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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN SDMC TECHNOLOGY CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Shenzhen SDMC Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-66, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 May 2026 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.



Reporting accountants' responsibility (continued)

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Certified Public Accountants
Hong Kong
18 May 2026

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
REVENUE	5	2,366,870	2,540,936	3,367,659
Cost of sales		(1,866,402)	(2,057,990)	(2,711,565)
Gross profit		500,468	482,946	656,094
Other income and gains	5	26,215	37,518	17,188
Selling and distribution expenses		(103,687)	(129,542)	(146,311)
Administrative expenses		(64,294)	(74,171)	(106,910)
Research and development costs		(149,229)	(160,706)	(163,900)
(Provision for)/reversal of impairment losses on financial assets, net		(5,290)	(8,400)	14,284
Other expenses		(430)	(434)	(14,947)
Finance costs	6	<u>(3,512)</u>	<u>(6,121)</u>	<u>(4,313)</u>
PROFIT BEFORE TAX	7	200,241	141,090	251,185
Income tax expense	10	(9,032)	(3,864)	(12,032)
PROFIT FOR THE YEAR		<u>191,209</u>	<u>137,226</u>	<u>239,153</u>
Attributable to:				
Owners of the parent		191,209	137,228	239,112
Non-controlling interests		-	(2)	41
		191,209	137,226	239,153
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12			
Basic and diluted		<u>RMB 1.00</u>	<u>RMB 0.72</u>	<u>RMB 1.25</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
PROFIT FOR THE YEAR	<u>191,209</u>	<u>137,226</u>	<u>239,153</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations	<u>(22)</u>	<u>(3,009)</u>	<u>1,538</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	191,187	134,217	240,691
Attributable to:			
Owners of the parent	191,187	134,219	240,650
Non-controlling interests	<u>-</u>	<u>(2)</u>	<u>41</u>
	<u>191,187</u>	<u>134,217</u>	<u>240,691</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	20,396	27,412	43,340
Right-of-use assets	15	42,486	41,385	47,308
Other intangible assets	14	7,324	7,063	6,907
Deferred tax assets	18	13,393	16,197	15,965
Long-term prepayments and deposits	20	3,123	3,391	4,495
Total non-current assets		<u>86,722</u>	<u>95,448</u>	<u>118,015</u>
CURRENT ASSETS				
Inventories	17	499,889	645,002	869,360
Trade and bills receivables	19	772,438	820,503	905,190
Prepayments, other receivables and other assets	20	87,184	115,424	352,031
Current income tax recoverable		2,133	2,682	2,886
Pledged deposits	21	11,225	-	-
Restricted bank deposits	21	84,216	89,929	52,591
Cash and cash equivalents	21	280,956	455,770	273,353
Total current assets		<u>1,738,041</u>	<u>2,129,310</u>	<u>2,455,411</u>
CURRENT LIABILITIES				
Trade and bills payables	22	647,962	791,080	861,725
Other payables and accruals	23	114,032	136,612	170,722
Derivative financial instruments	24	119	-	1,033
Interest-bearing bank and other borrowings	25	113,912	218,826	215,564
Lease liabilities	15	7,948	3,882	7,770
Income tax payable		1,114	230	5,751
Contract liabilities	26	38,285	32,338	30,236
Provision	28	-	-	3,992
Total current liabilities		<u>923,372</u>	<u>1,182,968</u>	<u>1,296,793</u>
NET CURRENT ASSETS		<u>814,669</u>	<u>946,342</u>	<u>1,158,618</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>901,391</u>	<u>1,041,790</u>	<u>1,276,633</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	15	989	4,737	8,303
Deferred income	27	-	-	1,090
Total non-current liabilities		989	4,737	9,393
Net assets		900,402	1,037,053	1,267,240
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	191,500	191,500	190,333
Reserves	31	708,893	845,546	1,076,859
		900,393	1,037,046	1,267,192
Non-controlling interests		9	7	48
Total equity		900,402	1,037,053	1,267,240

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000			
	(note 29)	(note 31)	(note 31)					
As at 1 January 2023	191,500	163,636	37,533	(9,670)	326,207	709,206	-	709,206
Profit for the year	-	-	-	-	191,209	191,209	-	191,209
Exchange differences on translation of foreign operations	-	-	-	(22)	-	(22)	-**	(22)
Total comprehensive income for the year	-	-	-	(22)	191,209	191,187	-	191,187
Capital contribution from non-controlling interests	-	-	-	-	-	-	9	9
Transfer to statutory surplus reserve	-	-	19,252	-	(19,252)	-	-	-
As at 31 December 2023	<u>191,500</u>	<u>163,636*</u>	<u>56,785*</u>	<u>(9,692)*</u>	<u>498,164*</u>	<u>900,393</u>	<u>9</u>	<u>900,402</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2024

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 29)	(note 31)	(note 30)	(note 31)					
As at 1 January 2024	191,500	163,636	-	56,785	(9,692)	498,164	900,393	9	900,402
Profit for the year	-	-	-	-	-	137,228	137,228	(2)	137,226
Exchange differences on translation of foreign operations	-	-	-	-	(3,009)	-	(3,009)	**	(3,009)
Total comprehensive income for the year	-	-	-	-	(3,009)	137,228	134,219	(2)	134,217
Share-based payments	-	-	2,434	-	-	-	2,434	-	2,434
Transfer to statutory surplus reserve	-	-	-	18,460	-	(18,460)	-	-	-
As at 31 December 2024	<u>191,500</u>	<u>163,636*</u>	<u>2,434*</u>	<u>75,245*</u>	<u>(12,701)*</u>	<u>616,932*</u>	<u>1,037,046</u>	<u>7</u>	<u>1,037,053</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2025

	Attributable to owners of the parent						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000			
	(note 29)	(note 31)	(note 30)	(note 31)					
As at 1 January 2025	191,500	163,636	2,434	75,245	(12,701)	616,932	1,037,046	7	1,037,053
Profit for the year	-	-	-	-	-	239,112	239,112	41	239,153
Exchange differences on translation of foreign operations	-	-	-	-	1,538	-	1,538	-**	1,538
Total comprehensive income for the year	-	-	-	-	1,538	239,112	240,650	41	240,691
Share-based payments	-	-	485	-	-	-	485	-	485
Share repurchased and cancelled	(1,167)	(9,822)	-	-	-	(10,989)	(10,989)	-	(10,989)
Transfer to statutory surplus reserve	-	-	-	16,321	-	(16,321)	-	-	-
As at 31 December 2025	<u>190,333</u>	<u>153,814*</u>	<u>2,919*</u>	<u>91,566*</u>	<u>(11,163)*</u>	<u>839,723*</u>	<u>1,267,192</u>	<u>48</u>	<u>1,267,240</u>

* The reserve accounts comprise the consolidated reserves of RMB708,893,000, RMB845,546,000 and RMB1,076,859,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 respectively.

** The amounts are less than RMB1,000.

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		200,241	141,090	251,185
Adjustments for:				
Finance costs	6	3,512	6,121	4,313
Interest income	5	(3,008)	(8,699)	(7,396)
Loss on disposal of items of property, plant and equipment	7	4	406	16
Depreciation of property, plant and equipment	7	4,947	6,018	7,404
Depreciation of right-of-use assets	7	8,225	9,503	8,716
Amortisation of intangible assets	7	5,874	1,858	2,442
Provision for/ (reversal of) impairment of trade and bills receivables, and other receivables	7	5,290	8,400	(14,284)
Write-down of inventories to net realisable value	7	28,853	23,363	27,512
Fair value loss on derivative financial instruments	7	119	-	1,033
Investment income from derivative financial instruments	5	(379)	(6,932)	(2,729)
Equity-settled share-based payment expenses		-	2,434	485
Foreign exchange (gains)/losses, net		(9,556)	(15,158)	2,777
		<u>244,122</u>	<u>168,404</u>	<u>281,474</u>
(Increase)/decrease in restricted bank deposits		(66,106)	(5,713)	37,338
(Increase)/decrease in pledged deposits		(11,225)	11,225	-
Increase in trade and bills receivables		(102,131)	(57,273)	(80,286)
Increase in prepayments, other receivables and other assets		(25,801)	(28,791)	(231,091)
Increase in inventories		(177,392)	(168,476)	(251,870)
Increase in trade and bills payables		175,226	189,888	77,969
Decrease in contract liabilities		(12,192)	(5,947)	(2,102)
Increase in other payables and accruals		30,050	22,580	29,520
Decrease in deferred income		(14)	-	(62)
Increase in provision for product warranties		-	-	3,992
		<u>54,537</u>	<u>125,897</u>	<u>(135,118)</u>
Cash generated from operations				
Income tax paid		(28,875)	(8,101)	(6,483)
Interest received		3,008	8,058	7,558
		<u>28,670</u>	<u>125,854</u>	<u>(134,043)</u>
Net cash flows from operating activities				continued/...

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(8,906)	(13,545)	(18,956)
Purchases of land use right		(35,254)	-	-
Payment of disposal of derivative financial instruments		(1,603)	(2,499)	(856)
Proceeds from derivative financial instruments		1,475	9,312	3,585
Proceeds from disposal of property, plant and equipment		7	4	223
Purchase of intangible assets		(304)	(2,172)	(2,339)
Increase in deferred income		-	-	1,152
Net cash flows used in investing activities		<u>(44,585)</u>	<u>(8,900)</u>	<u>(17,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment for listing expenses		-	-	(1,851)
Capital injection from non-controlling interests		9	-	-
Lease payments	32(b)	(7,579)	(9,037)	(8,568)
(Increase)/decrease in deposits with lenders in other receivables pledged for other borrowings		15,000	-	-
New bank and other borrowings		112,761	164,730	215,480
Repayment of bank and other borrowings		(143,594)	(104,411)	(218,742)
Interest paid		(2,827)	(5,720)	(3,518)
Share repurchased and cancelled		-	-	(10,989)
Net cash flows from/(used in) financing activities		<u>(26,230)</u>	<u>45,562</u>	<u>(28,188)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		(42,145)	162,516	(179,422)
Cash and cash equivalents at beginning of year		313,455	280,956	455,770
Effect of foreign exchange rate changes, net		9,646	12,298	(2,995)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>280,956</u>	<u>455,770</u>	<u>273,353</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	<u>280,956</u>	<u>455,770</u>	<u>273,353</u>
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	21	<u>280,956</u>	<u>455,770</u>	<u>273,353</u>

I HISTORICAL FINANCIAL INFORMATION (continued)**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

	Notes	As at 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	19,961	26,791	42,697
Right-of-use assets	15	41,963	39,947	46,446
Investments in subsidiaries	16	11,049	11,329	11,049
Other intangible assets	14	7,178	7,063	6,907
Long-term prepayments and deposits	20	3,024	2,830	4,163
Deferred tax assets	18	8,283	6,914	9,153
Total non-current assets		<u>91,458</u>	<u>94,874</u>	<u>120,415</u>
CURRENT ASSETS				
Inventories	17	441,695	477,718	775,213
Trade and bills receivables	19	938,536	1,240,039	1,175,620
Prepayments, other receivables and other assets	20	96,351	53,826	211,617
Corporate income tax recoverable		2,133	1,862	2,886
Pledged deposits	21	11,225	-	-
Restricted bank deposits	21	42,396	37,400	33,468
Cash and cash equivalents	21	125,768	216,167	116,557
Total current assets		<u>1,658,104</u>	<u>2,027,012</u>	<u>2,315,361</u>
CURRENT LIABILITIES				
Trade and bills payables	22	609,843	665,903	796,112
Other payables and accruals	23	88,652	113,956	134,395
Derivative financial instruments	24	119	-	1,033
Interest-bearing bank and other borrowings	25	105,404	218,826	215,564
Lease liabilities	15	7,490	3,390	7,254
Contract liabilities	26	27,302	19,159	18,878
Provision	28	-	-	3,992
Total current liabilities		<u>838,810</u>	<u>1,021,234</u>	<u>1,177,228</u>
NET CURRENT ASSETS		<u>819,294</u>	<u>1,005,778</u>	<u>1,138,133</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>910,752</u>	<u>1,100,652</u>	<u>1,258,548</u>
NON-CURRENT LIABILITIES				
Lease liabilities	15	905	3,771	7,866
Deferred income	27	-	-	1,090
Total non-current liabilities		<u>905</u>	<u>3,771</u>	<u>8,956</u>
Net assets		<u>909,847</u>	<u>1,096,881</u>	<u>1,249,592</u>
EQUITY				
Share capital	29	191,500	191,500	190,333
Reserves	31	718,347	905,381	1,059,259
Total equity		<u>909,847</u>	<u>1,096,881</u>	<u>1,249,592</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in Shenzhen, the People's Republic of China (the "PRC") on 22 October 2003. The registered office address of the Company is 1st Floor, Building 5, Factory Building, Hengtongfa Industrial Zone, Tangtou Industrial Park, Tangtou Community, Shiyan Subdistrict, Bao'an District, Shenzhen, Guangdong Province, the PRC.

During the Relevant Periods the Group was principally engaged in (i) sales of digital video products and network communication products, and (ii) provision of system platforms and services.

During the Relevant Periods, Mr. Li Bo is considered to be the largest shareholder, who held approximately 36.61% of interest in the issued shares of the Company.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen HCS Technology Co., Ltd. 深圳华诚智能终端科技有限公司* (note (a))	PRC/ Chinese Mainland 1 July 2021	RMB3,000,000	100%	-	Export sales
SDMC TECHNOLOGY (HK) LIMITED 华曦达科技（香港）有限公司 (note (b))	Hong Kong 19 March 2019	HKD500,000	100%	-	Overseas chip procurement and export sales
Shenzhen DSY Technology Co., Ltd. 深圳市达视云科技有限公司* (note (a))	PRC/ Chinese Mainland 2 December 2018	RMB10,599,000	100%	-	Provision of system platforms and services
Shenzhen ZXD Technology Co., Ltd. 深圳市致讯数字科技有限公司* (note (a) (e))	PRC/ Chinese Mainland 27 May 2022	RMB1,000,000	100%	-	Sales of products
SDMC TECHNOLOGY (SINGAPORE) PTE. LTD. (note (c))	Singapore 31 July 2022	SGD600,000	-	100%	Overseas sales and marketing
SDMC TECHNOLOGY POLAND Sp. z o. o. (note (a))	Poland 6 July 2023	PLN500,000	-	99%	Overseas sales and marketing
SDMC TECHNOLOGY INC (note (a))	USA 16 January 2024	USD500,000	-	100%	Overseas sales and marketing
SDMC TECHNOLOGY COLOMBIA S.A.S.	Colombia 12 September 2025	COP250,000,000	-	100%	Overseas sales and marketing

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

Notes:

- (a) As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation or newly incorporated.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION (continued)

- (b) As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation or newly incorporated.
- (c) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard and the Hong Kong Companies Ordinance were audited by PKF Hong Kong Limited, certified public accountants registered in Hong Kong. The statutory financial statements of this entity for the year ended 31 December 2025 have not yet been issued.
- (d) The statutory financial statements of this entity for the year ended 31 December 2024 prepared in accordance with the Singapore Financial Reporting Standards and the Companies Act 1967 were audited by JCP Trust PAC, certified public accountants registered in Singapore. The statutory financial statements of this entity for the year ended 31 December 2025 have not yet been issued.
- (e) In the opinion of the directors, none of non-controlling interest in the individual subsidiaries is material to the Group.
- (f) Shenzhen ZXD Technology Co., Ltd. was deregistered in January 2025.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.1 BASIS OF PREPARATION (continued)

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended HKFRS Accounting Standards upon initial application. HKFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also required disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information. The application of HKFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and additional disclosures will be included in the financial statements. Except for HKFRS 18, the other new or amended HKFRS Accounting Standards are not expected to have any significant impact on the Group's financial information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Machinery and equipment	18%
Vehicles	9%
Furniture and fixtures	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	7-10 years
Patent	3 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets (continued)

Buildings	1 to 5 years
Leasehold land	30 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and employee dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

General approach (continued)

Stage 3 Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, derivative financial instruments and lease liabilities.

The Group classifies financial liabilities that arise from a supplier finance arrangement within interest-bearing bank and other borrowings in the statement of financial position because based on the Group's assessment, the supplier finance arrangement is not part of the working capital used in the Group's normal operating cycle, the terms of the liabilities that are part of the supply chain finance arrangement are substantially different from the terms of trade and bills payables that are not part of the arrangement. The assessment has considered factors such as the commercial purpose, the nature and specific terms of the arrangement, as well as the credit terms in place with the financial institutions and suppliers. Therefore, cash flows related to liabilities arising from supplier finance arrangements that are classified in interest-bearing bank and other borrowings in the statement of financial position are included in financing activities in the statement of cash flows.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and bills payables, other payables, loans and borrowings)

After initial recognition, trade and other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Sale of products

Revenue from sale of products is recognised at the point in time when control of the product is transferred to the customers, which for domestic sales are generally at the time of acceptance of the product as agreed in the sales contracts, and for overseas sales are generally at the time of shipment, delivery, etc. in accordance with incoterms.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(a) Sale of products (continued)

For some contracts, the Group provides commissioning services that are bundled together with the sale of products to the customers. The commissioning services significantly modify or customise the goods, therefore, the products and the services are highly interrelated and combined as one single performance obligation which is satisfied at a point in time.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

(b) Provision of services

Revenue from provision of service mainly related to providing system platform development service. It is recognised at a point in time when the service is delivered and being accepted by customers.

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. The Group bases its estimates of sales return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates employee incentive schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in the Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Other than the monthly contributions, the Group has no further payment obligations once the contributions have been paid.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its Historical Financial Information, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates of the year.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories at the end of each of the Relevant Periods and makes provisions against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Such sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of the industry. Management estimates the net realisable value for slow-moving inventories based primarily on the latest selling prices and current market conditions. The estimation is reassessed at the end of each of the Relevant Periods. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amounts of inventories at the end of each of the Relevant Periods are disclosed in note 17 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., global GDP, global default rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the telecom sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on its services and products and only has one reportable operating segment.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
European	1,074,583	1,053,798	993,182
Asia	721,044	374,841	1,059,014
Americas	463,348	967,935	965,799
Africa and Oceania	9,549	8,939	24,609
Chinese Mainland	98,346	135,423	325,055
	2,366,870	2,540,936	3,367,659

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Most of the Group's non-current assets are located in the Chinese Mainland. Thus, no geographic information is presented.

Information about major customers

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Customer 1	434,639	268,073	N/A*
Customer 2	557,569	N/A*	N/A*
Customer 3	N/A*	362,821	N/A*
Customer 4	N/A*	N/A*	352,622
Customer 5	N/A*	N/A*	535,868
	992,208	630,894	888,490

* Less than 10% of the Group's revenue.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	<u>2,366,870</u>	<u>2,540,936</u>	<u>3,367,659</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of products	2,345,372	2,511,679	3,330,812
Services	<u>21,498</u>	<u>29,257</u>	<u>36,847</u>
	<u>2,366,870</u>	<u>2,540,936</u>	<u>3,367,659</u>
Geographical markets			
European	1,074,583	1,053,798	993,182
Asia	721,044	374,841	1,059,014
Americas	463,348	967,935	965,799
Africa and Oceania	9,549	8,939	24,609
Chinese Mainland	<u>98,346</u>	<u>135,423</u>	<u>325,055</u>
	<u>2,366,870</u>	<u>2,540,936</u>	<u>3,367,659</u>
Timing of revenue recognition			
Goods transferred at a point in time	2,345,372	2,511,679	3,330,812
Services transferred at a point in time	<u>21,498</u>	<u>29,257</u>	<u>36,847</u>
Total revenue from contracts with customers	<u>2,366,870</u>	<u>2,540,936</u>	<u>3,367,659</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:			
Sale of products	<u>50,477</u>	<u>38,285</u>	<u>32,338</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery or acceptance of products, and payment is generally due within 30 to 120 days from the date of billing.

Provision of system platforms services

The performance obligation is satisfied at the point in time when services are completed and payment is generally due upon completion of the services and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are all related to contracts that have original expected duration of less than one year. The Group elected to apply the practical expedient for not to disclose the remaining performance obligations.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
<u>Other income</u>			
Interest income	3,008	8,699	7,396
Government grants*	8,743	7,526	7,007
Investment in income from derivative financial instruments	379	6,932	2,729
Others	1,832	813	56
	<u> </u>	<u> </u>	<u> </u>
<u>Gains</u>			
Foreign exchange gains, net	12,077	10,384	-
Gains on derecognition of long-aged trade payables	176	3,164	-
	<u> </u>	<u> </u>	<u> </u>
	<u>26,215</u>	<u>37,518</u>	<u>17,188</u>

* The Group has received certain government grants related to income. Certain of the grants related to income have future related costs expected to be incurred. The grants related to income have been received to compensate for the Group's research and development costs and are recognised in the consolidated statements of profit or loss and other comprehensive income on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed. Government grants received for acquisition of software are included in deferred income in the consolidated statements of financial position and are recognised along with the related amortisation in profit or loss.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Interest on bank loans	3,073	5,804	3,518
Interest on lease liabilities	439	317	795
	<u> </u>	<u> </u>	<u> </u>
	<u>3,512</u>	<u>6,121</u>	<u>4,313</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of inventories sold*		1,856,278	2,045,179	2,699,751
Cost of services provided		10,124	12,811	11,814
Research and development costs		149,229	160,706	163,900
Depreciation of property, plant and equipment**	13	4,947	6,018	7,404
Depreciation of right-of-use assets**	15(a)	8,225	9,503	8,716
Amortisation of intangible assets**	14	5,874	1,858	2,442
Loss on disposal of items of property, plant and equipment***		4	406	16
Foreign exchange losses/(gains), net***		(12,077)	(10,384)	13,603
Lease payments in respect of short-term leases and low-value assets leases	15(c)	1,830	1,870	1,557
Provision for/ (reversal of) impairment loss of trade and bills receivables	19	4,581	6,797	(9,991)
Provision for/ (reversal of) impairment loss of other receivables	20	709	1,603	(4,293)
Write-down of inventories to net realisable value****		28,853	23,363	27,512
Fair value loss on derivative financial instruments		119	-	1,033
Investment income from derivative financial instruments	5	(379)	(6,932)	(2,729)
Gains on derecognition of long-aged trade payables	5	(176)	(3,164)	-
Listing expenses		-	-	14,850
Auditor's remuneration		2,208	499	454
Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration (note 8)):				
– Wages and salaries		147,290	175,541	169,702
– Performance related bonus		26,162	36,199	37,286
– Pension scheme contributions*****		4,786	6,370	8,414
– Share-based payment		-	1,689	354
Total		178,238	219,799	215,756

* The amounts disclosed for cost of inventories sold included the write-down of inventories to net realisable value

** The above depreciation of property, plant and equipment, right of use assets, and amortisation of intangible assets are included in "cost of sales", "selling and distribution expenses", "administrative expenses", "research and development expenses" in profit or loss.

*** The amounts are included in "other income and gains" and "other expenses" in profit or loss

**** The amounts are included in "cost of sales" in profit or loss

***** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and supervisors' remuneration as recorded during the Relevant Periods is set out below:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees	100	100	276
Other emoluments:			
Salaries, allowances and benefits in kind	2,910	2,993	2,150
Performance related bonus	1,850	2,307	2,447
Pension scheme contributions	116	129	117
Share-based payment expenses	-	745	131
	<u>4,976</u>	<u>6,274</u>	<u>5,121</u>

Performance related bonus is paid twice a year according to department assessment objectives and comprehensive consideration of the Group's annual income.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Mr. Wu Jun (note (i))	50	50	17
Mr. Yi Renyong	50	50	97
Ms. Luk Pui Yin Grace (note (ii))	-	-	81
Mr. Zheng Qian (note (ii))	-	-	81
	<u>100</u>	<u>100</u>	<u>276</u>

Note:

- (i) Mr. Wu Jun resigned as an independent non-executive director with effective from April 2025.
- (ii) Ms. Luk Pui Yin Grace and Mr. Zheng Qian were appointed as an independent non-executive director with effect from April 2025.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive

Year ended 31 December 2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Li Bo (note (i))	-	504	340	22	-	866
Mr. Yan Zhikang	-	477	620	19	-	1,116
Ms. Jiang Yanjun	-	334	95	12	-	441
Mr. Liang Shilin	-	431	330	17	-	778
Supervisors:						
Mr. Xie Yingjun	-	409	320	16	-	745
Mr. Li Han (note (iii))	-	323	25	14	-	362
Mr. Lu Tianqin	-	432	120	16	-	568
	<u>-</u>	<u>2,910</u>	<u>1,850</u>	<u>116</u>	<u>-</u>	<u>4,876</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive (continued)

Year ended 31 December 2024

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Li Bo (note (i))	-	508	280	23	-	811
Mr. Yan Zhikang	-	475	770	21	745	2,011
Ms. Jiang Yanjun	-	330	77	14	-	421
Mr. Liang Shilin	-	430	290	18	-	738
Supervisors:						
Mr.Xie Yingjun	-	411	320	18	-	749
Mr.Li Han (note (iii))	-	66	-	3	-	69
Mr.Lu Tianqin	-	431	120	17	-	568
Mr.Li Jun (note (iii))	-	342	450	15	-	807
	<u>-</u>	<u>2,993</u>	<u>2,307</u>	<u>129</u>	<u>745</u>	<u>6,174</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive (continued)

Year ended 31 December 2025

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Li Bo(note (i))	-	499	580	31	-	1,110
Mr. Yan Zhikang	-	470	900	30	84	1,484
Ms. Jiang Yanjun (note (ii))	-	113	28	5	-	146
Mr. Liang Shilin (note (ii))	-	151	50	7	-	208
Mr. Li Jun (note (iii))	-	305	367	14	-	686
Ms. Dang Hui (note (iv))	-	322	253	16	47	638
Supervisors:						
Mr. Xie Yingjun (note (v))	-	146	217	7	-	370
Mr. Lu Tianqin (note (v))	-	144	52	7	-	203
	-	<u>2,150</u>	<u>2,447</u>	<u>117</u>	<u>131</u>	<u>4,845</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive (continued)

Notes:

- (i) Mr. Li Bo was appointed as the chairman and chief executive officer with effect from October 2003.
- (ii) Ms. Jiang Yanjun and Mr. Liang Shilin ceased to serve as directors as of the end of April 2025.
- (iii) Mr. Li Han was appointed as a supervisor of the Company with effect from May 2015 to March 2024. Mr. Li Jun was appointed as a supervisor of the Company with effect from March 2024 to April 2025 and was appointed as an executive director of the Company with effect from May 2025 to June 2026.
- (iv) Ms. Dang Hui was appointed as an executive director with effect from May 2025 to June 2026.
- (v) Mr. Xie Yingjun and Mr. Lu Tianqin ceased to serve as supervisors as of the end of April 2025.

No emoluments were paid by the Company to the directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office during the Relevant Periods.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2023, 2024 and 2025 included 1, 1 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining 4, 4 and 2 highest paid employees who are neither a director nor a supervisor of the Company during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Salaries, allowances and benefits in kind	1,736	1,754	832
Performance related bonus	2,635	2,871	2,281
Pension scheme contributions	69	76	23
Share-based payment expenses	-	886	-
	<u>4,440</u>	<u>5,587</u>	<u>3,136</u>

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2023	2024	2025
	Number of employees		
HKD1,000,001 to HKD1,500,000	4	1	1
HKD1,500,001 to HKD2,000,000	-	3	1
	<u>4</u>	<u>4</u>	<u>2</u>

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for corporate income tax in the Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

The Company was approved as a “High and New Technology Enterprise” and entitled to a preferential income tax rate of 15% during the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Shenzhen ZXD Technology Co., Ltd. a subsidiary of the Group in the Chinese Mainland, is qualified as a Small and Low-Profit Enterprises (SLPE) and was subject to income tax at a preferential tax rate of 20% for the years ended 31 December 2023, 2024 and 2025.

SDMC TECHNOLOGY (HK) LIMITED is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% for the years ended 31 December 2023, 2024 and 2025.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

10. INCOME TAX (continued)

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current income tax	11,958	6,668	11,800
Deferred income tax	(2,926)	(2,804)	232
Total tax charge for the year	<u>9,032</u>	<u>3,864</u>	<u>12,032</u>

A reconciliation of the expected income tax calculated at the statutory rate of 25% and profit before income tax, with the actual income tax at the effective tax rate is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Profit before tax	<u>200,241</u>	<u>141,090</u>	<u>251,185</u>
Tax charge at the statutory rate of 25%	50,060	35,272	62,796
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	(18,927)	(13,252)	(25,082)
Income not subject to tax	(33)	(131)	(282)
Expenses not deductible for tax	589	928	506
Additional deductible allowance for qualified research and development expenses	(22,243)	(22,627)	(22,964)
Deductible tax losses for which no deferred tax recognised	-	3,674	-
Tax losses utilised from previous years	(414)	-	-
Utilisation and recognition of previously unrecognised tax losses	-	-	(2,942)
Tax charge at the Group's effective tax rate	<u>9,032</u>	<u>3,864</u>	<u>12,032</u>

Based on Public Notice 2022 No. 16 issued by the State Tax Bureau of the PRC on 3 March 2022, the small and medium-sized technology-based enterprises were eligible for a 100% deduction of eligible research and development expenses since 1 January 2022. Furthermore, based on Public Notice 2023 No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, these enterprises were eligible for a 100% deduction of eligible research and development expenses from 1 January 2023 to 31 December 2025. The Company has claimed such additional super deduction during the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

10. INCOME TAX (continued)

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Tax losses not recognised	-	14,696	-

11. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
<u>Earnings</u>			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	191,209	137,228	239,112
<u>Shares</u>			
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation ('000)	191,500	191,500	190,583

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023						
Cost	23,387	1,638	576	4,456	-	30,057
Accumulated depreciation	<u>(10,164)</u>	<u>(703)</u>	<u>(132)</u>	<u>(3,019)</u>	-	<u>(14,018)</u>
Net carrying amount	<u>13,223</u>	<u>935</u>	<u>444</u>	<u>1,437</u>	-	<u>16,039</u>
At 1 January 2023, net of accumulated depreciation	13,223	935	444	1,437	-	16,039
Additions	6,122	1,504	75	486	1,130	9,317
Depreciation provided during the year (note 7)	(3,570)	(233)	(101)	(1,043)	-	(4,947)
Disposals	<u>(13)</u>	-	-	-	-	<u>(13)</u>
At 31 December 2023, net of accumulated depreciation	<u>15,762</u>	<u>2,206</u>	<u>418</u>	<u>880</u>	<u>1,130</u>	<u>20,396</u>
At 31 December 2023						
Cost	29,476	3,142	651	4,795	1,130	39,194
Accumulated depreciation	<u>(13,714)</u>	<u>(936)</u>	<u>(233)</u>	<u>(3,915)</u>	-	<u>(18,798)</u>
Net carrying amount	<u>15,762</u>	<u>2,206</u>	<u>418</u>	<u>880</u>	<u>1,130</u>	<u>20,396</u>
	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024						
Cost	29,476	3,142	651	4,795	1,130	39,194
Accumulated depreciation	<u>(13,714)</u>	<u>(936)</u>	<u>(233)</u>	<u>(3,915)</u>	-	<u>(18,798)</u>
Net carrying amount	<u>15,762</u>	<u>2,206</u>	<u>418</u>	<u>880</u>	<u>1,130</u>	<u>20,396</u>
At 1 January 2024, net of accumulated depreciation	15,762	2,206	418	880	1,130	20,396
Additions	10,256	12	505	1,975	698	13,446
Depreciation provided during the year (note 7)	(4,422)	(280)	(141)	(1,175)	-	(6,018)
Disposals	<u>(408)</u>	-	<u>(4)</u>	-	-	<u>(412)</u>
At 31 December 2024, net of accumulated depreciation	<u>21,188</u>	<u>1,938</u>	<u>778</u>	<u>1,680</u>	<u>1,828</u>	<u>27,412</u>
At 31 December 2024						
Cost	36,074	3,154	1,123	6,770	1,828	48,949
Accumulated depreciation	<u>(14,886)</u>	<u>(1,216)</u>	<u>(345)</u>	<u>(5,090)</u>	-	<u>(21,537)</u>
Net carrying amount	<u>21,188</u>	<u>1,938</u>	<u>778</u>	<u>1,680</u>	<u>1,828</u>	<u>27,412</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025						
At 1 January 2025						
Cost	36,074	3,154	1,123	6,770	1,828	48,949
Accumulated depreciation	<u>(14,886)</u>	<u>(1,216)</u>	<u>(345)</u>	<u>(5,090)</u>	<u>-</u>	<u>(21,537)</u>
Net carrying amount	<u>21,188</u>	<u>1,938</u>	<u>778</u>	<u>1,680</u>	<u>1,828</u>	<u>27,412</u>
At 1 January 2025, net of accumulated depreciation						
	21,188	1,938	778	1,680	1,828	27,412
Additions	7,967	-	148	959	14,497	23,571
Depreciation provided during the year (note 7)	(5,900)	(280)	(205)	(1,019)	-	(7,404)
Disposals	<u>(18)</u>	<u>-</u>	<u>(6)</u>	<u>(215)</u>	<u>-</u>	<u>(239)</u>
At 31 December 2025, net of accumulated depreciation	<u>23,237</u>	<u>1,658</u>	<u>715</u>	<u>1,405</u>	<u>16,325</u>	<u>43,340</u>
At 31 December 2025						
Cost	43,872	3,154	1,256	7,517	16,325	72,124
Accumulated depreciation	<u>(20,635)</u>	<u>(1,496)</u>	<u>(541)</u>	<u>(6,112)</u>	<u>-</u>	<u>(28,784)</u>
Net carrying amount	<u>23,237</u>	<u>1,658</u>	<u>715</u>	<u>1,405</u>	<u>16,325</u>	<u>43,340</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixtue RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023						
Cost	21,132	1,638	575	4,309	-	27,654
Accumulated depreciation	<u>(8,674)</u>	<u>(703)</u>	<u>(131)</u>	<u>(2,892)</u>	<u>-</u>	<u>(12,400)</u>
Net carrying amount	<u>12,458</u>	<u>935</u>	<u>444</u>	<u>1,417</u>	<u>-</u>	<u>15,254</u>
At 1 January 2023, net of accumulated depreciation	12,458	935	444	1,417	-	15,254
Additions	6,088	1,504	75	486	1,130	9,283
Depreciation provided during the year	(3,209)	(233)	(100)	(1,023)	-	(4,565)
Disposals	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11)</u>
At 31 December 2023, net of accumulated depreciation	<u>15,326</u>	<u>2,206</u>	<u>419</u>	<u>880</u>	<u>1,130</u>	<u>19,961</u>
At 31 December 2023						
Cost	27,188	3,142	650	4,795	1,130	36,905
Accumulated depreciation	<u>(11,862)</u>	<u>(936)</u>	<u>(231)</u>	<u>(3,915)</u>	<u>-</u>	<u>(16,944)</u>
Net carrying amount	<u>15,326</u>	<u>2,206</u>	<u>419</u>	<u>880</u>	<u>1,130</u>	<u>19,961</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024						
Cost	27,188	3,142	650	4,795	1,130	36,905
Accumulated depreciation	<u>(11,862)</u>	<u>(936)</u>	<u>(231)</u>	<u>(3,915)</u>	<u>-</u>	<u>(16,944)</u>
Net carrying amount	<u>15,326</u>	<u>2,206</u>	<u>419</u>	<u>880</u>	<u>1,130</u>	<u>19,961</u>
At 1 January 2024, net of accumulated depreciation						
	15,326	2,206	419	880	1,130	19,961
Additions	10,046	12	388	1,975	698	13,119
Depreciation provided during the year	(4,309)	(280)	(140)	(1,175)	-	(5,904)
Disposals	<u>(381)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(385)</u>
At 31 December 2024, net of accumulated depreciation						
	<u>20,682</u>	<u>1,938</u>	<u>663</u>	<u>1,680</u>	<u>1,828</u>	<u>26,791</u>
At 31 December 2024						
Cost	33,712	3,154	1,005	6,770	1,828	46,469
Accumulated depreciation	<u>(13,030)</u>	<u>(1,216)</u>	<u>(342)</u>	<u>(5,090)</u>	<u>-</u>	<u>(19,678)</u>
Net carrying amount	<u>20,682</u>	<u>1,938</u>	<u>663</u>	<u>1,680</u>	<u>1,828</u>	<u>26,791</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025						
At 1 January 2025						
Cost	33,712	3,154	1,005	6,770	1,828	46,469
Accumulated depreciation	(13,030)	(1,216)	(342)	(5,090)	-	(19,678)
Net carrying amount	<u>20,682</u>	<u>1,938</u>	<u>663</u>	<u>1,680</u>	<u>1,828</u>	<u>26,791</u>
At 1 January 2025, net of accumulated depreciation						
	20,682	1,938	663	1,680	1,828	26,791
Additions	7,964	-	148	775	14,497	23,384
Depreciation provided during the year	(5,809)	(280)	(184)	(967)	-	(7,240)
Disposals	<u>(17)</u>	<u>-</u>	<u>(6)</u>	<u>(215)</u>	<u>-</u>	<u>(238)</u>
At 31 December 2025, net of accumulated depreciation						
	<u>22,820</u>	<u>1,658</u>	<u>621</u>	<u>1,273</u>	<u>16,325</u>	<u>42,697</u>
At 31 December 2025						
Cost	41,626	3,154	1,138	7,333	16,325	69,576
Accumulated depreciation	<u>(18,806)</u>	<u>(1,496)</u>	<u>(517)</u>	<u>(6,060)</u>	<u>-</u>	<u>(26,879)</u>
Net carrying amount	<u>22,820</u>	<u>1,658</u>	<u>621</u>	<u>1,273</u>	<u>16,325</u>	<u>42,697</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. INTANGIBLE ASSETS

The Group

	Software RMB'000	Patent RMB'000	Total RMB'000
At 1 January 2023			
Cost	20,807	12,435	33,242
Accumulated amortisation	(11,933)	(8,416)	(20,349)
Net carrying amount	8,874	4,019	12,893
At 1 January 2023, net of accumulated amortisation	8,874	4,019	12,893
Additions	305	-	305
Amortisation provided during the year (note 7)	(2,001)	(3,873)	(5,874)
At 31 December 2023, net of accumulated amortisation	7,178	146	7,324
At 31 December 2023 and 1 January 2024			
Cost	21,112	12,435	33,547
Accumulated amortisation	(13,934)	(12,289)	(26,223)
Net carrying amount	7,178	146	7,324
At 1 January 2024, net of accumulated amortisation	7,178	146	7,324
Additions	1,597	-	1,597
Amortisation provided during the year (note 7)	(1,712)	(146)	(1,858)
At 31 December 2024, net of accumulated amortisation	7,063	-	7,063
At 31 December 2024 and 1 January 2025			
Cost	22,709	-	22,709
Accumulated amortisation	(15,646)	-	(15,646)
Net carrying amount	7,063	-	7,063
At 1 January 2025, net of accumulated amortisation	7,063	-	7,063
Additions	2,286	-	2,286
Amortisation provided during the year (note 7)	(2,442)	-	(2,442)
At 31 December 2025, net of accumulated amortisation	6,907	-	6,907
At 31 December 2025:			
Cost	24,995	-	24,995
Accumulated amortisation	(18,088)	-	(18,088)
Net carrying amount	6,907	-	6,907

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. INTANGIBLE ASSETS (continued)

The Company

	Software RMB'000
At 1 January 2023	
Cost	20,807
Accumulated amortisation	<u>(11,933)</u>
Net carrying amount	<u>8,874</u>
At 1 January 2023, net of accumulated amortisation	8,874
Additions	305
Amortisation provided during the year	<u>(2,001)</u>
At 31 December 2023, net of accumulated amortisation	<u>7,178</u>
At 31 December 2023 and 1 January 2024:	
Cost	21,112
Accumulated amortisation	<u>(13,934)</u>
Net carrying amount	<u>7,178</u>
At 1 January 2024, net of accumulated amortisation	7,178
Additions	1,597
Amortisation provided during the year	<u>(1,712)</u>
At 31 December 2024, net of accumulated amortisation	<u>7,063</u>
At 31 December 2024 and 1 January 2025:	
Cost	22,709
Accumulated amortisation	<u>(15,646)</u>
Net carrying amount	<u>7,063</u>
At 1 January 2025, net of accumulated amortisation	7,063
Additions	2,286
Amortisation provided during the year	<u>(2,442)</u>
At 31 December 2025, net of accumulated amortisation	<u>6,907</u>
At 31 December 2025:	
Cost	24,995
Accumulated amortisation	<u>(18,088)</u>
Net carrying amount	<u>6,907</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings. Leases of land and buildings generally have lease terms between 2 and 30 years.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2023	-	5,924	5,924
Additions	35,254	9,533	44,787
Depreciation charge (note 7)	<u>(1,175)</u>	<u>(7,050)</u>	<u>(8,225)</u>
At 31 December 2023	<u>34,079</u>	<u>8,407</u>	<u>42,486</u>
At 1 January 2024	34,079	8,407	42,486
Additions	-	8,402	8,402
Depreciation charge (note 7)	<u>(1,175)</u>	<u>(8,328)</u>	<u>(9,503)</u>
At 31 December 2024	<u>32,904</u>	<u>8,481</u>	<u>41,385</u>
At 1 January 2025	32,904	8,481	41,385
Additions	-	15,243	15,243
Depreciation charge*	(1,175)	(8,129)	(9,304)
Effect of foreign exchange rate changes	<u>-</u>	<u>(16)</u>	<u>(16)</u>
At 31 December 2025	<u>31,729</u>	<u>15,579</u>	<u>47,308</u>

* During the year ended 31 December 2025, amortisation of the leasehold land of RMB588,000 was capitalised in property, plant and equipment.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

The Company

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2023	-	5,849	5,849
Additions	35,254	8,708	43,962
Depreciation charge	<u>(1,175)</u>	<u>(6,673)</u>	<u>(7,848)</u>
At 31 December 2023	<u>34,079</u>	<u>7,884</u>	<u>41,963</u>
At 1 January 2024	34,079	7,884	41,963
Additions	-	6,864	6,864
Depreciation charge	<u>(1,175)</u>	<u>(7,705)</u>	<u>(8,880)</u>
At 31 December 2024	<u>32,904</u>	<u>7,043</u>	<u>39,947</u>
At 1 January 2025	32,904	7,043	39,947
Additions	-	15,243	15,243
Depreciation charge	<u>(1,175)</u>	<u>(7,569)</u>	<u>(8,744)</u>
At 31 December 2025	<u>31,729</u>	<u>14,717</u>	<u>46,446</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Carrying amount at 1 January	6,544	8,937	8,619
Additions	9,533	8,402	15,243
Accretion of interest recognised during the year	439	317	795
Lease payment	(7,579)	(9,037)	(8,568)
Effect of foreign exchange rate changes	-	-	(16)
Carrying amount at 31 December	<u>8,937</u>	<u>8,619</u>	<u>16,073</u>
Analysed into:			
Current portion	7,948	3,882	7,770
Non-current portion	<u>989</u>	<u>4,737</u>	<u>8,303</u>
Including:			
- More than one year but within two years	989	2,750	6,840
- More than two years but within five years	<u>-</u>	<u>1,987</u>	<u>1,463</u>

The Company

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Carrying amount at 1 January	6,460	8,395	7,161
Additions	8,708	6,864	15,243
Accretion of interest recognised during the year	419	290	741
Lease payment	<u>(7,192)</u>	<u>(8,388)</u>	<u>(8,025)</u>
Carrying amount at 31 December	<u>8,395</u>	<u>7,161</u>	<u>15,120</u>
Analysed into:			
Current portion	7,490	3,390	7,254
Non-current portion	<u>905</u>	<u>3,771</u>	<u>7,866</u>
Including:			
- More than one year but within two years	905	2,228	6,403
- More than two years but within five years	<u>-</u>	<u>1,543</u>	<u>1,463</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Lease payments in respect of short-term leases and low-value assets leases (note 7)	1,830	1,870	1,557
Interest on lease liabilities	439	317	795
Depreciation charge of right-of-use assets	8,225	9,503	8,716
Total amount recognised in profit or loss	<u>10,494</u>	<u>11,690</u>	<u>11,068</u>

(d) The total cash outflow for leases is disclosed in note 32 to the Historical Financial Information.

16. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Investment costs	11,049	11,329	11,049
Less: provision for impairment	-	-	-
	<u>11,049</u>	<u>11,329</u>	<u>11,049</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. INVENTORIES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	298,604	279,774	585,666
Work in process	84,434	129,424	114,853
Finished goods	39,201	84,267	68,110
Goods in transit	77,650	151,537	100,731
	<u>499,889</u>	<u>645,002</u>	<u>869,360</u>

The inventories are net of a write-down of approximately RMB30,435,000, RMB40,714,000 and RMB49,812,000 as at 31 December 2023, 2024 and 2025.

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	289,104	279,773	582,064
Work in process	44,127	53,915	63,713
Finished goods	39,146	83,636	64,492
Goods in transit	69,318	60,394	64,944
	<u>441,695</u>	<u>477,718</u>	<u>775,213</u>

The inventories are net of a write-down of approximately RMB29,019,000, RMB39,722,000 and RMB48,832,000 as at 31 December 2023, 2024 and 2025.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Unrealised profits RMB'000	Deductible tax losses RMB'000	Provision for impairment for inventory and bad-debt provision RMB'000	Provision RMB'000	Leases liabilities RMB'000	Deferred income RMB'000	Loss from changes in fair value RMB'000	Total RMB'000
As at 1 January 2023	499	2,427	7,507	-	852	2	76	11,363
(Debited)/credited to profit or loss	(310)	556	2,796	-	461	(2)	(76)	3,425
As at 31 December 2023	189	2,983	10,303	-	1,313	-	-	14,788
As at 1 January 2024	189	2,983	10,303	-	1,313	-	-	14,788
Credited/(debited) to profit or loss	5,509	(2,913)	104	-	81	-	-	2,781
As at 31 December 2024	5,698	70	10,407	-	1,394	-	-	17,569
As at 1 January 2025	5,698	70	10,407	-	1,394	-	-	17,569
(Debited)/credited to profit or loss	(3,340)	2,503	(370)	599	1,080	164	155	791
As at 31 December 2025	2,358	2,573	10,037	599	2,474	164	155	18,360

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. DEFERRED TAX (continued)

The Company

	Provision for impairment for inventory and bad-debt provision RMB'000	Leases liabilities RMB'000	Deferred income RMB'000	Gains from changes in fair value RMB'000	Provision RMB'000	Total RMB'000
As at 1 January 2023	6,199	831	2	76	-	7,108
Credited/(debited) to profit or loss	<u>2,160</u>	<u>352</u>	<u>(2)</u>	<u>(76)</u>	<u>-</u>	<u>2,434</u>
As at 31 December 2023	<u>8,359</u>	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,542</u>
As at 1 January 2024	8,359	1,183	-	-	-	9,542
Debited to profit or loss	<u>(1,463)</u>	<u>(109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,572)</u>
As at 31 December 2024	<u>6,896</u>	<u>1,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,970</u>
As at 1 January 2025	6,896	1,074	-	-	-	7,970
Credited to profit or loss	<u>1,279</u>	<u>1,194</u>	<u>164</u>	<u>155</u>	<u>599</u>	<u>3,391</u>
As at 31 December 2025	<u>8,175</u>	<u>2,268</u>	<u>164</u>	<u>155</u>	<u>599</u>	<u>11,361</u>

Deferred tax liabilities

The Group

	Right-of-use assets RMB'000
As at 1 January 2023	896
Debited to profit or loss	<u>499</u>
As at 31 December 2023	<u>1,395</u>
As at 1 January 2024	1,395
Credited to profit or loss	<u>(23)</u>
As at 31 December 2024	<u>1,372</u>
As at 1 January 2025	1,372
Debited to profit or loss	<u>1,023</u>
As at 31 December 2025	<u>2,395</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

The Company

	<u>Right-of-use assets</u>
	<u>RMB'000</u>
As at 1 January 2023	877
Debited to profit or loss	382
As at 31 December 2023	<u>1,259</u>
As at 1 January 2024	1,259
Credited to profit or loss	(203)
As at 31 December 2024	<u>1,056</u>
As at 1 January 2025	1,056
Debited to profit or loss	1,152
As at 31 December 2025	<u>2,208</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

The Group

	<u>As at 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Net deferred tax assets recognised in the consolidated statements of financial position	<u>13,393</u>	<u>16,197</u>	<u>15,965</u>

The Company

	<u>As at 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Net deferred tax assets recognised in the statements of financial position	<u>8,283</u>	<u>6,914</u>	<u>9,153</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables			
-Third parties	613,575	721,073	904,800
-A related party	195,725	123,508	11,879
Less: impairment of trade receivables	<u>(36,862)</u>	<u>(24,803)</u>	<u>(14,538)</u>
Trade receivables, net	<u>772,438</u>	<u>819,778</u>	<u>902,141</u>
Bills receivables*			
-Third parties	-	737	3,061
Less: impairment of bills receivables	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Bills receivables, net	<u>-</u>	<u>725</u>	<u>3,049</u>
TRADE AND BILLS RECEIVABLES	<u>772,438</u>	<u>820,503</u>	<u>905,190</u>
Analysed into:			
Current portion	772,438	820,503	905,190
Non-current portion	<u>-</u>	<u>-</u>	<u>-</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables			
-Subsidiaries	673,181	891,928	656,765
-Third parties	221,580	251,241	445,566
Less: impairment of trade receivables	<u>(25,625)</u>	<u>(4,894)</u>	<u>(5,505)</u>
Trade receivables, net	<u>869,136</u>	<u>1,138,275</u>	<u>1,096,826</u>
Bills receivables*			
-Subsidiaries	69,400	101,764	75,745
-Third parties	-	-	3,061
Less: impairment of bills receivables	<u>-</u>	<u>-</u>	<u>(12)</u>
Bills receivables, net	<u>69,400</u>	<u>101,764</u>	<u>78,794</u>
TRADE AND BILLS RECEIVABLES	<u>938,536</u>	<u>1,240,039</u>	<u>1,175,620</u>
Analysed into:			
Current portion	938,536	1,240,039	1,175,620
Non-current portion	<u>-</u>	<u>-</u>	<u>-</u>

* Bills receivables are with a maturity period of within six months.

Included in the Group's trade and bills receivables are amounts due from a company controlled by close family members of the Group's senior management of RMB195,725,000, RMB123,508,000 and RMB11,879,000 as at 31 December 2023, 2024 and 2025 respectively, which are repayable on credit terms similar to those offered to the major customers of the Group, as further detailed in note 36 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS RECEIVABLES (continued)

The Group's trading terms with its certain customers are on credit, and the credit period is generally within 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	748,260	794,197	893,410
1 to 2 years	23,728	26,056	11,306
2 to 3 years	450	247	471
3 to 4 years	-	3	3
	<u>772,438</u>	<u>820,503</u>	<u>905,190</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	918,935	1,238,659	1,173,646
1 to 2 years	19,413	1,377	1,567
2 to 3 years	188	3	407
	<u>938,536</u>	<u>1,240,039</u>	<u>1,175,620</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	32,167	36,862	24,815
Provision for/(reversal of) impairment losses, net (note 7)	4,581	6,797	(9,991)
Amount written off as uncollectible	-	(18,995)	(78)
Effect of foreign exchange rate changes	114	151	(196)
At end of year	<u>36,862</u>	<u>24,815</u>	<u>14,550</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	24,207	25,625	4,894
Provision for/(reversal of) impairment losses, net	1,418	(1,736)	701
Amount written off as uncollectible	-	(18,995)	(78)
At end of year	<u>25,625</u>	<u>4,894</u>	<u>5,517</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk and ageing of the trade receivables to measure the expected credit losses. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided impairment for the defaulted receivables based on the cash flows that the Group expects to receive.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS IVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's and the Company's trade and bills receivables:

The Group

As at 31 December 2023

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Trade and bills receivables aged:			
Within 1 year	759,191	1.44%	10,931
1 to 2 years	27,956	15.12%	4,228
2 to 3 years	870	48.28%	420
3 to 4 years	1,792	100.00%	1,792
4 to 5 years	102	100.00%	102
Over 5 years	<u>2,912</u>	100.00%	<u>2,912</u>
At the end of the year	<u>792,823</u>	<u>2.57%</u>	<u>20,385</u>
Defaulted receivables	<u>16,477</u>	<u>100.00%</u>	<u>16,477</u>
	<u>809,300</u>	<u>4.55%</u>	<u>36,862</u>

As at 31 December 2024

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Trade and bills receivables aged:			
Within 1 year	809,546	1.90%	15,349
1 to 2 years	32,934	20.88%	6,878
2 to 3 years	356	30.62%	109
3 to 4 years	413	99.27%	410
4 to 5 years	1,752	100.00%	1,752
Over 5 years	85	100.00%	85
At the end of the year	<u>845,086</u>	<u>2.91%</u>	<u>24,583</u>
Defaulted receivables	<u>232</u>	<u>100.00%</u>	<u>232</u>
	<u>845,318</u>	<u>2.94%</u>	<u>24,815</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS RECEIVABLES (continued)

The Group (continued)

As at 31 December 2025

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Trade and bills receivables aged:			
Within 1 year	900,390	0.78%	6,980
1 to 2 years	14,847	23.85%	3,541
2 to 3 years	2,014	76.61%	1,543
3 to 4 years	144	97.92%	141
4 to 5 years	402	100.00%	402
Over 5 years	1,711	100.00%	1,711
At the end of the year	<u>919,508</u>	<u>1.56%</u>	<u>14,318</u>
Defaulted receivables	<u>232</u>	<u>100.00%</u>	<u>232</u>
	<u>919,740</u>	<u>1.58%</u>	<u>14,550</u>

The Company

As at 31 December 2023

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Due from subsidiaries	742,581	-	-
Other trade and bills receivables aged:			
Within 1 year	178,812	1.37%	2,458
1 to 2 years	22,914	15.28%	3,501
2 to 3 years	363	48.21%	175
3 to 4 years	3	100.00%	3
4 to 5 years	102	100.00%	102
Over 5 years	2,909	100.00%	2,909
At the end of the year	<u>205,103</u>	<u>4.46%</u>	<u>9,148</u>
Defaulted receivables	<u>16,477</u>	<u>100.00%</u>	<u>16,477</u>
	<u>964,161</u>	<u>2.66%</u>	<u>25,625</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS RECEIVABLES (continued)

The Company (continued)

As at 31 December 2024

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Due from subsidiaries	993,692	-	-
Other trade and bills receivables aged:			
Within 1 year	249,165	1.68%	4,198
1 to 2 years	1,745	21.09%	368
2 to 3 years	10	70.00%	7
3 to 4 years	2	100.00%	2
4 to 5 years	2	100.00%	2
Over 5 years	85	100.00%	85
At the end of the year	<u>251,009</u>	<u>1.86%</u>	<u>4,662</u>
Defaulted receivables	<u>232</u>	<u>100.00%</u>	<u>232</u>
	<u>1,244,933</u>	<u>0.39%</u>	<u>4,894</u>

As at 31 December 2025

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Due from subsidiaries	732,510	-	-
Other trade and bills receivables aged:			
Within 1 year	444,584	0.78%	3,448
1 to 2 years	2,057	23.82%	490
2 to 3 years	1,744	76.66%	1,337
3 to 4 years	10	100.00%	10
At the end of the year	<u>448,395</u>	<u>1.18%</u>	<u>5,285</u>
Defaulted receivables	<u>232</u>	<u>100.00%</u>	<u>232</u>
	<u>1,181,137</u>	<u>0.47%</u>	<u>5,517</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current			
Deductible input VAT	72,091	91,796	130,817
Prepayments	5,178	19,786	199,423
Deferred listing expenses	-	-	2,414
Other receivables	6,436	6,779	19,467
Deposits	6,135	817	484
Provision for bad debts	(2,656)	(3,754)	(574)
	<u>87,184</u>	<u>115,424</u>	<u>352,031</u>
Non-current			
Deposits	3,523	3,951	3,867
Provision for bad debts	(582)	(1,135)	-
Prepayments for property, plant and equipment	182	575	628
	<u>3,123</u>	<u>3,391</u>	<u>4,495</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current			
Deductible input VAT	57,942	12,914	10,326
Prepayments	3,478	18,581	187,080
Deferred listing expenses	-	-	2,414
Due from subsidiaries	27,693	20,322	7,800
Other receivables	1,754	1,573	3,805
Deposits	6,002	707	345
Provision for bad debts	(518)	(271)	(153)
	<u>96,351</u>	<u>53,826</u>	<u>211,617</u>
Non-current			
Deposits	3,412	3,570	3,535
Provision for bad debts	(570)	(1,092)	-
Prepayments for property, plant and equipment	182	352	628
	<u>3,024</u>	<u>2,830</u>	<u>4,163</u>

Other receivables and deposits are unsecured and non-interest-bearing.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

As at 31 December 2023, 2024 and 2025, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

The movements in the loss allowance for impairment of other receivables and deposits are as follows:

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	2,501	3,238	4,889
Impairment losses/(reversal of impairment losses), net (note 7)	709	1,603	(4,293)
Effect of foreign exchange rate changes	28	48	(22)
At end of year	<u>3,238</u>	<u>4,889</u>	<u>574</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	891	1,088	1,363
Impairment losses/(reversal of impairment losses), net	197	275	(1,210)
At end of year	<u>1,088</u>	<u>1,363</u>	<u>153</u>

21. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash and bank balances	280,956	455,770	273,353
Pledged deposits	11,225	-	-
Restricted bank deposits	84,216	89,929	52,591
	<u>376,397</u>	<u>545,699</u>	<u>325,944</u>
Less:			
Pledged deposits	11,225	-	-
Restricted bank deposits	84,216	89,929	52,591
Cash and cash equivalents	<u>280,956</u>	<u>455,770</u>	<u>273,353</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

21. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS (continued)

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Denominated in			
RMB	35,217	91,885	100,548
USD	240,626	353,062	168,998
EUR	2,763	10,392	2,753
HKD	2,343	353	490
PLN	7	78	106
COP	-	-	458
	<u>280,956</u>	<u>455,770</u>	<u>273,353</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash and bank balances	125,768	216,167	116,557
Pledged deposits	11,225	-	-
Restricted bank deposits	<u>42,396</u>	<u>37,400</u>	<u>33,468</u>
	<u>179,389</u>	<u>253,567</u>	<u>150,025</u>
Less:			
Pledged deposits	11,225	-	-
Restricted bank deposits	<u>42,396</u>	<u>37,400</u>	<u>33,468</u>
Cash and cash equivalents	<u>125,768</u>	<u>216,167</u>	<u>116,557</u>
Denominated in			
RMB	31,908	57,126	89,975
USD	91,804	149,709	24,187
EUR	<u>2,056</u>	<u>9,332</u>	<u>2,395</u>
	<u>125,768</u>	<u>216,167</u>	<u>116,557</u>

The RMB is not freely convertible into other currencies, however, under the Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The restricted bank deposits refer to the bank accounts opened by the Group for conducting business such as acceptance bills, forward foreign exchange settlement and sales, etc. in which the Group are required to maintain a minimum balance as requested by banks. The pledged deposit refers to the Group's fixed deposit bank account which is pledged for obtaining bank acceptance bills.

The bank balances, pledged deposits, and restricted bank balances are deposited with creditworthy banks with no recent history of default. As at 31 December 2023, 2024 and 2025, the Group and the Company have assessed the credit risk of cash and cash equivalents, pledged deposits, and restricted bank deposits to be minimal as they were placed in reputable financial institutions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade payables	528,781	672,713	702,323
Bills payables	119,181	118,367	159,402
	<u>647,962</u>	<u>791,080</u>	<u>861,725</u>

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	642,924	791,035	861,619
1 to 2 years	1,499	22	83
2 to 3 years	113	-	-
Over 3 years	3,426	23	23
	<u>647,962</u>	<u>791,080</u>	<u>861,725</u>

The trade payables are non-interest-bearing and are normally settled on terms of within 6 months.

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Due to subsidiaries	27,821	31,445	14,341
Third parties	462,841	516,091	650,369
Bills payables	119,181	118,367	131,402
	<u>609,843</u>	<u>665,903</u>	<u>796,112</u>

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	581,988	640,870	785,616
1 to 2 years	10,168	139	5,395
2 to 3 years	14,261	24,883	114
Over 3 years	3,426	11	4,987
	<u>609,843</u>	<u>665,903</u>	<u>796,112</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Payroll payable	34,535	38,429	43,782
Other tax payables	1,506	2,182	3,977
Payable for copyright fees	51,558	73,821	70,827
Payable for promotion fees	16,135	15,574	26,212
Listing expenses	-	-	3,820
Other payables	10,298	6,606	22,104
	<u>114,032</u>	<u>136,612</u>	<u>170,722</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Payroll payable	32,922	36,641	41,649
Other tax payables	1,796	1,993	3,605
Payable for copyright fees	47,530	70,516	69,245
Listing expenses	-	-	3,820
Other payables	6,404	4,806	16,076
	<u>88,652</u>	<u>113,956</u>	<u>134,395</u>

Other payables are non-interest-bearing and repayable on demand.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Forward currency contracts, at fair value	119	-	593
Foreign currency swaps, at fair value	-	-	440
	<u>-</u>	<u>-</u>	<u>440</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	At 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans – guaranteed *	2.80%-3.70%	2024	85,336	2.60%-3.80%	2025	89,907	2.12%-3.80%	2026	144,555
Bank loans – pledged**	1.45%-1.74%	2024	28,576	1.30%-2.60%	2025	84,408	1.50%-1.80%	2026	40,000
Bank loans – unsecured	-	-	-	-	-	-	2.80%	2026	31,009
Other borrowings-guaranteed***	-	-	-	2.60%	2025	44,511			-
Total – current			<u>113,912</u>			<u>218,826</u>			<u>215,564</u>
Total			<u>113,912</u>			<u>218,826</u>			<u>215,564</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Company

	At 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans – guaranteed *	2.80%-3.70%	2024	76,828	2.60%-3.80%	2025	89,907	2.12%-3.80%	2026	144,555
Bank loans – pledged**	1.45%-1.74%	2024	28,576	1.30%-2.60%	2025	84,408	1.50%-1.80%	2026	40,000
Bank loans – unsecured	-	-	-	-	-	-	2.80%	2026	31,009
Other borrowings-guaranteed***	-	-	-	2.60%	2025	44,511			-
Total – current			<u>105,404</u>			<u>218,826</u>			<u>215,564</u>
Total			<u>105,404</u>			<u>218,826</u>			<u>215,564</u>

* As at 31 December 2023, the guaranteed bank loans of RMB17,744,000 are guaranteed by Li Bo, the guaranteed bank loans of RMB67,592,000 are guaranteed by Li Bo and the subsidiaries of the Group. As at 31 December 2024, the guaranteed bank loans of RMB55,923,000 are guaranteed by Li Bo and the subsidiaries of the Group. The guarantees were released along with the maturity of the loans. As at 31 December 2025, the bank loans guaranteed by Li Bo is nil.

As at 31 December 2024, the guaranteed bank loans of RMB33,984,000 are guaranteed by the subsidiaries of the Group. The guarantees were released along with the maturity of the loans. As at 31 December 2025, the guaranteed bank loans of RMB144,555,000 are guaranteed by the subsidiaries of the Group. The guarantees will be released along with the maturity of the loans.

** As at 31 December 2023, 2024 and 2025, the pledged bank loans were relating to bills received by the Company from its subsidiaries that were discounted to banks.

*** For better cash flow for both the Group and the suppliers, the Group has established supplier finance arrangements that are offered to some of the Group's key suppliers. The finance provider is CCB Supply Chain Finance Co.,Ltd, which was established by China Construction Bank. Both suppliers and the financing provider are independent third parties. Suppliers that participate in the supplier finance arrangements will receive payments at the original due dates on invoices sent to the Group from the Group's external finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider within one year after the original invoice maturity date. The payment date of each transaction was agreed with the finance provider. As long as the finance provider made payments to suppliers, relevant trade and bills payables will be reclassified into other borrowings. Payment terms with suppliers have not been renegotiated in conjunction with the arrangement. The largest shareholder, Li Bo had provided the guarantee to the finance provider (note 36) and the guarantee was released in May 2025.

All financial liabilities that are part of the supplier finance arrangements are included in other borrowings in the statement of financial position.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. CONTRACT LIABILITIES

The Group

	As at 1 January	As at 31 December		
	2023 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Advances from customers				
Sale of goods	<u>50,477</u>	<u>38,285</u>	<u>32,338</u>	<u>30,236</u>
Analysed for reporting purposes as:				
Current liabilities	<u>50,477</u>	<u>38,285</u>	<u>32,338</u>	<u>30,236</u>
	<u>50,477</u>	<u>38,285</u>	<u>32,338</u>	<u>30,236</u>

The Company

	As at 1 January	As at 31 December		
	2023 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Advances from customers				
Sale of goods	<u>48,297</u>	<u>27,302</u>	<u>19,159</u>	<u>18,878</u>
Analysed for reporting purposes as:				
Current liabilities	<u>48,297</u>	<u>27,302</u>	<u>19,159</u>	<u>18,878</u>
	<u>48,297</u>	<u>27,302</u>	<u>19,159</u>	<u>18,878</u>

All of contract liabilities included in the carrying amount as at 31 December 2023, 2024 and 2025, were expected to be transferred to operating revenue in following year. Contract liabilities decreased as fewer orders were paid in advance.

27. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Government grant*	<u>-</u>	<u>-</u>	<u>1,090</u>
At beginning of year	14	-	-
Addition during the year	-	-	1,152
Released to profit or loss during the year	<u>(14)</u>	<u>-</u>	<u>(62)</u>
At end of year	<u>-</u>	<u>-</u>	<u>1,090</u>

* The Group's deferred government grants represented government grants received for assets and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

28. PROVISION

The Group and the Company

	Warranties RMB'000
At 1 January 2023, 31 December 2023 and 31 December 2024	-
At 1 January 2025	-
Additions	7,181
Amounts utilised during the year	(3,189)
At 31 December 2025	3,992

The Group generally provides 24 months warranties to its customers on certain of its products for general repairs of defects occurring during the warranty period. The estimation basis is reviewed on an ongoing basis and revised annually.

29. SHARE CAPITAL

A summary of movements in the share capital is as follows:

	Number of shares in issue (in thousand)	Share capital RMB'000
As at 1 January 2023 and as at 31 December 2023 and 2024	191,500	191,500
Shares repurchased	(1,167)	(1,167)
As at 31 December 2025	190,333	190,333

During the year ended 31 December 2025, the Company repurchased an aggregate of 1,167,000 shares through the National Equities Exchange and Quotations at a total consideration of RMB10,989,000. The aforesaid repurchased shares have been cancelled in July 2025.

30. SHARE-BASED PAYMENT

Pursuant to the written resolutions of the shareholders of the Company passed in November 2021 (the "2021 Share Scheme") and July 2022 (the "2022 Share Scheme"), the Company passed a resolution to grant 14,752,800 and 1,000,000 restricted shares of the Company at the grant price of RMB14.5 and RMB25.0 per share respectively to certain directors and employees of the Company. For 2021 Share Scheme, the restricted shares have single vesting term of 36 months from the grant date, on the condition that the participants remain in service. For 2022 Share Scheme, all restricted shares were vested at the grant date.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30. SHARE-BASED PAYMENT (continued)

During the Relevant Periods, restricted shares forfeited by participants of the 2021 Share Scheme and 2022 Share Scheme of 103,600, 20,000 and 1,138,960 respectively, were re-granted to incentivise employees of the Group. All forfeited shares were re-granted in the same year. Such re-granted restricted shares have a vesting period according to respective schemes started from the grant date.

In April 2025, the Company cancelled the single vesting term of 36 months of the 2021 Share Scheme. Accordingly, the Company recognised immediately the amount of the expense that would otherwise have been recognised over the remainder of the vesting period.

During the Relevant Periods, the weighted average fair value of restricted shares granted of RMB16.4, RMB13.5 and RMB5.0 respectively, was estimated as at the date of grant using market price model or recent transaction method, taking into account the terms and conditions upon which the restricted shares were granted. The equity-settled share-based payment expenses were charged to profit or loss (note 7 and note 8).

The following table lists the inputs to the model used:

	Restricted shares granted in		
	Year ended 31 December		
	2023	2024	2025
Market price model			
Average enterprise value per sales multiplier of comparable companies	1.62	1.50	
Discount for lack of marketability ("DLOM")	28.8%	27.9%	
Recent transaction method			
Trailing 120 days transactions price			5

31. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) Capital reserve

The capital reserve of the Group represents the difference between the value of the paid-up capital and the consideration received.

(ii) Statutory surplus reserve

In accordance with the Company Law of the PRC, the companies in the Chinese Mainland are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. The statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of such companies subject to approval from the relevant PRC authorities. The statutory surplus reserve is not available for dividend distribution to shareholders of such companies.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. RESERVES (continued)

The Group (continued)

(iii) Share-based payment reserve

The share-based payment reserve comprises the fair value of the restricted shares granted, as further explained in note 30 to the Historical Financial Information.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

Year ended 31 December 2023

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2023	163,636	37,533	324,653	525,822
Profit for the year	-	-	192,525	192,525
Total comprehensive income for the year	-	-	192,525	192,525
Transfer to statutory surplus reserve	-	19,252	(19,252)	-
As at 31 December 2023	<u>163,636</u>	<u>56,785</u>	<u>497,926</u>	<u>718,347</u>

Year ended 31 December 2024

	Capital reserve RMB'000	Share- based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2024	163,636	-	56,785	497,926	718,347
Profit for the year	-	-	-	184,600	184,600
Total comprehensive income for the year	-	-	-	184,600	184,600
Share-based payments	-	2,434	-	-	2,434
Transfer to statutory surplus reserve	-	-	18,460	(18,460)	-
As at 31 December 2024	<u>163,636</u>	<u>2,434</u>	<u>75,245</u>	<u>664,066</u>	<u>905,381</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. Reserves (continued)

The Company (continued)

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows (continued):

Year ended 31 December 2025

	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2025	163,636	2,434	75,245	664,066	905,381
Profit for the year	-	-	-	163,215	163,215
Total comprehensive income for the year	-	-	-	163,215	163,215
Share-based payments	-	485	-	-	485
Share repurchased and cancelled	(9,822)	-	-	-	(9,822)
Transfer to statutory surplus reserve	-	-	16,321	(16,321)	-
As at 31 December 2025	153,814	2,919	91,566	810,960	1,059,259

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade payables settled by endorsement of bills receivable	-	2,260	6,608
Trade payables settled through supplier finance arrangements (note 25)	-	44,511	-
Trade payables not requiring payment	176	3,164	-
Addition of right-of-use assets	9,533	8,402	15,227

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	<u>144,499</u>	<u>6,544</u>	<u>151,043</u>
Changes from financing cash flow	(33,660)	(7,579)	(41,239)
Changes from non-cash movements	-	9,533	9,533
Accretion of interest	<u>3,073</u>	<u>439</u>	<u>3,512</u>
At 31 December 2023 and 1 January 2024	<u>113,912</u>	<u>8,937</u>	<u>122,849</u>
Changes from financing cash flow	54,599	(9,037)	45,562
Changes from non-cash movements	-	8,402	8,402
Accretion of interest	5,804	317	6,121
Increase arising from supplier finance arrangements	<u>44,511</u>	<u>-</u>	<u>44,511</u>
At 31 December 2024 and 1 January 2025	<u>218,826</u>	<u>8,619</u>	<u>227,445</u>
Changes from financing cash flow	(6,780)	(8,568)	(15,348)
Changes from non-cash movements	-	15,227	15,227
Accretion of interest	<u>3,518</u>	<u>795</u>	<u>4,313</u>
At 31 December 2025	<u>215,564</u>	<u>16,073</u>	<u>231,637</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within operating activities	1,830	1,870	1,557
Within investing activities	35,254	-	-
Within financing activities	7,579	9,037	8,568
	<u>44,663</u>	<u>10,907</u>	<u>10,125</u>

33. CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2023, 2024 and 2025.

34. PLEDGE OF ASSETS

Details of the Group's pledged assets are included in notes 21 and 25 to the Historical Financial Information.

35. COMMITMENTS

The Group had the following contractual commitments as at the end of each of the Relevant Periods.

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Contracted, but not provided for:			
Buildings	<u>-</u>	<u>-</u>	<u>16,166</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS

The directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of the related parties

Name	Relationship
Smart Digital Media CO., Limited	A company controlled by close family members of the Group's senior management

(b) The Group had the following transactions with a related party during the Relevant Periods:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Sale of products to:			
Smart Digital Media CO., Limited*	<u>434,639</u>	<u>268,073</u>	<u>56,662</u>

(c) At 31 December 2023, 2024 and 2025, bank and other borrowings of the Group in the amount of RMB85,336,000, RMB100,434,000 and nil respectively, were guaranteed by the largest shareholder of the Company.

(d) The Group had the following outstanding balances with related parties:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Amount due from a related party:			
Smart Digital Media CO., Limited*	<u>195,725</u>	<u>123,508</u>	<u>11,879</u>

* Trade in nature, included in "Trade and bills receivables" in the consolidated statements of financial position.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS (continued)

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees	100	100	276
Salaries, allowances and benefits in kind	5,234	5,436	4,714
Performance related bonus	2,976	3,637	4,314
Pension scheme contributions	204	223	246
Share-based payment expenses	-	1,755	261
	<u>8,514</u>	<u>11,151</u>	<u>9,811</u>

Further details of directors', supervisors' and the chief executive's remuneration are included in note 8 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets at amortised cost:			
Trade and bills receivables	772,438	820,503	905,190
Financial assets included in deposits and other receivables	12,856	6,658	23,244
Restricted bank deposits	84,216	89,929	52,591
Pledged deposits	11,225	-	-
Cash and cash equivalents	<u>280,956</u>	<u>455,770</u>	<u>273,353</u>
	<u>1,161,691</u>	<u>1,372,860</u>	<u>1,254,378</u>
Financial liabilities at amortised cost:			
Trade and bills payables	647,962	791,080	861,725
Financial liabilities included in other payables and accruals	77,991	96,001	122,963
Lease liabilities	8,937	8,619	16,073
Interest-bearing bank and other borrowings	113,912	218,826	215,564
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments	<u>119</u>	<u>-</u>	<u>1,033</u>
	<u>848,921</u>	<u>1,114,526</u>	<u>1,217,358</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into derivative financial instruments with financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts and foreign currency swaps, calculated by using valuation techniques similar to forward pricing models using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amount of forward currency contracts is the same as their fair value. The fair value measurement hierarchy of the derivative financial instruments of the Group is classified as Level 2.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, derivative financial instruments and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors' reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the translated value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in foreign currency exchange rates %	Increase/(decrease) in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
Year ended 31 December 2023			
If RMB weakens against the USD	5	43,023	34,667
If RMB strengthens against the USD	(5)	(43,023)	(34,667)
If RMB weakens against the EUR	5	97	80
If RMB strengthens against the EUR	(5)	(97)	(80)
Year ended 31 December 2024			
If RMB weakens against the USD	5	43,742	33,308
If RMB strengthens against the USD	(5)	(43,742)	(33,308)
If RMB weakens against the EUR	5	729	607
If RMB strengthens against the EUR	(5)	(729)	(607)
Year ended 31 December 2025			
If RMB weakens against the USD	5	43,358	32,519
If RMB strengthens against the USD	(5)	(43,358)	(32,519)
If RMB weakens against the EUR	5	1,002	751
If RMB strengthens against the EUR	(5)	(1,002)	(751)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. The credit risk of the Group's other financial assets, which comprise cash, cash equivalents, pledged deposits and restricted bank deposits and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	<u>12-month ECLs</u>	<u>Lifetime ECLs</u>			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables**	-	-	-	809,300	809,300
Financial assets included in deposits and other receivables *					
-Normal	16,094	-	-	-	16,094
Restricted bank balances	84,216	-	-	-	84,216
Pledged deposits	11,225	-	-	-	11,225
Cash and cash equivalents	<u>280,956</u>	-	-	-	<u>280,956</u>
	<u>392,491</u>	-	-	<u>809,300</u>	<u>1,201,791</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables**	-	-	-	844,581	844,581
Bills receivables	737	-	-	-	737
Financial assets included in deposits and other receivables*					
-Normal	11,547	-	-	-	11,547
Restricted bank balances	89,929	-	-	-	89,929
Cash and cash equivalents	455,770	-	-	-	455,770
	557,983	-	-	844,581	1,402,564

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables**	-	-	-	916,679	916,679
Bills receivables	3,061	-	-	-	3,061
Financial assets included in deposits and other receivables*					
-Normal	23,818	-	-	-	23,818
Restricted bank balances	52,591	-	-	-	52,591
Cash and cash equivalents	273,353	-	-	-	273,353
	352,823	-	-	916,679	1,269,502

* The credit quality of the financial assets included in prepayments, other receivables and other assets were considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

** For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy parties, there is no requirement for collateral. Concentrations of credit risk are managed by revenue stream.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

The following table demonstrates the concentrations of credit risk of the total trade and bills receivables which were due from customers with the Group's five largest trade and bills receivables.

	As at 31 December		
	2023 %	2024 %	2025 %
Percentage of total trade and bills receivables due from:			
The Group's five largest trade and bills receivables	51	49	56

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	647,962	-	647,962
Financial liabilities included in other payables and accruals	77,991	-	77,991
Derivative financial instruments	119	-	119
Lease liabilities	8,209	993	9,202
Interest-bearing bank loans	115,366	-	115,366
	<u>849,647</u>	<u>993</u>	<u>850,640</u>

As at 31 December 2024

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	791,080	-	791,080
Financial liabilities included in other payables and accruals	96,001	-	96,001
Lease liabilities	3,953	4,921	8,874
Interest-bearing bank and other borrowings	219,836	-	219,836
	<u>1,110,870</u>	<u>4,921</u>	<u>1,115,791</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at 31 December 2025

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	861,725	-	861,725
Financial liabilities included in other payables and accruals	122,963	-	122,963
Lease liabilities	8,317	8,508	16,825
Interest-bearing bank and other borrowings	217,201	-	217,201
Derivative financial instruments	1,033	-	1,033
	<u>1,211,239</u>	<u>8,508</u>	<u>1,219,747</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards total equity as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total assets	<u>1,824,763</u>	<u>2,224,758</u>	<u>2,573,426</u>
Total liabilities	<u>924,361</u>	<u>1,187,705</u>	<u>1,306,186</u>
Asset-liability ratio	<u>51%</u>	<u>53%</u>	<u>51%</u>

* The asset-liability ratio is calculated by dividing total liabilities by total assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

40. TRANSFERRED FINANCIAL ASSETS

TRANSFERRED FINANCIAL ASSETS THAT ARE NOT DERECOGNISED IN THEIR ENTIRETY

At 31 December 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese Mainland (the "Endorsed Bills") with a carrying amount of RMB1,481,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

As part of its normal business, the Company endorsed certain bills receivable accepted by banks in the Chinese Mainland China to suppliers with a carrying amount in aggregate of RMB2,260,000 and RMB6,608,000 as at 31 December 2024 and 2025 (the "Derecognised Bills"). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills including the Company, in disregard of the order of precedence. In the opinion of the directors, the risk of the Company being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Company has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills.

41. EVENTS AFTER THE RELEVANT PERIODS

Since 12 August 2025, the U.S. government has continued to adjust the measures for imposing additional tariff on imports from the Chinese Mainland and Hong Kong (the "Tariff Increases"), and has agreed to suspend the implementation of the 24% retaliatory tariffs for 90 days, effective from 12 August 2025. The U.S. tariff and trade policies are subject to constant changes, influenced by evolving geopolitical dynamics, economic priorities and regulatory agenda, and such policies may be amended, expanded, or replaced with little or no advance notice. The management will keep continuous monitoring on the situation of Tariff Increases and reacted actively to its impact on the financial position and operating results of the Group. As at the date of this report, Tariff Increases does not have any material adverse impact on the financial position and operating result of the Group.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2025.