

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-[•] to I-[•], received from the independent reporting accountants of the Company, [Moore CPA Limited], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 博安通物聯科技洛陽股份有限公司 (BOANTONG TECHNOLOGIES LIMITED) AND YUE XIU CAPITAL LIMITED

Introduction

We report on the historical financial information of 博安通物聯科技洛陽股份有限公司 (Boantong Technologies Limited) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-[•]] to [I-[•]], which comprises the consolidated statements of financial position as at 31 December 2024 and 2025 and 30 June 2026, the statements of financial position of the Company as at 31 December 2024 and 2025 and 30 June 2026 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-[•]] to [I-[•]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “Document”) in connection with the [REDACTED] of H shares of the Company on GEM 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note [•] 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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2024 and 2025 and 30 June 2026 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note [•] to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2025 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note [•] to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note [•] to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of 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-4 have been made.

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Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

Yours faithfully,

[Moore CPA Limited]
Certified Public Accountants

[•]
Practising Certificate Number: **[•]**

Hong Kong, [Date]

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I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		Six months ended 30 June	
		2024	2025	2025	2026
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
Revenue	6	174,406	194,365	85,031	109,655
Cost of sales	11	(119,724)	(136,983)	(59,984)	(76,335)
Gross profit		54,682	57,382	25,047	33,320
Investment and other income	8	2,698	2,210	1,002	1,170
Other gains and losses	9	(336)	(105)	(42)	185
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(273)	(61)	110	(128)
Impairment losses on prepayment		(500)	–	–	–
Research and development expenses	11	(16,847)	(18,618)	(9,245)	(10,239)
Distribution and selling expenses	11	(13,263)	(15,502)	(7,483)	(9,495)
Administrative expenses	11	(23,244)	(25,599)	(14,079)	(11,571)
Finance costs, net	10	(277)	(229)	(108)	(343)
Profit/(loss) before [REDACTED]		2,640	(522)	(4,798)	2,899
[REDACTED]		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit/(loss) before tax		2,640	(522)	(4,798)	(259)
Income tax (expense)/credit	12	(2,774)	(2,257)	10	(893)
Loss and total comprehensive expense for the year/period		<u>(134)</u>	<u>(2,779)</u>	<u>(4,788)</u>	<u>(1,152)</u>
Loss per share					
– Basic (<i>RMB cents</i>)	15	<u>(0.29)</u>	<u>(5.98)</u>	<u>(10.30)</u>	<u>(2.50)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At
		2024	2025	30 June
	Notes	RMB'000	RMB'000	2026
				RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	16	27,750	25,417	23,591
Right-of-use assets	17	4,143	3,150	2,292
Deposits	22	321	330	330
Prepayments for acquisition of property, plant and equipment	22	117	274	236
Intangible assets	19	985	1,570	1,392
Financial assets at fair value through profit or loss (“FVTPL”)	23	–	7,000	7,000
Goodwill	18	4,659	4,659	4,659
Deferred tax assets	30	572	864	703
		<u>38,547</u>	<u>43,264</u>	<u>40,203</u>
CURRENT ASSETS				
Inventories	20	23,161	24,600	34,239
Trade and bills receivables	21	37,482	38,317	42,897
Income tax recoverable		–	–	155
Prepayments, deposits and other receivables	22	8,379	9,488	14,655
Cash and cash equivalents	24	28,923	40,176	35,622
		<u>97,945</u>	<u>112,581</u>	<u>127,568</u>
CURRENT LIABILITIES				
Trade payables	25	25,352	37,957	40,845
Contract liabilities	26	894	1,383	1,629
Other payables and accrued expenses	27	25,940	31,666	33,592
Lease liabilities	28	1,615	2,648	1,572
Income tax payable		1,316	1,180	–
Bank borrowings	29	3,500	10,000	29,700
		<u>58,617</u>	<u>84,834</u>	<u>107,338</u>

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		At 31 December		At
		2024	2025	30 June 2026
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS		39,328	27,747	20,230
TOTAL ASSETS LESS CURRENT LIABILITIES		77,875	71,011	60,433
NON-CURRENT LIABILITY				
Lease liabilities	28	2,650	1,353	1,282
NET ASSETS		75,225	69,658	59,151
EQUITY				
Share capital	31	46,464	46,464	46,464
Reserves		28,761	23,194	12,687
TOTAL EQUITY		75,225	69,658	59,151

The Historical Financial Information on pages [•] to [•] were approved and authorised for issue by the Board of Directors on [•] 2026 and are signed on its behalf by:

Director

Director

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December		At
		2024	2025	30 June
	Notes	RMB’000	RMB’000	2026
				RMB’000
Non-current assets				
Property, plant and equipment	16	2	2	2
Right-of-use assets	17	30	20	15
Deposits	22	188	188	188
Intangible assets	19	822	587	473
Investments in subsidiaries		15,068	15,068	15,068
		<u>16,110</u>	<u>15,865</u>	<u>15,746</u>
Current assets				
Prepayments, deposits and other receivables	22	48,350	32,747	39,995
Cash and cash equivalents	24	5,737	12,941	4,126
		<u>54,087</u>	<u>45,688</u>	<u>44,121</u>
Current liabilities				
Other payables and accrued expenses	27	683	654	1,554
Lease liabilities	28	13	24	11
		<u>696</u>	<u>678</u>	<u>1,565</u>
Net current assets		<u>53,391</u>	<u>45,010</u>	<u>42,556</u>
Total assets less current liabilities		<u>69,501</u>	<u>60,875</u>	<u>58,302</u>
Non-current liability				
Lease liabilities	28	21	11	14
Net assets		<u>69,480</u>	<u>60,864</u>	<u>58,288</u>
Capital and reserves				
Share capital	31	46,464	46,464	46,464
Reserves		<u>23,016</u>	<u>14,400</u>	<u>11,824</u>
Total equity		<u>69,480</u>	<u>60,864</u>	<u>58,288</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total
	Share capital	Capital surplus	Statutory surplus reserve	Treasury shares	Accumulated losses	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Note a)	<i>RMB'000</i> (Note b)	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	46,464	37,703	1,911	–	(10,719)	75,359
Loss for the year	–	–	–	–	(134)	(134)
Total comprehensive expense for the year	–	–	–	–	(134)	(134)
Transfer	–	–	1,512	–	(1,512)	–
At 31 December 2024 and 1 January 2025	46,464	37,703	3,423	–	(12,365)	75,225
Loss for the year	–	–	–	–	(2,779)	(2,779)
Total comprehensive expense for the year	–	–	–	–	(2,779)	(2,779)
Transfer	–	–	1,215	–	(1,215)	–
Dividend declared and paid	–	–	–	–	(2,788)	(2,788)
At 31 December 2025 and 1 January 2026	46,464	37,703	4,638	–	(19,147)	69,658
Loss for the period	–	–	–	–	(1,152)	(1,152)
Total comprehensive expense for the period	–	–	–	–	(1,152)	(1,152)
Transfer	–	–	2,257	–	(2,257)	–
Repurchase of shares	–	–	–	(9,355)	–	(9,355)
At 30 June 2026	<u>46,464</u>	<u>37,703</u>	<u>6,895</u>	<u>(9,355)</u>	<u>(22,556)</u>	<u>59,151</u>
At 1 January 2025	46,464	37,703	3,423	–	(12,365)	75,225
Loss for the period	–	–	–	–	(4,788)	(4,788)
Total comprehensive expense for the period	–	–	–	–	(4,788)	(4,788)
Dividend declared and paid	–	–	–	–	(2,788)	(2,788)
At 30 June 2025 (unaudited)	<u>46,464</u>	<u>37,703</u>	<u>3,423</u>	<u>–</u>	<u>(19,941)</u>	<u>67,649</u>

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Notes:

- (a) Pursuant to the relevant laws in the People’s Republic of China (the “PRC”), the Company’s subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of the directors of the relevant PRC subsidiaries. In accordance with relevant PRC regulations, for PRC subsidiaries with limited liability, it is required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits as determined in accordance with PRC accounting standards for each calendar year until the balance reaches 50% of the relevant PRC entity’s registered capital.
- (b) During the period ended 30 June 2026, in connection with the Company’s cessation of quotation on the National Equities Exchange and Quotations (“NEEQ”), and in accordance with applicable PRC laws and regulations, the Company repurchased 2,770,807 shares from eligible dissenting shareholders to safeguard their interests. The total amount paid to acquire the shares was RMB9,355,000. The weighted average price for these buy-backs was RMB3.38 per share.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	2,640	(522)	(4,798)	(259)
Adjustments for:				
Amortisation of intangible assets	275	322	138	178
Depreciation of property, plant and equipment	3,973	4,295	2,204	2,237
Depreciation of right-of-use assets	2,106	1,705	855	858
Gain on early termination of lease contract	(139)	–	–	–
Loss on disposal of property, plant and equipment	117	69	–	–
Interest expenses	340	242	116	350
Interest income	(63)	(13)	(8)	(7)
Impairment losses under ECL model, net of reversal	273	61	(110)	128
Provision for impairment of prepayments	500	–	–	–
Write-down of inventories	1,490	1,337	185	1,439
Investment income	(110)	(172)	(92)	(63)
Operating cash flows before movements in working capital	11,402	7,324	(1,510)	4,861
Changes in inventories	2,633	(2,776)	(1,482)	(11,078)
Changes in trade and bills receivables	(14,981)	(11,334)	(2,033)	(12,051)
Changes in deposits, prepayments and other receivables	50	(1,392)	1,973	(4,821)
Changes in trade payables	18,614	23,043	9,296	10,231
Changes in contract liabilities	(480)	489	4	246
Changes in other payables and accrued expenses	5,674	5,726	766	1,926
Cash generated from/(used in) operations	22,912	21,080	7,014	(10,686)
Income tax paid	(1,792)	(2,685)	(1,204)	(2,067)
Net cash from/(used in) operating activities (note)	21,120	18,395	5,810	(12,753)

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	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
CASH FLOWS FROM INVESTING ACTIVITIES				
Placement of pledged bank deposits	(5,042)	–	–	–
Withdrawal of pledged bank deposits	9,472	–	–	–
Purchase of property, plant and equipment	(6,872)	(2,745)	(1,285)	(139)
Proceeds from disposal of property, plant and equipment	204	36	–	2
Purchases of intangible assets	–	(112)	–	–
Purchase of financial assets at FVTPL	(76,000)	(31,000)	(25,500)	(57,000)
Proceeds from disposal of financial assets at FVTPL	76,110	24,172	25,592	57,063
Interest received	63	13	8	7
Net cash used in investing activities	(2,065)	(9,636)	(1,185)	(67)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from new bank borrowings	13,500	10,000	–	20,000
Repayment of bank borrowings	(13,865)	(3,500)	(3,500)	(300)
Repayment of lease liabilities	(1,954)	(976)	(413)	(1,147)
Repayment of bill payables	(7,116)	–	–	–
Interest paid	(340)	(242)	(116)	(350)
Dividend paid to shareholders	–	(2,788)	(2,788)	–
Repurchase of shares	–	–	–	(9,355)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash (used in)/from financing activities	(9,775)	2,494	(6,817)	8,266

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	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,280	11,253	(2,192)	(4,554)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	19,643	28,923	28,923	40,176
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	28,923	40,176	26,731	35,622
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	28,923	40,176	26,731	35,622

Note: Included in net cash from operating activities with cash outflow of nil, nil, nil and RMB3,434,000 for the year ended 31 December 2024 and 2025, and for the six months ended 30 June 2025 and 2026, respectively, represented payments of [REDACTED] during the year/period.

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

博安通物聯科技洛陽股份公司 Boantong Technologies Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) was established on 6 March 2003 in Luoyang in the People’s Republic of China (the “PRC”) as a limited liability company under Companies Law of the PRC. In the opinion of the directors of the Company, the single largest shareholder of the Company is Mr. Fu Minggang throughout the Track Record Period, and also is the Chairman of the board of directors and Chief Executive Officer of the Company. The address of the registered office of the Company is Room B101, Block 20, Liandong U Valley, No. 6 Qiming East Road, Chanhe Hui District, Luoyang, Henan, China and the address of principal place of business of the Company is Room 409, Block C, Huafeng Smart Innovation Port, Xixiang Subdistrict, Bao’an District, Shenzhen, Guangdong, China.

The Group is principally engaged in the design, research and development, and sales services of communication solutions for the wireless communication module and its application industry.

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company. The Historical Financial Information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

In this Historical Financial Information, certain English names of the companies referred herein represent the management of the Group’s effort to translate the Chinese name of the companies as no English name has been registered.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on accounting policies which conform with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the Historical Financial Information, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

3. ADOPTION OF HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2026, throughout the Track Record Period.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ²
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 20	Regulatory Assets and Regulatory Liabilities ³

¹ Effective for annual periods beginning on or after a date to be determined.

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

³ Effective for annual periods beginning on or after 1 January 2029.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the Historical Financial Information in the foreseeable future.

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HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 “Presentation and Disclosure in Financial Statements”, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 “Presentation of Financial Statements”. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (the title of which will be changed to “Basis of Preparation of Financial Statements” upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. Additional disclosures required for the Group’s MPMs will be disclosed in a separate note to the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

Interests in subsidiaries

Interests in subsidiaries are stated at cost less any accumulated impairment loss.

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 contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from sale of goods

Revenue from sale of goods is recognised when control of the products has been transferred, being when the products are delivered to the customer. The control of the products refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the products.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

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The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets include:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;

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- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs which are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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. Such grants are presented under “other income”.

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Employee benefits

(i) *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognised as expenses when employees have rendered services entitling them to the contributions.

(ii) *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(iii) *Termination benefits*

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease and ultimate costs incurred for provisions for decommissioning and restoration, the Group applies HKAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities and the provisions for decommissioning and restoration to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related asset is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items is measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

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Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for revenue from wireless modules solutions, antenna solutions and printed circuit board assembly (“PCBA”) solutions are recognised at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

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A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, other receivables and deposits and cash and cash equivalents which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “Other gains and losses” line item (note 9) as part of the net foreign exchange gains/(losses);
- For receivables measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the receivables are recognised in profit or loss in the ‘Other gains and losses’ line item (note 9) as part of the net foreign exchange gains/(losses). As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the FVTOCI reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘Other gains and losses’ line item as part of the gain/(loss) from changes in fair value of financial assets (note 9);

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Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘Other gains and losses’ line item in profit or loss (note 9) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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5. KEY SOURCES OF ESTIMATION

In the application of the Group’s accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to change due to ongoing uncertain macroeconomic and geopolitical environment, inflation and financial market turbulence.

As at 31 December 2024, 2025 and 30 June 2026, the carrying amount of goodwill is RMB4,659,000, RMB4,659,000 and RMB4,659,000, and no impairment in respect of the goodwill has been identified.

Deferred tax asset

As at 31 December 2024 and 2025 and 30 June 2026, no deferred tax asset has been recognised on the tax losses of RMB32,326,000, RMB41,662,000 and RMB41,988,000, respectively, for non-operating subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the foreseeable future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is

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a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement of financial instruments

As at 31 December 2024 and 2025 and 30 June 2026, the Group’s financial asset of unlisted private equity investment amounting to nil, RMB7,000,000 and RMB7,000,000, respectively, is measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 34(c) for further disclosures.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group’s internal credit ratings. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group’s historical default rates and forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The measurement of ECL requires the application of significant judgment which includes the expected future cash flows and forward-looking macroeconomic factors. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2024, 2025 and 30 June 2026, the carrying amounts of trade receivables are RMB30,423,000, RMB29,322,000 and RMB36,139,000, net of allowance of RMB674,000, RMB707,000 and RMB880,000, respectively. The information about the ECL and the Group’s trade receivables are disclosed in note 34 and note 21 respectively.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2024 and 2025 and 30 June 2026, the aggregate carrying amounts of property, plant and equipment, right-of-use assets and intangible assets subject to impairment assessment were RMB32,878,000, RMB30,137,000 and RMB27,275,000, respectively, there were no necessary impairment made in this regards. Details of the impairment of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 16, 17 and 19 respectively.

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6. REVENUE

The Group is principally engaged in the design, research and development, and sales services of communication solutions for the wireless communication module and its application industry.

(i) Disaggregation of revenue

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

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Revenue from wireless modules solutions	123,044	133,568	58,222	80,221
Revenue from antenna solutions	50,608	45,059	20,871	26,160
Revenue from PCBA solutions	754	15,738	5,938	3,274
	<u>174,406</u>	<u>194,365</u>	<u>85,031</u>	<u>109,655</u>
Direct sales	165,345	187,649	81,429	103,098
Distributorship	<u>9,061</u>	<u>6,716</u>	<u>3,602</u>	<u>6,557</u>
Total	<u>174,406</u>	<u>194,365</u>	<u>85,031</u>	<u>109,655</u>
Timing of revenue recognition				
At a point in time	<u>174,406</u>	<u>194,365</u>	<u>85,031</u>	<u>109,655</u>

(ii) Information about major customers

During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, no single Group customer with whom transactions have exceeded 10% of the total revenue of the Group.

Performance obligations for contracts with customers

Sales of wireless modules solutions, antenna solutions and PCBA solutions (revenue recognised at a point in time)

The Group sells wireless modules solutions, antenna solutions and PCBA solutions which are manufactured by the Group. The Group recognises revenue from wireless modules solutions, antenna solutions and PCBA solutions at a point in time when the control of wireless modules solutions, antenna solutions and PCBA solutions is passed to customers. The Group considers that it is acting as the principal in the transaction as the Group controls the specific goods before they are transferred to the customer after taking into considerations indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods to its customers and has the inventory risk. Therefore, the Group recognises revenue from sales of wireless modules solutions, antenna solutions and PCBA solutions on a gross basis.

Transaction price allocated to the remaining performance obligation for contracts with customers

As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

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7. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers (as detailed in note 6), and geographic information are presented.

Geographical information

The Group primarily operates in the PRC. Information about the Group’s revenue from external customers and non-current assets other than deferred tax assets and financial instruments are presented based on the location of the assets.

	Revenue from external customers				Non-current assets		
	Year ended 31 December		Six months ended 30 June		At 31 December		At 30 June
	2024	2025	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)					
PRC	164,832	176,273	75,986	104,053	37,654	35,070	32,170
Asia Pacific (<i>note</i>)	7,409	15,659	7,649	4,384	–	–	–
Others	2,165	2,433	1,396	1,218	–	–	–
	174,406	194,365	85,031	109,655	37,654	35,070	32,170

Note: not including PRC.

8. INVESTMENT AND OTHER INCOME

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Gain on disposal of scrap materials	445	484	178	76
Government grant (<i>Note</i>)	2,046	1,430	723	972
Investment income	110	172	92	63
Others	97	124	9	59
	2,698	2,210	1,002	1,170

Note: The Group obtained government grants and subsidies from the local government of the PRC in relation to their business development in several PRC regions. In the opinion of the directors of the Company, the Group has fulfilled all conditions pertained to the government grants and subsidies for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026.

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9. OTHER GAINS AND LOSSES

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain on early termination of lease	139	–	–	–
Loss on disposal of property, plant and equipment	(117)	(69)	–	–
Net foreign exchange (losses) gains	(201)	(15)	(44)	191
Others	(157)	(21)	2	(6)
	(336)	(105)	(42)	185

10. FINANCE COSTS, NET

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance costs				
– Interest on bank borrowings	(140)	(99)	(41)	(273)
– Interest on lease liabilities	(200)	(143)	(75)	(77)
	(340)	(242)	(116)	(350)
Finance income				
– Bank interest income	63	13	8	7
	(277)	(229)	(108)	(343)

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11. EXPENSES BY NATURE

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories recognised as an expense (included in cost of sales)	113,358	132,153	58,026	73,294
Staff costs, including directors’ emoluments	40,055	44,925	23,199	25,136
Other staff expenses	453	522	252	432
Amortisation of intangible assets (included in administrative expenses)	275	322	138	178
Depreciation				
– Property, plant and equipment	3,973	4,295	2,204	2,237
– Right-of-use assets	2,106	1,705	855	858
Auditor’s remuneration	160	–	–	–
Travel and transport expenses	2,122	2,018	995	988
Professional and outsources services expenses	846	1,783	791	692
Marketing and advertising expenses	1,389	1,321	974	18
Promotion expenses	1,448	1,133	618	795
Office expenses	855	1,069	457	495
Production expenses	266	223	105	105
Renovation expenses	326	105	61	25
Expense relating to short-term leases	2,451	2,155	1,097	522
Warranty provision	67	164	65	32
Business entertainment expenses	384	620	192	289
Bank charges	59	53	30	51
Write-down of inventories	1,490	1,337	185	1,439
Others	995	799	547	54
	<u>173,078</u>	<u>196,702</u>	<u>90,791</u>	<u>107,640</u>

12. TAXATION

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:				
Enterprise income tax (“EIT”)				
Provision for the year	2,737	3,377	552	589
(Over)underprovision in prior years	(61)	(828)	(562)	143
Hong Kong Profits Tax				
Provision for the year	78	–	–	–
	<u>2,754</u>	<u>2,549</u>	<u>(10)</u>	<u>732</u>
Deferred tax (note 30)	20	(292)	–	161
	<u>2,774</u>	<u>2,257</u>	<u>(10)</u>	<u>893</u>

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The income tax expense (credit) for the year/period can be reconciled to the profit (loss) before tax as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) before tax	2,640	(522)	(4,798)	(259)
Tax at the PRC EIT rate of 25%	659	(130)	(1,199)	(65)
Tax effect of preferential tax rate granted	(321)	(602)	(63)	(380)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(159)	–	–	–
Tax effect of tax losses not recognised	2,344	2,492	1,537	543
Utilisation of tax losses previously not recognised	(1,327)	(87)	–	(461)
Tax effect of income not taxable for tax purposes	(577)	(401)	(204)	(259)
Tax effect of expenses not deductible for tax purposes	2,364	1,813	481	1,372
(Over)underprovision in respect of prior years	(61)	(828)	(562)	143
Tax effect of super deduction for research and development (<i>Note a</i>)	(148)	–	–	–
Income tax expense (credit) for the year	2,774	2,257	(10)	893

(i) Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, for the Track Record Period, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

(ii) The PRC

Corporate income tax in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC EIT Law promulgated by the PRC government, the tax rate for the Company’s PRC subsidiaries is 25%, except for certain subsidiaries which are taxed at preferential tax rates. Shenzhen AiThinker Technology Co., Ltd. (“Shenzhen AiThinker”) is entitled to High and New Technology Enterprise (“HNTE”, 高新技術企業) since 2023. It is eligible for a preferential enterprise income tax rate of 15% during these periods. The HNTE status is valid for three years each time and subject to renewal application.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions.

Note:

- (a) Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs during the Track Record Period.

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13. DIRECTORS’, SUPERVISORS’ AND EMPLOYEES’ EMOLUMENTS

Directors and supervisors

Details of the emoluments paid to the directors and supervisors of the Company are as follows:

For the year ended 31 December 2024

		Fees	Salaries and other allowances	Performance- related bonus	Retirement benefit scheme contributions	Total
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors						
Mr. Fu Minggang	(a)	–	1,051	–	101	1,152
Mr. Zhao Qiguo		–	751	–	101	852
Mr. Xue Youdao		–	718	–	101	819
Mr. Zhang Haiqiang		50	–	–	–	50
Mr. Xie Min	(b)	27	–	–	–	27
Mr. Jiang Kaishen	(c)	19	–	–	–	19
Supervisors:						
Ms. Qin Guihua		–	274	15	106	395
Ms. Cheng Yongmei	(d)	–	99	4	29	132
Mr. Hu Zhipeng		–	343	5	103	451
Ms. Wen Ying Ping	(e)	–	24	5	8	37
Total		96	3,260	29	549	3,934

For the year ended 31 December 2025

		Fees	Salaries and other allowances	Performance- related bonus	Retirement benefit scheme contributions	Total
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors						
Mr. Fu Minggang	(a)	–	1,051	48	114	1,213
Mr. Zhao Qiguo		–	751	13	113	877
Mr. Xue Youdao		–	728	48	113	889
Mr. Zhang Haiqiang		50	–	–	–	50
Mr. Xie Min	(b)	50	–	–	–	50
Supervisors:						
Ms. Qin Guihua		–	277	55	97	429
Mr. Hu Zhipeng		–	397	43	89	529
Ms. Wen Ying Ping	(e)	–	146	11	53	210
Total		100	3,350	218	579	4,247

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For the six months ended 30 June 2025 (unaudited)

		Fees	Salaries and other allowances	Performance- related bonus	Retirement benefit scheme contributions	Total
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Fu Minggang	(a)	–	526	48	57	631
Mr. Zhao Qiguo		–	376	13	56	445
Mr. Xue Youdao		–	364	48	56	468
Mr. Zhang Haiqiang		25	–	–	–	25
Mr. Xie Min	(b)	25	–	–	–	25
Supervisors:						
Ms. Qin Guihua		–	146	36	49	231
Mr. Hu Zhipeng		–	225	35	45	305
Ms. Wen Ying Ping	(e)	–	73	11	27	111
Total		50	1,710	191	290	2,241

For the six months ended 30 June 2026

		Fees	Salaries and other allowances	Performance- related bonus	Retirement benefit scheme contributions	Total
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Fu Minggang	(a)	–	526	–	57	583
Mr. Zhao Qiguo		–	376	–	58	434
Mr. Xue Youdao		–	364	–	58	422
Mr. Zhang Haiqiang		25	–	–	–	25
Mr. Xie Min	(b)	25	–	–	–	25
Supervisors:						
Ms. Qin Guihua		–	148	–	61	209
Mr. Hu Zhipeng		–	206	–	61	267
Ms. Wen Ying Ping	(e)	–	101	–	31	132
Total		50	1,721	–	326	2,097

Notes:

- (a) Mr. Fu Minggang has been Chairman of the board of the Company for the Track Record Period, and his emoluments disclosed above include those for services rendered by him as the chief executive officer.
- (b) Mr. Xie Min was appointed as an executive director of the Company with effect from 17 May 2024.
- (c) Mr. Jiang Kaishen resigned as an executive director of the Company with effect from 17 May 2024.
- (d) Ms. Cheng Yongmei resigned as a supervisor of the Company with effect from 11 November 2024.
- (e) Ms. Wen Ying Ping was appointed as a supervisor of the Company with effect from 11 November 2024.
- (f) The executive directors’ and supervisors’ emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

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During the Track Record Period, no remuneration was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any remuneration during the Track Record Period.

Employees

The five highest paid individuals of the Group included three, three, three and three directors for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, are as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	1,402	1,569	869	857
Retirement benefit scheme contributions	184	218	103	122
	<u>1,586</u>	<u>1,787</u>	<u>972</u>	<u>979</u>

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
			(unaudited)	
Nil to HK\$1,000,000 (Equivalent to approximately Nil–RMB927,000)	2	1	2	2
HK\$1,000,001 to HK\$1,500,000 (Equivalent to approximately RMB927,001–RMB1,390,000)	–	1	–	–
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

No inducement paid or payable by the Group to the directors of the Company and these five highest paid individuals to join or upon joining the Group or as compensation for loss of office. During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, no payments or benefits in respect of termination of directors’ services were paid or made, directly or indirectly, to the directors of the Company and no consideration provided to or receivable by third parties for making available directors’ services.

14. DIVIDENDS

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends recognised as distribution to ordinary shareholders:				
Final dividend of RMB0.06 per share in respect of the year ended 31 December 2024*	–	2,788	2,788	–

* A final dividend of approximately RMB2,788,000 or RMB0.60 per ten shares (pre-tax) for the financial year ended 31 December 2024 was approved, declared, and distributed based on the distributable profits determined under the PRC Generally Accepted Accounting Principles.

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No dividend in respect of the year ended 31 December 2025 and the six months ended 30 June 2026 has been proposed by the directors of the Company.

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

Loss figures as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
			(unaudited)	
Loss attributable to the owners of the Company (<i>RMB’000</i>)	(134)	(2,779)	(4,788)	(1,152)

Number of shares:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
			(unaudited)	
Number of ordinary shares issued	46,464,000	46,464,000	46,464,000	46,464,000
Less: Treasury shares	–	–	–	(400,342)
Weighted average number of ordinary shares for the purpose of basic loss per share	46,464,000	46,464,000	46,464,000	46,063,658

Basic loss per share as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
			(unaudited)	
Loss for the purpose of basic loss per share (<i>RMB cents</i>)	(0.29)	(5.98)	(10.30)	(2.50)

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

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16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2024	4,736	31,573	206	374	1,750	657	39,296
Additions	439	1,047	108	16	24	5,238	6,872
Transfer from construction in progress	–	3,308	–	–	–	(3,308)	–
Disposals	(88)	(2,081)	(11)	(67)	(17)	–	(2,264)
At 31 December 2024 and 1 January 2025	5,087	33,847	303	323	1,757	2,587	43,904
Additions	–	845	–	29	15	1,973	2,862
Transfer from construction in progress	–	2,945	–	–	48	(2,993)	–
Transfer to intangible assets (note 19)	–	–	–	–	–	(795)	(795)
Disposals	–	(171)	–	(16)	(15)	–	(202)
At 31 December 2025 and 1 January 2026	5,087	37,466	303	336	1,805	772	45,769
Additions	–	188	1	53	171	–	413
Transfer from construction in progress	–	516	–	–	–	(516)	–
Disposals	–	–	–	(8)	(4)	–	(12)
At 30 June 2026	<u>5,087</u>	<u>38,170</u>	<u>304</u>	<u>381</u>	<u>1,972</u>	<u>256</u>	<u>46,170</u>
DEPRECIATION AND IMPAIRMENT							
At 1 January 2024	304	12,648	83	248	841	–	14,124
Provided for the year	517	3,144	34	44	234	–	3,973
Eliminated on disposals	–	(1,859)	(11)	(57)	(16)	–	(1,943)
At 31 December 2024 and 1 January 2025	821	13,933	106	235	1,059	–	16,154
Provided for the year	589	3,404	35	42	225	–	4,295
Eliminated on disposals	–	(67)	–	(16)	(14)	–	(97)
At 31 December 2025 and 1 January 2026	1,410	17,270	141	261	1,270	–	20,352
Provided for the period	252	1,746	18	50	171	–	2,237
Eliminated on disposals	–	2	–	(8)	(4)	–	(10)
At 30 June 2026	<u>1,662</u>	<u>19,018</u>	<u>159</u>	<u>303</u>	<u>1,437</u>	<u>–</u>	<u>22,579</u>
CARRYING VALUES							
At 31 December 2024	<u>4,266</u>	<u>19,914</u>	<u>197</u>	<u>88</u>	<u>698</u>	<u>2,587</u>	<u>27,750</u>
At 31 December 2025	<u>3,677</u>	<u>20,196</u>	<u>162</u>	<u>75</u>	<u>535</u>	<u>772</u>	<u>25,417</u>
At 30 June 2026	<u>3,425</u>	<u>19,152</u>	<u>145</u>	<u>78</u>	<u>535</u>	<u>256</u>	<u>23,591</u>

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The above items of property, plant and equipment after taking into account the residual values, are depreciated on a straight-line basis at the following rates:

Leasehold improvements	The shorter of useful life or lease term
Machinery	10% to 20%
Motor vehicles	25%
Furniture and fixtures	20%
Computer equipment	33%

The Company

As at 31 December 2024 and 2025 and 30 June 2026, property, plant and equipment amounted RMB2,000 represents the scrap value of i) Furniture and fixtures; and ii) Computer equipment belonging to the Company.

17. RIGHT-OF-USE ASSETS

The Group

	Buildings
	<i>RMB’000</i>
As at 31 December 2024	
Carrying amount	4,143
As at 31 December 2025	
Carrying amount	3,150
As at 30 June 2026	
Carrying amount	2,292
For the years ended 31 December 2024	
Depreciation charge	2,106
For the years ended 31 December 2025	
Depreciation charge	1,705
For the six months ended 30 June 2026	
Depreciation charge	858

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Expense relating to short-term leases	2,451	2,155	1,097	522
Total cash outflow for leases	4,605	3,274	1,585	1,746
Additions to right-of-use assets	5,318	712	315	–

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The Group leases various leasehold land and buildings for its operations. Lease contracts are entered into fixed periods of 12 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office and laboratory. As at 31 December 2024 and 2025 and 30 June 2026, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Company

As at 31 December 2024 and 2025 and 30 June 2026, the Company’s right-of-use assets amounted to RMB30,000 and RMB20,000 and RMB15,000, respectively, representing the right to use the registered office located at Room B101, Block 20, Liandong U Valley, No. 6 Qiming East Road, Chanhe Hui District, Luoyang, Henan, China.

18. GOODWILL

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
COST AND CARRYING VALUES			
At 1 January 2024, 31 December 2024,			
1 January 2025, 31 December 2025,			
1 January 2026 and 30 June 2026	4,659	4,659	4,659

Note: In August 2016, the Company acquired Shenzhen AiThinker indirectly through its wholly-owned subsidiary Zhongshan Boantong Communication Technology Co., Ltd. (“Zhongshan Boantong”). The total consideration for the acquisition was RMB8,120,000, which was satisfied by cash. Following completion of the acquisition, Shenzhen AiThinker became an indirect non-wholly-owned subsidiary of the Company and its financial results have been consolidated into the Group’s financial statements from the acquisition. From 2021, Shenzhen AiThinker became an indirect wholly-owned subsidiary of the Company.

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to one individual cash-generating unit, a wholly-owned subsidiary of the Company, Shenzhen AiThinker. The carrying amounts of goodwill allocated to the unit are as shown in the movement above.

During the years ended 31 December 2024, 2025 and six months ended 30 June 2026, management of the Group determines that there is no impairment on the Shenzhen AiThinker.

The recoverable amount is significantly above the carrying amount of the Shenzhen AiThinker. Management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

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19. INTANGIBLE ASSETS

The Group

	Computer software	Licence	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
COST			
At 1 January 2024	2,391	99	2,490
Disposal	(82)	–	(82)
At 31 December 2024 and 1 January 2025	2,309	99	2,408
Addition	102	10	112
Disposal	(58)	–	(58)
Transfer from property, plant and equipment (note 16)	795	–	795
At 31 December 2025, 1 January 2026 and 30 June 2026	<u>3,148</u>	<u>109</u>	<u>3,257</u>
AMORTISATION			
At 1 January 2024	1,200	30	1,230
Provided for the year	265	10	275
Eliminated on disposal	(82)	–	(82)
At 31 December 2024 and 1 January 2025	1,383	40	1,423
Provided for the year	311	11	322
Eliminated on disposal	(58)	–	(58)
At 31 December 2025 and 1 January 2026	1,636	51	1,687
Provided for the period	173	5	178
At 30 June 2026	<u>1,809</u>	<u>56</u>	<u>1,865</u>
CARRYING VALUES			
At 31 December 2024	<u>926</u>	<u>59</u>	<u>985</u>
At 31 December 2025	<u>1,512</u>	<u>58</u>	<u>1,570</u>
At 30 June 2026	<u>1,339</u>	<u>53</u>	<u>1,392</u>

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The Company

	Computer software
	<i>RMB’000</i>
COST	
At 1 January 2024	2,098
Disposal	(82)
	<hr/>
At 31 December 2024 and 1 January 2025	2,016
Disposal	(58)
	<hr/>
At 31 December 2025, 1 January 2026 and 30 June 2026	1,958
	<hr/> <hr/>
AMORTISATION	
At 1 January 2024	1,040
Provided for the year	236
Eliminated on disposal	(82)
	<hr/>
At 31 December 2024 and 1 January 2025	1,194
Provided for the year	235
Eliminated on disposal	(58)
	<hr/>
At 31 December 2025 and 1 January 2026	1,371
Provided for the period	114
	<hr/>
At 30 June 2026	1,485
	<hr/> <hr/>
CARRYING VALUES	
At 31 December 2024	822
	<hr/> <hr/>
At 31 December 2025	587
	<hr/> <hr/>
At 30 June 2026	473
	<hr/> <hr/>

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Computer software	10 years
Licence	10 years

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20. INVENTORIES

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Raw materials	13,160	15,233	19,056
Work in progress	5,684	4,212	5,014
Finished goods	4,317	5,155	10,169
	<u>23,161</u>	<u>24,600</u>	<u>34,239</u>

As at 31 December 2024 and 2025 and 30 June 2026, inventories of RMB23,161,000, RMB24,600,000 and RMB34,239,000, respectively, are expected to be recovered no more than 12 months.

21. TRADE AND BILLS RECEIVABLES

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Trade receivables, gross	31,097	30,029	37,019
Less: allowance for credit losses	(674)	(707)	(880)
Trade receivables, net (<i>note a</i>)	<u>30,423</u>	<u>29,322</u>	<u>36,139</u>
Bills receivables, gross	7,157	9,121	6,839
Less: allowance for credit losses	(98)	(126)	(81)
Bills receivables, net (<i>note b</i>)	<u>7,059</u>	<u>8,995</u>	<u>6,758</u>
Total trade and bills receivables, net	<u>37,482</u>	<u>38,317</u>	<u>42,897</u>

As at 1 January 2024, the carrying amount of trade receivables from contracts with customers amounted to RMB23,229,000.

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Notes:

- (a) Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions at each of the reporting dates. The Group offers credit terms of 30 days to 180 days to its debtors.

The following table details the risk profile of trade receivables from contracts with customers based on the Group’s provision matrix. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group’s different customer bases. The following is an analysis of trade receivables by age, net of allowance of credit losses, presented based on the invoice dates.

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
0–30 days	9,871	11,435	13,754
31–60 days	7,323	6,914	8,942
61–90 days	4,775	5,080	6,304
91–180 days	8,268	5,732	6,630
Over 180 days	186	161	509
	30,423	29,322	36,139

The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Details of impairment assessment of trade receivables are set out in Note 34(b).

- (b) All bill receivables are bank acceptance with maturity dates within six months. At 31 December 2024 and 2025 and 30 June 2026, bills receivables of RMB7,059,000, RMB8,995,000 and RMB6,758,000, respectively, were classified as financial assets at amortised cost.

Details of impairment assessment of bill receivables are set out in Note 34(b).

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2024 and 2025 and 30 June 2026, the Group endorsed certain bills receivables accepted by banks in the PRC (the “Endorsed Notes”) with a carrying amount of RMB9,478,000, RMB12,272,000 and RMB10,709,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”).

In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes of RMB5,885,000, RMB7,759,000 and RMB5,198,000 at 31 December 2024 and 2025 and 30 June 2026, respectively, and accordingly, it continued to recognise the full carrying amounts of such Endorsed Notes and the associated trade payables settled (Note 25(c)). Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge to any other third parties.

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Prepayments paid to suppliers	1,444	1,956	3,827
Prepaid expenses	392	1,600	2,697
Prepayments for [REDACTED]	–	–	1,330
Deferred issue costs	–	–	534
Deposits	960	1,800	1,364
Other tax recoverable	5,497	4,621	5,379
Others	524	115	90
Total	8,817	10,092	15,221
Less: Rental deposits under non-current assets	(321)	(330)	(330)
Less: Prepayment for acquisition of property, plant and equipment under non-current assets	(117)	(274)	(236)
Amount shown under current assets	8,379	9,488	14,655

The Company

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Prepaid expenses	8	495	792
Prepayments for [REDACTED]	–	–	1,330
Deferred issue costs	–	–	534
Deposits	188	230	188
Other tax recoverable	42	107	193
Amounts due from subsidiaries	48,300	32,000	37,044
Others	–	103	102
Total	48,538	32,935	40,183
Less: Rental deposits under non-current assets	(188)	(188)	(188)
Amount shown under current assets	48,350	32,747	39,995

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23. FINANCIAL ASSETS AT FVTPL

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Unlisted private equity investment (<i>note a</i>)	–	7,000	7,000

Note:

- (a) On 13 November 2025, the Group entered into an investment agreement investing RMB7 million to indirectly acquire an approximate 0.44% equity stake in ICLEGEND MICRO (Nanjing) Co., Ltd. (the “Target Company”). The Group will first contribute the funds to Shanghai Xintianchang Enterprise Consulting Center (Limited Partnership) (the “Investment Platform”). Subsequently, the Investment Platform will use these funds, along with capital from its other partners, to complete a total RMB11 million capital increase in the Target Company. As a result of this two-step process, the Investor will hold a 16.28% interest in the Investment Platform, which in turn will hold a 2.72% stake in the Target Company. By acquiring a minority stake in the Target Company, a fabless semiconductor firm that develops advanced millimeter-wave sensor chips for applications such as smart home presence detection and gesture recognition, the Group aims to secure a position upstream in the supply chain.

24. CASH AND CASH EQUIVALENTS

The Group

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents			
– Deposits at banks	28,923	40,176	35,622

The Company

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents			
– Deposits at banks	5,737	12,941	4,126

As at 31 December 2024 and 2025 and the six months ended 30 June 2026, cash and cash equivalents were mainly situated in Mainland China. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control. Bank balances are interest-free or at nominal rate as at 31 December 2024 and 2025 and 30 June 2026.

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25. TRADE PAYABLES

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Trade payables	25,352	37,957	40,845

Notes:

- (a) The credit period on purchases from suppliers is ranging from 0–150 days or payable upon delivery.
- (b) The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
0–30 days	12,820	17,616	22,128
31–60 days	4,647	8,370	7,552
61–90 days	4,517	5,885	4,104
91–180 days	3,275	5,277	6,696
Over 180 days	93	809	365
	25,352	37,957	40,845

- (c) As at 31 December 2024 and 2025 and 30 June 2026, payments for trade payables RMB5,885,000 and RMB7,759,000 and RMB5,198,000, respectively, with bills receivables (Note 21(b)) were not derecognised.

26. CONTRACT LIABILITIES

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Contract liabilities	894	1,383	1,629

Significant changes in contract liabilities are analysed as follows:

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024, 2025 and 2026	1,374	894	1,383
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(1,374)	(894)	(1,383)
Increase due to cash received, excluding amounts recognised as revenue during the year	894	1,383	1,629
Balance at 31 December 2024 and 2025 and 30 June 2026	894	1,383	1,629

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Contract liabilities increased as at 31 December 2025, primarily attributable to new customers entering into contracts that required advance payments. This resulted in a higher closing balance of contract liabilities at the reporting date, net of amounts recognised as revenue upon satisfaction of the related service obligations during the year.

27. OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	3,139	3,706	2,309
Accrued payroll and welfare	17,923	25,489	28,534
Payables for labour costs	400	389	520
Accrued operating expenses	206	186	105
Accrued [REDACTED]	–	–	1,006
Other tax payables	4,233	1,896	1,118
Others	39	–	–
	<u>25,940</u>	<u>31,666</u>	<u>33,592</u>

The Company

	At 31 December		At 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	–	–	319
Accrued payroll and welfare	620	581	162
Accrued operating expenses	–	14	1
Accrued [REDACTED]	–	–	1,006
Other tax payables	63	59	66
	<u>683</u>	<u>654</u>	<u>1,554</u>

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28. LEASE LIABILITIES

The Group

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Lease liabilities payable:			
Within one year	1,615	2,648	2,091
Within a period of more than one year but not exceeding two years	1,430	1,312	763
Within a period of more than two years but not exceeding five years	1,220	41	–
	4,265	4,001	2,854
Less: amount due for settlement within 12 months shown under current liabilities	(1,615)	(2,648)	(1,572)
Amount due for settlement after 12 months shown under non-current liabilities	2,650	1,353	1,282

As at 31 December 2024 and 2025 and 30 June 2026, the weighted average incremental borrowing rates applied to lease liabilities range from 3.60% to 4.65% per annum.

The Company

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Lease liabilities payable:			
Within one year	13	24	20
Within a period of more than one year but not exceeding two years	10	11	5
Within a period of more than two years but not exceeding five years	11	–	–
	34	35	25
Less: amount due for settlement within 12 months shown under current liabilities	(13)	(24)	(11)
Amount due for settlement after 12 months shown under non-current liabilities	21	11	14

As at 31 December 2024 and 2025 and 30 June 2026, the borrowing rates applied to lease liabilities is 4.20% per annum.

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29. BANK BORROWINGS

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Bank borrowings, unsecured	3,500	10,000	29,700
The carrying amounts of the above borrowings are repayable:			
Within one year	3,500	10,000	29,700
Less: amounts due within one year shown under current liabilities	(3,500)	(10,000)	(29,700)
Amounts shown under non-current liabilities	–	–	–

Notes:

- (a) As at 31 December 2024 and 2025 and 30 June 2026, the unsecured short-term bank borrowings are denominated in RMB and bore variable-rate interest ranging from 3.00% to 4.25%, 2.55% to 3.45% and 2.55% to 3.00%, respectively, per annum.
- (b) Bank borrowings with carrying amount of nil, RMB10,000,000 and RMB29,700,000 as at 31 December 2024 and 2025 and 30 June 2026, respectively, are guaranteed by Mr. Fu Minggang, an executive director of the Company[, which is expected to be released upon [REDACTED]].

30. DEFERRED INCOME TAX

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

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Deferred tax assets	572	864	703

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The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the Track Record Period:

	Deferred tax assets			Deferred tax liabilities	
	Impairment provision of trade and bills receivables	Write down of inventories	Lease liabilities	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	72	520	1,383	(1,383)	592
(Charge)/credit to profit or loss (<i>note 12</i>)	76	(130)	(330)	364	(20)
At 31 December 2024 and 1 January 2025	148	390	1,053	(1,019)	572
(Charge)/credit to profit or loss (<i>note 12</i>)	30	97	(80)	245	292
At 31 December 2025 and 1 January 2026	178	487	973	(774)	864
(Charge)/credit to profit or loss (<i>note 12</i>)	14	15	(319)	129	(161)
At 30 June 2026	192	502	654	(645)	703

As at 31 December 2024 and 2025 and 30 June 2026, no deferred tax asset has been recognised in respect of RMB32,326,000, RMB41,662,000 and RMB41,988,000, respectively, of unutilised tax losses due to the unpredictability of future profit streams.

As at 31 December 2024, 2025 and 30 June 2026, the Group has unused tax loss of RMB32,326,000, RMB40,486,000 and RMB41,573,000, respectively, which would expire within one to ten years for offsetting against future taxable profits of the Group in which the losses arose. Other losses may be carried forward indefinitely.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount	Shown in the Historical Financial Information as
	'000	RMB'000	RMB'000
Ordinary shares of RMB1.00 each			
Authorised			
At 1 January 2024, 31 December 2024, 1 January 2025, 30 June 2025, 31 December 2025, 1 January 2026 and 30 June 2026	46,464	46,464	
Issued and fully paid			
At 1 January 2024, 31 December 2024, 1 January 2025, 30 June 2025, 31 December 2025, 1 January 2026 and 30 June 2026	46,464	46,464	46,464

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During the six months ended 30 June 2026, the Company repurchased its own ordinary shares through the NEEQ as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid RMB’000
		Highest	Lowest	
		RMB	RMB	
June 2026	2,770,807	4.94	1.11	9,355

During the six months ended 30 June 2026, the Company repurchased 2,770,807 of its own ordinary shares through the NEEQ with an aggregate consideration of RMB9,355,000 paid.

At 30 June 2026, the Company had outstanding treasury shares of 2,770,807 shares.

32. RETIREMENT BENEFIT PLANS

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss in respect of contributions paid or payable to the schemes by the Group for the years ended 31 December 2024 and 2025 and six months ended 30 June 2025 and 2026 were RMB12,047,000 and RMB12,024,000 and RMB5,999,000 and RMB6,592,000 respectively.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank balances and cash, bank borrowings and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through repurchase of shares or issuance of new shares.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Financial assets			
Financial assets at FVTPL			
– Unlisted private equity investment	–	7,000	7,000
Financial assets at amortised cost	67,889	80,406	79,973
	<u>67,889</u>	<u>80,406</u>	<u>79,973</u>
Financial liabilities			
Liabilities measured at amortised cost	32,030	51,663	72,854
	<u>32,030</u>	<u>51,663</u>	<u>72,854</u>

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(b) Financial risk management objectives and policies

The Group’s major financial instruments include trade and bills receivables, deposits and other receivables, financial assets at FVTPL, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes. These risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group conducts its business mainly in the PRC and Hong Kong. The majority of the Group’s revenue and expenditures are denominated in RMB, USD and HKD. The Company and several subsidiaries of the Company have trade and bills receivables, cash and cash equivalents and trade and other payables which are denominated in foreign currencies. The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities			Assets		
	At 31 December		At 30 June	At 31 December		At 30 June
	2024	2025	2026	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD	1,879	5,859	5,367	1,489	1,058	7,735
RMB	–	–	–	–	2,711	–
	1,879	5,859	5,367	1,489	3,769	7,735

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates, which are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in currencies exchange rates. A positive number below indicates a decrease to loss for the year/period when the currency below strengthens 5% against the functional currency of the relevant group entities. For a 5% weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the loss for the year/period and the amounts below would be negative.

	At 31 December		At 30 June
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Profit or loss related to USD	(15)	(180)	89
Profit or loss related to RMB	–	102	–

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting year does not reflect the exposure for the full year/period.

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(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 24 for details) and variable-rate bank borrowings (see note 29 for details). The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and floating rates arising from the Group’s borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest rate bank balances and borrowings. If interest rates had been 1% higher/lower and all other variables were held consistent, the Group’s post-tax loss for the years ended 31 December 2024 and 2025 and six months ended 30 June 2026 would decrease/increase by RMB191,000, RMB226,000 and RMB22,000, respectively.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in unlisted private equity investment measured at FVTPL. The management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks relating to unlisted private equity investment at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 34c.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk exposures are primarily attributable to trade and bills receivables, deposits and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group’s credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables, management believes that the credit risk inherent in the Group’s outstanding trade receivable balances is not significant.

The Group applies simplified approach to measuring expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables have been grouped based on nature of customer accounts, the shared credit risk characteristics and the days past due. In calculating the expected credit loss rate, the Group considers the historical loss rates for its customers and adjusts for forward-looking macroeconomic data.

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As at 31 December 2024, 2025 and 30 June 2026, the Group had concentrations of credit risk as 25%, 9% and 12% of the Group’s trade receivables were due from the Group’s largest debtor and 53%, 39% and 45% of the Group’s trade receivables were due from the Group’s five largest debtors, respectively.

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2024, 2025 and 30 June 2026.

	31 December				30 June	
	2024		2025		2026	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables	Average loss rate	Trade receivables
	%	RMB’000	%	RMB’000	%	RMB’000
Current (not past due)	2.1	28,882	2.3	25,499	2.4	31,541
1–30 days past due	2.1	826	2.3	2,639	2.4	4,117
31–90 days past due	2.1	1,281	2.3	1,806	2.4	1,190
More than 90 days past due	29.0	108	12.8	85	4.3	171
		<u>31,097</u>		<u>30,029</u>		<u>37,019</u>

The following table shows the movement in lifetime ECL that has been recognised for trade receivables based on provision matrix under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2024	389	68	457
Impairment losses recognised/(reversed)	<u>261</u>	<u>(44)</u>	<u>217</u>
At 31 December 2024	650	24	674
Impairment losses recognised/(reversed)	<u>57</u>	<u>(24)</u>	<u>33</u>
At 31 December 2025	707	–	707
Impairment losses recognised	<u>173</u>	<u>–</u>	<u>173</u>
At 30 June 2026	<u>880</u>	<u>–</u>	<u>880</u>

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Bills receivables

Bill receivables are issued from banks in PRC. The credit quality of bill receivables has been assessed by reference to external credit ratings and to historical information about the counterparty default rates. Impairment allowance of RMB98,000, RMB126,000 and RMB81,000 was provided for these bills receivables as at 31 December 2024, 2025 and 30 June 2026 respectively.

	12-month ECL
	<i>RMB’000</i>
At 1 January 2024	48
Impairment losses recognised	50
At 31 December 2024	98
Impairment losses recognised	28
At 31 December 2025	126
Impairment losses reversed	(45)
At 30 June 2026	81

Other receivables and deposits

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2025 and six months ended 30 June 2026, the Group assessed the ECL for other receivables and deposits were insignificant.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2024 and 2025 and 30 June 2026, the Group does not have available unutilised overdraft and short-term bank loan facilities. Details of which are set out in notes 29.

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The following table details the Group’s remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average Interest rate	On demand or less than 1 year	1–2 years	2–3 years	3–5 years	Undiscounted cash flows	Total carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-derivative financial liabilities:							
Trade payables	–	25,352	–	–	–	25,352	25,352
Other payables	–	3,178	–	–	–	3,178	3,178
Bank borrowings	3.45	3,548	–	–	–	3,548	3,500
Lease liabilities	4.08	1,770	1,507	1,204	41	4,522	4,265
At 31 December 2024		33,848	1,507	1,204	41	36,600	36,295
Non-derivative financial liabilities:							
Trade payables	–	37,957	–	–	–	37,957	37,957
Other payables	–	3,706	–	–	–	3,706	3,706
Bank borrowings	2.55	10,198	–	–	–	10,198	10,000
Lease liabilities	4.07	2,757	1,341	41	–	4,139	4,001
At 31 December 2025		54,618	1,341	41	–	56,000	55,664
Non-derivative financial liabilities:							
Trade payables	–	40,845	–	–	–	40,845	40,845
Other payables	–	2,309	–	–	–	2,309	2,309
Bank borrowings	2.85	30,429	–	–	–	30,429	29,700
Lease liabilities	3.99	2,146	772	–	–	2,918	2,854
At 30 June 2026		75,729	772	–	–	76,501	75,708

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(c) Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3.

Fair values are categorised into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

Fair value of the Group’s financial assets that are measured at fair value on a recurring basis

As at 31 December 2024, 2025 and 30 June 2026, the unlisted investment classified as a financial asset at FVTPL is an unlisted private equity investment.

As at 31 December 2024, 2025 and 30 June 2026, the fair value measurements of the Group’s investments in unlisted private equity investment were classified as Level 3 under the fair value hierarchy and determined by market approach with a combination of observable and unobservable inputs, such as risk-free rate and expected volatility, and arrived at based on valuations conducted by an independent professional valuer not connected to the Group.

- If the expected volatility has been 100 basis point higher/lower, holding other inputs as constant, the fair value would decrease/increase by approximately nil, RMB1,000 and RMB1,000 for the year ended 31 December 2024 and 2025, and for the six months ended 30 June 2026, respectively.
- If the risk-free rate has been 100 basis point higher/lower, holding other inputs as constant, the fair value would decrease/increase by approximately nil, RMB100,000 and RMB100,000 for the year ended 31 December 2024 and 2025, and for the six months ended 30 June 2026, respectively.

Reconciliation of Level 3 fair value measurement of financial assets at FVTPL

	Unlisted private equity investment
	<i>RMB’000</i>
At 1 January 2024 and 31 December 2024	–
Purchased	7,000
	<hr/>
At 31 December 2025 and 30 June 2026	7,000
	<hr/> <hr/>

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35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	Bills payable	Lease liabilities	Accrued [REDACTED] included in other payables and accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	3,865	7,116	8,232	–	19,213
Financing cash flows	(505)	(7,116)	(2,154)	–	(9,775)
Lease termination	–	–	(7,331)	–	(7,331)
Inception of lease	–	–	5,318	–	5,318
Interest expenses	140	–	200	–	340
At 31 December 2024 and 1 January 2025	3,500	–	4,265	–	7,765
Financing cash flows	6,401	–	(1,119)	–	5,282
Inception of lease	–	–	712	–	712
Interest expenses	99	–	143	–	242
At 31 December 2025 and 1 January 2026	10,000	–	4,001	–	14,001
Financing cash flows	19,427	–	(1,224)	(582)	17,621
Interest expenses	273	–	77	–	350
Operating cash flows	–	–	–	(3,434)	(3,434)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
At 30 June 2026	29,700	–	2,854	1,006	33,560

36. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, the Group had non-cash additions of right-of-use assets and lease liabilities of RMB5,318,000, RMB712,000, RMB315,000 (unaudited) and nil, respectively, in respect of the Group’s lease arrangements for buildings.

During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, the Group had non-cash reductions of trade payables settled by endorsement of bills receivable of RMB12,574,000, RMB10,438,000, RMB5,425,000 (unaudited) and RMB7,343,000, respectively.

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37. RELATED PARTY TRANSACTIONS AND BALANCES

Other than as disclosed elsewhere in the Historical Financial Information, the Group has following transactions and balances with related parties:

(i) Transactions with related companies

During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, the Group entered into the following transactions with related parties:

Names of the related parties	Relationships	Nature of transactions	Year ended 31 December		Six months ended 30 June	
			2024	2025	2025	2026
			RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
深圳市德卡科技股份有限公司	Common shareholder and common director	Sales of goods	481	361	124	179

(ii) Balances with related companies

As at 31 December 2024 and 2025 and the six months ended 30 June 2026, the balances with related parties were as follows:

Names of the related parties	Relationships	Nature of balances	At 31 December		As at 30 June
			2024	2025	2026
			RMB'000	RMB'000	RMB'000
深圳市德卡科技股份有限公司	Common shareholder and common director	Account receivables	161	147	74
		Bill receivables	54	79	25

(iii) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the Track Record Periods are as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term benefits	3,356	3,450	1,760	1,771
Discretionary bonus	29	218	191	–
Post-employment benefits	549	579	290	326
	3,934	4,247	2,241	2,097

(iv) Guarantees provided by related parties

During the year ended 31 December 2025 and the six months ended 30 June 2026, the Group raised bank borrowings (details as set out in note 29), which are guaranteed by a director of the Company, Mr. Fu Minggang.

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38. CAPITAL AND RESERVES OF THE COMPANY

Movement in capital and reserves is as follows:

	Share capital	Capital surplus	Statutory surplus reserve	Treasury shares	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	46,464	38,721	1,911	–	(23,043)	64,053
Profit for the year	–	–	–	–	5,427	5,427
Total comprehensive income for the year	–	–	–	–	5,427	5,427
Transfer	–	–	543	–	(543)	–
At 31 December 2024 and 1 January 2025	46,464	38,721	2,454	–	(18,159)	69,480
Loss for the year	–	–	–	–	(5,828)	(5,828)
Total comprehensive expense for the year	–	–	–	–	(5,828)	(5,828)
Dividend (note 14)	–	–	–	–	(2,788)	(2,788)
At 31 December 2025 and 1 January 2026	46,464	38,721	2,454	–	(26,775)	60,864
Profit for the period	–	–	–	–	6,779	6,779
Total comprehensive income for the period	–	–	–	–	6,779	6,779
Transfer	–	–	680	–	(680)	–
Repurchase of shares	–	–	–	(9,355)	–	(9,355)
At 30 June 2026	46,464	38,721	3,134	(9,355)	(20,676)	58,288

39. CONTINGENT LIABILITIES

As at 31 December 2024 and 2025 and 30 June 2026, the Group had no material contingent liabilities.

40. CAPITAL COMMITMENTS

	At 31 December		At 30 June
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	223	–	–

41. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the Track Record Period:

On 4 August 2026, the Company approved and adopted the share award scheme, and on the same date, the Company granted an aggregate of 2,770,807 underlying treasury shares of the Company, representing approximately 5.96% of the equity interest in the Company, to 18 employees of the Group under the share award scheme. The grantees are required to accept the share awards before 10 August 2026 from the date of grant and pay a consideration of RMB1.5 per share upon acceptance. As at 10 August 2026, aggregate cash consideration of RMB4,156,000 had been received from the 18 employees.

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Subject to the completion of the [REDACTED] of the Company’s shares on GEM of the Stock Exchange of Hong Kong Limited, 831,242 restricted shares will vest one year after the [REDACTED], 831,242 restricted shares will vest two years after the [REDACTED], and 1,108,323 restricted shares will vest three years after the [REDACTED].

The aggregate fair value of the underlying equity interests at the date of grant, determined by [Norton Appraisals Holdings Limited], a professional valuation specialist not connected to the Group, using the [market approach], was approximately RMB[11,258,000].

Save as disclosed elsewhere in the notes to the Historical Financial Information, there were no material events after the reporting period to be disclosed.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Notes	Date of incorporation/ establishment	Location of incorporation/ establishment and operation	Particulars of registered capital/paid-up capital	Proportion of ownership interests			Principal activities
					As at 31 December		As at 30 June	
					2024	2025	2026	
Directly held:								
Zhongshan Boantong Communication Technology Co., Ltd. 中山市博安通通信技術有限公司	(i)(ii)	20 May 2014	PRC	RMB25,000,000/ RMB25,000,000	100%	100%	100%	Sales and production of wireless modules solutions and antenna solutions
Sichuan Boantong Communication Technology Co., Ltd. 四川博安通通信技術有限公司	(i)(ii)(vi)	19 October 2020	PRC	RMB12,550,000/ RMB10,000,000	100%	100%	65%	Sales and production of wireless modules solutions and antenna solutions
AiThinker Technology Limited 安信可科技有限公司 (Formerly known as ANXINKE (CHINA) CO., LIMITED and AiThinker TECH Co., Limited) (前稱安信可(中國)有限公司)	(v) (viii)	21 June 2022	Hong Kong	HK\$10,000/ HK\$10,000	100%	100%	100%	Sales and production of wireless modules solutions, antenna solutions and PCBA solutions
Boantong IoT Technology Luoyang Co., Ltd. Shenzhen 博安通物聯科技洛陽股份分公司深圳分公司	(i)(ii)	9 August 2023	PRC	Nil/ Nil	100%	100%	100%	No substantial operation
Shenzhen Chuangke Zhiqu Communication Technology Co., Ltd. 深圳市創客智趣通信技術有限公司	(i)(ii)(iii)	9 April 2015	PRC	Nil/ Nil	Nil	Nil	Nil	Sales and production of wireless modules solutions and antenna solutions
Indirectly held:								
Shenzhen AiThinker Technology Co., Ltd. 深圳市安信可科技有限公司	(i)(ii)	17 April 2012	PRC	RMB12,000,000/ RMB12,000,000	100%	100%	100%	Sales and production of wireless modules solutions, antenna solutions and PCBA solutions
Luoyang Bocheng IOT Technology Co., Ltd. 洛陽博誠物聯技術有限公司	(i)(ii)	19 October 2022	PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	Sales and production of wireless modules solutions, antenna solutions and PCBA solutions
Shenzhen AiThinker Technology Co., Ltd. Changsha Branch 深圳市安信可科技有限公司長沙分公司	(i)(ii)	31 July 2023	PRC	Nil/ Nil	100%	100%	100%	Sales and production of wireless modules solutions and antenna solutions
Shenzhen AiThinker Technology Co., Ltd. Hangzhou Branch 深圳市安信可科技有限公司杭州分公司	(i)(ii)	29 March 2023	PRC	Nil/ Nil	100%	100%	100%	Sales and production of wireless modules solutions and antenna solutions
Sichuan Boantong Communication Technology Co., Ltd. Shenzhen Branch 四川博安通通信技術有限公司深圳分公司	(i)(ii)(vi)	28 July 2023	PRC	Nil/ Nil	100%	100%	65%	Sales and production of wireless modules solutions and antenna solutions
Shenzhen AiThinker Technology Co., Ltd. Zhongshan Branch 深圳市安信可科技有限公司中山分公司	(i)(ii)	21 October 2025	PRC	Nil/ Nil	100%	100%	100%	Sales and production of wireless modules solutions and antenna solutions

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Name of subsidiary	Notes	Date of incorporation/ establishment	Location of incorporation/ establishment and operation	Particulars of registered capital/paid-up capital	Proportion of ownership interests			Principal activities
					As at 31 December		As at 30 June	
					2024	2025	2026	
Changsha Boantong Software Technology Co., Ltd. 長沙博安通軟件科技有限公司	(i)(ii)(iv)	9 March 2021	PRC	Nil/ Nil	Nil	Nil	Nil	Sales and production of wireless modules solutions and antenna solutions
Luoyang Bocheng IOT Technology Co., Ltd. Shenzhen Branch 洛陽博誠物聯技術有限公司深圳分公司	(i), (ii)	21 January 2026	PRC	Nil/ Nil	Nil	Nil	100%	Sales and production of wireless modules solutions, antenna solutions and PCBA solutions
Luoyang Shiheng Intelligent Technology Co., Ltd. 洛陽時恒智能科技有限公司	(i), (ii), (vii)	10 June 2026	PRC	RMB5,000,000/ Nil	Nil	Nil	99%	Sales and production of wireless modules solutions, antenna solutions and PCBA solutions

Notes:

- (i) These entities are limited liability companies established in the PRC. The official name of these entities is in Chinese. The English name is for identification purposes only.
- (ii) No audited financial statements of these entities for the years ended 31 December 2024 and 2025 and for the six months ended 30 June 2026 were prepared, as there were no statutory audit requirements for these subsidiaries.
- (iii) On 25 December 2024, the subsidiary was de-registered.
- (iv) On 3 January 2024, the subsidiary was de-registered.
- (v) The statutory financial statements of AiThinker Technology Limited, a Hong Kong private company limited by shares (formerly known as ANXINKE (CHINA) CO., LIMITED and AiThinker TECH Co. Limited), for the year ended 30 November 2024 and 2025 prepared in accordance with Small and Medium-sized Entities Financial Reporting Standard and Hong Kong Companies Ordinance were audited by Grandwealth & Co.. No audited financial statements have been prepared for this entity for the year ended 31 December 2024 and 2025.
- (vi) The Group holds effective equity interests of 65% on 四川博安通通信技術有限公司 and 四川博安通通信技術有限公司深圳分公司, respectively. The non-controlling shareholder of 四川博安通通信技術有限公司 has yet to make the proportionate capital contribution as at 31 December 2025, 30 June 2026 and the date when these consolidated financial statements are authorised for issue, and hence the paid up capital of 四川博安通通信技術有限公司 and 四川博安通通信技術有限公司深圳分公司 were solely contributed by the Group.
- (vii) The Group holds an effective equity interest of 99% in 洛陽時恒智能科技有限公司. Neither the Group nor the non-controlling shareholder had made their respective proportionate capital contributions as at 30 June 2026 and the date on which these consolidated financial statements were authorised for issue. Accordingly, no paid-up capital had been contributed by either shareholder and no non-controlling interests were recognised in respect of 洛陽時恒智能科技有限公司.
- (viii) Except for AiThinker Technology Limited (formerly known as ANXINKE (CHINA) CO., LIMITED and AiThinker TECH Co. Limited), which have a financial year end of 30 November, all subsidiaries have adopted 31 December as their financial year end date.
- (ix) None of the subsidiaries has issued any debt securities as at 31 December 2024 and 2025 and 30 June 2026.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the Track Record Period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2026.