering equipment and other expenses	118,360,985.40	91,843,427.75
Paid for intangible asset	7,009,228.77	7,791,787.22
Total	125,370,214.17	99,635,214.97

(3) Cash paid for investment

Item	Balance for the current period	Balance for the corresponding period last year
Purchase of bank wealth management products	301,991,473.00	385,000,000.00
Acquisition of equity interest in Suzhou Xianxing Intelligent Technology Co., Ltd (蘇州線行智能科技有限公司)	10,000,000.00	
Sub-total	311,991,473.00	385,000,000.00

2. Other cash received or paid relating to operating activities and financing activities

(1) Cash received in relation to other operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Recovery of deposits including banker's acceptances, etc.	144,260,000.00	114,197,212.04
Receipt of government grants	24,382,565.93	5,835,361.32
Receipt of security deposit	2,715,798.00	
House rent received	16,789,015.51	6,552,270.00
Interest income received	1,196,274.43	1,701,380.41
Others	391,291.37	1,026,442.83
Total	189,734,945.24	129,312,666.60

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(3) Notes to the Consolidated Statement of Cash Flows *(continued)*

2. Other cash received or paid relating to operating activities and financing activities *(continued)*

(2) Cash paid in relation to other operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Cash paid as selling expenses	21,552,214.31	17,467,867.70
Cash paid as general and administrative expenses	27,772,636.09	24,504,771.25
Cash paid as research and development expenses	13,144,903.72	9,960,686.05
Payment of security deposits	1,626,870.00	
Payment of deposits including banker's acceptances, etc.	197,013,101.78	122,623,050.11
Others	2,665,391.29	11,351,688.11
Total	263,775,117.19	185,908,063.22

(3) Cash paid in relation to other financing related activities

Item	Balance for the current period	Balance for the corresponding period last year
Cash paid for right-of-use asset rent	1,277,156.40	872,697.00
Total	1,277,156.40	872,697.00



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows (continued)

3. Supplemental information on the statement of cash flows

Supplemental information	Balance for the current period	Balance for the corresponding period last year
(1) Net profit adjusted to cash flows in relation to operating activities:		
Net profit	111,317,745.31	102,096,213.77
Add: Provision for impairment to assets	16,724,901.69	10,780,782.97
Allowance for Expected Credit Losses	-1,779,452.67	2,047,914.56
Depreciation of fixed assets, right-of-use assets, oil and gas assets and production	50,414,608.29	44,252,484.48
Amortization of intangible assets	4,502,763.93	2,553,085.87
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" as gains)	97,377.65	-5,629,755.00
Losses on write-off of fixed assets ("-" as gains)	276,520.18	111,404.46
Losses on changes of fair value ("-" as gains)	734,400.00	467,843.58
Financial expenses ("-" as gains)	1,355,562.07	566,484.59
Investment losses ("-" as gains)	-750,772.33	-2,391,966.55
Decrease in deferred income tax assets ("-" as increase)	-2,288,437.33	-4,364,557.90
Increase in deferred income tax liabilities ("-" as decrease)	-758.00	-53,487.65
Decrease in inventories ("-" as increase)	-40,252,567.21	-555,465.41
Decrease in operational receivables ("-" as increase)	58,546,126.31	-166,590,937.23
Increase in operational payables ("-" as decrease)	8,736,627.69	107,890,924.55
Other		
Net cash flows from operating activities	207,634,645.58	91,180,969.09
(2) Significant investment and financing activities not related to cash receipts and payments:		
Debt transfer to capital		
Convertible company bonds due within one year		
Addition of right-of-use assets	614,538.90	8,858,034.48
(3) Net change in cash and cash equivalents:		
Cash at the end of the period	434,457,611.75	188,563,673.29
Less: Cash at the beginning of the period	304,145,318.69	212,968,954.82
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	130,312,293.06	-24,405,281.53

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows (continued)

4. Cash and cash equivalents

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
1) Cash	434,457,611.75	304,145,318.69
Including: Cash on hand	337,985.35	354,643.69
Bank deposit readily available	434,119,614.35	303,790,675.00
Other monetary fund readily available	12.05	
2) Cash equivalents		
Including: Bond investment due in three months		
3) Closing balance of cash and cash equivalents	434,457,611.75	304,145,318.69
Including: Restricted cash and cash equivalents of parent or group subsidiaries	45,956,940.56	52,488,249.28

(2) Restricted Cash and Cash Equivalents

Item	Balance for the current period	Balance for the corresponding period last year	Reasons for restricted scope of use, reasons for use as cash and cash equivalents
Bank Deposit	45,956,940.56	31,861,753.24	The Company and its subsidiaries may utilize the balance in the proceeds account for cash disbursements as needed, in compliance with the Regulations on the Management of Proceeds.
Subtotal	45,956,940.56	31,861,753.24	

(3) Monetary funds not classified as cash and cash equivalents

Item	Balance for the current period	Balance for the corresponding period last year	Reasons for not classified as cash and cash equivalents
Bank deposits	1,074.06	1,073.01	Suspended account deposits
Bank deposits	27,000.00	25,000.00	Amount frozen by ETC
Bank deposits	10,392,739.73	10,157,739.73	Time deposits and accrued interest
Bank deposits		30,000,000.00	Restricted funds in the capital account designated for investment in wealth management products under the Company's cash management program
Other monetary funds	197,057,444.02	163,821,383.69	Security deposits of the notes pool
Sub-total	207,478,257.81	204,005,196.43	



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows (continued)

5. Changes in liabilities related to financing activities

Item	Balance at the beginning of the period	Increase during the period		Decrease during the period		Balance at the end of the period
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	109,488,226.66	78,912,155.90	1,070,301.88	51,545,821.05		137,924,863.39
Lease liability (including lease liability due within one year)	7,306,010.16		614,538.90	1,208,303.78	-140,537.05	6,852,782.33
Sub-total	116,794,236.82	78,912,155.90	1,684,840.78	52,754,124.83	-140,537.05	144,777,645.72

6. Major activities that do not involve cash receipts and payments

The transferred endorsed commercial bill which do not involve in cash receipt and payment

Item	Balance for the current period	Balance for the corresponding period last year
Transferred endorsed commercial bill	1,109,383,575.56	789,030,094.71
Including: Payment for goods	1,045,352,832.73	733,447,622.80
Payment for the purchase of long-term assets such as fixed assets	64,030,742.83	55,582,471.91

(4) Others

1. Monetary items in foreign currencies

Item	Foreign currency balance at the end of the period	Exchange rate	Balance translated into RMB at the end of the period
Monetary funds			8,039,902.74
Including: US Dollar	953,860.53	6.8109	6,496,648.68
Euro	197,146.70	7.7671	1,531,258.13
Hong Kong Dollar	13,811.44	0.8686	11,995.93
Accounts receivable			1,085,469.81
Including: US Dollar	106,907.74	6.8109	728,137.93
Euro	46,005.83	7.7671	357,331.88

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

2. Leases

(1) Company as a lessee

- 1) For details of the Company's accounting policies for short-term leases and low-value asset leases, see Note 3(29) to these financial statements. The amount of short-term lease expenses and low-value asset lease expenses through profit or loss for the period are as follows:

Item	Balance for the current period	Balance for the corresponding period last year
Short-term lease expenses	963,282.92	1,104,785.96
Low-value assets lease expenses (other than short-term leases)		
Total	963,282.92	1,104,785.96

- 2) Profit or loss and cash flows related to the lease for the period

Item	Balance for the current period	Balance for the corresponding period last year
Interest expense on lease liabilities	140,537.05	148,381.93
Total cash outflow related to the lease	2,477,231.02	2,149,393.30

(2) Company as a lessor

Operating leases

- 1) Lease income

Item	Balance for the current period	Balance for the corresponding period last year
Lease income	10,295,710.74	9,662,937.65
Including: Income relating to variable lease payments not included in the measurement of the lease liability		

- 2) Assets under operating leases

Item	Balance at the end of the period	Balance at the end of last year
Investment property	218,230,723.92	222,528,386.69
Sub-total	218,230,723.92	222,528,386.69



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

2. Leases (continued)

(2) Company as a lessor (continued)

Operating leases (continued)

3) Information on the Company's investment properties is as follows:

Asset name	Address	Title no.	Usage	Planned time for holding	Whether permanent title or not
Plant, staff dormitory and land use rights	No. 2290 Hehua South Street, Choujiang Street, Yiwu, Zhejiang	Zhe (2020) Yiwu Real Estate Property No.0069157	Factory, dormitory	Long-term	No

4) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining service life	Balance at the end of the period	Balance at the end of last year
Within one year	22,422,428.16	21,651,421.81
1-2 years	22,422,428.16	22,342,182.96
2-3 years	22,398,391.86	22,342,182.96
3-4 years	21,630,282.96	21,630,282.96
4-5 years	21,630,282.96	21,630,282.96
Over 5 years	86,521,131.84	108,151,414.80
Total	197,024,945.94	217,747,768.45

3. Interest expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	1,210,838.93	495,065.87
Less: Capitalized interests		
Financial expenses — interest expenses	1,210,838.93	495,065.87

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



6. RESEARCH AND DEVELOPMENT EXPENSES

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	54,243,124.08	43,306,292.71
Direct investment	33,796,427.53	26,510,525.92
Depreciation of fixed assets	5,530,188.28	5,345,916.00
Energy costs	1,667,470.42	1,704,930.13
Amortization of intangible assets	1,526,862.66	588,884.10
Others	6,186,507.20	6,043,745.77
Total	102,950,580.17	83,500,294.63
Including: Expense of R&D investment	102,950,580.17	83,500,294.63
Capitalization of R&D investment		

7. OWNER'S EQUITY IN OTHER ENTITIES

(1) Particulars of subsidiaries

- The Company has included 8 subsidiaries to the consolidated financial report, i.e. Hangzhou Shibao Auto Steering Gear Co., Ltd., Hangzhou New Shibao Electric Power Steering Co., Ltd., Jilin Shibao Machinery Manufacturing Co., Ltd., Beijing Autonics Technology Co., Ltd., Wuhu Sterling Steering System Co., Ltd., Erdos Sterling Steering System Co., Ltd., Jiangsu Feiyang Automotive Technology Co., Ltd. and Anqing Sterling Automotive Safety Systems Co., Ltd..

2. General information of subsidiaries

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Kind of legal entity	Registered capital	Percentage of shareholding (%)		Method of ownership
						Direct	Indirect	
Hangzhou Shibao Auto Steering Gear Co., Ltd.	Zhejiang Hangzhou/PRC	Zhejiang Hangzhou/PRC	Manufacturing	Domestic enterprises	RMB69 million	100.00		Establishment
Hangzhou New Shibao Electric Power Steering Co., Ltd.	Zhejiang Hangzhou/PRC	Zhejiang Hangzhou/PRC	Manufacturing	Domestic enterprises	RMB60 million	90.00		Establishment
Jilin Shibao Machinery Manufacturing Co., Ltd.	Jilin Siping/PRC	Jilin Siping/PRC	Manufacturing	Domestic enterprises	RMB171 million	100.00		Establishment
Beijing Autonics Technology Co., Ltd.	Beijing/PRC	Beijing/PRC	Technology development	Domestic enterprises	RMB60 million	100.00		Business combination not under common control
Wuhu Sterling Steering System Co., Ltd.	Anhui Wuhu/PRC	Anhui Wuhu/PRC	Manufacturing	Domestic enterprises	RMB22.80 million	57.89		Business combination not under common control
Erdos Sterling Steering System Co., Ltd.	Inner Mongolia/PRC	Inner Mongolia/PRC	Manufacturing	Domestic enterprises	RMB10 million		57.89	Business combination not under common control
Jiangsu Feiyang Automotive Technology Co., Ltd.	Jiangsu Changzhou/PRC	Jiangsu Changzhou/PRC	Manufacturing	Domestic enterprises	RMB20 million		100.00	Establishment
Anqing Sterling Automotive Safety Systems Co., Ltd.	Anhui Anqing / PRC	Anhui Anqing / PRC	Manufacturing	Domestic enterprises	RMB10 million		57.89	Establishment



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

7. OWNER'S EQUITY IN OTHER ENTITIES (continued)

(2) Significant non-wholly owned subsidiaries

1. Breakdown

Name of subsidiary	Percentage of shareholding of minority shareholders	Profit or loss contributed to minority shareholders of the current period	Declared dividends distribution to minority shareholders of the current period	Balance of minority shareholders' equity at the end of the period
Hangzhou New Shibao Electric Power Steering Co., Ltd.	10.00%	3,265,565.80		11,339,398.27
Wuhu Sterling Steering System Co., Ltd.	42.11%	4,334,584.78		24,692,214.68

2. Major financial information of significant non-wholly owned subsidiaries

(1) Assets and liabilities

Name of subsidiary	As at the end of the period					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Hangzhou New Shibao Electric Power Steering Co., Ltd.	515,974,100.98	202,420,452.32	718,394,553.30	585,185,233.30	19,815,337.30	605,000,570.60
Wuhu Sterling Steering System Co., Ltd.	621,684,503.19	117,510,290.76	739,194,793.95	675,003,702.62	5,553,678.19	680,557,380.81

Name of subsidiary	Balance at the end of last year					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Hangzhou New Shibao Electric Power Steering Co., Ltd.	581,152,526.85	169,230,620.61	750,383,147.46	664,968,646.05	4,676,176.66	669,644,822.71
Wuhu Sterling Steering System Co., Ltd.	657,753,164.50	94,043,529.99	751,796,694.49	699,101,504.68	4,351,257.48	703,452,762.16

(2) Profit/loss and cash flows

Name of subsidiary	Balance for the current period				Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income		
Hangzhou New Shibao Electric Power Steering Co., Ltd.	619,658,682.67	32,655,657.95	32,655,657.95		28,299,496.17
Wuhu Sterling Steering System Co., Ltd.	391,444,657.05	10,293,480.81	10,293,480.81		31,533,989.19

Name of subsidiary	Balance for the corresponding period last year				Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income		
Hangzhou New Shibao Electric Power Steering Co., Ltd.	469,565,355.23	19,473,925.39	19,473,925.39		8,517,875.97
Wuhu Sterling Steering System Co., Ltd.	377,621,858.31	16,894,748.10	16,894,748.10		33,922,498.02

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



8. GOVERNMENT GRANTS

(1) Addition of government grants during the period

Item	Amount of grants increased during the period
Government grants relating to assets	20,079,600.00
Including: Included in deferred income	20,079,600.00
Government grants relating to income	4,783,407.84
Including: Included in other gains	4,783,407.84
Total	24,863,007.84

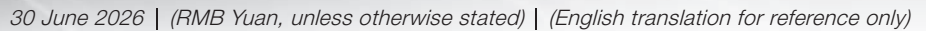
(2) Liability related to government grants

Items presented in financial statements	Balance at the beginning of the period	Amount of grants increased during the period	Amount included in other gains during the period	Amount included in non-operating income during the period
Deferred income	45,784,336.43	20,079,600.00	4,295,006.16	
Sub-total	45,784,336.43	20,079,600.00	4,295,006.16	

Items presented in financial statements	Amount of cost offset against during the period	Amount of assets offset against during the period	Other changes	Balance at the end of the period	Related to assets/income
Deferred income				61,568,930.27	Related to assets
Sub-total				61,568,930.27	

(3) Amount of government grants included in current profit or loss

Item	Balance for the current period	Balance for the corresponding period last year
Amount of government grants included in other gains	9,078,414.00	7,536,247.43
Total	9,078,414.00	7,536,247.43



91

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

1. Credit risk management practices *(continued)*

*(1) Assessment method on credit risk *(continued)**

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- 1) Quantitative criteria mainly refers to the increase in remaining lifetime probability of default at the balance sheet date is considered significant comparing with the one at initial recognition;
- 2) Qualitative criteria mainly refers to the significant adverse change in debtor's operation or financial status, existing or expected changes in the technological, market, economic or legal environment that will have a significant adverse effect on the debtors' abilities to repay to the Company, etc.

(2) Definition of default and credit-impaired asset

The Company defines a financial asset as in default, which is fully aligned with the definition of credit-impaired, when the financial instrument meets one or more of the following conditions:

- 1) Significant financial difficulty of the debtor;
- 2) The debtor is in breach of the provisions of the contract which are binding on the debtors;
- 3) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- 4) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor concessions that it would not otherwise consider under other circumstances.

2. ECL measurement

The key parameters of ECL measurement include probabilities of default (PD), losses given default (LGD) and exposures at default (EAD). The Company takes into account the quantitative analysis of historical statistics (such as ratings of the counterparty, manners of guarantees and types of collateral, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

3. The reconciliation of the balance of provision for losses on financial instruments at the beginning and the end of the period is detailed in Note 5(1)3, 5(1)6 to the financial statements.

4. Credit risk exposure and credit risk concentration

Credit risks of the Company arise primarily from cash on hand and at bank and accounts receivable. In order to control the relevant risks above, the Company has taken the following measures respectively.

(1) Cash on hand and at bank

The Company places bank deposits and other monetary funds in financial institutions with higher credit ratings, therefore its credit risks are low.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

4. Credit risk exposure and credit risk concentration *(continued)*

(2) Accounts receivable

The Company continuously conducts credit assessment on customers who trade on credit terms. Based on the assessment results, the Company chooses to trade with recognized and creditworthy customers, and carries out control on their accounts receivable balances to ensure that the Company's exposure to bad debts is not significant.

As the Company trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 30 June 2026, the Company had certain concentration of credit risk as 48.02% (31 December 2025: 38.72%) of the Company's accounts receivable were due from the five largest customers. The Company does not hold any collateral or other credit enhancements over the balance of accounts receivable.

The maximum credit risk exposure of the Company was the carrying amount of each financial asset in the balance sheet.

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations that are settled by delivering cash or another financial assets. Liquidity risk may arise when the Company is not able to sell financial assets at fair value in a timely manner; or the counterparties encounter difficulty in repaying contractual liabilities; or the Company could be required to pay its liabilities earlier than expected; or the Company could not obtain sufficient cash flow as expected.

For the purpose of controlling the risk, the Company sets its objective as maintaining a balance between continuity of funding and flexibility through the use of several financing methods such as notes settlement and bank borrowings, as well as optimizing financing structure through the combination of long and short-term financing. The Company has obtained banking facilities from several commercial banks to fund the working capital requirements and capital expenditure.

Management of the Company monitors the liquidity position of the Company on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Company's financial resources.

1. Classification of financial assets based on the remaining maturity

Item	Balance at the end of the period				
	Carrying value	Contractual undiscounted amount	Within 1 year	1–3 years	Over 3 years
Cash on hand and at bank	641,935,869.56	641,935,869.56	641,935,869.56		
Financial assets held for trading	1,112,300.00	1,112,300.00	1,112,300.00		
Accounts receivable	1,213,919,926.07	1,213,919,926.07	1,213,919,926.07		
Financing receivables	199,399,330.76	199,399,330.76	199,399,330.76		
Other receivables	3,350,087.08	3,350,087.08	3,350,087.08		
Investments in other equity instruments	10,000,000.00	10,000,000.00	10,000,000.00		
Sub-total	<u>2,069,717,513.47</u>	<u>2,069,717,513.47</u>	<u>2,069,717,513.47</u>		

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

1. Classification of financial assets based on the remaining maturity (continued)

Item	Carrying value	Balance at the end of last year			
		Contractual undiscounted amount	Within 1 year	1–3 years	Over 3 years
Cash on hand and at bank	488,868,474.45	488,868,474.45	488,868,474.45		
Financial assets held for trading	1,846,700.00	1,846,700.00	1,846,700.00		
Accounts receivable	1,161,637,660.14	1,161,637,660.14	1,161,637,660.14		
Financing receivables	428,919,782.43	428,919,782.43	428,919,782.43		
Other receivables	2,550,186.83	2,550,186.83	2,550,186.83		
Investments in other equity instruments					
Sub-total	<u>2,083,822,803.85</u>	<u>2,083,822,803.85</u>	<u>2,083,822,803.85</u>		

2. Classification of financial liabilities based on the remaining maturity

Item	Carrying value	Balance at the end of the period			
		Contractual undiscounted amount	Within 1 year	1–3 years	Over 3 years
Bank borrowings	137,924,863.39	138,290,600.51	138,290,600.51		
Notes payable	293,261,359.29	293,261,359.29	293,261,359.29		
Accounts payable	1,035,962,859.95	1,035,962,859.95	1,035,962,859.95		
Other payables	4,367,605.99	4,367,605.99	4,367,605.99		
Lease liabilities (Including lease liabilities due within one year)	<u>6,852,782.33</u>	<u>7,271,414.96</u>	<u>2,250,553.31</u>	<u>4,475,871.28</u>	<u>544,990.37</u>
Sub-total	<u>1,478,369,470.95</u>	<u>1,479,153,840.70</u>	<u>1,474,132,979.05</u>	<u>4,475,871.28</u>	<u>544,990.37</u>

Item	Carrying value	Balance at the end of last year			
		Contractual undiscounted amount	Within 1 year	1–3 years	Over 3 years
Bank borrowings	109,488,226.66	109,704,562.75	109,704,562.75		
Notes payable	226,760,088.05	226,760,088.05	226,760,088.05		
Accounts payable	1,130,764,560.89	1,130,764,560.89	1,130,764,560.89		
Other payables	4,014,527.25	4,014,527.25	4,014,527.25		
Lease liabilities (Including lease liabilities due within one year)	<u>7,306,010.16</u>	<u>7,846,911.40</u>	<u>2,009,696.51</u>	<u>4,202,243.78</u>	<u>1,634,971.11</u>
Sub-total	<u>1,478,333,413.01</u>	<u>1,479,090,650.34</u>	<u>1,473,253,435.45</u>	<u>4,202,243.78</u>	<u>1,634,971.11</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed interest rate expose the Company to fair value interest risk, whereas interest-bearing financial instruments with variable interest rate expose the Company to cash flow interest rate. The Company determines the proportion of fixed rate and variable rate financial instruments based on market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The cash flow interest risk that the Company is exposed to mainly relates to the Company's bank borrowings at variable interest rates.

As at 30 June 2026, the Company has no bank borrowings with floating interest rates (31 December 2025: RMB0.00), and a reasonable and possible 50% base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Company operates in Mainland China, and transactions of its main operation are presented in RMB. Therefore, the Company's exposure to foreign exchange risk is not significant.

For the Company's monetary assets and liabilities in foreign currencies at the end of the period, please see Note 5(4)1 to the financial statements.

(5) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, provide returns to shareholders and benefits to other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of short-term bank borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of existing borrowings.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(5) Capital risk management (continued)

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. As at 30 June 2026, the Company's gearing ratio was -15.46% (31 December 2025: -10.20%). The calculation is described as follow:

Item	Balance at the end of the period	Balance at the end of last year
Total borrowings	137,924,863.39	109,488,226.66
Less: Cash and cash equivalents	434,457,611.75	304,145,318.69
Net debt	-296,532,748.36	-194,657,092.03
Equity	2,213,987,929.51	2,102,670,184.20
Total capital	1,917,455,181.15	1,908,013,092.17
Gearing ratio	-15.46%	-10.20%

(6) Transfer of financial assets

1. Basic information of the transfer of financial assets

Classification of transfer methods	Nature of transferred financial assets	Amount of transferred financial assets	Confirmation of derecognition	Basis of judgement for derecognition
Endorsement of notes	Financing receivables	1,058,928,246.39	Derecognized	Almost all risks and rewards have been transferred
Bill discounting	Financing receivables	67,722,422.22	Derecognized	Almost all risks and rewards have been transferred
Transfer of financing platform receivables	Accounts receivable	405,585.01	Not derecognized	Almost all risks and rewards have been retained
Sub-total		1,127,056,253.62		

2. Financial assets derecognized on transfer

Item	Transfer method of financial assets	Amount derecognized of financial assets	Profits or losses related to derecognition
Financing receivables	Endorse	1,058,928,246.39	
Financing receivables	Discount	67,722,422.22	-191,245.37
Sub-total		1,126,650,668.61	-191,245.37



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(6) Transfer of financial assets *(continued)*

3. The amount of assets and liabilities arising from the transfer of financial assets and continuing involvement

Item	Transfer method of assets	Amount of assets from continuing involvement	Amount of liabilities from continuing involvement
Accounts receivable	Transfer	405,585.01	
Accounts payable	Transfer		405,585.01
Sub-total		405,585.01	405,585.01

10. FAIR VALUE DISCLOSURE

(1) Breakdown of fair values of assets and liabilities measured at fair value, at the end of the period

Item	Fair value at the end of the period			Total
	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	
Recurring fair value measurement				
1. Financial assets held for trading and other non-current financial assets	1,112,300.00			1,112,300.00
(1) Financial assets at fair value through profit or loss	1,112,300.00			1,112,300.00
Stock investment	1,112,300.00			1,112,300.00
2. Financing receivables			199,399,330.76	199,399,330.76
3. Investments in other equity instruments			10,000,000.00	10,000,000.00
Total assets measured at fair value on a recurring basis	1,112,300.00		209,399,330.76	210,511,630.76

(2) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The company determines a fair value, using a certain valuation technique. For wealth management projects of banks, the key parameters the Company adopted include, among others, expected rate of return based on historical experience and future trends; and financing receivables comprises mainly bank acceptance bill and the key parameters the Company adopted include, among others, expected credit loss rate estimated based on the credit risk of the acceptance bank and historical experience and future trends.

(4) Fair value information of financial assets and financial liabilities not measured at fair value

The financial assets and financial liabilities of the Company that are not measured at fair value mainly include: monetary funds, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, etc. The difference between their carrying amounts and fair values is relatively small.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related parties

1. Parent company of the Company

(1) *Parent company of the Company*

Name of parent company	Relationship	Corporate type	Corporate representative	Nature of business
Zhejiang Shibao Holding Group Co., Ltd.	Controlling shareholder	Limited liability	Zhang Shi Zhong	Industrial investment

Name of parent company	Place of registration	Registered capital (RMB0,000)	Shareholding % in the Company	Voting % in the Company
Zhejiang Shibao Holding Group Co., Ltd.	Zhejiang Yiwu	5,000.00	31.79	31.79

(2) *The ultimate shareholder of the Company is Mr. Zhang Shi Quan and his family members, namely, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong.*

2. Details of the Company's subsidiaries are set out in Note 7 to the financial statements.

(2) Related parties transactions

1. Guarantee with related parties

The Company and its subsidiaries as the secured parties

Guarantor	Guaranteed amount (RMB0'000)	Commencement date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled
Zhejiang Shibao Holding Group Co., Ltd.	5,000.00	2026/1/28–2026/5/29	2026/7/28–2026/12/31	No



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(2) Related parties transactions (continued)

2. Remuneration of key management

Item	Balance for the current period	Balance for the corresponding period last year
Directors and Supervisors	3,058,235.93	2,831,753.96
Other key management	540,222.70	704,124.12
Total	3,598,458.63	3,535,878.08

(3) Payables to related parties

Item	Related party	Balance at the end of the period	Balance at the end of last year
Notes payable	Zhejiang Shibao Company Limited (Note)	23,989,671.38	50,600,000.00
	Hangzhou New Shibao Electric Power Steering Co., Ltd. (Note)	64,400,000.00	18,417,626.57
	Jilin Shibao Machinery Manufacturing Co., Ltd. (Note)	12,729,754.07	9,640,000.00
	Beijing Autonics Technology Co., Ltd. (Note)	9,001,109.85	11,118,021.48
	Hangzhou Shibao Auto Steering Gear Co., Ltd. (Note)	6,000,000.00	14,200,000.00
Total		116,120,535.30	103,975,648.05

(Note): Notes payable are banker's acceptances issued by the Company's subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd., Hangzhou New Shibao Electric Power Steering Co., Ltd., and Wuhu Sterling Steering System Co., Ltd. have endorsed the transfer after receiving the bank acceptance bill.

12. COMMITMENTS AND CONTINGENCIES

(1) Major commitments

Item	Balance at the end of the period	Balance at the end of last year
Material contracts in relation to acquisition of assets contracted but not recognized	149,809,838.86	139,534,679.45

(2) Contingencies

As of the balance sheet date, the Company does not have important contingencies that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



13. EVENTS AFTER THE BALANCE SHEET DATE

As at the date of the approval of this financial report, there were no events after the balance sheet date.

14. OTHER IMPORTANT MATTERS

(1) Segment Information

1. Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components and are mainly located in Mainland China where 96.22% of the operating revenue was generated from domestic sales, no detailed segment information is required to be disclosed.

2. Information about major customers

- (1) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company during the period from January to June 2026 is as follows:

Name of customer	Operating revenue	Proportion to total operating revenue of the Company (%)
Chery Automobile Co., Ltd.	232,929,301.93	13.54
Hu'nan Geely Automobile Parts Co., Ltd.	191,633,332.81	11.14
Leapmotor Automobile Co., Ltd.	186,173,625.00	10.82
South East (Fujian) Motor Corporation Ltd	177,402,798.43	10.31

- (2) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company during the period from January to June 2025 is as follows:

Name of customer	Operating revenue	Proportion to total operating revenue of the Company (%)
Chery Automobile Henan Co., Ltd.	236,921,214.83	15.54
Hu'nan Geely Automobile Parts Co., Ltd.	213,632,423.64	14.02
South East (Fujian) Motor Corporation Ltd.	161,876,008.65	10.62

(2) Other financial information

Item	Balance at the end of the period		Balance at the end of last year	
	Consolidated	The Parent	Consolidated	The Parent
Net current assets	957,311,044.99	325,675,180.42	948,291,969.03	338,534,571.88
Total assets less current liabilities	2,282,127,095.14	1,527,190,822.61	2,155,741,051.85	1,517,982,408.20

(3) Other major transactions and events that have an impact on investors' decisions

As at the date of the approval of this financial report, there are no other major transactions and events that have an impact on investors' decisions.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

15. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(1) Notes to the balance sheet of the parent company

1. Accounts receivable

(1) Breakdown

1) Breakdown by types

Types	Balance at the end of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	%	Amount	%	
Bad debt provision on individual basis	292,979.00	0.11	292,979.00	100.00	0.00
Provision for bad debt by groups	269,823,513.16	99.89	1,183.34		269,822,329.82
Total	270,116,492.16	100.00	294,162.34	0.11	269,822,329.82

Types	Balance at the end of last year				
	Carrying amount		Provision for bad debts		Book value
	Amount	%	Amount	%	
Bad debt provision on individual basis	292,979.00	0.09	292,979.00	100.00	
Provision for bad debt by groups	314,897,470.00	99.91	786.19		314,896,683.81
Total	315,190,449.00	100.00	293,765.19	0.09	314,896,683.81

2) There is no significant accounts receivable with bad debt provision on individual basis at the end of the period.

3) Accounts receivable with bad debt provision based on group

Item	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Aging group	1,314,815.99	1,183.34	0.09
Group of related dealings within the scope of combination	268,508,697.17		
Sub-total	269,823,513.16	1,183.34	

4) Accounts receivable with bad debt provision according to the age

Age	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	1,314,815.99	1,183.34	0.09
Sub-total	1,314,815.99	1,183.34	0.09

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



15. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

1. Accounts receivable (continued)

(2) Aging analysis

Age	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for bad debts	(%)	Carrying amount	Provision for bad debts	(%)
Over 1 year	269,823,513.16	1,183.34		314,897,470.00	786.19	
Over 3 years	292,979.00	292,979.00	100.00	292,979.00	292,979.00	100.00
Total	270,116,492.16	294,162.34	0.11	315,190,449.00	293,765.19	0.09

The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

The Company's and its subsidiaries' trading terms with their customers generally offer a certain credit period. However, new customers are often required to make payment in advance. The credit period is generally 60-90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

(3) Change in provision for bad debts

1) Breakdown

Item	Balance at the beginning of the period	Amount of changes during the period				Balance at the end of the period
		Provision	Recovery or Reversal	Write-off	Others	
Bad debt provision on individual basis	292,979.00					292,979.00
Provision for bad debt by groups	786.19	397.15				1,183.34
Total	293,765.19	397.15				294,162.34

2) There was no significant provision for bad debts recovery or reversal during the period.

(4) There are no accounts receivables written off during the period.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

15. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

1. Accounts receivable (continued)

(5) The five largest accounts receivable

Name	Carrying amount at the end of the period	Percentage of balance of accounts receivable at the end of the period (%)	Bad debt provision for accounts receivable
Hangzhou New Shibao Electric Power Steering Co., Ltd.	82,231,734.20	30.44	
Beijing Autonics Technology Co., Ltd	80,361,841.20	29.75	
Wuhu Sterling Steering System Co., Ltd.	78,298,883.55	28.99	
Hangzhou Shibao Auto Steering Gear Co., Ltd	27,050,362.23	10.01	
Lixin (Jiangsu) Energy Technology Co., Ltd	612,360.04	0.23	551.12
Sub-total	268,555,181.22	99.42	551.12

2. Other receivables

(1) Classification by nature

Nature of the receivables	Balance at the end of the period	Balance at the end of last year
Current accounts	121,500,000.00	143,498,168.33
Imprest	87,439.96	67,545.13
Others	530,595.02	99,128.73
Total carrying amount	122,118,034.98	143,664,842.19
Less: Provision for bad debts		
Book value	122,118,034.98	143,664,842.19

(2) Aging analysis

Age	Balance at the end of the period	Balance at the end of last year
Within 1 year	539,034.98	66,673.86
1-2 years		1,071,388.33
2-3 years	79,000.00	17,176,780.00
Over 3 years	121,500,000.00	125,350,000.00
Total carrying amount	122,118,034.98	143,664,842.19
Less: Provision for bad debts		
Book value	122,118,034.98	143,664,842.19

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



15. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

2. Other receivables (continued)

(3) Provision for bad debts

1) Breakdown by types

Type	Balance at the end of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion %	Amount	Provision %	
Bad debt provision by groups	<u>122,118,034.98</u>	<u>100.00</u>			<u>122,118,034.98</u>
Total	<u>122,118,034.98</u>	<u>100.00</u>			<u>122,118,034.98</u>

Type	Balance at the end of last year				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion %	Amount	Provision %	
Bad debt provision by groups	<u>143,664,842.19</u>	<u>100.00</u>			<u>143,664,842.19</u>
Total	<u>143,664,842.19</u>	<u>100.00</u>			<u>143,664,842.19</u>

- 2) There are no significant other receivables with bad debt provision on individual basis at the end of the period.
- 3) Other receivables with provision for bad debt by groups

Group	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Related party dealings within the scope of combination	<u>121,500,000.00</u>		
Imprest receivable and other group	<u>618,034.98</u>		
Sub-total	<u>122,118,034.98</u>		

(4) There are no other receivables written off during the period.

(5) The five largest other receivables

Name	Nature of receivables	Carrying amount	Age	Percentage to the balance of other receivables (%)	Provision for bad debts at the end of the period
Hangzhou New Shibao Electric Power Steering Co., Ltd.	Current accounts	100,000,000.00	Over 3 years	81.89	
Wuhu Sterling Steering System Co., Ltd	Current accounts	21,500,000.00	Over 3 years	17.61	
Yiwu Wenchuang Business Management Co., Ltd.	Other	227,384.00	Within 1 year	0.19	
Zhejiang Chuanguo Technology Co., Ltd.	Other	202,337.00	Within 1 year	0.17	
Jinhua Zhenuo Machinery Technology Co., Ltd.	Other	<u>79,000.00</u>	2-3 years	<u>0.06</u>	
Sub-total		<u>122,008,721.00</u>		<u>99.92</u>	



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

15. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

3. Long-term equity investments

(1) Breakdown

Item	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investments in subsidiaries	365,159,214.87		365,159,214.87	365,159,214.87		365,159,214.87
Total	365,159,214.87		365,159,214.87	365,159,214.87		365,159,214.87

(2) Investment in subsidiaries

Investees	Balance at the beginning of the period		Changes during the period				Balance at the end of the period	
	Book value	Provision for impairment	Additional Investment	Decrease in investment	Provision for impairment	Others	Book value	Provision for impairment
Hangzhou Shibao Auto Steering Gear Co., Ltd.	70,461,807.49						70,461,807.49	
Hangzhou New Shibao Electric Power Steering Co., Ltd.	42,000,000.00						42,000,000.00	
Jilin Shibao Machinery Manufacturing Co., Ltd.	173,250,000.00						173,250,000.00	
Beijing Autonics Technology Co., Ltd.	60,000,000.00						60,000,000.00	
Wuhu Sterling Steering System Co., Ltd.	19,447,407.38						19,447,407.38	
Sub-total	365,159,214.87						365,159,214.87	

(3) Investment in non-public listed companies and public listed companies

Item	Balance at the end of the period	Balance at the end of last year
Investment in non-public listed companies	365,159,214.87	365,159,214.87
Total	365,159,214.87	365,159,214.87

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



15. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(2) Notes to the income statement of the parent company

1. Operating revenue/cost of sales

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Main business	212,039,400.35	182,152,033.82	220,536,663.81	185,324,303.61
Other business	24,418,070.31	17,278,266.01	16,377,533.92	7,897,337.23
Total	<u>236,457,470.66</u>	<u>199,430,299.83</u>	<u>236,914,197.73</u>	<u>193,221,640.84</u>
Include: revenue from contracts with customers	226,233,868.82	195,132,637.06	228,349,422.43	190,391,795.26

2. Research and development expenses

Item	Balance for the current period	Balance for the corresponding period last year
Staff costs	3,716,591.52	3,086,053.64
Direct investment	3,800,597.45	4,877,090.89
Energy costs	1,012,776.97	1,094,604.41
Depreciation of fixed assets	1,002,387.42	1,023,300.39
Total	<u>9,532,353.36</u>	<u>10,081,049.33</u>

3. Investment gains

Item	Balance for the current period	Balance for the corresponding period last year
Long-term equity investment income accounted for by the cost method		25,000,000.00
Investment gains from disposal of held-for-trading financial assets		350,224.88
Interest income from loans	2,340,880.56	2,666,981.16
Discounted loss on financing receivables	-257,281.84	-158,073.66
Total	<u>2,083,598.72</u>	<u>27,859,132.38</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

16. OTHER SUPPLEMENTAL INFORMATION

(1) Non-recurring gain and loss

1. List of non-recurring gain and loss

Item	Amount	Description
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	-373,897.83	
Government grants (except for government grants which are closely related to the Company's ordinary business, conform with the national policies, enjoy in accordance with determined standards, have a lasting impact on the Company's profits and losses) recognized in gains or losses during the current period	5,557,187.03	
Non-financial enterprises' gains and losses from changes in fair value arising from holding financial assets and financial liabilities and gains and losses arising from the disposal of financial assets and financial liabilities, except for the effective hedging business related to the Company's ordinary business	16,372.33	
Fees for usage of funds received from non-financial enterprises recognized in profits and losses during the current period		
Gains or losses from discretionary investment or asset management		
Gains or losses from external entrusted loans		
Loss of assets due to force majeure factors such as natural disasters		
Reversal of impairment provisions for receivables subject to individual impairment test	3,975,863.28	
Investment costs paid by the investor in acquiring the subsidiaries, associates and joint ventures less the gain derived from the fair value of the investee's identifiable net assets at the time of investment		
Net gains or losses from the subsidiary formed by merging jointly controlled enterprises from the beginning of the reporting period to the date of merger attributable to the current period		
Profit and loss from exchange of non-monetary assets		
Gains or losses from debt restructuring		
One-off expenses incurred by the enterprise due to the termination of relevant business activities, such as staff resettlement expenses		
One-off effect on current gains or losses due to the adjustment of tax and accounting laws and regulations		
One-off share-based payment expenses recognized due to cancelation and modification of share incentive scheme		
Gains or losses arising from changes in fair value of employee benefits payable after the vesting period in respect of cash-settled share-based payments		
Gains or losses from changes in fair value of investment properties adopting fair value method for follow-up measurements		
Gains or losses arising from transactions at unfair trading		
Gains or losses from contingency items unrelated to the normal business operations of the Company		
Discretionary fee income received from discretionary operations		
Other non-operating income and expenses apart from those stated above	-214,563.32	
Other gains and losses items conforming with the definition of non-recurring gains or losses		
Sub-total	8,960,961.49	
Less: Effect on enterprise income tax increase ("-" as decrease)	-110,160.00	
Effect on interest of minority shareholders (after tax)	-439,199.26	
Items of non-recurring gains or losses attributable to equity holders of the parent	9,510,320.75	

NOTES TO THE FINANCIAL STATEMENTS

30 June 2026 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)



16. OTHER SUPPLEMENTAL INFORMATION (continued)

(2) Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to the ordinary shareholders of the Company	4.88	0.1261	0.1261
Net profits after deducting non-recurring profit or loss attributable to the ordinary shareholders of the Company	4.43	0.1145	0.1145

(3) Differences in preparation of financial statements between domestic and overseas accounting standards

The financial statements of the Company were prepared in accordance with Accounting Standards of Business Enterprises. In 2011, according to “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” issued by the Hong Kong Stock Exchange in December 2010, the Company decided to prepare the financial statements in accordance with Accounting Standards of Business Enterprises for information disclosure on the Hong Kong Stock Exchange.



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2026, production and sales volume of China automobile industry were 14,993,000 units and 15,017,000 units respectively, representing a decrease of 4.00% and 4.10% respectively as compared with the corresponding period of last year. Of this total, domestic sales reached 9,921,000 units (down 21.10% year-on-year), while exports totaled 5,096,000 units (up 65.30% year-on-year). Production and sales of passenger vehicles were 12,721,000 units and 12,720,000 units respectively, representing a decrease of 5.90% and 6.00% respectively as compared with the corresponding period of last year; among passenger vehicles, sales volume of China-brand passenger vehicles was 9,138,000 units, representing a decrease of 1.40% as compared with the corresponding period of last year, capturing a 71.80% market share, representing an increase of 3.3 percentage points as compared with the corresponding period of last year. Production and sales of commercial vehicles were 2,272,000 units and 2,297,000 units respectively, representing an increase of 8.20% and 8.30% respectively as compared with the corresponding period of last year. Production and sales volume of new energy vehicles were 7,438,000 units and 7,446,000 units respectively, representing an increase of 6.70% and 7.30% respectively as compared with the corresponding period of last year; sales of new energy vehicles accounted for 49.60% of total automobile sales. Sales of automobiles of top 15 automaker groups in China was 13,979,000 units in total, representing a decrease of 4.0% as compared with the corresponding period of last year, and their sales represented 93.1% of the total sales of automobiles, the same as the same period last year.

ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

During the Reporting Period, benefiting from the continuous enhancement of competitiveness of its electrified and intelligent steering system products, the increasing diversification of its product lines, and its long-standing commitment to the Tier-1 supplier business, which has accumulated a substantial portfolio of high-quality customers, the Company's sales to its major customers maintained growth. The Company recorded a revenue of RMB1,720,713,225.78, representing an increase of 12.90% as compared with the corresponding period of last year.

During the Reporting Period, the gross profit of the Company's main business amounted to RMB296,947,869.86, representing an increase of RMB44,477,323.71 as compared with the corresponding period of last year. The gross profit margin of the Company's main business was 17.68% (corresponding period of last year: 16.95%). During the Reporting Period, the overall gross profit margin of the Company was 18.90% (corresponding period of last year: 18.01%). The increase in the Company's gross profit margin was primarily attributable to the ongoing cost-saving and efficiency measures that improved costs, together with steadily higher sales of new products with better margins.

During the Reporting Period, the Company's selling expenses amounted to RMB26,856,998.37, representing an increase of 15.65% as compared with the corresponding period of last year, which was mainly due to higher spending on items like entertainment expenses, resulting from business expansion and more frequent market outreach. The selling expenses accounted for 1.56% of revenue, representing an increase of 0.04 percentage point as compared with the corresponding period of last year.

During the Reporting Period, the general and administrative expenses amounted to RMB75,228,356.41, representing a slight increase of 1.89% as compared with the corresponding period of last year, remaining generally stable. The general and administrative expenses accounted for 4.37% of revenue, representing a decrease of 0.47 percentage point as compared with the corresponding period of last year.

During the Reporting Period, the research and development expenses amounted to RMB102,950,580.17, representing an increase of 23.29% as compared with the corresponding period of last year. The research and development expenses accounted for 5.98% of revenue, representing an increase of 0.50 percentage point as compared with the corresponding period of last year. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, automatic, energy saving and light weight, so as to maintain the Company's competitive edge in respect of sustainable development. During the Reporting Period, the Company's research and development expenses were mainly invested in the core technical fields of steering's electrification, intelligent and automation.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

During the Reporting Period, the financial expenses amounted to RMB1,093,341.59, representing an increase of 279.27% as compared with the corresponding period of last year, which was mainly due to the increase in interest expenses and decrease in interest income.

During the Reporting Period, the other gains was RMB15,391,600.67, of which government grants amounting to RMB9,078,414.00 and VAT super deduction amounting to RMB6,008,738.31. The investment gains was RMB463,570.10, representing a decrease of 81.98% as compared with the corresponding period of last year, primarily attributable to the recognition of a significant amount of investment income from the disposal of trading financial assets in the same period of last year, while such gains decreased in the current period. The gains on fair value change was RMB-734,400.00 (corresponding period of last year: RMB-467,843.58), which was mainly due to the change in the fair value of the shares acquired by the Company as a creditor as a result of debt restructuring. The credit impairment loss was RMB1,779,452.67 (corresponding period of last year: RMB-2,227,772.24), primarily attributable to the reversal during the current period of the provision for bad debts on accounts receivable that had been accrued in prior years. The asset impairment loss amounted to RMB-16,724,901.69 (corresponding period of last year: RMB-10,780,782.97), which was mainly due to the increase in the provision for impairment of inventories during the current period. The gains on disposal of assets was RMB-97,377.65 (corresponding period of last year: RMB5,629,755.00), which was mainly due to gains on disposal of fixed assets like equipment in the same period of last year, while such disposals were fewer in the current period.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB103,717,594.73 during the Reporting Period, representing an increase of 11.48% as compared with the corresponding period of last year.

During the Reporting Period, the net cash flows from operating activities was RMB207,634,645.58, representing an increase of 127.72% as compared with the corresponding period of last year, mainly due to the increase in cash receipts for sale of products; net cash flows from investing activities was RMB-103,266,807.83, representing a decrease of 19.45% as compared with the corresponding period of last year, mainly due to the increase in cash expenditures for the acquisition and construction of fixed assets; net cash flows from financing activities was RMB26,089,178.45, representing an increase of 189.78% as compared with the corresponding period of last year, mainly due to the cash outflow from dividend payments made during the same period last year, whereas no such payments have occurred in the current period. In view of the above, during the Reporting Period, net increase in cash and cash equivalents was RMB130,312,293.06, representing an increase of 633.95% as compared with the corresponding period of last year.

2. Composition of revenue

	January–June 2026		January–June 2025		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	1,720,713,225.78	100.00%	1,524,160,127.15	100.00%	12.90%
By industry					
Manufacture of automotive components and parts	1,679,699,346.36	97.62%	1,489,482,599.60	97.72%	12.77%
Others	41,013,879.42	2.38%	34,677,527.55	2.28%	18.27%
By products					
Steering system and parts	1,658,052,456.19	96.36%	1,456,401,804.24	95.55%	13.85%
Parts and others	21,646,890.17	1.26%	33,080,795.36	2.17%	–34.56%
Others	41,013,879.42	2.38%	34,677,527.55	2.28%	18.27%
By geography					
Mainland China	1,655,640,362.68	96.22%	1,457,218,760.37	95.61%	13.62%
Other than Mainland China	65,072,863.10	3.78%	66,941,366.78	4.39%	–2.79%



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

3. Details of industry and product accounted for over 10% of the Company's revenue or operating profit

	Revenue	Operating costs	Gross margin	Change of revenue	Change of operating costs	Change of gross margin
By industry						
Manufacture of automotive components and parts	1,679,699,346.36	1,382,751,476.50	17.68%	12.77%	11.78%	0.73%
By products						
Steering system and parts	1,658,052,456.19	1,375,002,070.06	17.07%	13.85%	12.46%	1.02%
By geography						
Mainland China	1,655,640,362.68	1,362,681,374.76	17.69%	13.62%	12.35%	0.92%

ANALYSIS OF ASSETS AND LIABILITIES

1. Significant changes in composition of assets

No significant changes in composition of assets at the end of the Reporting Period. Details of changes in assets accounted for over 5% of the total assets are set out below.

	Balance at the end of the Period		Balance at the end of last year		Change
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Cash on hand and at bank	641,935,869.56	16.23%	488,868,474.45	12.75%	3.48%
Accounts receivable	1,213,919,926.07	30.70%	1,161,637,660.14	30.29%	0.41%
Financing receivables	199,399,330.76	5.04%	428,919,782.43	11.19%	-6.15%
Inventories	529,486,867.79	13.39%	505,959,202.27	13.19%	0.20%
Investment property	218,230,723.92	5.52%	222,528,386.69	5.80%	-0.28%
Fixed assets	768,549,157.57	19.44%	676,599,101.48	17.64%	1.80%

2. Assets and liabilities measured at fair value

Item	Amount at the beginning of the period	Gain/loss on changes in fair value for the current period	Cumulative changes in fair value recorded in equity	Impairment loss for the current period	Amount purchased during the current period	Amount sold during the current period	Other changes	Amount at the end of the period
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	1,846,700.00	-734,400.00	-	-	-	-	-	1,112,300.00
2. Investments in other equity instruments	-	-	-	-	10,000,000.00	-	-	10,000,000.00
3. Bank short-term wealth management products	-	-	-	-	331,991,473.00	331,991,473.00	-	-
4. Financing receivables	428,919,782.43	-	-	-	1,347,970,776.22	1,577,491,227.89	-	199,399,330.76
Sub-total of financial assets	430,766,482.43	-734,400.00	-	-	1,689,962,249.22	1,909,482,700.89	-	210,511,630.76

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)



3. Assets with restrictions in ownership or use rights at end of the Reporting Period

Except for the “Assets with restrictions in ownership or use rights” on page 66 of this report, the Company has no other restricted assets.

4. Financial resources and capital structure

At the end of the Reporting Period, the amount of total loans and borrowings of the Company was RMB137,912,155.90 (31 December 2025: RMB109,465,560.00). Total loans and borrowings increased by RMB28,446,595.90 when compared with the beginning of the year, mainly due to the increase in credit loans and mortgage loans. The Company has no loans and borrowings that should be repaid over 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB23,100,000.00 (31 December 2025: RMB34,100,000.00).

The capital structure of the Company consists of borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, issue of new shares as well as repayment of bank borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the reporting period, the Company's gearing ratio was -15.46% (31 December 2025: -10.20%).

The Group's cash and cash equivalents, and loans and borrowings were mainly denominated in Renminbi.



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

USE OF PROCEEDS

(1) General use of proceeds

(I) Amount of actual proceeds and time of receipt of proceeds

As approved by the Reply on Approving the Registration of Zhejiang Shibao Company Limited's Issuance of Shares to Specific Targets (Zheng Jian Xu Ke [2023] No. 1457) (《關於同意浙江世寶股份有限公司向特定對象發行股票註冊的批復》(證監許可[2023]1457號)) issued by the China Securities Regulatory Commission, the Company issued 32,987,747 RMB-dominated ordinary shares (A Shares) by way of issuance to specific targets with a nominal value of RMB1.00 each, at the issue price of RMB10.61 per Share. The proceeds amounted to RMB350 million in aggregate. The net proceeds amounted to RMB344.0877 million after deducting the issue expenses of RMB5.9123 million (exclusive of value-added tax). The proceeds mentioned above were credited on 20 March 2024, and have been verified and confirmed by the Capital Verification Report (Pan-China Yan (2024) No. 80) (《驗資報告》(天健驗(2024)80號)) issued by Pan-China Certified Public Accountants LLP.

(II) Use and balance of proceeds

unit: ten thousand

Items		No.	Amount
Net proceeds		A	34,408.77
Accumulated amount used	Project investment	B1	22,429.19
as of the beginning of	Tentatively applied as working capital	B2	7,000.00
the period	Net cash management income and interest income	B3	272.52
	Permanently applied as working capital (Note)	B4	3.28
Amount used during the	Project investment	C1	7,663.03
Reporting Period	Tentatively applied as working capital	C2	-7,000.00
	Net cash management income and interest income	C3	9.90
	Permanently applied as working capital	C4	-
Accumulated amount used	Project investment	D1 = B1 + C1	30,092.22
as of the end of the	Tentatively applied as working capital	D2 = B2 + C2	0.00
period	Net cash management income and interest income	D3 = B3 + C3	282.42
	Permanently applied as working capital	D4 = B4 + C4	3.28
Accrued balance of proceeds		E = A-D1-D2+D3-D4	4,595.69
Actual balance of proceeds		F	4,595.69
Difference		G = E-F	0.00

(Note) The Company's working capital replenishment project was completed in June 2024. The special account for the project's fundraising was closed on 19 June 2024. The balance of RMB32,800 in the account has been permanently supplemented.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)



(2) Projects undertaken with the raised proceeds

unit: ten thousand

	Changes in project (Partial change included)	Total investment undertaken with raised proceeds (1)	Total investment after adjustment	Unutilized amount as at the end of the previous year	Investment amount during the Reporting Period	Investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Uninvested amount	Expected investment timeline	Date of project getting ready for its intended use	Achieved results during the Reporting Period	Achieve the intended results or not	Significant changes in project feasibility
Undertaken investment project(s)													
1. The annual production of 600,000 automotive intelligent steering system technology transformation project	No	9,000.00	13,000.00	3,741.27	3,700.84	12,959.56	99.69	40.44	2026	2026.12.31	N/A	N/A	No
2. The automotive intelligent steering system and key components development project	Yes	14,408.77	10,408.77	6,627.06	2,592.59	6,374.30	61.24	4,034.47	2026	2026.12.31	N/A	N/A	No
3. The intelligent network connected automobile steer-by-wire technology research and development center project	No	5,000.00	5,000.00	1,611.14	1,369.60	4,758.46	95.17	(Note)	January-June 2026	2026.6.30	N/A	N/A	No
4. The replenishment of working capital	No	6,000.00	6,000.00	-	-	5,999.89	100.00	-	-	N/A	N/A	N/A	No
Sub-total of undertaken investment project(s)		34,408.77	34,408.77	11,979.47	7,663.03	30,092.22	-	4,074.91					
Condition and reason of lagging behind schedule or not achieving expected return (divided into specific projects)				(1)	The annual production of 600,000 automotive intelligent steering system technology transformation project and the automotive intelligent steering system and key components development project During the implementation of the "annual production of 600,000 automotive intelligent steering system technology transformation project" and the "automotive intelligent steering system and key components development project", the Company, based on a careful consideration of the need to align with customers' development schedules and in response to market changes and technological iterations, and taking into account the Company's actual circumstances, adjusted the project progress in a prudent, steady and reasonable manner in order to build a production and construction platform with a stronger foundation for long-term development and to reduce the risks associated with the utilization of the proceeds. As considered and approved at the 11th meeting of the eighth session of the Board, the Company decided to extend the completion date of the project to 31 December 2026, without changing the implementation entity, implementation location or investment purpose.								
				(2)	The intelligent network connected automobile steer-by-wire technology research and development center project During the implementation of the "intelligent network connected automobile steer-by-wire technology research and development center project", the Company, in light of the rapid changes and latest trends in the market environment and technical requirements, and taking into account its actual circumstances, adjusted the project progress in a prudent, steady and reasonable manner in order to build a stronger and more sustainable comprehensive capability upon the upgrade of the R&D centre project and to reduce the risks associated with the utilization of the proceeds. As considered and approved at the seventh meeting of the eighth session of the Board, the Company decided to extend the completion date of the project to 30 June 2026, without changing the implementation entity, implementation location, investment purpose, or the total committed investment amount of the fund-raising investment project.								
Illustration on the significant changes in project feasibility				Nil									
Amount, use and update on use of over-raised proceeds				Nil									
Change in location of fund-raising investment projects				Pursuant to the resolution adopted at the 4th meeting of the eighth session of the Board, the Company has approved the designation of its indirect subsidiary, Jiangsu Feiying Automotive Technology Co., Ltd. (江蘇斐鷹汽車科技有限公司), as an additional implementation entity for the 'Automotive Intelligent Steering System and Key Components Development Project', along with the expansion of the site for project implementation to include Changzhou, Jiangsu Province. This strategic enhancement aims to optimize customer satisfaction, strengthen collaborative partnerships, and ensure the effective execution of the capital commitment project.									



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

Adjustment on the implementation of fund-raising investment projects	As considered and approved at the 7th meeting and the 11th meeting of the eighth session of the Board, respectively, the Company proposes to extend the construction period of the fund-raising investment projects, namely the "annual production of 600,000 automotive intelligent steering system technology transformation project", the "automotive intelligent steering system and key components development project" and the "intelligent network connected automobile steer-by-wire technology research and development center project". The construction periods of the "annual production of 600,000 automotive intelligent steering system technology transformation project" and the "automotive intelligent steering system and key components development project" will be extended to 31 December 2026, while that of the "intelligent network connected automobile steer-by-wire technology research and development center project" will be extended to 30 June 2026. As considered and approved at the 11th meeting of the eighth session of the Board, the Company proposes to adjust the amount of proceeds to be applied to the fundraising investment projects, namely the "annual production of 600,000 automotive intelligent steering system technology transformation project" and the "automotive intelligent steering system and key components development project", subject to the total amount of proceeds to be invested remaining unchanged. The amount of proceeds to be applied to the "annual production of 600,000 automotive intelligent steering system technology transformation project" will be adjusted to RMB130.00 million, while the amount of proceeds to be applied to the "automotive intelligent steering system and key components development project" will be adjusted to RMB104.0877 million.
Preliminary capital and replacement of fund-raising investment projects	The Company had injected the preliminary capital of RMB24.674 million from its own fund into the fund-raising investment projects. Upon review and approval by the seventh session of the Board of the Company on 10 May 2024 in the form of written resolution, the Company used raised proceeds to replace it on 11 May 2024, 13 May 2024, and 23 May 2024 respectively.
Tentative application of idle proceeds as working capital	As considered and approved by the Board of the seventh session by way of written resolutions on 19 April 2024, the Company proposed to utilize idle proceeds of not more than RMB142.90 million to temporarily supplement its working capital, for the period of not exceeding 12 months from the date of approval by the Board, provided that the use for development of the fund-raising investment project would not be affected. The Company had actually used RMB142.90 million to temporarily supplement its working capital, and such amount was repaid to the special proceeds account on 7 April 2025. As considered and approved by the Board of the eighth session by way of written resolutions on 9 April 2025, the Company proposed to utilize idle proceeds of not more than RMB100.00 million to temporarily supplement its working capital, for the period of not exceeding 12 months from the date of approval by the Board, provided that the use for development of the fund-raising investment project would not be affected. The Company had actually used RMB100.00 million to temporarily supplement its working capital, and such amount was repaid to the special proceeds account on 1 April 2026. As considered and approved by the Board of the eighth session by way of written resolutions on 8 April 2026, the Company proposed to utilize idle proceeds of not more than RMB50.00 million to temporarily supplement its working capital, for the period of not exceeding 12 months from the date of approval by the Board, provided that the use for development of the fund-raising investment project would not be affected. As at the date of this report, the Company had actually used RMB0.00 to temporarily supplement its working capital.
Cash management of idle proceeds as working capital	As considered and approved by the Board of the seventh session by way of written resolutions on 19 April 2024, the Company proposed to use idle proceeds in an amount of not more than RMB100.00 million to purchase investment products with high security and good liquidity, including but not limited to agreement deposits, structured deposits, time deposits, call deposits and certificates of large amount deposits, provided that the use for development of the fundraising investment project would not be affected. Within the aforesaid limit, the funds may be used on a rolling basis, for the period of not exceeding 12 months from the date of approval by the Board. During the period, the Company made cumulative rolling subscriptions for structured deposit products in the aggregate amount of RMB310.00 million which generated income of RMB1,224,200. As considered and approved by the Board of the eighth session by way of written resolutions on 9 April 2025, the Company proposed to use idle proceeds in an amount of not more than RMB80.00 million to purchase investment products with high security and good liquidity, including but not limited to agreement deposits, structured deposits, time deposits, call deposits and certificates of large amount deposits, provided that the use for development of the fundraising investment project would not be affected. Within the aforesaid limit, the funds may be used on a rolling basis, for the period of not exceeding 12 months from the date of approval by the Board. During the period, the Company made cumulative rolling subscriptions for structured deposit products in the aggregate amount of RMB251.00 million which generated income of RMB489,600. As at 31 December 2025, all of the aforesaid structured deposit products had matured.
Amount of and reason for the balance of proceeds from the implementation of projects	The company's supplementary working capital project was completed in June 2024. The dedicated account for the funds raised in this project was closed on 19 June 2024, with an account balance of RMB32,800 has been permanently supplemented.
Use and status of unutilised proceeds	As of 30 June 2026, the balance of the Company's unutilised proceeds amounted to RMB45.9569 million, of which RMB45.9569 million was deposited in a designated proceeds account, and RMB0.00 was used to tentatively apply as working capital.
Issues or other conditions from the use and disclosure of proceeds	N/A

(Note): As at 30 June 2026, the Company's "Intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)" had been substantially completed and had reached its intended usable condition. The Company has therefore completed the project and plans to permanently replenish working capital with the remaining raised funds and the interest accrued thereon, totaling RMB2.4279 million (net of interest income after deducting bank charges).

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)



(3) Changes in Fund-raising Projects

(1) Change in the Implementation Location of Fund-Raising Investment Projects

As considered and approved at the 4th meeting of the eighth session of the Board, the Company proposes to add its indirect subsidiary, Jiangsu Feiying Automotive Technology Co., Ltd. (江蘇斐鷹汽車科技有限公司), as an implementation entity of the “Automotive Intelligent Steering System and Key Components Development Project”, along with the expansion of the site for implementation of the “Automotive Intelligent Steering System and Key Components Development Project” to include Changzhou, Jiangsu Province. The material modifications are detailed below:

Project name	Change category	Pre-modification	Post-modification
The automotive intelligent steering system and key components construction project	Implementation Entity	Jilin Shibao Machinery Manufacturing Co., Ltd.	Jilin Shibao Machinery Manufacturing Co., Ltd. and Jiangsu Feiying Automotive Technology Co., Ltd.
	Implementation Location	Jilin Siping	Jilin Siping, Jiangsu Changzhou

(2) Extension of the Fund-Raising Investment Projects

As considered and approved at the 7th meeting and the 11th meeting of the eighth session of the Board, respectively, the Company proposes to extend the construction period of the fund-raising investment projects, namely the “Annual Production of 600,000 Automotive Intelligent Steering System Technology Transformation Project”, the “Automotive Intelligent Steering System and Key Components Development Project”, and the “Intelligent Network Connected Automobile Steer-by-Wire Technology R&D Center Project”. The material modifications are detailed below:

Project name	Expected date of project getting ready for its intended use before adjustment	Expected date of project getting ready for its intended use after adjustment
The annual production of 600,000 automotive intelligent steering system technology transformation project	31 December 2025	31 December 2026
The automotive intelligent steering system and key components development project	31 December 2025	31 December 2026
The intelligent network connected automobile steer-by-wire technology R&D center project	30 June 2025	30 June 2026

(3) Adjustment of the Amount of Proceeds to be Applied to the Fund-Raising Investment Projects

As considered and approved at the 11th meeting of the eighth session of the Board, the Company proposes to adjust the amount of proceeds to be applied to the fund-raising investment projects, namely the “Annual Production of 600,000 Automotive Intelligent Steering System Technology Transformation Project” and the “Automotive Intelligent Steering System and Key Components Development Project”, subject to the total amount of proceeds to be invested remaining unchanged. Details of the changes are as follows:

Project name	Proposed amount of proceeds to be applied before adjustment	Adjustment amount	Proposed amount of proceeds to be applied after adjustment
The annual production of 600,000 automotive intelligent steering system technology transformation project	9,000.00	4,000.00	13,000.00
The automotive intelligent steering system and key components development project	14,408.77	-4,000.00	10,408.77



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

(4) Completion of Investment Project Funded by Proceeds and Permanent Replenishment of Working Capital with Surplus Proceeds

As at 30 June 2026, the Company's "Intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)" had been substantially completed and had reached its intended usable condition. The Company has therefore completed the project and plans to permanently replenish working capital with the remaining raised funds and the interest accrued thereon, totaling RMB2.4279 million (net of interest income after deducting bank charges). The above remaining raised funds and the corresponding accrued interest are still deposited in the special account for raised funds, and the actual amount used to replenish working capital will be subject to the actual amount transferred from the raised funds account to the Company's own capital account on the date of transfer.

The aforementioned modifications do not alter the intended purposes of the proceeds, and consequently have no material impact on the Company's deployment of the proceeds.

MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

FOREIGN CURRENCY EXPOSURE

During the Reporting Period, both the sales and purchases of the Group were principally denominated in Renminbi. The Group was not subject to significant exposure in foreign currency risk. No hedge arrangement has been entered into by the Group.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group had no material contingent liabilities.

OUTLOOK

In the first half of 2026, the automotive industry exhibited a structural divergence, with overall performance remaining under pressure. The passenger vehicle market experienced a modest decline, while the commercial vehicle market sustained growth. Within this context, the traditional internal combustion engine vehicle market further contracted, whereas the new energy vehicle market continued its steady growth. Chinese-brand passenger vehicles captured a market share exceeding 70%. Benefiting from the continuous enhancement of competitiveness of its electrified and intelligent steering system products, the increasing diversification of its product lines, and its long-standing commitment to the tier-1 supplier business, which has accumulated a substantial portfolio of high-quality customers, the Company's sales to its major customers maintained growth.

In the second half of 2026, as the first year of the 15th Five-Year Plan, China's automotive industry will step into a period of deep restructure characterised by "electrification-led development, accelerated intelligentisation, deeper global expansion and high-quality development". On the policy front, the "National Development and Reform Commission and the Ministry of Finance issued the Notice on Strengthening and Expanding the Implementation of the Large-Scale Equipment Replacement and Consumer Goods Replacement in 2026" 《關於2026年加力擴圍實施大規模設備更新和消費品以舊換新政策的通知》) has clearly provided for long-term funding support. On the technology front, pilot programmes for the market access and road use of L3 intelligent connected vehicles will be further expanded, large AI models will be more deeply integrated with complete vehicle architectures, and core technologies such as solid-state batteries and steer-by-wire chassis systems will enter a window period for commercial breakthroughs. Market competition is expected to shift from a "price war" to a "value war".

The Company has achieved substantial progress in the commercialisation of its electrified and intelligent steering technologies, which has contributed to its performance growth. Meanwhile, it has accelerated the research, development and commercial application of steer-by-wire technology across its full range of vehicle models, and has proactively initiated research and development on corner module systems.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)



Looking ahead, the Company will continue to focus on its core business, further deepen its engagement with high-quality customers, and proactively expand into international markets, striving to contribute to the advancement of high-level autonomous driving and the localization of automotive components.

Investors are reminded that the operation plan does not constitute a results guarantee of the Company to the investors. Investors should be fully aware of such risk and the difference between an operation plan and results guarantee.

POTENTIAL RISKS OF THE COMPANY

The Board would like to invite the investors to pay special attention to the following risk factors.

1. Risks relating to industry fluctuations

The success of automotive components and parts manufacturing industry that the Company is engaged in is subject to the development of downstream automobile industry which is exposed to greater influence by the macro-economic cycle and the national policies. Fluctuations in the automotive industry will have a greater impact on the Company's production and operations. If there are cyclical fluctuations in the macro economy or changes in national policies, there will be also corresponding fluctuations to the automotive components and parts manufacturing industry and will in turn subject the Company to the operation risk.

2. Risks relating to product quality

The Company's product is the key component for automobile that determines the operability, stability and safety of the vehicle. As a result, the quality of steering gear is directly pertinent to the overall vehicular performance. Therefore, downstream customers will require the Company to provide products that in line with standards according to the related component technical agreements, quality guarantee agreements and other prevailing international and national standards as well as industrial practices. Should there arise any problems in relation to product quality, the Company will be liable to repair and replace products with defects and the Company shall bear the related cost incurred therefor. Should there exist any defects in terms of environmental protection or safety that result in recall of vehicles, other than the expenses incurred for such recall, the Company will be also subject to adverse effects on its brand, reputation, market expansion and operating results.

3. Risk relating to technical innovation

As the automobile industry is developing at a fast pace, automakers' requirements of automotive products in terms of safety, intelligent and energy saving are becoming higher, resulting in the requirements of corresponding technological advance and production innovation for the automotive component production industry which is a part of the automobile industry. Should the Company cannot sustain innovation of new technology and new products to cater to the upgrade requirements of automakers, the Company's market expansion and profitability would be subject to the adverse effect. In addition, the advantage of research and development is one of the key factors for the Company to maintain its competitive edges and development. Should there is any dispute arising in terms of technology, leaking of secrets in relation to technologies or loss of key technicians, this would exert adverse effect on the Company's operation.

4. Risk relating to downward prices

Regarding the characteristic of the industry, the overall selling prices of automotive components are subject to the price trend of downstream vehicles. Therefore, automotive component manufacturers has weaker bargaining power against the downstream automakers. In addition, the adjustment to internal product portfolio of the Company will also lead to decline in product price of per unit to some extent. The major customers of the Company are renowned automakers. Should the prices of vehicles fall, such customers may pass on the pressure of decreasing prices of vehicles to the Company, which would influence the Company's profitability. Besides, should there be any change in product portfolio due to factors like market demand, the product price per unit may fall and in turn influence the Company's profitability.



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

5. Risk relating to price fluctuation of raw materials

The main raw materials of the Company are machined components, standard components, electronic components, blank pieces (iron castings, aluminium castings), seals, etc. The Company's cost of raw materials takes up the bigger portion in the cost of production. Price fluctuations of raw materials exert certain influence on production cost and gross profit margin, and customers' expectation on the purchase prices. Should there be any significant changes of the prices of raw materials which is out of expectation over a period, it would expose the Company to certain operating risk.

6. Risks relating to overseas market expansion

The Company's product sales are mainly concentrated in the domestic market. In recent years, the expansion of overseas markets has begun to deliver results. The Company achieved the volume export of automotive steering system and key components. With the Company's further expansion of overseas market, in the event of material adverse changes in the international political situation as well as the politics, economic environment, automobile consumption policies and international trade policies of countries and regions where the Company's products are sold, there will be a corresponding impact on the expansion of the Company's overseas markets and potentially the Company's operation results and financial conditions.

7. Risk relating to operation management risk arising from expansion in scale

Subsequent to the commencement of the Company's fund-raising investment projects, the Company's assets and business scale will further expand, leading to a higher requirement of the Company's operation management, market expansion and product sales and in turn heightening the complexity of its management and operation. Should the Company cannot adjust its adaptability of its existing management method in a systematic way, this may affect the Company's development pace, operation efficiency and business results.

8. Risk of accounts receivable recovery

At the end of the Reporting Period, the carrying amounts of accounts receivable were at relatively high level both in terms of the absolute amounts or as a percentage of operating income. With the fund-raising investment projects of the Company coming into operation, the scale of the Company's businesses will further expand. Therefore, the amount of accounts receivable is likely to further rise. Should there is any failure in collection of monies or financial crisis of our customers, the Company will be exposed to the risk of accounts receivable recovery.

9. Higher risk of inventory size

At the end of the Reporting Period, the book value of inventories was at relatively high level both in terms of the absolute amounts or as a percentage of total current assets. In the future, if the changes in the market environment or increased competition will result in inventory buildup and impairment, the Company's operating results will be adversely affected. Meanwhile, a larger inventory balance may affect capital chain tension and cash flow from operating activities of the Company, reducing the efficiency of capital operations and using a certain amount of capital. If the Company fails to strengthen inventory management and accelerate inventory turnover, there will be operational risks arising from the decline in inventory turnover.

10. Risk relating to the stock market

Other than operation and financial position, the share price of the Company is also subject to factors such as international and national macro-economic development, capital market trend, market sentiment and all kinds of material accidents. Investors are reminded to exercise prudent judgements with regard to the expected investment risks brought by the foregoing factors when considering investment in the Shares of the Company.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)



ANALYSIS OF MAJOR CONTROLLED COMPANIES

Company name	Company type/kind of legal entity	Principal business	Registered capital
Hangzhou Shibao	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	69,000,000
Hangzhou New Shibao	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	60,000,000
Jilin Shibao	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	171,000,000
Beijing Autonics	Subsidiary/domestic enterprise	Technology development of automotive components	60,000,000
Wuhu Sterling	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	22,800,000

Company name	Total assets	Net assets	Revenue	Operating profit	Net profit
Hangzhou Shibao	1,272,202,479.24	485,781,221.73	795,849,670.84	17,084,690.64	17,279,166.79
Hangzhou New Shibao	718,394,553.30	113,393,982.70	619,658,682.67	30,507,983.08	32,655,657.95
Jilin Shibao	825,747,062.23	300,487,639.60	310,403,162.91	41,459,758.92	41,789,243.89
Beijing Autonics	253,772,925.71	108,396,569.59	102,764,785.27	2,770,896.80	2,795,121.46
Wuhu Sterling	739,194,793.95	58,637,413.14	391,444,657.05	11,211,573.33	10,293,480.81

ANALYSIS ON CORE COMPETITIVENESS

(1) Customer advantages

The automotive steering system is a security component of the vehicle, which is directly related to the safety of the vehicle and is one of the core components of the vehicle. As a result, there is a high barrier to entry into the automotive steering system industry and automakers tend to cooperate with suppliers for long-term and stability. Generally, steering system manufacturers have to go through multiple levels of standards review by automakers and third parties before becoming a supplier to automakers, and then pass small-batch trial production before they are officially entered into their qualified supplier list for batch supply, thus the new customer introduction cycle is longer. With leading technology research and development capabilities, advanced manufacturing processes, a stable and dedicated team and a high level of corporate governance, the Company has accumulated rich experience in system support and international customer resources in the automotive industry, and has become an important independent brand manufacturer of automotive steering systems.

(2) R&D and technical advantages

The Company has always paid attention to technical research and development investment, and has strong technical balance strength and design and development capabilities. After years of technical accumulation and production practice, the Company has a strong electric power steering system, recirculation ball steering (including hydraulic, electric and electro-hydraulic and other assistance methods) and intelligent wire-controlled steering design and manufacturing capabilities, and has made technical reserves in the area of wire-controlled chassis, which formed seven core technical capabilities, including steering system design and matching technology, rotary hydraulic control valve technology, electric power steering ECU technology, steering cash manufacturing technology, recirculation ball electric steering technology, intelligent wire-controlled steering and intelligent wire-controlled chassis. Meanwhile, in terms of new product development, the Company has strong supporting development capabilities and can carry out supporting development for a number of projects at the same time, and has accumulated a wealth of experience in high-end models. In terms of production process, the Company also has strong process research and development capabilities, and carries out independent design and integration innovation in the core assembly and testing production line to create an intelligent production line, which has various functions such as online automatic assembly, online testing, online data storage, online data analysis and long-term data traceability, and also has the ability to conduct flexible production, and can realize rapid iteration of the production line with subsequent product upgrades.



DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

(3) Product quality advantage

The Company always attaches great importance to its product quality, and independent quality assurance department is established in each principal subsidiaries. It also develops a series of strict quality control and management system, in order to achieve strict management and control throughout the full process of raw materials procurement, production and after-sales services, establishing a quality management and control system with interconnection of supplier quality control, production process quality control and after-sales product quality control and management. In addition, the Company applies imported processing equipment for its key processes, and for other processing equipment, it also selects those from domestic top manufacturers. These advancing equipment facilitates the improvement of processing accuracy, as well as production efficiency and ensures the stability of product quality. All of principal subsidiaries of the Company have passed the IATF 16946:2016 Quality System Certification, and are appreciated by customers for their stable product quality.

(4) Abundant product line advantage

In terms of the Company's comprehensive products, it can produce full range of manual rack and pinion steering gear for passenger vehicles, hydraulic, electric, and electro-hydraulic recirculating ball steering gear for commercial vehicles, column-assisted electric power steering system (CEPS), pinion-assisted electric power steering system (PEPS), double-pinion-assisted electric power steering system (DPEPS) and rack-assisted electric power steering system (REPS) for passenger vehicles. Furthermore, the Company made great investment in research and development and production equipment in recent years with new products of intermediate shaft and steering column, further enriching the Company's product lines, which provide customers with diverse automobile steering solutions. The Company adopts a flexible production model that establishes a flexible product line through equipping with multiple CNC machining centres and processing machines, and adopts the Toyota Production System, which allows us to change our product varieties in a rapid and effective manner, and achieve multi-variety batch supply.

(5) Cost advantage

The Company has applied the Toyota Production System (TPS) to its procurement system, production system, and equipment research and development system since 2005. Assimilating the essentials of the TPS management system, the Company has developed its own management system based on its characteristics. Through implementing refined management, as well as tracking and monitoring the full production process in real time, the Company reduced the scrap rate, and shortened the production cycle, which effectively controlled its cost of production. The Company's principal production bases are located in Zhejiang Province, Jilin Province and Anhui Province, with concentrated automobile industries in surrounding regions, which facilitates the Company to procure raw materials and spare parts in the vicinity and reduce its procurement costs. Over the years, the Company has focused on maintaining sound relationships with its suppliers, effectively controlling the product quality and procurement cost of the Company's casting, ancillary parts and other raw materials. In addition, the processing and production of the Company's core components and key processes are mainly conducted by itself, which effectively controls the cost and ensures its product quality, enhancing the profitability of the Company.

(6) Team advantage

The Company has a stable and experienced technical, management and marketing team. The core personnel of the existing team have an average of more than 15 years of experience in the industry, as well as extensive management skills and experience in business operation, research and development, technology management and marketing, and establish an accurate understanding of the industrial development and dynamics. They have served the Company for many years, building a stable and harmonious working atmosphere. In addition, the Company attaches importance to the selection, cultivation and appointment of talents in technology, management and marketing, pay attention to maintaining a reasonable age gradient of the team, in order to reserve sufficient human resources for future product research and development, production expansion and market development.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)



PLEDGE OF ASSETS

As at 30 June 2026, save for the assets with restricted ownership and rights in use as set out on page 66 of this report, the Group did not have any other material pledge on its assets.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,837 employees as at 30 June 2026. The Group provided substantial remuneration benefits to its employees in accordance with market practice, and provided retirement benefits in accordance with the related laws of the PRC.

The Company and its subsidiaries make contributions to municipal government retirement scheme for their respective qualified employees in the PRC. According to applicable PRC laws, both employers and employees are required to make contributions to the scheme at the specified rates pursuant to the rules of the scheme. The only obligation of the Company and its subsidiaries with respect to the scheme is to make the required contributions. The contributions payable under the scheme were properly accrued as at 30 June 2026.

The contributions to be made by employees under the scheme are charged to the income statement at the respective rates equivalent to the contributions paid or payable by the Company and its subsidiaries under the rules of the scheme.

CAPITAL COMMITMENTS

As at 30 June 2026, apart from the commitments set out on page 99 of this report, the Group has no other major capital commitments.

INTERIM DIVIDEND

The Company plans not to pay an interim dividend for the six months ended 30 June 2026 (30 June 2025: Nil).



CORPORATE GOVERNANCE AND OTHER INFORMATION

(English translation for reference only)

CORPORATE GOVERNANCE

During the Reporting Period, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules with the exception of code provision C.1.8.

Under code provision C.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance cover for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company are stable at present, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. According to Rule A.3(a) and B.8 of the Model Code, a director must not deal in any securities of the listed issuer during the period of 60 days immediately preceding the publication date of the annual results; and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results and a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director other than him and receiving a dated written acknowledgement.

The Company has made specific enquiry and was not aware of any non-compliance of the standard of dealings and the code of conduct regarding the Directors' dealings in the Company's securities during the Reporting Period.

The Company has internal control for compliance with the Model Code and reminds Directors regularly to comply with the Model Code (including reminders before the commencement of each blackout period that dealing during the blackout period is prohibited).

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 26 April 2006 and has stipulated written terms of reference for the Remuneration Committee. The main duties of the Remuneration Committee include (i) propose to the Board in respect of the remuneration policy and structure of the Company's Directors and senior management; (ii) set up a formal and transparent procedure for the determination of such remuneration policy; and (iii) assess performances and set up remuneration policy based on such assessment.

The Remuneration Committee consists of three members, namely Mr. Tsui Chun Shing (Chairman of the Remuneration Committee) and Mr. Min Haitao (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director).

CORPORATE GOVERNANCE AND OTHER INFORMATION

(English translation for reference only)



NOMINATION COMMITTEE

The Company established the Nomination Committee on 13 May 2011 and has stipulated written terms of reference for the Nomination Committee. The main duties of the Nomination Committee include (i) study the criteria and processes for the selection of Directors, general manager and other senior executives, and provide suggestions to the Board; (ii) look for qualified candidates of Directors, general manager and other senior executives in a wide scope; (iii) review and provide suggestions on the candidates of Directors, general manager and other senior executives; and (iv) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes of the Board to complement the Company's corporate strategy.

The Nomination Committee consists of three members, namely Mr. Min Haitao (Chairman of the Nomination Committee) and Mr. Tsui Chun Shing (both are independent non-executive Directors), and Ms. Zhang Lan Jun (executive Director). As at the date of this report, the Nomination Committee held one meeting to review and approve the resolution of "Employee Diversity Policy".

AUDIT COMMITTEE

The Company established the Audit Committee on 26 April 2006 and has stipulated written terms of reference for the Audit Committee. The main responsibilities of the Audit Committee are to provide proposals to the Board in respect of the appointment and removal of external auditors, approve the remuneration and appointment terms of external auditors, review financial information, and supervise financial reporting system and internal control procedures.

The Audit Committee has three members, namely Mr. Tsui Chun Shing (Chairman of the Audit Committee) and Mr. Min Haitao (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director). As at the date of this report, the Audit Committee held three meetings to review and approve, among others, the 2025 auditors' report, the 2025 internal audit report, the 2025 internal control self-assessment report, the specific statements on the use of the Company's funds by the controlling shareholders and other related parties for the year 2025, the re-appointment of Pan China Certified Public Accountants as the auditors of the Company for the year 2026, the internal audit working plan for the year 2026, the provision for asset impairment and write-off of assets for the year 2025 and the unaudited financial statements for the first quarter and half year of 2026 of the Company.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Type	Date	Reason
Mr. Gong Jun Jie	Independent Director	Resigned upon expiration of term of office	30 June 2026	Resigned upon expiration of term of office
Mr. Wang Zhi Fu	Independent Director	Be elected	30 June 2026	Be elected in the By-election

Save as disclosed above, there was no change in the Directors and senior management of the Company during the Reporting Period.

In addition, during the Reporting Period, there were no changes in the information of Directors and senior management of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



CORPORATE GOVERNANCE AND OTHER INFORMATION

(English translation for reference only)

DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2026, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered in the register pursuant to Section 352 of the SFO, or interests or short positions which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in A Shares of the Company

Name of Directors	Capacity	Number of A Shares	Approximate percentage of shareholding in same class of Shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Shi Quan	Beneficial owner	26,391,580	4.36%	3.21%
Mr. Zhang Shi Zhong	Beneficial owner	7,500	0.0012%	0.0009%

(2) Long positions in the registered capital of the Ultimate Holding Company, Shibao Holding, an associated corporation of the Company

Name of Directors	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Shibao Holding
Mr. Zhang Shi Quan	Beneficial owner	RMB5,000,000	10%
Mr. Zhang Bao Yi	Beneficial owner	RMB15,000,000	30%
Mr. Tang Hao Han	Beneficial owner	RMB12,500,000	25%
Ms. Zhang Lan Jun	Beneficial owner	RMB12,500,000	25%
Mr. Zhang Shi Zhong	Beneficial owner	RMB5,000,000	10%

Note: Shibao Holding holds 261,529,754 A Shares, representing 43.17% of A Shares in issue and 31.79% of the total issued share capital of the Company, and accordingly is an associated corporation of the Company.

Save as disclosed above, as at 30 June 2026, the Directors are not aware of any Director and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part 4 of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Division 7 & 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(English translation for reference only)



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2026, so far as is known to the Directors, the following persons (other than the Directors and chief executive of the Company as disclosed above) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in Shares of the Company:

Name of Shareholder	Capacity	Number and class of Shares	Approximate percentage of shareholding in same class of Shares	Approximate percentage in the Company's total issued share capital
Shibao Holding	Beneficial owner	261,529,754 A Shares	43.17%	31.79%

Save as disclosed above, as at 30 June 2026, the Directors are not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

SHARE SCHEME

As at 30 June 2026, the Company has not implemented any share scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company (including sale of treasury shares). As at 30 June 2026, the Company did not hold any of treasury shares.



GLOSSARY

(English translation for reference only)

“A Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the capital of the Company issued in China and listed on Shenzhen Stock Exchange, and are subscribed for and traded in RMB
“Audit Committee”	audit committee of the Company
“Beijing Autonics”	Beijing Autonics Technology Co., Ltd., a wholly-owned subsidiary of the Company
“Board”	board of Directors of the Company
“Accounting Standards for Business Enterprises” or “ASBE”	financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
“Company” or “Zhejiang Shibao”	浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*)
“Corporate Governance Code”	Corporate Governance Code, Appendix C1 to the Listing Rules of Hong Kong Stock Exchange
“CSRC”	China Securities Regulatory Committee of PRC
“Director(s)”	director(s) of the Company
“ESG Committee”	Environmental, social and governance committee of the Company
“Feiying Automotive”	Jiangsu Feiying Automotive Technology Co., Ltd., a wholly-owned subsidiary of Jilin Shibao
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the capital of the Company issued overseas and listed on Hong Kong Stock Exchange, and are subscribed for and traded in Hong Kong dollars
“Hangzhou New Shibao”	Hangzhou New Shibao Electric Power Steering Co., Ltd., a subsidiary controlled by the Company
“Hangzhou Shibao”	Hangzhou Shibao Auto Steering Gear Co., Ltd., a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jilin Shibao”	Jilin Shibao Machinery Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange

* For identification purposes only

GLOSSARY

(English translation for reference only)

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix C3 to the Listing Rules of Hong Kong Stock Exchange
“Nomination Committee”	nomination committee of the Company
“PRC” or “China” or “Mainland China”	the People’s Republic of China
“Remuneration Committee”	remuneration committee of the Company
“Reporting Period”	1 January 2026 to 30 June 2026
“RMB”	Renminbi, the lawful currency of the PRC for the time being
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	shareholder(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange of the PRC
“Shibao Holding” or “Ultimate Holding Company” or “Controlling Shareholder”	Zhejiang Shibao Holding Group Co., Ltd.
“Wuhu Sterling”	Wuhu Sterling Steering System Co., Ltd., a subsidiary controlled by the Company