

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI TOP NUMERICAL CONTROL TECHNOLOGY CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED.

Introduction

We report on the historical financial information of Shanghai Top Numerical Control Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and 30 June 2025 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 initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* 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.

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023, 2024 and 30 June 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2024 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim 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 Interim 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 2.1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

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

Adjustments

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

Dividends

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

Certified Public Accountants

Hong Kong

[date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended	
		2022	2023	2024	30 June	
		RMB’000	RMB’000	RMB’000	2024	2025
				(Unaudited)		
				RMB’000	RMB’000	
REVENUE	5	135,769	334,630	531,556	314,838	444,701
Cost of sales		(160,554)	(218,819)	(331,677)	(188,592)	(253,799)
Gross (loss)/profit		<u>(24,785)</u>	<u>115,811</u>	<u>199,879</u>	<u>126,246</u>	<u>190,902</u>
Other income and gains	5	30,192	25,106	10,856	690	2,300
Selling and marketing expenses		(11,867)	(26,022)	(28,107)	(13,048)	(16,031)
Administrative expenses		(62,481)	(59,869)	(66,948)	(32,580)	(36,278)
Research and development expenses		(108,388)	(89,917)	(85,880)	(42,149)	(36,496)
Fair value losses on investments measured at fair value through profit or loss, net		(12,837)	(7,388)	(4,387)	(4,387)	–
Impairment losses on financial assets, net		(386)	(8,933)	(3,963)	(4,236)	(4,337)
Other expenses		(215)	(4,621)	(1,387)	(921)	(740)
Finance costs	7	(6,249)	(5,331)	(7,006)	(3,103)	(3,866)
Share of losses of associates	16	(289)	(1,105)	(6,171)	(1,069)	(1,300)
(LOSS)/PROFIT BEFORE TAX	6	<u>(197,305)</u>	<u>(62,269)</u>	<u>6,886</u>	<u>25,443</u>	<u>94,154</u>
Income tax expense	10	(9)	(71)	–	–	–
(LOSS)/PROFIT FOR THE YEAR/PERIOD		<u>(197,314)</u>	<u>(62,340)</u>	<u>6,886</u>	<u>25,443</u>	<u>94,154</u>
(Loss)/profit attributable to:						
Owners of the parent		(191,572)	(60,523)	8,882	26,491	95,105
Non-controlling interests		(5,742)	(1,817)	(1,996)	(1,048)	(951)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	12	<u>(0.57)</u>	<u>(0.18)</u>	<u>0.03</u>	<u>0.08</u>	<u>0.28</u>

For the details of Pre-[REDACTED] Investments, please refer to note 31 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(197,314)	(62,340)	6,886	25,443	94,154
OTHER COMPREHENSIVE (LOSS)/INCOME					
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of foreign operations	<u>(537)</u>	<u>(798)</u>	<u>478</u>	<u>237</u>	<u>(1,645)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX	<u>(537)</u>	<u>(798)</u>	<u>478</u>	<u>237</u>	<u>(1,645)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD	<u><u>(197,851)</u></u>	<u><u>(63,138)</u></u>	<u><u>7,364</u></u>	<u><u>25,680</u></u>	<u><u>92,509</u></u>
Attributable to:					
Owners of the parent	(192,109)	(61,321)	9,360	26,728	93,460
Non-controlling interests	<u>(5,742)</u>	<u>(1,817)</u>	<u>(1,996)</u>	<u>(1,048)</u>	<u>(951)</u>
	<u><u>(197,851)</u></u>	<u><u>(63,138)</u></u>	<u><u>7,364</u></u>	<u><u>25,680</u></u>	<u><u>92,509</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at
		2022	2023	2024	30 June
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	13	39,036	33,151	71,803	88,842
Right-of-use assets	14	70,954	67,160	104,998	97,464
Other intangible assets	15	37,371	31,368	29,097	28,152
Investments in associates	16	53,828	36,927	20,020	12,346
Contract assets	22	–	7,086	12,859	7,565
Prepayments, other receivables and other assets	23	–	747	1,882	1,732
Total non-current assets		<u>201,189</u>	<u>176,439</u>	<u>240,659</u>	<u>236,101</u>
CURRENT ASSETS					
Inventories	20	443,459	588,548	486,095	302,711
Contract assets	22	7,436	10,455	24,392	14,151
Trade and bills receivables	21	81,982	97,786	60,010	157,734
Prepayments, other receivables and other assets	23	62,814	74,428	29,041	40,573
Investments measured at fair value through profit or loss	18	18,877	11,619	–	–
Restricted cash	24	17,212	14,222	10,351	11,192
Cash and cash equivalents	24	346,823	148,386	133,538	111,463
Total current assets		<u>978,603</u>	<u>945,444</u>	<u>743,427</u>	<u>637,824</u>
CURRENT LIABILITIES					
Trade and bills payables	25	193,752	228,429	146,726	109,894
Other payables and accruals	26	72,778	38,969	45,569	58,055
Contract liabilities	27	645,084	573,397	341,779	90,293
Interest-bearing bank and other borrowings	28	7,660	40,111	144,321	194,206
Lease liabilities	14	31,063	32,297	25,811	23,803
Tax payable		3	7	–	–
Deferred income	29	3,961	2,102	9,330	10,938
Provision	30	9,709	9,955	17,395	23,374
Total current liabilities		<u>964,010</u>	<u>925,267</u>	<u>730,931</u>	<u>510,563</u>
NET CURRENT ASSETS		<u>14,593</u>	<u>20,177</u>	<u>12,496</u>	<u>127,261</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>215,782</u>	<u>196,616</u>	<u>253,155</u>	<u>363,362</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December			As at
		2022	2023	2024	30 June
	Notes	RMB'000	RMB'000	RMB'000	2025
					RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	28	–	–	38,066	56,864
Lease liabilities	14	82,050	58,555	43,522	37,445
Deferred income	29	1,956	4,541	2,511	5,078
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total non-current liabilities		84,006	63,096	84,099	99,387
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets		131,776	133,520	169,056	263,975
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	31	34,013	34,395	34,395	34,395
Reserves	33	99,879	103,058	140,590	236,460
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		133,892	137,453	174,985	270,855
Non-controlling interests		<u>(2,116)</u>	<u>(3,933)</u>	<u>(5,929)</u>	<u>(6,880)</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total equity		<u>131,776</u>	<u>133,520</u>	<u>169,056</u>	<u>263,975</u>

For the details of Pre-[REDACTED] Investments, please refer to note 31 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital <i>RMB'000</i> <i>Note 31</i>	Share premium and other reserve* <i>RMB'000</i> <i>Note 33</i>	Share -based payment reserve* <i>RMB'000</i> <i>Note 32</i>	Specific reserve* <i>RMB'000</i> <i>Note 33</i>	Exchange fluctuation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2022	33,267	385,565	6,873	6,199	(32)	(224,723)	207,149	3,626	210,775
Loss for the year	-	-	-	-	-	(191,572)	(191,572)	(5,742)	(197,314)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(537)	-	(537)	-	(537)
Total comprehensive loss for the year	-	-	-	-	(537)	(191,572)	(192,109)	(5,742)	(197,851)
Share-based payments (<i>note 32</i>)	-	-	(757)	-	-	-	(757)	-	(757)
Shareholders' capital injection	746	118,863	-	-	-	-	119,609	-	119,609
Appropriation and utilisation of specific reserve	-	-	-	823	-	(823)	-	-	-
As at 31 December 2022	<u>34,013</u>	<u>504,428</u>	<u>6,116</u>	<u>7,022</u>	<u>(569)</u>	<u>(417,118)</u>	<u>133,892</u>	<u>(2,116)</u>	<u>131,776</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital	Share premium and other reserve*	Share -based payment reserve*	Specific reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 33	Note 32	Note 33					
As at 1 January 2023	34,013	504,428	6,116	7,022	(569)	(417,118)	133,892	(2,116)	131,776
Loss for the year	-	-	-	-	-	(60,523)	(60,523)	(1,817)	(62,340)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(798)	-	(798)	-	(798)
Total comprehensive loss for the year	-	-	-	-	(798)	(60,523)	(61,321)	(1,817)	(63,138)
Share-based payments (note 32)	-	-	1,291	-	-	-	1,291	-	1,291
Shareholders' capital injection	382	63,209	-	-	-	-	63,591	-	63,591
Appropriation and utilisation of specific reserve	-	-	-	(552)	-	552	-	-	-
As at 31 December 2023	<u>34,395</u>	<u>567,637</u>	<u>7,407</u>	<u>6,470</u>	<u>(1,367)</u>	<u>(477,089)</u>	<u>137,453</u>	<u>(3,933)</u>	<u>133,520</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital	Share premium and other reserve*	Share -based payment reserve*	Specific reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 33	Note 32	Note 33					
As at 1 January 2024	34,395	567,637	7,407	6,470	(1,367)	(477,089)	137,453	(3,933)	133,520
Profit for the year	-	-	-	-	-	8,882	8,882	(1,996)	6,886
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	478	-	478	-	478
Total comprehensive income for the year	-	-	-	-	478	8,882	9,360	(1,996)	7,364
Share-based payments (note 32)	-	-	6,489	-	-	-	6,489	-	6,489
Shareholders' Contribution**	-	21,683	-	-	-	-	21,683	-	21,683
Appropriation and utilisation of specific reserve	-	-	-	(139)	-	139	-	-	-
As at 31 December 2024	<u>34,395</u>	<u>589,320</u>	<u>13,896</u>	<u>6,331</u>	<u>(889)</u>	<u>(468,068)</u>	<u>174,985</u>	<u>(5,929)</u>	<u>169,056</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended 30 June 2024 (unaudited)

	Attributable to owners of the parent								
	Share capital	Share premium	Share-based payment	Specific reserve	Exchange fluctuation	Accumulated losses	Total	Non-controlling interests	Total equity
		and other reserve	reserve	reserve	reserve	reserve		interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	
Note 31	Note 33	Note 32	Note 33						
As at 1 January 2024	34,395	567,637	7,407	6,470	(1,367)	(477,089)	137,453	(3,933)	133,520
Profit for the period (unaudited)	-	-	-	-	-	26,491	26,491	(1,048)	25,443
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	237	-	237	-	237
Total comprehensive income for the period (unaudited)	-	-	-	-	237	26,491	26,728	(1,048)	25,680
Share-based payments (unaudited) (note 32)	-	-	3,245	-	-	-	3,245	-	3,245
Shareholders’ Contribution (unaudited)	-	21,683	-	-	-	-	21,683	-	21,683
Appropriation and utilisation of specific reserve (unaudited)	-	-	-	(94)	-	94	-	-	-
As at 30 June 2024 (unaudited)	34,395	589,320	10,652	6,376	(1,130)	(450,504)	189,109	(4,981)	184,128

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended 30 June 2025

	Attributable to owners of the parent								
	Share capital	Share premium	Share-based payment	Specific reserve	Exchange fluctuation	Accumulated losses	Total	Non-controlling interests	Total equity
		and other reserve*	reserve*	reserve*	reserve*	reserve*		interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	
Note 31	Note 33	Note 32	Note 33						
As at 1 January 2025	34,395	589,320	13,896	6,331	(889)	(468,068)	174,985	(5,929)	169,056
Profit for the period	-	-	-	-	-	95,105	95,105	(951)	94,154
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(1,645)	-	(1,645)	-	(1,645)
Total comprehensive income for the period	-	-	-	-	(1,645)	95,105	93,460	(951)	92,509
Share-based payments (note 32)	-	-	2,410	-	-	-	2,410	-	2,410
Appropriation and utilisation of specific reserve	-	-	-	(8)	-	8	-	-	-
As at 30 June 2025	<u>34,395</u>	<u>589,320</u>	<u>16,306</u>	<u>6,323</u>	<u>(2,534)</u>	<u>(372,955)</u>	<u>270,855</u>	<u>(6,880)</u>	<u>263,975</u>

* These reserve accounts represent the total consolidated reserves of RMB99,879,000, RMB103,058,000, RMB140,590,000 and RMB236,460,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

** Mr. Wang Yuhan granted restricted share to eligible employees, the subscription payment received included a contribution of RMB73.22 per share to the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Six months ended	
		2022	2023	2024	30 June	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					(Unaudited)	
CASH FLOWS USED IN						
OPERATING ACTIVITIES						
(Loss)/profit before tax		(197,305)	(62,269)	6,886	25,443	94,154
Adjustments for:						
Finance costs	7	6,249	5,331	7,006	3,103	3,866
Share of losses of associates		289	1,105	6,171	1,069	1,300
Interest income	5	(3,353)	(2,259)	(636)	(350)	(234)
Fair value losses on investments measured at fair value through profit or loss	6	12,837	7,388	4,387	4,387	–
Investment income	5	(3,565)	–	–	–	–
Loss/(gain) on disposal of items of property, plant and equipment	6	9	3,543	115	87	(100)
(Gain)/loss on lease term termination	14	(11)	–	2	(1)	(51)
Gain on disposal of equity investments at fair value through profit or loss	5	–	–	(367)	–	–
Loss on disposal of investment in an associate		–	170	–	–	–
Impairment loss recognised on financial and other assets, net	6	386	8,933	3,963	4,236	4,337
Write-down of inventories to net realisable value	6, 20	46,195	6,532	5,290	1,963	5,388
Foreign exchange (gain)/loss		(74)	(314)	89	16	(697)
Depreciation of property, plant and equipment	6, 13	11,986	12,638	12,452	6,511	5,374
Amortisation of intangible assets	6, 15	7,057	6,543	5,332	2,836	2,830
Depreciation of right-of-use assets	6, 14	13,276	13,653	15,851	7,946	7,303
(Reversal)/charge of share-based compensation costs	6, 32	(757)	1,291	6,489	3,245	2,410
Warranty provision	6, 30	3,380	8,935	13,697	8,346	11,117
Amortisation of deferred income		(957)	(1,261)	(415)	(216)	(161)
Elimination of down-stream sales		–	10,291	10,736	11,566	6,374
		<u>(104,358)</u>	<u>20,250</u>	<u>97,048</u>	<u>80,187</u>	<u>143,210</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
(Increase)/decrease in inventories	(113,893)	(151,319)	95,057	36,271	177,996
(Increase)/decrease in trade and bills receivables	(57,150)	(31,984)	32,194	8,455	(102,652)
(Increase)/decrease in prepayments, other receivables and other assets	(32,978)	(11,685)	45,376	27,685	(10,871)
Decrease/(increase) in contract assets	30,890	(10,424)	(20,451)	(5,520)	16,139
Increase/(decrease) in trade and bills payables	57,471	36,491	(78,167)	5,941	(47,963)
Increase/(decrease) in other payables and accruals	21,091	(33,741)	6,325	16,755	12,873
Increase/(decrease) in contract liabilities	168,287	(71,686)	(231,619)	(190,672)	(251,485)
Decrease/(increase) in restricted cash	1,386	2,990	3,872	3,922	(842)
(Decrease)/increase in deferred income	(11,356)	1,988	5,613	6,400	4,336
Decrease in provision	(7,947)	(8,689)	(6,257)	(3,125)	(5,138)
Cash used in operations	<u>(48,557)</u>	<u>(257,809)</u>	<u>(51,009)</u>	<u>(13,701)</u>	<u>(64,397)</u>
Interest paid	(2)	(235)	(2,923)	(707)	(2,371)
Income tax paid	<u>(6)</u>	<u>(68)</u>	<u>(7)</u>	<u>(7)</u>	<u>-</u>
Net cash flows used in operating activities	<u><u>(48,565)</u></u>	<u><u>(258,112)</u></u>	<u><u>(53,939)</u></u>	<u><u>(14,415)</u></u>	<u><u>(66,768)</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June 2024	2025
<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(Unaudited)	
CASH FLOWS FROM/(USED IN)					
INVESTING ACTIVITIES					
Proceeds from disposal of items of property, plant and equipment	–	60	10	–	168
Purchases of items of property, plant, equipment	(4,195)	(13,137)	(51,357)	(41,649)	(10,965)
Additions to other intangible assets	(53)	(540)	(3,114)	(10)	(1,885)
Additions to land use right	–	(8,363)	(47,555)	(47,555)	(86)
Proceeds from disposal of wealth management products	123,565	–	–	–	–
Purchases of equity investments at fair value through profit or loss	(7,250)	(130)	–	–	–
Proceeds from disposal of equity investments at fair value through profit or loss	–	–	7,599	–	–
Investments in associates	(29,329)	–	–	–	–
Disposal of an associate	–	5,335	–	–	–
Interest received	3,625	2,259	636	350	234
Net cash flows from/(used in) investing activities	86,363	(14,516)	(93,781)	(88,864)	(12,534)
CASH FLOWS FROM					
FINANCING ACTIVITIES					
Net proceeds from issue of shares	119,609	63,591	–	–	–
Advances from non-controlling shareholders	387	–	–	–	–
Shareholders’ contribution	–	–	21,683	21,683	–
Lease payments	(16,416)	(28,574)	(31,484)	(8,193)	(9,121)
Proceeds from interest-bearing bank and other borrowings	7,501	40,000	197,189	109,772	150,674
Repayment of interest-bearing bank and other borrowings	–	–	(55,000)	–	(82,000)
Payment of [REDACTED] fee	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash flows from financing activities	111,081	75,017	132,388	123,262	58,878

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December			Six months ended	
		2022	2023	2024	30 June	
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
						(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		148,879	(197,611)	(15,332)	19,983	(20,424)
Cash and cash equivalents at beginning of year/period		198,509	346,823	148,386	148,386	133,538
Effect of foreign exchange rate changes, net		(565)	(826)	484	242	(1,651)
		<u>346,823</u>	<u>148,386</u>	<u>133,538</u>	<u>168,611</u>	<u>111,463</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	24	364,035	162,608	143,889	178,911	122,655
Less: Restricted cash	24	(17,212)	(14,222)	(10,351)	(10,300)	(11,192)
		<u>346,823</u>	<u>148,386</u>	<u>133,538</u>	<u>168,611</u>	<u>111,463</u>
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position		<u>346,823</u>	<u>148,386</u>	<u>133,538</u>	<u>168,611</u>	<u>111,463</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December			As at
		2022	2023	2024	30 June
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	13	38,209	25,571	25,656	24,936
Right-of-use assets	14	70,954	57,964	96,575	89,340
Other intangible assets	15	7,165	4,519	5,604	6,337
Investments in associates	16	53,828	36,927	20,020	12,346
Contract assets	22	–	7,086	12,859	7,565
Prepayments, other receivables and other assets	23	–	219	150	–
Investments in subsidiaries	17	50,000	74,000	84,000	84,000
Total non-current assets		220,156	206,286	244,864	224,524
CURRENT ASSETS					
Inventories	20	430,615	559,220	461,479	273,316
Contract assets	22	7,436	10,455	24,392	14,151
Trade and bills receivables	21	81,981	97,253	56,430	155,810
Prepayments, other receivables and other assets	23	97,917	109,788	65,964	87,183
Investments measured at fair value through profit or loss	18	18,877	11,619	–	–
Restricted cash		13,580	10,333	6,668	10,605
Cash and cash equivalents	24	315,855	145,043	130,973	83,080
Total current assets		966,261	943,711	745,906	624,145
CURRENT LIABILITIES					
Trade and bills payables	25	192,625	192,189	121,370	74,848
Other payables and accruals	26	80,891	97,798	95,828	93,373
Contract liabilities	27	631,350	558,983	327,976	81,050
Interest-bearing bank and other borrowings	28	7,660	40,111	144,305	194,143
Lease liabilities	14	31,063	31,539	25,619	23,803
Deferred income	29	3,961	2,102	9,330	10,938
Provision	30	9,709	9,955	17,395	23,374
Total current liabilities		957,259	932,677	741,823	501,529
NET CURRENT ASSETS		9,002	11,034	4,083	122,616
TOTAL ASSETS LESS CURRENT LIABILITIES		229,158	217,320	248,947	347,140

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December			As at
		2022	2023	2024	30 June
	Notes	RMB’000	RMB’000	RMB’000	2025
					RMB’000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings		–	–	6,000	20,000
Lease liabilities	14	82,050	58,517	43,522	37,445
Deferred income	29	1,956	4,541	2,511	4,967
		<u>84,006</u>	<u>63,058</u>	<u>52,033</u>	<u>62,412</u>
Total non-current liabilities					
		<u>84,006</u>	<u>63,058</u>	<u>52,033</u>	<u>62,412</u>
Net assets		<u>145,152</u>	<u>154,262</u>	<u>196,914</u>	<u>284,728</u>
EQUITY					
Share capital	31	34,013	34,395	34,395	34,395
Reserves	33	111,139	119,867	162,519	250,333
		<u>145,152</u>	<u>154,262</u>	<u>196,914</u>	<u>284,728</u>
Total equity		<u>145,152</u>	<u>154,262</u>	<u>196,914</u>	<u>284,728</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Top Numerical Control Technology Co., Ltd. was incorporated as a limited liability company on 18 May 2007. The registered office of the Company is located at No. 888, Guanghai Road, Minhang District, Shanghai, the People’s Republic of China (the “PRC”). On 23 November 2016, the Company was converted into a joint stock company with limited liability.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- research and development, production and sales of Computer Numerical Control (“CNC”) machine tools
- provision of repair and maintenance service for CNC machine tools

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the major subsidiary is set out below:

Name	Note	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Directly held:					
Top CNC Technology (Jiaxing) Co., Ltd. (“ Jiaxing Top ”) 拓璞數控技術(嘉興) 有限公司	(1)	PRC/ Mainland China	RMB100,000,000	100.00	Manufacturing CNC machine tools

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

Note:

- (1) No audited financial statement has been prepared for this entity since its date of incorporation.

APPENDIX I

ACCOUNTANTS’ REPORT

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

For ordinary shares issued to pre-[REDACTED] investors, pursuant to the termination agreement entered into between the Company and the pre-[REDACTED] Investors in relation to the termination of certain of special rights granted by the Company, including redemption rights and liquidation preferences, which are void ab initio as described in note 31 to this report, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the termination agreement, the directors considered that it is appropriate to present the pre-[REDACTED] Investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 31 of this report.

Basis of consolidation

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

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Annual Improvements to IFRS Accounting Standards - Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

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

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

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

The Group has already commenced an assessment of the impact of these new and revised IFRS Accounting Standards, which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, except for IFRS 18 which is still under assessment, no significant impact on the financial performance and financial position of the Group is expected when other new and revised IFRS Accounting Standards become effective.

APPENDIX I

ACCOUNTANTS' REPORT

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Fair value measurement

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

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

APPENDIX I

ACCOUNTANTS' REPORT

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);

APPENDIX I

ACCOUNTANTS' REPORT

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Buildings	5%
Machinery	10% to 33%
Office equipment and electronic devices	20% to 33%
Vehicles	10% to 25%
Specialised equipment	10% to 50%
Leasehold improvements	20% to 71%

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

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

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

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 years, which is mainly determined by reference to the licensed period of the purchased software.

APPENDIX I

ACCOUNTANTS' REPORT

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years, which is mainly determined by reference to the period during which such assets are expected to bring economic benefits to the Group.

Research and development costs

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use right	50 years
Plant and properties	1.25 to 10 years

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

(b) Lease liabilities

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Trade receivables and bills receivable

Trade receivables and bills receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables and bills receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables and the majority of bills receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Certain of the bills receivable were held within a business model with the objective of both holding to collect contractual cash flows and selling and were classified as financial assets measured at fair value through other comprehensive income. See “Impairment of financial assets” below for further information about the Group’s impairment policies.

Trade payables and bills payable

Trade payables and bills payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables and bills payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

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

General approach

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

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

APPENDIX I

ACCOUNTANTS' REPORT

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Except for debtors that are credit-impaired are assessed for ECLs individually, collective assessment is performed by grouping debtors based on external credit ratings and the industry features of debtors.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Classification as equity and financial liabilities

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 financial liability and equity instrument.

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Provisions

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

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

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

Income tax

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

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

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

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

APPENDIX I

ACCOUNTANTS' REPORT

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

Sales of CNC machine tools

The Group manufactures and sells CNC machine tools in the market. Revenue from sales of CNC machine tools is recognised at the point in time when control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Repair and maintenance services

The performance obligation is satisfied upon the completion of services and payment is generally due upon finalisation of the services.

The warranties provided by the Group cannot be purchased by the customers separately. Such warranties are intended to safeguard the customers against existing defects and do not provide any incremental services to the customers.

Other income

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

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

APPENDIX I

ACCOUNTANTS’ REPORT

Contract liabilities

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

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on recent transaction prices, further details of which are given in note 32 to the Historical Financial Information.

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

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

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

Other employee benefits

Pension schemes

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

APPENDIX I

ACCOUNTANTS’ REPORT

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

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

The Group has tax losses of RMB539,182,000, RMB692,661,000, RMB758,333,000 and RMB 677,834,000, respectively, carried forward as at 31 December 2022, 2023, 2024 and 30 June 2025, respectively. These losses related to the Company and subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The Company and subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Further details on deferred taxes are disclosed in note 19 to the Historical Financial Information.

Estimation uncertainty

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

Share-based payments

The Group operates employee incentive schemes for the purpose of providing incentives to the Company’s directors and the Group’s employees. The restricted shares are subject to a minimum service period of 5 years or until the Company successfully completes an initial public offering and its shares get listed on a stock exchange (“IPO and Listing”), whichever occurs later. Further details are contained in note 32 to the Historical Financial Information.

Provision for expected credit losses on trade receivables, commercial acceptance bills receivable, contract assets and other receivables

The trade receivables, commercial acceptance bills receivable, contract assets and other receivables that are credit-impaired are assessed for ECLs individually. Collective assessment is performed by grouping debtors based on external credit ratings and the industry features of debtors. The information about the ECLs on the Group’s receivables and contract assets are disclosed in notes 21, 22 and 23 to the Historical Financial Information.

Estimation of provision for warranty claims

The warranty period is generally 1 to 2 years after the control of goods is transferred to the customers. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trend that might suggest that past information about cost may differ from future claims.

Estimated fair value of investments measured at fair value through profit or loss

The fair value of financial investments that are not traded in an active market, such as unlisted investments measured at fair value is determined using valuation techniques. The Group uses its judgement to select methods and make assumptions that are consistent with the characteristics of the assets considered by market participants in the transactions of related assets. The Group uses the relevant observable inputs as much as possible and uses unobservable input value if the relevant observable inputs cannot be obtained or are not feasible, such as estimation of liquidity adjustments. The key assumptions adopted on the valuation methodologies are set out in note 39 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segment based on the information reviewed by the Group’s chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment. The chief operating decision maker has been identified as the executive directors of the Company.

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Almost all the non-current assets of the Group are physically located in Mainland China. The geographical location of customers is based on the location at which the customers operate, and almost all of the revenue of the Group was derived from operations in Mainland China during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

Information about major customers

Revenue from the external customers that have contributed over 10% of the total revenue of the Group for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2024 and 2025 were as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Customer A	68,548	–	–	–	–
Customer Group B	39,070	54,498	68,419	68,419	–
Customer Group C ^(a)	24,632	195,355	*	*	*
Customer Group D	–	*	129,635	128,115	84,703
Customer E	–	–	103,415	–	–
Customer F	–	–	76,120	*	277,765
Customer G	*	*	*	32,603	*
Total	<u>132,250</u>	<u>249,853</u>	<u>377,589</u>	<u>229,137</u>	<u>362,468</u>

* Less than 10% of the Group’s revenue

(a) Revenue from the end user Chengdu Chenfei Zhijiang Technology Co., Ltd. (“**Chengdu Chenfei**”), an associate of the Group, amounted to RMB126,839,000 for the year ended 31 December 2023.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from contracts with customers	<u>135,769</u>	<u>334,630</u>	<u>531,556</u>	<u>314,838</u>	<u>444,701</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Types of goods or services					
Sales of CNC machine tools	132,434	328,565	527,273	313,649	444,429
Repair and maintenance services	3,335	6,065	4,283	1,189	272
Total	135,769	334,630	531,556	314,838	444,701

Since almost all of the revenue of the Group was derived from operations in Mainland China during the Relevant Periods, revenue from the overseas markets of the Group is assessed as not material.

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Timing of revenue recognition					
Goods or services transferred at a point in time	135,769	334,630	531,556	314,838	444,701

(Unaudited)

(b) Performance obligations

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	107,978	203,048	361,914	248,255	290,817

(Unaudited)

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

Sales of CNC machine tools and spare parts

The performance obligation is satisfied upon acceptance and the payment terms generally vary from 12 to 24 months after signing of contract.

APPENDIX I

ACCOUNTANTS’ REPORT

Repair and maintenance services

The Group provides repair services to customers. Such services are recognised at the point in time as the Group has completed the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December and 30 June are as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB'000	RMB'000	RMB'000	2024	2025
				(Unaudited)	
Amounts expected to be recognised as revenue:					
Within one year	340,260	513,847	515,359	631,444	126,777
After one year	906,849	481,711	57,430	80,197	202,687
Total	1,247,109	995,558	572,789	711,641	329,464

An analysis of other income and gains is as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB'000	RMB'000	RMB'000	2024	2025
				(Unaudited)	
Other income					
Government grants and subsidies	19,304	22,338	9,338	254	795
Investment income	3,565	–	–	–	–
Interest income	3,353	2,259	636	350	234
Total other income	26,222	24,597	9,974	604	1,029
Gains					
Gain on customer’s breach of contract	3,849	–	–	–	–
Gain on disposal of investments measured at fair value through profit or loss	–	–	367	–	–
Exchange gain	74	314	–	–	697
Others	47	195	515	86	574
Total gains	3,970	509	882	86	1,271
Total	30,192	25,106	10,856	690	2,300

APPENDIX I

ACCOUNTANTS’ REPORT

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Six months ended	
		2022	2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost of goods sold*		102,660	193,065	296,661	194,702	249,445
Depreciation of property, plant and equipment	13	11,986	12,638	12,452	6,511	5,374
Depreciation of right-of-use assets	14	13,276	13,653	15,851	7,946	7,303
Amortisation of other intangible assets	15	7,057	6,543	5,332	2,836	2,830
Research and development costs*		25,705	19,440	16,316	7,044	6,064
Lease payments not included in the measurement of lease liabilities	14	2,705	2,471	2,669	1,426	1,223
Employee benefit expense (including directors’ and chief executive’s remuneration (note 8)):						
Wages and salaries		133,548	139,298	146,759	74,624	60,638
Share-based payment	32	(757)	1,291	6,489	3,245	2,410
Pension scheme contributions and social welfare		25,929	27,310	28,103	13,597	12,914
Impairment of financial and other assets, net		386	8,933	3,963	4,236	4,337
Write-down of inventories to net realisable value	20	46,195	6,532	5,290	1,963	5,388
Warranty provision	30	3,380	8,935	13,697	8,346	11,117
Loss/(gain) on disposal of items of property, plant and equipment		9	3,543	115	87	(100)
Fair value losses on investments measured at fair value through profit or loss		12,837	7,388	4,387	4,387	–
[REDACTED] expense		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets and the amortisation of other intangible assets related to manufacturing and research and development for the Relevant Periods are included in “Depreciation of property, plant and equipment”, “Depreciation of right-of-use assets” and “Amortisation of other intangible assets”, respectively. The labour costs related to manufacturing and research and development for the Relevant Periods are included in “Employee benefit expense”.

APPENDIX I

ACCOUNTANTS’ REPORT

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB'000	RMB'000	RMB'000	2024	2025
				(Unaudited)	
Interest on loans and borrowings	356	514	3,519	1,019	3,084
Interest on lease liabilities	5,893	4,817	3,829	2,084	1,404
Total interest expense on financial liabilities not at fair value through profit or loss	6,249	5,331	7,348	3,103	4,488
Less: Interest capitalised	–	–	(342)	–	(622)
Total	<u>6,249</u>	<u>5,331</u>	<u>7,006</u>	<u>3,103</u>	<u>3,866</u>

For the details of Pre-[REDACTED] Investments, please refer to note 31 to this report.

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

Directors’, chief executive’s and supervisors’ remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB'000	RMB'000	RMB'000	2024	2025
				(Unaudited)	
Fees	306	339	360	180	150
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	5,903	4,650	3,731	1,911	1,462
Performance related bonuses*	711	215	1,777	888	61
Share-based payment expenses	172	172	821	409	68
Pension scheme contributions	691	588	597	295	235
Subtotal	<u>7,477</u>	<u>5,625</u>	<u>6,926</u>	<u>3,503</u>	<u>1,826</u>
Total	<u>7,783</u>	<u>5,964</u>	<u>7,286</u>	<u>3,683</u>	<u>1,976</u>

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

APPENDIX I

ACCOUNTANTS’ REPORT

During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss over the vesting period. The amount of the share-based payment expenses during the Relevant Periods is included in the above directors’, chief executive’s and supervisors’ remuneration disclosures.

The remuneration of each director/supervisor of the Company paid/payable by the Group (including emoluments for services as employees of the group entities prior to becoming the directors/supervisors of the Company) for the Relevant Periods is set out as follows:

(a) Independent non-executive directors

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

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June 2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Mr. Zhu Xiangyang (i)	102	43	–	–	–
Mr. Tang Limin (i)	102	43	–	–	–
Mr. Xu Zhao (ii)	102	–	–	–	–
Mr. Huang Jun (iii)	–	43	–	–	–
Mr. Yan Endian (iv)	–	70	120	60	60
Mr. Liu Zhifeng (iv)	–	70	120	60	30
Mr. Feng Hutian (iv)	–	70	120	60	60
Total	306	339	360	180	150

- (i) On 20 June 2017, 31 December 2019 and 22 December 2022, Mr. Zhu Xiangyang and Mr. Tang Limin were appointed and re-appointed as independent non-executive directors of the Company. The terms of office of independent directors, Mr. Zhu Xiangyan and Mr. Tang Limin were 6 years and expired on 26 May 2023.
- (ii) On 31 December 2019, Mr. Xu Zhao was appointed as independent non-executive director of the Company. Mr. Xu Zhao resigned on 22 December 2022.
- (iii) On 22 December 2022, Mr. Huang Jun was appointed as independent non-executive director of the Company. Mr. Huang Jun resigned on 26 May 2023.
- (iv) On 26 May 2023, Mr. Yan Endian, Mr. Liu Zhifeng and Mr. Feng Hutian were appointed as independent non-executive directors of the Company. Mr. Yan Endian resigned on 11 April 2025. Mr. Liu Zhifeng resigned on 28 March 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) The chief executive, executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Share-based payment expenses <i>RMB'000</i>	Pension scheme contributions and social welfare <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2022					
<i>Chief executive:</i>					
Mr. Wang Yuhan (i)	1,520	396	46	159	2,121
<i>Executive directors:</i>					
Mr. Li Yuhao (ii)	821	61	–	133	1,015
Mr. Bi Qingzhen (ii)	1,430	51	–	–	1,481
Subtotal	2,251	112	–	133	2,496
<i>Non-executive directors:</i>					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Mr. Luo Peng (v)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
<i>Supervisors:</i>					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Zhang Yilian (viii)	828	–	–	133	961
Mr. Song Zhipeng (ix)	514	61	63	133	771
Mr. Zhong Lei (x)	790	142	63	133	1,128
Subtotal	2,132	203	126	399	2,860
Total	5,903	711	172	691	7,477

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Share-based payment expenses <i>RMB'000</i>	Pension scheme contributions and social welfare <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2023					
<i>Chief executive:</i>					
Mr. Wang Yuhan (i)	1,646	25	46	159	1,876
<i>Executive directors:</i>					
Mr. Li Yuhao (ii)	849	42	–	143	1,034
Mr. Bi Qingzhen (ii)	832	–	–	–	832
Subtotal	1,681	42	–	143	1,866
<i>Non-executive directors:</i>					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
<i>Supervisors:</i>					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Song Zhipeng (ix)	523	48	63	143	777
Mr. Zhong Lei (x)	800	100	63	143	1,106
Subtotal	1,323	148	126	286	1,883
Total	4,650	215	172	588	5,625

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries, allowances and benefits in kind <i>RMB’000</i>	Performance related bonuses <i>RMB’000</i>	Share-based payment expenses <i>RMB’000</i>	Pension scheme contributions and social welfare <i>RMB’000</i>	Total remuneration <i>RMB’000</i>
Year ended 31 December 2024					
<i>Chief executive:</i>					
Mr. Wang Yuhan (i)	1,566	1,500	537	159	3,762
<i>Executive directors:</i>					
Mr. Li Yuhao (ii)	846	–	–	146	992
Mr. Bi Qingzhen (ii)	–	–	–	–	–
Subtotal	846	–	–	146	992
<i>Non-executive directors:</i>					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
<i>Supervisors:</i>					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Song Zhipeng (ix)	520	59	107	146	832
Mr. Zhong Lei (x)	799	218	177	146	1,340
Subtotal	1,319	277	284	292	2,172
Total	3,731	1,777	821	597	6,926

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries, allowances and benefits in kind <i>RMB’000</i>	Performance related bonuses <i>RMB’000</i>	Share-based payment expenses <i>RMB’000</i>	Pension scheme contributions and social welfare <i>RMB’000</i>	Total remuneration <i>RMB’000</i>
Six months ended					
30 June 2024 (Unaudited)					
<i>Chief executive:</i>					
Mr. Wang Yuhan (i)	823	750	268	79	1,920
<i>Executive directors:</i>					
Mr. Li Yuhao (ii)	425	–	–	72	497
Mr. Bi Qingzhen (ii)	–	–	–	–	–
Subtotal	425	–	–	72	497
<i>Non-executive directors:</i>					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
<i>Supervisors:</i>					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Song Zhipeng (ix)	261	29	53	72	415
Mr. Zhong Lei (x)	402	109	88	72	671
Subtotal	663	138	141	144	1,086
Total	1,911	888	409	295	3,503

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries, allowances and benefits in kind <i>RMB’000</i>	Performance related bonuses <i>RMB’000</i>	Share-based payment expenses <i>RMB’000</i>	Pension scheme contributions and social welfare <i>RMB’000</i>	Total remuneration <i>RMB’000</i>
Six months ended					
30 June 2025					
<i>Chief executive:</i>					
Mr. Wang Yuhan (i)	740	40	290	79	1,149
<i>Executive directors:</i>					
Mr. Li Yuhao (ii)	170	–	–	36	206
Mr. Bi Qingzhen (ii)	–	–	–	–	–
Mr. Yao Bin (xi)	115	7	129	24	275
Subtotal	285	7	129	60	481
<i>Non-executive directors:</i>					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
<i>Supervisors: (xii)</i>					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Song Zhipeng (ix)	173	–	(429)	48	(208)
Mr. Zhong Lei (x)	264	14	78	48	404
Subtotal	437	14	(351)	96	196
Total	1,462	61	68	235	1,826

- (i) On 31 December 2019 and 22 December 2022, Mr. Wang Yuhan was appointed and re-appointed as the executive director and the chairman of the board of directors of the Group.
- (ii) On 31 December 2019 and 22 December 2022, Mr. Li Yuhao and Mr. Bi Qingzhen were appointed and re-appointed as executive directors of the Group. Mr. Bi Qingzhen resigned in April 2025. Mr. Li Yuhao resigned on 5 March 2025.
- (iii) On 18 July 2021 and 22 December 2022, Mr. Li Yonghao was appointed and re-appointed as a non-executive director of the Group.
- (iv) On 1 December 2021, Mr. Li Qingfeng was appointed as a non-executive director of the Group.
- (v) On 31 December 2019, Mr. Luo Peng was appointed as a non-executive director of the Group. Mr. Luo Peng resigned on 22 December 2022.

APPENDIX I

ACCOUNTANTS’ REPORT

- (vi) On 12 December 2022, Ms. Tang Huan was appointed as a non-executive director of the Group. Ms. Tang Huan resigned on 30 April 2025.
- (vii) On 1 December 2021, Mr. Liu Chongyi was appointed as the supervisory board chairman of the Group.
- (viii) On 31 December 2019, Mr. Zhang Yilian was appointed as a supervisor of the Group. Mr. Zhang Yilian resigned on 26 December 2022.
- (ix) On 31 December 2019, Mr. Song Zhipeng was appointed as a supervisor of the Group who had been elected by the employee congress. Mr. Song Zhipeng ceased to be a supervisor on 30 April 2025. Mr. Song Zhipeng resigned on 31 May 2025.
- (x) On 22 December 2022, Mr. Zhong Lei was appointed as a supervisor of the Group.
- (xi) On 30 April 2025, Mr. Yao Bin was appointed as an executive director of the Group.
- (xii) The Company abolished its supervisory board on 30 April 2025.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included two directors at 31 December 2022, and two directors and one supervisor at 31 December 2023, and two directors and one supervisor at 31 December 2024, and one director at 30 June 2024, and two directors at 30 June 2025, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining three, two and two highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	2,349	1,801	1,821	1,628	1,210
Performance related bonuses	719	178	414	232	198
Share-based payment expenses*	317	–	793	1,185	846
Pension scheme contributions	399	286	292	254	145
Total	3,784	2,265	3,320	3,299	2,399

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
Nil to HK\$1,000,000	–	–	–	4	3
HK\$1,000,001 to HK\$1,500,000	3	2	2	–	–
	<u>3</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>3</u>
Total	<u>3</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>3</u>

* During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss over the vesting period. The amount of the share-based payment expenses during the Relevant Periods is included in the above employees’ remuneration disclosures.

10. INCOME TAX

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

Mainland China

The subsidiaries incorporated in Mainland China are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for those subject to preferential tax set out below:

The Company was granted the qualification of High and New Technology Enterprise (“HNTE”). Accordingly, the Company was entitled to a preferential corporate income tax rate of 15% during the Relevant Periods.

Certain subsidiaries of the Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC’s State Administration of Taxation. Pursuant to the policy announced by the PRC’s State Administration of Taxation, during the period from 1 January 2022 to 30 June 2025, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporate which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB’000	RMB’000	RMB’000	2024	2025
				RMB’000	RMB’000
				(Unaudited)	
Current income tax	9	71	–	–	–
Total tax expense for the year/period	9	71	–	–	–

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB’000	RMB’000	RMB’000	2024	2025
				RMB’000	RMB’000
				(Unaudited)	
(Loss)/profit before tax	(197,305)	(62,269)	6,886	25,443	94,154
Tax at the statutory tax rate	(49,326)	(15,567)	1,722	6,361	23,539
Effect of preferential tax rates	23,979	15,772	6,372	89	(7,959)
Losses attributable to associates	72	276	1,543	267	325
Elimination of down-stream sales	–	2,699	3,142	2,892	1,594
Expenses not deductible for tax	1,310	1,028	867	483	292
Super deduction on research and development expenses (a)	(23,170)	(22,572)	(22,252)	(10,210)	(9,450)
Tax losses and deductible temporary differences not recognised	47,144	18,435	8,606	179	3,777
Tax losses utilised from previous years	–	–	–	(61)	(12,118)
Tax expense at the Group’s effective tax rate	9	71	–	–	–

APPENDIX I

ACCOUNTANTS’ REPORT

- (a) Super deductible allowance was for qualified research and development costs. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the year ended 31 December 2022. For the period from 1 January 2023 to 30 June 2025, machine tool industries are entitled to claim 220% of the Company’s research and development costs.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share is based on the loss/profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 337,321,000, 340,311,000, 343,952,000, 343,952,000 and 343,952,000 in issue during the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025, respectively, as adjusted to reflect the rights issue and share split during the Relevant Periods and six months ended 30 June 2024, respectively..

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	2025
				(Unaudited)	
(Loss)/Earnings					
(Loss)/Earnings attributable to ordinary equity holders of the parent (<i>RMB’000</i>)	<u>(191,572)</u>	<u>(60,523)</u>	<u>8,882</u>	<u>26,491</u>	<u>95,105</u>
Shares					
Weighted average number (<i>’000</i>) of ordinary shares in issue during the year/period	<u>337,321</u>	<u>340,311</u>	<u>343,952</u>	<u>343,952</u>	<u>343,952</u>
(Loss)/Earnings per share					
Basic and diluted (<i>RMB</i>)	<u>(0.57)</u>	<u>(0.18)</u>	<u>0.03</u>	<u>0.08</u>	<u>0.28</u>

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

For the details of Pre-[REDACTED] Investments, please refer to note 31 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery <i>RMB'000</i>	Office equipment and electronic devices <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Specialised equipment <i>RMB'000</i>	Leasehold improve- ments <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022							
At 1 January 2022:							
Cost	23,919	10,929	3,199	13,761	10,171	5,787	67,766
Accumulated depreciation	(6,770)	(4,651)	(1,757)	(4,401)	(3,642)	-	(21,221)
Net carrying amount	<u>17,149</u>	<u>6,278</u>	<u>1,442</u>	<u>9,360</u>	<u>6,529</u>	<u>5,787</u>	<u>46,545</u>
At 1 January 2022, net of accumulated depreciation							
At 1 January 2022, net of accumulated depreciation	17,149	6,278	1,442	9,360	6,529	5,787	46,545
Additions	3,022	479	640	1,303	-	1,139	6,583
Depreciation provided during the year	(5,113)	(2,445)	(433)	(2,086)	(1,909)	-	(11,986)
Exchange realignment	30	-	3	(1)	-	-	32
Transfers	19	-	-	-	-	(19)	-
Disposal	(2,138)	-	-	-	-	-	(2,138)
At 31 December 2022, net of accumulated depreciation	<u>12,969</u>	<u>4,312</u>	<u>1,652</u>	<u>8,576</u>	<u>4,620</u>	<u>6,907</u>	<u>39,036</u>
At 31 December 2022:							
Cost	23,452	11,420	3,844	15,064	10,171	6,907	70,858
Accumulated depreciation	(10,483)	(7,108)	(2,192)	(6,488)	(5,551)	-	(31,822)
Net carrying amount	<u>12,969</u>	<u>4,312</u>	<u>1,652</u>	<u>8,576</u>	<u>4,620</u>	<u>6,907</u>	<u>39,036</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery <i>RMB'000</i>	Office equipment and electronic devices <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Specialised equipment <i>RMB'000</i>	Leasehold improve- ments <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023							
At 1 January 2023:							
Cost	23,452	11,420	3,844	15,064	10,171	6,907	70,858
Accumulated depreciation	(10,483)	(7,108)	(2,192)	(6,488)	(5,551)	-	(31,822)
Net carrying amount	<u>12,969</u>	<u>4,312</u>	<u>1,652</u>	<u>8,576</u>	<u>4,620</u>	<u>6,907</u>	<u>39,036</u>
At 1 January 2023, net of accumulated depreciation							
depreciation	12,969	4,312	1,652	8,576	4,620	6,907	39,036
Additions	1,343	878	479	2,529	89	5,314	10,632
Depreciation provided during the year	(5,288)	(2,338)	(478)	(2,295)	(2,239)	-	(12,638)
Exchange realignment	23	2	2	-	-	-	27
Transfers	4,969	-	-	-	1,757	(6,726)	-
Disposal	(1,875)	(22)	(45)	(3)	-	(1,961)	(3,906)
At 31 December 2023, net of accumulated depreciation	<u>12,141</u>	<u>2,832</u>	<u>1,610</u>	<u>8,807</u>	<u>4,227</u>	<u>3,534</u>	<u>33,151</u>
At 31 December 2023:							
Cost	24,210	11,925	4,164	17,585	12,017	3,534	73,435
Accumulated depreciation	(12,069)	(9,093)	(2,554)	(8,778)	(7,790)	-	(40,284)
Net carrying amount	<u>12,141</u>	<u>2,832</u>	<u>1,610</u>	<u>8,807</u>	<u>4,227</u>	<u>3,534</u>	<u>33,151</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery <i>RMB'000</i>	Office equipment and electronic devices <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Specialised equipment <i>RMB'000</i>	Leasehold improve- ments <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2024							
At 1 January 2024:							
Cost	24,210	11,925	4,164	17,585	12,017	3,534	73,435
Accumulated depreciation	(12,069)	(9,093)	(2,554)	(8,778)	(7,790)	-	(40,284)
Net carrying amount	<u>12,141</u>	<u>2,832</u>	<u>1,610</u>	<u>8,807</u>	<u>4,227</u>	<u>3,534</u>	<u>33,151</u>
At 1 January 2024, net of accumulated depreciation							
depreciation	12,141	2,832	1,610	8,807	4,227	3,534	33,151
Additions	8,864	279	318	1,795	44	39,857	51,157
Depreciation provided during the year	(4,767)	(1,908)	(523)	(2,852)	(2,402)	-	(12,452)
Exchange realignment	(6)	(1)	-	-	-	-	(7)
Transfers	39	-	-	-	301	(340)	-
Disposal	(4)	(17)	(21)	(4)	-	-	(46)
At 31 December 2024, net of accumulated depreciation	<u>16,267</u>	<u>1,185</u>	<u>1,384</u>	<u>7,746</u>	<u>2,170</u>	<u>43,051</u>	<u>71,803</u>
At 31 December 2024:							
Cost	32,891	11,868	4,345	19,359	12,362	43,051	123,876
Accumulated depreciation	(16,624)	(10,683)	(2,961)	(11,613)	(10,192)	-	(52,073)
Net carrying amount	<u>16,267</u>	<u>1,185</u>	<u>1,384</u>	<u>7,746</u>	<u>2,170</u>	<u>43,051</u>	<u>71,803</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve- ments	Construction in progress	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>	<i>RMB'000</i>	<i>RMB'000</i>
30 June 2025								
At 1 January 2025:								
Cost	–	32,891	11,868	4,345	19,359	12,362	43,051	123,876
Accumulated depreciation	–	(16,624)	(10,683)	(2,961)	(11,613)	(10,192)	–	(52,073)
Net carrying amount	–	16,267	1,185	1,384	7,746	2,170	43,051	71,803
At 1 January 2025, net of accumulated depreciation								
–	–	16,267	1,185	1,384	7,746	2,170	43,051	71,803
Additions	–	1,306	206	213	437	19	20,293	22,474
Depreciation provided during the period	–	(2,332)	(366)	(226)	(1,476)	(974)	–	(5,374)
Exchange realignment	–	6	–	–	–	–	–	6
Transfers	59,896	–	–	–	–	–	(59,896)	–
Disposal	–	(55)	(1)	–	(11)	–	–	(67)
At 30 June 2025, net of accumulated depreciation								
59,896	15,192	1,024	1,371	6,696	1,215	3,448	88,842	
At 30 June 2025:								
Cost	59,896	33,928	11,907	4,527	19,773	12,106	3,448	145,585
Accumulated depreciation	–	(18,736)	(10,883)	(3,156)	(13,077)	(10,891)	–	(56,743)
Net carrying amount	59,896	15,192	1,024	1,371	6,696	1,215	3,448	88,842

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Machinery <i>RMB'000</i>	Office equipment and electronic devices <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Specialised equipment <i>RMB'000</i>	Leasehold improve- ments <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022							
At 1 January 2022:							
Cost	22,134	10,514	2,703	13,761	10,171	5,787	65,070
Accumulated depreciation	(6,351)	(4,303)	(1,660)	(4,402)	(3,642)	-	(20,358)
Net carrying amount	<u>15,783</u>	<u>6,211</u>	<u>1,043</u>	<u>9,359</u>	<u>6,529</u>	<u>5,787</u>	<u>44,712</u>
At 1 January 2022, net of accumulated depreciation							
Cost	15,783	6,211	1,043	9,359	6,529	5,787	44,712
Additions	2,996	468	640	1,303	-	1,139	6,546
Depreciation provided during the year	(4,926)	(2,408)	(375)	(2,085)	(1,909)	-	(11,703)
Transfers	19	-	-	-	-	(19)	-
Disposal	(1,346)	-	-	-	-	-	(1,346)
At 31 December 2022, net of accumulated depreciation	<u>12,526</u>	<u>4,271</u>	<u>1,308</u>	<u>8,577</u>	<u>4,620</u>	<u>6,907</u>	<u>38,209</u>
At 31 December 2022:							
Cost	22,613	10,982	3,343	15,064	10,171	6,907	69,080
Accumulated depreciation	(10,087)	(6,711)	(2,035)	(6,487)	(5,551)	-	(30,871)
Net carrying amount	<u>12,526</u>	<u>4,271</u>	<u>1,308</u>	<u>8,577</u>	<u>4,620</u>	<u>6,907</u>	<u>38,209</u>
31 December 2023							
At 1 January 2023:							
Cost	22,613	10,982	3,343	15,064	10,171	6,907	69,080
Accumulated depreciation	(10,087)	(6,711)	(2,035)	(6,487)	(5,551)	-	(30,871)
Net carrying amount	<u>12,526</u>	<u>4,271</u>	<u>1,308</u>	<u>8,577</u>	<u>4,620</u>	<u>6,907</u>	<u>38,209</u>
At 1 January 2023, net of accumulated depreciation							
Cost	12,526	4,271	1,308	8,577	4,620	6,907	38,209
Additions	814	483	8	324	89	1,321	3,039
Depreciation provided during the year	(5,134)	(2,276)	(405)	(2,221)	(1,938)	-	(11,974)
Transfers	4,969	-	-	-	646	(5,615)	-
Disposal	(1,720)	(19)	-	(3)	-	(1,961)	(3,703)
At 31 December 2023, net of accumulated depreciation	<u>11,455</u>	<u>2,459</u>	<u>911</u>	<u>6,677</u>	<u>3,417</u>	<u>652</u>	<u>25,571</u>
At 31 December 2023:							
Cost	23,111	11,094	3,351	15,380	10,906	652	64,494
Accumulated depreciation	(11,656)	(8,635)	(2,440)	(8,703)	(7,489)	-	(38,923)
Net carrying amount	<u>11,455</u>	<u>2,459</u>	<u>911</u>	<u>6,677</u>	<u>3,417</u>	<u>652</u>	<u>25,571</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery RMB'000	Office equipment and electronic devices RMB'000	Vehicles RMB'000	Specialised equipment RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	23,111	11,094	3,351	15,380	10,906	652	64,494
Accumulated depreciation	(11,656)	(8,635)	(2,440)	(8,703)	(7,489)	-	(38,923)
Net carrying amount	<u>11,455</u>	<u>2,459</u>	<u>911</u>	<u>6,677</u>	<u>3,417</u>	<u>652</u>	<u>25,571</u>
At 1 January 2024, net of accumulated depreciation	11,455	2,459	911	6,677	3,417	652	25,571
Additions	8,302	208	242	1,384	44	637	10,817
Depreciation provided during the year	(4,452)	(1,755)	(385)	(2,340)	(1,754)	-	(10,686)
Transfers	39	-	-	-	301	(340)	-
Disposal	(4)	(17)	(21)	(4)	-	-	(46)
At 31 December 2024, net of accumulated depreciation	<u>15,340</u>	<u>895</u>	<u>747</u>	<u>5,717</u>	<u>2,008</u>	<u>949</u>	<u>25,656</u>
At 31 December 2024:							
Cost	31,254	10,985	3,458	16,743	11,251	949	74,640
Accumulated depreciation	(15,914)	(10,090)	(2,711)	(11,026)	(9,243)	-	(48,984)
Net carrying amount	<u>15,340</u>	<u>895</u>	<u>747</u>	<u>5,717</u>	<u>2,008</u>	<u>949</u>	<u>25,656</u>
30 June 2025							
At 1 January 2025:							
Cost	31,254	10,985	3,458	16,743	11,251	949	74,640
Accumulated depreciation	(15,914)	(10,090)	(2,711)	(11,026)	(9,243)	-	(48,984)
Net carrying amount	<u>15,340</u>	<u>895</u>	<u>747</u>	<u>5,717</u>	<u>2,008</u>	<u>949</u>	<u>25,656</u>
At 1 January 2025, net of accumulated depreciation	15,340	895	747	5,717	2,008	949	25,656
Additions	1,187	147	202	407	12	1,934	3,889
Depreciation provided during the period	(2,171)	(287)	(155)	(1,184)	(811)	-	(4,608)
Disposal	-	(1)	-	-	-	-	(1)
At 30 June 2025, net of accumulated depreciation	<u>14,356</u>	<u>754</u>	<u>794</u>	<u>4,940</u>	<u>1,209</u>	<u>2,883</u>	<u>24,936</u>
At 30 June 2025:							
Cost	32,441	11,115	3,660	17,140	10,988	2,883	78,227
Accumulated depreciation	(18,085)	(10,361)	(2,866)	(12,200)	(9,779)	-	(53,291)
Net carrying amount	<u>14,356</u>	<u>754</u>	<u>794</u>	<u>4,940</u>	<u>1,209</u>	<u>2,883</u>	<u>24,936</u>

APPENDIX I

ACCOUNTANTS’ REPORT

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties used in its operations. Leases of plant and properties generally have lease terms between 1.25 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

The Group

	Land-use right RMB’000	Plant and properties RMB’000	Total RMB’000
As at 1 January 2022	–	84,660	84,660
Additions	–	304	304
Depreciation charge	–	(13,276)	(13,276)
Decrease arising from lease term termination	–	(734)	(734)
As at 31 December 2022 and 1 January 2023	–	70,954	70,954
Additions	8,363	1,496	9,859
Depreciation charge	(71)	(13,582)	(13,653)
As at 31 December 2023 and 1 January 2024	8,292	58,868	67,160
Additions	47,555	6,341	53,896
Depreciation charge	(1,141)	(14,710)	(15,851)
Decrease arising from lease term termination	–	(207)	(207)
As at 31 December 2024 and 1 January 2025	54,706	50,292	104,998
Additions	86	186	272
Depreciation charge	(571)	(6,732)	(7,303)
Decrease arising from lease term termination	–	(503)	(503)
As at 30 June 2025	<u>54,221</u>	<u>43,243</u>	<u>97,464</u>

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group’s land-use right with aggregate carrying amounts of nil, nil, RMB8,121,000 and RMB54,221,000, respectively, were pledged to secure interest-bearing bank and other borrowings granted to the Group (note 28).

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Land-use right	Plant and properties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 1 January 2022	–	84,660	84,660
Additions	–	304	304
Depreciation charge	–	(13,276)	(13,276)
Decrease arising from lease term termination	–	(734)	(734)
	<hr/>	<hr/>	<hr/>
As at 31 December 2022 and 1 January 2023	–	70,954	70,954
Depreciation charge	–	(12,990)	(12,990)
	<hr/>	<hr/>	<hr/>
As at 31 December 2023 and 1 January 2024	–	57,964	57,964
Additions	47,555	5,484	53,039
Depreciation charge	(970)	(13,287)	(14,257)
Decrease arising from lease term termination	–	(171)	(171)
	<hr/>	<hr/>	<hr/>
As at 31 December 2024	46,585	49,990	96,575
Additions	–	186	186
Depreciation charge	(485)	(6,473)	(6,958)
Decrease arising from lease term termination	–	(463)	(463)
	<hr/>	<hr/>	<hr/>
As at 30 June 2025	<u>46,100</u>	<u>43,240</u>	<u>89,340</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amount of lease liabilities (not included under interest-bearing bank and other borrowings) and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Carrying amount at				
1 January	124,077	113,113	90,852	69,333
New leases	304	1,496	6,341	186
Accretion of interest recognised during the year/period	5,893	4,817	3,829	1,404
Decrease arising from lease term termination	(745)	–	(205)	(554)
Payments	(16,416)	(28,574)	(31,484)	(9,121)
	<u>113,113</u>	<u>90,852</u>	<u>69,333</u>	<u>61,248</u>
Carrying amount at 31 December/30 June				
Analysed into:				
Current portion	31,063	32,297	25,811	23,803
Non-current portion	82,050	58,555	43,522	37,445

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Carrying amount at				
1 January	124,077	113,113	90,056	69,141
New leases	304	–	5,484	186
Accretion of interest recognised during the year/period	5,893	4,775	3,782	1,403
Decrease arising from lease term termination	(745)	–	(172)	(423)
Payments	(16,416)	(27,832)	(30,009)	(9,059)
	<u>113,113</u>	<u>90,056</u>	<u>69,141</u>	<u>61,248</u>
Carrying amount at 31 December/30 June				
Analysed into:				
Current portion	31,063	31,539	25,619	23,803
Non-current portion	82,050	58,517	43,522	37,445

The maturity analysis of lease liabilities is disclosed in note 40.

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(Unaudited)	
Interest on lease liabilities	5,893	4,817	3,829	2,084	1,404
Depreciation charge of right-of-use assets	13,276	13,653	15,851	7,946	7,303
Expenses relating to short-term leases	226	201	196	103	98
Expenses relating to leases of low-value assets	2,479	2,270	2,473	1,323	1,125
(Gain)/loss on a lease term termination	(11)	–	2	(1)	(51)
	<u>21,863</u>	<u>20,941</u>	<u>22,351</u>	<u>11,455</u>	<u>9,879</u>
Total amount recognised in profit or loss					

The Company

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(Unaudited)	
Interest on lease liabilities	5,893	4,775	3,782	2,052	1,403
Depreciation charge of right-of-use assets	13,276	12,990	14,257	7,628	6,958
Expenses relating to short-term leases	210	181	194	101	92
Expenses relating to leases of low-value assets	1,655	1,173	2,099	1,130	797
(Gain)/loss on a lease term termination	(11)	–	(1)	(1)	40
	<u>21,023</u>	<u>19,119</u>	<u>20,331</u>	<u>10,910</u>	<u>9,290</u>
Total amount recognised in profit or loss					

APPENDIX I

ACCOUNTANTS’ REPORT

15. OTHER INTANGIBLE ASSETS

The Group

	Software <i>RMB’000</i>	Patents, licences and technology <i>RMB’000</i>	Total <i>RMB’000</i>
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	4,460	39,917	44,377
Additions	53	–	53
Amortisation provided during the year	(1,647)	(5,410)	(7,057)
Exchange realignment	(2)	–	(2)
	<u>2,864</u>	<u>34,507</u>	<u>37,371</u>
At 31 December 2022	2,864	34,507	37,371
At 31 December 2022 and at 1 January 2023:			
Cost	11,541	43,805	55,346
Accumulated amortisation and impairment	(8,677)	(9,298)	(17,975)
	<u>2,864</u>	<u>34,507</u>	<u>37,371</u>
Net carrying amount	2,864	34,507	37,371
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	2,864	34,507	37,371
Additions	540	–	540
Amortisation provided during the year	(1,135)	(5,408)	(6,543)
	<u>2,269</u>	<u>29,099</u>	<u>31,368</u>
At 31 December 2023	2,269	29,099	31,368
At 31 December 2023 and at 1 January 2024:			
Cost	12,157	43,805	55,962
Accumulated amortisation and impairment	(9,888)	(14,706)	(24,594)
	<u>2,269</u>	<u>29,099</u>	<u>31,368</u>
Net carrying amount	2,269	29,099	31,368
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	2,269	29,099	31,368
Additions	3,139	–	3,139
Disposal	(78)	–	(78)
Amortisation provided during the year	(924)	(4,408)	(5,332)
	<u>4,406</u>	<u>24,691</u>	<u>29,097</u>
At 31 December 2024	4,406	24,691	29,097

APPENDIX I

ACCOUNTANTS’ REPORT

	Software <i>RMB’000</i>	Patents, licences and technology <i>RMB’000</i>	Total <i>RMB’000</i>
At 31 December 2024 and at 1 January 2025:			
Cost	12,941	43,805	56,746
Accumulated amortisation and impairment	<u>(8,535)</u>	<u>(19,114)</u>	<u>(27,649)</u>
Net carrying amount	<u><u>4,406</u></u>	<u><u>24,691</u></u>	<u><u>29,097</u></u>
30 June 2025			
Cost at 1 January 2025, net of accumulated amortisation	4,406	24,691	29,097
Additions	1,885	–	1,885
Amortisation provided during the period	<u>(772)</u>	<u>(2,058)</u>	<u>(2,830)</u>
At 30 June 2025	<u><u>5,519</u></u>	<u><u>22,633</u></u>	<u><u>28,152</u></u>
At 30 June 2025:			
Cost	14,979	43,805	58,784
Accumulated amortisation and impairment	<u>(9,460)</u>	<u>(21,172)</u>	<u>(30,632)</u>
Net carrying amount	<u><u>5,519</u></u>	<u><u>22,633</u></u>	<u><u>28,152</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Software <i>RMB’000</i>	Patents, licences and technology <i>RMB’000</i>	Total <i>RMB’000</i>
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	4,263	6,356	10,619
Additions	53	–	53
Amortisation provided during the year	(1,452)	(2,055)	(3,507)
At 31 December 2022	2,864	4,301	7,165
At 31 December 2022 and at 1 January 2023:			
Cost	10,249	10,243	20,492
Accumulated amortisation	(7,385)	(5,942)	(13,327)
Net carrying amount	2,864	4,301	7,165
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	2,864	4,301	7,165
Additions	539	–	539
Amortisation provided during the year	(1,134)	(2,051)	(3,185)
At 31 December 2023	2,269	2,250	4,519
At 31 December 2023 and at 1 January 2024:			
Cost	10,788	10,243	21,031
Accumulated amortisation	(8,519)	(7,993)	(16,512)
Net carrying amount	2,269	2,250	4,519
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	2,269	2,250	4,519
Additions	3,139	–	3,139
Disposal	(78)	–	(78)
Amortisation provided during the year	(924)	(1,052)	(1,976)
At 31 December 2024	4,406	1,198	5,604

APPENDIX I

ACCOUNTANTS’ REPORT

	Software <i>RMB’000</i>	Patents, licences and technology <i>RMB’000</i>	Total <i>RMB’000</i>
At 31 December 2024 and at 1 January 2025:			
Cost	11,630	10,243	21,873
Accumulated amortisation	(7,224)	(9,045)	(16,269)
Net carrying amount	<u>4,406</u>	<u>1,198</u>	<u>5,604</u>
30 June 2025			
Cost at 1 January 2025, net of accumulated amortisation	4,406	1,198	5,604
Additions	1,885	–	1,885
Amortisation provided during the period	(772)	(380)	(1,152)
At 30 June 2025	<u>5,519</u>	<u>818</u>	<u>6,337</u>
At 30 June 2025:			
Cost	13,515	10,243	23,758
Accumulated amortisation	(7,996)	(9,425)	(17,421)
Net carrying amount	<u>5,519</u>	<u>818</u>	<u>6,337</u>

16. INVESTMENTS IN ASSOCIATES

The Group and The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of net assets	53,828	47,218	41,047	39,747
Elimination of down-stream sales	–	(10,291)	(21,027)	(27,401)
Total	<u>53,828</u>	<u>36,927</u>	<u>20,020</u>	<u>12,346</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Particulars of the Group’s material associate

Name of entity	Country of incorporation/ registration and operations	Proportion of ownership interest				Principal activity
		As at December 31			As at	
		2022	2023	2024	30 June 2025	
Chengdu Chenfei Zhijiang Technology Co., Ltd. (“Chengdu Chenfei”) 成都辰飛智匠科技有限公司*	PRC/Mainland China	17.01%	14.48%	14.48%	14.48%	Aerospace components fabrication
Shanghai Qianzhan Innovation Research Institute Co., Ltd. (“Shanghai Qian Zhan”) 上海前瞻創新研究院有限公 司**	PRC/Mainland China	10.00%	N/A	N/A	N/A	Technology development and technical consulting

The above investment is directly held by the Company.

* During the Relevant Periods, Chengdu Chenfei had five directors, one of which was appointed by the Company. Pursuant to the articles of association of Chengdu Chenfei, the Group has significant influence over Chengdu Chenfei. Therefore, Chengdu Chenfei was accounted for as an associate of the Group.

** During the Relevant Periods, Shanghai Qian Zhan had nine directors, one of which was appointed by the Company. Pursuant to the articles of association of Shanghai Qian Zhan, the Group has significant influence over Shanghai Qian Zhan. Therefore, Shanghai Qian Zhan was accounted for as an associate of the Group. In May 2023, the Group disposed of its interest in Shanghai Qian Zhan.

(b) The following table illustrates the aggregate financial information of the Group’s associates that are considered not individually material for the Relevant Periods:

	As at 31 December			As at 30 June	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Share of the associates’ losses for the year/period	(289)	(1,105)	(6,171)	(1,069)	(1,300)
Share of the associates’ total comprehensive loss	(289)	(1,105)	(6,171)	(1,069)	(1,300)
Elimination of down-stream sales	–	(10,291)	(10,736)	(11,566)	(6,374)
Aggregate carrying amount of the Group’s investments in the associates	53,828	36,927	20,020	24,292	12,346

The Group’s and the Company’s transactions with the associates are disclosed in note 36.

APPENDIX I

ACCOUNTANTS’ REPORT

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Investments, at cost	50,954	74,954	84,954	84,954
Impairment loss on investment in a subsidiary	(954)	(954)	(954)	(954)
Investments in subsidiaries	<u>50,000</u>	<u>74,000</u>	<u>84,000</u>	<u>84,000</u>

18. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Unlisted equity investments	<u>18,877</u>	<u>11,619</u>	<u>–</u>	<u>–</u>

Unlisted equity investments were measured at fair value using significant unobservable inputs (Level 3). The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Unlisted equity investments at fair value through profit or loss at 1 January	24,464	18,877	11,619	–
Additions	7,250	130	–	–
Total losses recognised in the statement of profit or loss	(12,837)	(7,388)	(4,387)	–
Disposal	<u>–</u>	<u>–</u>	<u>(7,232)</u>	<u>–</u>
Unlisted equity investments at fair value through profit or loss at 31 December/30 June	<u>18,877</u>	<u>11,619</u>	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

19. DEFERRED TAX

The Group

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

Deferred tax assets

	Lease liabilities RMB’000	Losses available for offsetting against future taxable profits RMB’000	Total RMB’000
At 1 January 2022	12,699	2,360	15,059
Deferred tax charged to profit or loss during the year	<u>(2,056)</u>	<u>(1,966)</u>	<u>(4,022)</u>
Gross deferred tax assets at 31 December 2022	10,643	394	11,037
Deferred tax charged to profit or loss during the year	<u>(1,749)</u>	<u>(367)</u>	<u>(2,116)</u>
Gross deferred tax assets at 31 December 2023	8,894	27	8,921
Deferred tax (charged)/credited to profit or loss during the year	<u>(1,348)</u>	<u>1</u>	<u>(1,347)</u>
Gross deferred tax assets at 31 December 2024	7,546	28	7,574
Deferred tax charged to profit or loss during the period	<u>(1,060)</u>	<u>(27)</u>	<u>(1,087)</u>
Gross deferred tax assets at 30 June 2025	<u><u>6,486</u></u>	<u><u>1</u></u>	<u><u>6,487</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

	Fair value adjustment arising from financial assets at FVTPL RMB’000	Right-of-use assets RMB’000	Total RMB’000
At 1 January 2022	2,360	12,699	15,059
Deferred tax credited to profit or loss during the year	<u>(1,966)</u>	<u>(2,056)</u>	<u>(4,022)</u>
Gross deferred tax liabilities at 31 December 2022	394	10,643	11,037
Deferred tax credited to profit or loss during the year	<u>(394)</u>	<u>(1,722)</u>	<u>(2,116)</u>
Gross deferred tax liabilities at 31 December 2023	–	8,921	8,921
Deferred tax credited to profit or loss during the year	<u>–</u>	<u>(1,347)</u>	<u>(1,347)</u>
Gross deferred tax liabilities at 31 December 2024	–	7,574	7,574
Deferred tax credited to profit or loss during the period	<u>–</u>	<u>(1,087)</u>	<u>(1,087)</u>
Gross deferred tax liabilities at 30 June 2025	<u>–</u>	<u>6,487</u>	<u>6,487</u>

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	–	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	–	–

APPENDIX I

ACCOUNTANTS’ REPORT

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

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Tax losses	536,555	692,553	758,223	677,832
Deductible temporary differences	212,862	190,655	188,138	163,730
Total	749,417	883,208	946,361	841,562

The Group has tax losses arising in Mainland China of RMB517,457,000, RMB668,385,000, RMB733,492,000 and RMB649,322,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively, that will expire in five to ten years for offsetting against future taxable profits.

The Group has tax losses arising in Germany of EUR2,927,000, EUR3,089,000, EUR3,301,000 and EUR3,393,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the company in which the loss arose.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

The Company has tax losses arising in Mainland China of RMB502,150,000, RMB652,758,000, RMB714,387,000 and RMB629,680,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively, that will expire in five to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. INVENTORIES

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Raw materials	74,636	80,350	76,590	78,391
Work in progress	112,631	223,395	129,048	153,777
Finished goods	39,113	97,573	65,523	67,219
Goods in transit*	325,014	261,479	263,688	44,278
	551,394	662,797	534,849	343,665
Less: provision for impairment losses on inventories	(107,935)	(74,249)	(48,754)	(40,954)
Total	443,459	588,548	486,095	302,711

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Raw materials	74,461	70,104	68,062	69,306
Work in progress	96,202	201,297	110,880	135,137
Finished goods	39,113	96,766	63,961	65,638
Goods in transit*	324,977	261,281	263,480	44,189
	<u>534,753</u>	<u>629,448</u>	<u>506,383</u>	<u>314,270</u>
Less: provision for impairment losses on inventories	<u>(104,138)</u>	<u>(70,228)</u>	<u>(44,904)</u>	<u>(40,954)</u>
Total	<u>430,615</u>	<u>559,220</u>	<u>461,479</u>	<u>273,316</u>

* Refers to finished products which have passed pre-acceptance testing by the customer or internal testing when pre-acceptance testing by the customer is not required, and are in the process of transit to or assembly at the site of the customer, yet to pass final acceptance.

Inventories are expected to be completed within the normal operating cycle, recovered after more than one year from the end of the Relevant Periods.

The movements in provision

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Carrying amount at 1 January	62,380	107,935	74,249	48,754
Impairment losses recognised (note 6)	46,195	6,532	5,290	5,388
Amounts written off for inventories sold	(811)	(40,442)	(30,614)	(13,361)
Exchange realignment	<u>171</u>	<u>224</u>	<u>(171)</u>	<u>173</u>
Carrying amount at 31 December/30 June	<u>107,935</u>	<u>74,249</u>	<u>48,754</u>	<u>40,954</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Carrying amount at 1 January	58,754	104,138	70,228	44,904
Impairment losses recognised	46,195	6,532	5,290	5,309
Amounts written off for inventories sold	(811)	(40,442)	(30,614)	(9,259)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount at 31 December/30 June	<u>104,138</u>	<u>70,228</u>	<u>44,904</u>	<u>40,954</u>

21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade receivables (i)	71,049	97,659	58,364	168,407
Commercial acceptance bills receivable (ii)	5,979	6,480	6,998	1,111
Bank acceptance notes (iii)	7,660	4,875	9,156	7,657
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Impairment losses	84,688	109,014	74,518	177,175
	<u>(2,706)</u>	<u>(11,228)</u>	<u>(14,508)</u>	<u>(19,441)</u>
Net carrying amount	<u>81,982</u>	<u>97,786</u>	<u>60,010</u>	<u>157,734</u>

The Group’s trading terms with its customers are mainly based on payments as scheduled. The Group’s credit terms vary among different customers. Credit term is negotiated and agreed with each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) An ageing analysis of the Group’s trade receivables, based on the date that the Group has an unconditional right to receive consideration from the customers and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
Within 1 year	44,918	49,128	39,914	131,073
1 to 2 years	1,246	24,746	486	16,707
2 to 3 years	1,737	–	3,228	338
3 to 4 years	12,530	59	–	859
4 to 5 years	7,753	12,300	59	–
Over 5 years	249	252	252	–
Total	68,433	86,485	43,939	148,977

The movements in the impairment losses on trade receivables are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
At beginning of year/period	916	2,616	11,174	14,425
Impairment losses, net	1,700	8,558	3,251	5,005
At end of year/period	2,616	11,174	14,425	19,430

Except for debtors with credit impairment, the Group determines the ECLs on those items on a collective basis, grouped by debtors’ credit ratings which were derived from external or industry features, and adjusted for forward-looking factors specific to the economic environment.

As part of the Group’s credit risk management, except for the debtors’ external credit ratings, the Group considers industry features for its customers in relation to its business operation and historical status of payments. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECLs (not credit-impaired) as at 31 December 2022, 2023 and 2024 and 30 June 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

	As at 31 December									As at 30 June		
	2022			2023			2024			2025		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses
	RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000	
Individual assessment	-	-	-	100.00%	8,355	8,355	100.00%	12,942	12,942	100.00%	14,717	14,717
Collective approach												
External credit ratings:												
Baa1-B3	-	-	-	-	-	-	1.68%	20,390	342	1.91%	20,650	394
Industry:												
Aerospace & defense	2.68%	47,741	1,281	3.03%	47,466	1,439	2.20%	6,605	145	1.77%	21,999	389
Other industries	5.73%	23,308	1,335	3.30%	41,838	1,380	3.15%	18,427	996	3.54%	111,041	3,930
Total		<u>71,049</u>	<u>2,616</u>		<u>97,659</u>	<u>11,174</u>		<u>58,364</u>	<u>14,425</u>		<u>168,407</u>	<u>19,430</u>

- (ii) An ageing analysis of the Group’s commercial acceptance bills receivable, based on the date of receipt of the bills and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
Within 1 year	<u>5,889</u>	<u>6,426</u>	<u>6,915</u>	<u>1,100</u>

The movements in the impairment losses on commercial acceptance bills receivable are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
At beginning of year/period	10	90	54	83
Impairment losses, net	<u>80</u>	<u>(36)</u>	<u>29</u>	<u>(72)</u>
At end of year/period	<u>90</u>	<u>54</u>	<u>83</u>	<u>11</u>

The Group’s bills receivable aged within six months and were not past due.

- (iii) Bank acceptance bills receivable are considered as having very low credit risk and the loss allowance is assessed to be minimal.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade receivables (i)	71,048	97,098	57,826	167,807
Commercial acceptance bills receivable (ii)	5,979	6,480	6,998	911
Bank acceptance notes	7,660	4,875	6,062	6,470
	<u>84,687</u>	<u>108,453</u>	<u>70,886</u>	<u>175,188</u>
Impairment losses	(2,706)	(11,200)	(14,456)	(19,378)
Net carrying amount	<u>81,981</u>	<u>97,253</u>	<u>56,430</u>	<u>155,810</u>

- (i) An ageing analysis of the Company’s trade receivables, based on the date that the Company has an unconditional right to receive consideration from the customers and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Within 1 year	44,918	48,595	39,914	131,073
1 to 2 years	1,245	24,746	–	16,165
2 to 3 years	1,737	–	3,228	338
3 to 4 years	12,530	59	–	859
4 to 5 years	7,753	12,300	59	–
Over 5 years	249	252	252	–
Total	<u>68,432</u>	<u>85,952</u>	<u>43,453</u>	<u>148,435</u>

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

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
At beginning of year/period	916	2,616	11,146	14,373
Impairment losses, net	1,700	8,530	3,227	4,999
At end of year/period	<u>2,616</u>	<u>11,146</u>	<u>14,373</u>	<u>19,372</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix:

	2022			2023			2024			2025		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses
		RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000
Individual assessment	-	-	-	100.00%	8,355	8,355	100.00%	12,942	12,942	100%	14,717	14,717
Collective approach												
External credit ratings:												
Baa1-B3	-	-	-	-	-	-	1.68%	20,390	342	1.91%	20,650	394
Industry:												
Aerospace & defense	2.68%	47,741	1,281	3.03%	47,466	1,439	2.20%	6,605	145	1.77%	21,999	389
Other industries	5.73%	23,307	1,335	3.28%	41,277	1,352	5.28%	17,889	944	3.56%	110,441	3,872
Total		71,048	2,616		97,098	11,146		57,826	14,373		167,807	19,372

- (ii) An ageing analysis of the Company’s commercial acceptance bills receivable, based on the date of receipt of the bills and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	5,889	6,426	6,915	905

The movements in the loss allowance for impairment of commercial acceptance bills receivable are as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
At beginning of year/period	10	90	54	83
Impairment losses, net	80	(36)	29	(77)
At end of year/period	90	54	83	6

APPENDIX I

ACCOUNTANTS’ REPORT

22. CONTRACT ASSETS

The Group and the Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Contract assets arising from:				RMB'000
Sales of CNC machine tools	7,585	18,008	38,460	22,322
Impairment	(149)	(467)	(1,209)	(606)
Total	<u>7,436</u>	<u>17,541</u>	<u>37,251</u>	<u>21,716</u>

Contract assets from related parties are disclosed in note 36.

Contract assets are initially recognised for revenue earned from the sales of CNC machine tools related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Within one year	7,436	10,454	24,393	14,151
After one year	–	7,087	12,858	7,565
Total	<u>7,436</u>	<u>17,541</u>	<u>37,251</u>	<u>21,716</u>

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
At beginning of year/period	1,500	149	467	1,209
Impairment losses, net (note 6)	(1,351)	318	742	(603)
Total	<u>149</u>	<u>467</u>	<u>1,209</u>	<u>606</u>

Except for debtors with credit-impairment, the Group determines the ECLs on those items on a collective basis, grouped by debtors’ credit ratings which derived from external or industry features, and adjusted for forward-looking factors specific to the economic environment.

APPENDIX I

ACCOUNTANTS’ REPORT

As part of the Group’s credit risk management, except for the debtors’ external credit ratings, the Group considers industry features for its customers in relation to its business operation and historical status of payments. The following table provides information about the exposure to credit risk for contract assets which are assessed on a collective basis within lifetime ECLs (not credit-impaired) as at 31 December 2022, 2023 and 2024 and 30 June 2025.

Set out below is the information about the credit risk exposure on the Group’s contract assets using a provision matrix:

	As at 31 December						As at 30 June					
	2022			2023			2024			2025		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses
	RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000	
Collective approach												
External credit ratings:												
Baa1–B3	-	-	-	1.10%	3,900	43	2.21%	2,848	63	1.59%	2,198	35
Industry:												
Aerospace & defense	1.83%	7,120	130	1.38%	3,839	53	1.67%	11,406	190	2.11%	11,284	238
Other industries	4.09%	465	19	3.61%	10,269	371	3.95%	24,206	956	3.77%	8,840	333
Total		<u>7,585</u>	<u>149</u>		<u>18,008</u>	<u>467</u>		<u>38,460</u>	<u>1,209</u>		<u>22,322</u>	<u>606</u>

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
Non-current:				
Prepayments for long-term assets	-	747	1,882	1,732
Current:				
Deposits	8,182	27,246	11,975	13,592
Prepayments to suppliers	53,180	32,921	10,784	12,314
Other tax recoverable	42	12,810	4,721	10,353
Advances to employees	602	833	674	1,258
Prepaid expenses	917	822	1,029	1,846
[REDACTED] fee	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	<u>62,923</u>	<u>74,632</u>	<u>29,183</u>	<u>40,729</u>
Impairment allowance	<u>(109)</u>	<u>(204)</u>	<u>(142)</u>	<u>(156)</u>
Total	<u>62,814</u>	<u>75,175</u>	<u>30,923</u>	<u>42,305</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

The Group performs impairment assessment under the ECL model on other receivables and deposits, which are subject to impairment assessment under IFRS 9. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Prepayments for long-term assets	–	219	150	–
Current:				
Deposits	8,182	27,005	11,482	12,002
Prepayments to suppliers	53,180	31,477	9,750	10,581
Other tax recoverable	–	11,417	–	36
Advances to employees	597	833	673	1,537
Due from subsidiaries	35,711	38,801	43,402	65,020
Prepaid expenses	356	447	767	1,253
[REDACTED] fee	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	98,026	109,980	66,074	91,795
Impairment allowance	(109)	(192)	(110)	(4,612)
Total	97,917	110,007	66,114	87,183

APPENDIX I

ACCOUNTANTS’ REPORT

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Cash and bank balances	364,035	162,608	143,889	122,655
Less: Restricted cash:				
Pledged for letters of performance guarantee	(8,361)	(6,393)	(9,057)	(8,241)
Pledged for bank acceptance bills	(8,851)	(7,829)	(1,294)	(2,951)
	<u>346,823</u>	<u>148,386</u>	<u>133,538</u>	<u>111,463</u>

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Cash and cash equivalents				
Denominated in RMB	346,628	148,018	133,532	107,106
Denominated in EUR	195	368	6	4,357
	<u>346,823</u>	<u>148,386</u>	<u>133,538</u>	<u>111,463</u>
Total	<u>346,823</u>	<u>148,386</u>	<u>133,538</u>	<u>111,463</u>
Restricted cash denominated in RMB	<u>17,212</u>	<u>14,222</u>	<u>10,351</u>	<u>11,192</u>

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Cash and cash equivalents				
Denominated in RMB	315,855	145,043	130,973	83,080
	<u>315,855</u>	<u>145,043</u>	<u>130,973</u>	<u>83,080</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group and the Company have assessed the credit risk of cash and cash equivalents and restricted cash to be minimal as they were placed in reputable financial institutions.

APPENDIX I

ACCOUNTANTS’ REPORT

25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date and accrual date, is as follows:

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
Within 1 year	189,454	224,343	129,205	94,204
1 to 2 years	339	2,361	14,721	12,808
2 to 3 years	941	305	1,397	1,352
3 to 4 years	2,056	481	250	587
4 to 5 years	464	239	389	350
Over 5 years	498	700	764	593
	<u>193,752</u>	<u>228,429</u>	<u>146,726</u>	<u>109,894</u>
Total	<u>193,752</u>	<u>228,429</u>	<u>146,726</u>	<u>109,894</u>

The trade payables are non-interest-bearing and are normally settled within 30 to 120 days upon receipt of the VAT invoice.

The financial liabilities that are part of the Group’s supplier finance arrangements included in trade payables are normally settled on 120-day terms.

The Group has established supplier finance arrangements that are offered to some of the Group’s key suppliers in Mainland China. Participation in the arrangements is at the suppliers’ own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group’s external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. Mr. Wang Yuhan provides a guarantee to the finance provider.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables.

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:				
Trade and bills payables	–	9,000	10,262	–
Of which suppliers have received payments	–	8,870	10,113	–
	<u>–</u>	<u>8,870</u>	<u>10,113</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For financial liabilities that are part of the supplier finance arrangements included in trade and bills payables, there were no significant non-cash changes in the carrying amounts of these financial liabilities.

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Within 1 year	188,327	189,038	110,758	68,391
1 to 2 years	339	1,426	8,707	3,583
2 to 3 years	941	305	502	1,344
3 to 4 years	2,056	481	250	587
4 to 5 years	464	239	389	350
Over 5 years	498	700	764	593
	<u>192,625</u>	<u>192,189</u>	<u>121,370</u>	<u>74,848</u>

26. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Payroll and welfare payable	24,061	19,621	23,678	14,361
Due to non-controlling shareholders of a subsidiary	10,828	11,062	10,771	12,070
Other tax payables	25,483	6	2,028	5,033
Deposits	1,200	1,400	1,200	7,900
Accrued expenses	1,892	5,489	5,618	16,640
Others	9,314	1,391	2,274	2,051
	<u>72,778</u>	<u>38,969</u>	<u>45,569</u>	<u>58,055</u>

Except for the principal amounts of EUR1,325,000 due to a non-controlling shareholder of a subsidiary that bears interest at rates of 1% to 2.5%, other payables and accruals are non-interest-bearing, unsecured and payable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Payroll and welfare payable	23,806	19,244	23,218	14,127
Other tax payables	25,423	–	2,028	4,927
Deposits	1,200	1,200	1,200	6,700
Accrued expenses	1,148	5,145	5,292	15,593
Due to subsidiaries	20,000	70,845	61,858	50,000
Others	9,314	1,364	2,232	2,026
	<u>80,891</u>	<u>97,798</u>	<u>95,828</u>	<u>93,373</u>

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

27. CONTRACT LIABILITIES

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
CNC machine tools	<u>645,084</u>	<u>573,397</u>	<u>341,779</u>	<u>90,293</u>

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
CNC machine tools	<u>631,350</u>	<u>558,983</u>	<u>327,976</u>	<u>81,050</u>

Contract liabilities from related parties are disclosed in note 36.

Contract liabilities represented advances received to deliver products and services.

Contract liabilities are expected to be recognised as revenue within normal operating cycle.

APPENDIX I

ACCOUNTANTS’ REPORT

28. INTEREST-BEARING BANK BORROWINGS

The Group

	31 December 2022		
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans – secured	2.80~4.20	2023	7,660
31 December 2023			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans – secured	LPR-55BP~LPR-30BP	2024	40,111
31 December 2024			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans – secured	LPR-55BP~LPR-5BP	2025	140,299
Current portion of long-term bank loans			4,022
Total – current			144,321
Non-current			
Bank loans – secured	LPR-75BP~LPR-55BP	2026-2029	42,088
Less: Current portion of long-term bank loans			(4,022)
Total – non-current			38,066
Total			182,387

APPENDIX I

ACCOUNTANTS’ REPORT

	30 June 2025			
	Effective interest rate (%)	Maturity		RMB’000
Current				
Bank loans – secured	LPR-55BP~LPR+40BP	2025–2026		185,126
Current portion of long-term bank loans				9,080
Total – current				194,206
Non-current				
Bank loans – secured	LPR-75BP~LPR-35BP	2026–2029		65,944
Less: Current portion of long-term bank loans				(9,080)
Total – non-current				56,864
Total				251,070

	As at 31 December			As at 30 June 2025
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed into:				
Bank loans repayable:				
Within one year	7,660	40,111	144,321	194,206
In the second year	–	–	8,000	16,000
In the third to fifth years, inclusive	–	–	30,066	40,864
Total	7,660	40,111	182,387	251,070

As at 31 December 2022, the Group’s borrowings of RMB7,660,000 were secured by bank acceptance notes.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group’s borrowings of nil, RMB40,111,000, RMB150,305,000 and RMB213,143,000, respectively, were guaranteed by Mr. Wang Yuhan solely.

As at 31 December 2024 and 30 June 2025, the Group’s borrowings of RMB32,082,000 and RMB36,926,000, respectively, were secured by the Group’s land use right with an aggregate carrying amount of approximately RMB8,121,000, and were guaranteed by Mr. Wang Yuhan.

As at 30 June 2025, the Group’s borrowings of RMB1,000,000 were secured by the Group’s land use right with an aggregate carrying amount of approximately RMB46,100,000.

Under the terms of the secured long-term bank loans of RMB10,000,000 with maturity date of 18 February 2028, the Company is required to comply with a financial covenant that the asset-liability ratio shall not be higher than 80% and the current ratio shall not be lower than 1.0. As of 30 June 2025, the Company was in compliance with the covenant under such credit agreement.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

31 December 2022			
	Effective	Maturity	RMB’000
	interest rate (%)		
Current			
Bank loans – secured	2.80~4.20	2023	<u>7,660</u>
31 December 2023			
	Effective	Maturity	RMB’000
	interest rate (%)		
Current			
Bank loans – secured	LPR-55BP~LPR-30BP	2024	<u>40,111</u>
31 December 2024			
	Effective	Maturity	RMB’000
	interest rate (%)		
Current			
Bank loans – secured	LPR-55BP~LPR-5BP	2025	140,299
Current portion of long-term bank loans			<u>4,006</u>
Total – current			144,305
Non-current			
Bank loans – secured	LPR-55BP	2026	10,006
Less: Current portion of long-term bank loans			<u>(4,006)</u>
Total – non-current			6,000
Total			<u>150,305</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	30 June 2025		
	Effective interest rate (%)	Maturity	<i>RMB’000</i>
Current			
Bank loans – secured	LPR-55BP~LPR+40BP	2025-2026	185,126
Current portion of long-term bank loans			9,017
Total – current			194,143
Non-current			
Bank loans – secured	LPR-65BP~LPR-35BP	2026-2028	29,017
Less: Current portion of long-term bank loans			(9,017)
Total - non-current			20,000
Total			214,143

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed into:				
Bank loans repayable:				
Within one year	7,660	40,111	144,305	194,143
In the second year	–	–	6,000	12,000
In the third to fifth years, inclusive	–	–	–	8,000
Total	7,660	40,111	150,305	214,143

As at 31 December 2022, the Company’s borrowings of RMB7,660,000 were secured by bank acceptance notes.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group’s borrowings of nil, RMB40,111,000, RMB150,305,000 and RMB213,143,000, respectively, were guaranteed by Mr. Wang Yuhan solely.

As at 30 June 2025, the Group’s borrowings of RMB1,000,000 were secured by the Group’s land use right with an aggregate carrying amount of approximately RMB46,100,000.

Under the terms of the secured long-term bank loans of RMB10,000,000 with maturity date of 18 February 2028, the Company is required to comply with a financial covenant that the asset-liability ratio shall not be higher than 80% and the current ratio shall not be lower than 1.0. As of 30 June 2025, the Company was in compliance with the covenant under such credit agreement.

APPENDIX I

ACCOUNTANTS’ REPORT

29. DEFERRED INCOME

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Non-current:				
Government grants				
Asset-related grants (a)	756	341	161	142
Reimbursement of future expenses (b)	1,200	4,200	2,350	4,936
	<u>1,956</u>	<u>4,541</u>	<u>2,511</u>	<u>5,078</u>
Subtotal	1,956	4,541	2,511	5,078
Current:				
Government grants				
Asset-related grants (a)	1,261	415	180	38
Reimbursement of future expenses (b)	2,700	1,687	9,150	10,900
	<u>3,961</u>	<u>2,102</u>	<u>9,330</u>	<u>10,938</u>
Subtotal	3,961	2,102	9,330	10,938
Total	<u><u>5,917</u></u>	<u><u>6,643</u></u>	<u><u>11,841</u></u>	<u><u>16,016</u></u>

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Non-current:				
Government grants				
Asset-related grants (a)	756	341	161	142
Reimbursement of future expenses (b)	1,200	4,200	2,350	4,825
	<u>1,956</u>	<u>4,541</u>	<u>2,511</u>	<u>4,967</u>
Subtotal	1,956	4,541	2,511	4,967
Current:				
Government grants				
Asset-related grants (a)	1,261	415	180	38
Reimbursement of future expenses (b)	2,700	1,687	9,150	10,900
	<u>3,961</u>	<u>2,102</u>	<u>9,330</u>	<u>10,938</u>
Subtotal	3,961	2,102	9,330	10,938
Total	<u><u>5,917</u></u>	<u><u>6,643</u></u>	<u><u>11,841</u></u>	<u><u>15,905</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

(a) *Asset-related grants*

The asset-related grants were the subsidies received from the government in relation to the Group’s property, plant and equipment.

(b) *Reimbursement of future expenses*

Government grants as reimbursement of future expenses were subsidies received in relation to the Group’s future research and development activities.

30. PROVISION

The Group and the Company

	Warranties <i>RMB’000</i>
At 1 January 2022	14,276
Additional provision (<i>note 6</i>)	3,380
Amounts utilised during the year	<u>(7,947)</u>
At 31 December 2022 and 1 January 2023	9,709
Additional provision (<i>note 6</i>)	8,935
Amounts utilised during the year	<u>(8,689)</u>
At 31 December 2023 and 1 January 2024	9,955
Additional provision (<i>note 6</i>)	13,697
Amounts utilised during the year	<u>(6,257)</u>
At 31 December 2024 and 1 January 2025	17,395
Additional provision (<i>note 6</i>)	11,117
Amounts utilised during the period	<u>(5,138)</u>
At 30 June 2025	<u><u>23,374</u></u>

The amount of the provision for the warranties is estimated based on sales and past experience of the level of repairs and maintenances. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

APPENDIX I

ACCOUNTANTS’ REPORT

31. SHARE CAPITAL

The Group and the Company

Shares

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Issued and fully paid:				
Share capital	34,013	34,395	34,395	34,395

Pursuant to the shareholders’ resolution dated 12 March 2022, shareholders of the Company agreed to increase the registered capital from RMB33,266,625 to RMB34,013,292 (34,013,292 shares with a nominal value of RMB1.00 each).

Pursuant to the shareholders’ resolution dated 5 December 2023, shareholders of the Company agreed to increase the registered capital from RMB34,013,292 to RMB34,395,179 (34,395,179 shares with a nominal value of RMB1.00 each).

Pursuant to the shareholders’ resolution dated 15 May 2025, each share of the Company with a par value of RMB1.00 was subdivided into ten shares with a par value of RMB0.10 each, resulting in 343,951,790 issued shares while maintaining the total registered capital at RMB34,395,179.

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

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
At 1 January	33,267	34,013	34,395	34,395
Shareholders’ capital injection	746	382	–	–
At 31 December/30 June	34,013	34,395	34,395	34,395

Pursuant to the share subscription agreements prior to the Relevant Periods and the shareholders agreement entered into on 4 May 2022 (collectively, the “Pre-[REDACTED] Investors Agreements”) with various pre-[REDACTED] Investors (collectively the “Pre-[REDACTED] Investors”), the Company issued ordinary shares with a total consideration of approximately RMB501,520,000 (collectively the “Pre-[REDACTED] Investments”). Pursuant to the Pre-[REDACTED] Investors Agreements, the [REDACTED] Investors were granted by the Company with special rights (“Special Rights”) which included redemption rights and liquidation preferences rights. No redemption rights of the Pre-[REDACTED] Investors were granted by Mr. Wang Yuhan.

There was no exercise of Special Rights granted by the Company throughout the Relevant Periods.

On 29 December 2022, the Company and the Pre-[REDACTED] Investors subsequently entered into a termination agreement (the “Termination Agreement”), agreeing that certain of the Special Rights granted by the Company to Pre-[REDACTED] investors, including redemption rights and liquidation preferences rights, have been irrecoverably terminated and shall be void ab initio. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the Termination Agreement, the directors considered that it is appropriate to present the Pre-[REDACTED] Investments as equity throughout the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

Since the Termination Agreement was entered into 29 December 2022, there was no financial impact on the consolidated statements of financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025.

Had the Special Rights granted by the Company to the Pre-[REDACTED] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the Termination Agreement, the finance costs associated with the redemption financial liabilities, the net profit for the year, basic and diluted earning per share would have been:

	2022
	<i>RMB’000</i>
Financial costs associated with the redemption financial liabilities	36,414
Total net loss	233,728
Basic and diluted loss per share	<u>0.68</u>

32. SHARE-BASED PAYMENTS

To provide incentives and rewards to eligible participants who contribute to the Group’s operations, the actual controller of the Company, Mr. Wang Yuhan, designed and established an employee shareholding platform for the Company to operate restricted share award schemes (collectively, the “Schemes”). Eligible participants of the Schemes, including members of senior management, mid-level managers and other employees of the Group, were determined by the board and approved by shareholders’ meeting. The actual controller of the Company acted as the general partner of the platform was obliged to repurchase the shares of the resigned eligible participants and then [REDACTED] these shares to other eligible participants.

On 22 November 2018, 420,000 shares were granted to eligible participants (the “Scheme 1”) through the employee shareholding platform of the Schemes. Pursuant to the shareholders’ resolution dated 20 December 2018, shareholders of the Company agreed to convert the share premium to share capital. After this conversion, the original 420,000 shares increased to 662,461 shares. These shares were granted at a subscription price of RMB6.78 per share. The grant date fair value of the shares of the Scheme was RMB29.22 per share which was determined based on investors’ recent capital injection price.

On 29 December 2023, the Company granted 299,680 shares to eligible participants (the “Scheme 2”) at a subscription price of RMB80.00 per share. The grant date fair value of the shares of the Scheme was RMB90.00 per share which was determined based on investors’ recent capital injection price.

The shares held by the employee shareholding platform of the Scheme will be vested at service periods of 5 years or [REDACTED] and [REDACTED], whichever occurs later.

APPENDIX I

ACCOUNTANTS’ REPORT

Movements in the number of awarded shares granted and the respective weighted average grant date fair values were as follows:

	2022		As at 31 December 2023		2024		As at 30 June 2025	
	Weighted average grant date fair value RMB	Number of shares	Weighted average grant date fair value RMB	Number of shares	Weighted average grant date fair value RMB	Number of shares	Weighted average grant date fair value RMB	Number of shares
	At 1 January	29.22	572,553	29.22	372,245	56.72	662,461	56.72
Granted during the year/period	-	-	90.00	299,680	-	-	-	-
Forfeited during the year/period	29.22	(200,308)	29.22	(9,464)	-	-	63.45	(50,551)
Effect of share split*	-	-	-	-	-	-	-	5,507,190
At 31 December/30 June	<u>29.22</u>	<u>372,245</u>	<u>56.72</u>	<u>662,461</u>	<u>56.72</u>	<u>662,461</u>	<u>5.61</u>	<u>6,119,100</u>

*Details of the share split are included in notes 31.

Share-based payment expenses relating to employees recognised for the Relevant Periods are as follows:

	As at 31 December			As at 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	853	822	2,877	1,438	466
Research and development expenses	(1,713)	216	3,235	1,618	1,676
Selling expenses	35	167	194	97	137
Cost of sales	68	86	183	92	131
Total	<u>(757)</u>	<u>1,291</u>	<u>6,489</u>	<u>3,245</u>	<u>2,410</u>

33. RESERVES

The Group

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

(i) *Share premium and other reserve*

The share premium and other reserve of the Group mainly represents the premium in issuing shares and the premium in acquisition of non-controlling interest.

(ii) *Exchange fluctuation reserve*

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 32 to the Historical Financial Information.

(iv) Specific reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to accumulated losses.

The Company

	Share premium and other reserve <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Specific reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2021 and 1 January 2022	385,805	6,873	6,199	(222,942)	175,935
Total comprehensive loss for the year	–	–	–	(182,902)	(182,902)
Share-based payments	–	(757)	–	–	(757)
Shareholders’ capital injection	118,863	–	–	–	118,863
Appropriation and utilisation of specific reserve	–	–	823	(823)	–
As at 31 December 2022 and 1 January 2023	504,668	6,116	7,022	(406,667)	111,139
Total comprehensive loss for the year	–	–	–	(55,772)	(55,772)
Share-based payments	–	1,291	–	–	1,291
Shareholders’ capital injection	63,209	–	–	–	63,209
Appropriation and utilisation of specific reserve	–	–	(552)	552	–
As at 31 December 2023 and 1 January 2024	567,877	7,407	6,470	(461,887)	119,867
Total comprehensive income for the year	–	–	–	14,480	14,480
Share-based payments	–	6,489	–	–	6,489
Shareholders’ contribution	21,683	–	–	–	21,683
Appropriation and utilisation of specific reserve	–	–	(451)	451	–
As at 31 December 2024 and 1 January 2025	589,560	13,896	6,019	(446,956)	162,519
Total comprehensive income for the period	–	–	–	85,404	85,404
Share-based payments	–	2,410	–	–	2,410
Appropriation and utilisation of specific reserve	–	–	(324)	324	–
As at 30 June 2025	<u>589,560</u>	<u>16,306</u>	<u>5,695</u>	<u>(361,228)</u>	<u>250,333</u>

APPENDIX I

ACCOUNTANTS’ REPORT

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB304,000, RMB1,496,000, RMB6,341,000, RMB6,341,000 and RMB186,000, respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Amount due to non- controlling shareholders <i>RMB'000</i>	[REDACTED] fee payable <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	–	124,077	10,172	[REDACTED]	134,249
Changes from financing cash flows	7,501	(16,416)	222	[REDACTED]	(8,693)
Exchange fluctuation	–	–	282	[REDACTED]	282
New leases	–	304	–	[REDACTED]	304
Interest expense	159	5,893	152	[REDACTED]	6,204
Lease term termination	–	(745)	–	[REDACTED]	(745)
At 31 December 2022	7,660	113,113	10,828	[REDACTED]	131,601
Changes from financing cash flows	40,000	(28,574)	(534)	[REDACTED]	10,892
Exchange fluctuation	–	–	604	[REDACTED]	604
New leases	–	1,496	–	[REDACTED]	1,496
Settlement with bills receivable	(7,660)	–	–	[REDACTED]	(7,660)
Interest expense	111	4,817	164	[REDACTED]	5,092
At 31 December 2023	40,111	90,852	11,062	[REDACTED]	142,025
Changes from financing cash flows	142,189	(31,484)	–	[REDACTED]	110,705
Exchange fluctuation	–	–	(457)	[REDACTED]	(457)
New leases	–	6,341	–	[REDACTED]	6,341
Interest expense	87	3,829	166	[REDACTED]	4,082
Lease term termination	–	(205)	–	[REDACTED]	(205)
At 31 December 2024	182,387	69,333	10,771	[REDACTED]	262,491
Changes from financing cash flows	68,674	(9,121)	–	[REDACTED]	59,553
Exchange fluctuation	–	–	1,214	[REDACTED]	1,214
New leases	–	186	–	[REDACTED]	186
Interest expense	9	1,404	85	[REDACTED]	1,498
Lease term termination	–	(554)	–	[REDACTED]	(554)
[REDACTED] fee	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
At 30 June 2025	251,070	61,248	12,070	[REDACTED]	325,079

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Total cash outflow for leases

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

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB'000	RMB'000	RMB'000	2024	2025
				(Unaudited)	
Within operating activities	8,598	7,288	6,498	3,510	2,627
Within financing activities	16,416	28,574	31,484	8,193	9,121
Total	<u>25,014</u>	<u>35,862</u>	<u>37,982</u>	<u>11,703</u>	<u>11,748</u>

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Contracted, but not provided for:				
Properties, plant and equipment	<u>993</u>	<u>623</u>	<u>2,827</u>	<u>5,861</u>

36. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties:

The Group

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB'000	RMB'000	RMB'000	2024	2025
				(Unaudited)	
An associate:					
Sales of goods or services					
Chengdu Chenfei	<u>–</u>	<u>*</u>	<u>129,635</u>	<u>128,115</u>	<u>84,703</u>

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

* CNC machine tools sales to Chengdu Chenfei were ordered by a third-party (mentioned as Customer Group C in note 4) amounting to RMB126,839,000 for the year ended 31 December 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Outstanding balances with related parties:

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
An associate:				
Trade-related:				
Contract liabilities:				
Chengdu Chenfei*	127,117	168,992	20,299	–
Trade-related:				
Contract assets:				
Chengdu Chenfei	–	–	8,375	5,488
Trade-related:				
Trade receivables:				
Chengdu Chenfei	–	–	–	79,713

(c) Other transactions with related parties:

The Group

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	
	RMB’000	RMB’000	RMB’000	2024	2025
				RMB’000	RMB’000
					(Unaudited)
Guarantees provided by a related party:					
Mr. Wang Yuhan	–	49,111	192,649	170,374	250,070

These guarantees from related parties [will be] released on or before the [REDACTED].

APPENDIX I

ACCOUNTANTS’ REPORT

(d) **Compensation of key management personnel of the Group**

	Year ended 31 December			Six months ended 30 June	
	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Fees	306	339	360	180	150
Salaries, bonuses, allowances and benefits in kind	5,903	4,650	3,731	1,911	1,462
Performance related bonuses	711	215	1,777	888	61
Share-based payments	172	172	821	409	68
Pension scheme contributions	691	588	597	295	235
Total compensation paid to key management personnel	<u>7,783</u>	<u>5,964</u>	<u>7,286</u>	<u>3,683</u>	<u>1,976</u>

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

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

Financial assets

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Financial assets at amortised cost				
Trade and bills receivables	81,482	92,911	55,958	154,948
Financial assets included in prepayments, other receivables and other assets	8,073	27,042	11,833	13,436
Restricted cash	17,212	14,222	10,351	11,192
Cash and cash equivalents	346,823	148,386	133,538	111,463
Subtotal	453,590	282,561	211,680	291,039
Financial assets at fair value through profit or loss				
Investments measured at fair value through profit or loss	18,877	11,619	–	–
Financial assets at fair value through other comprehensive income				
Bills receivables	500	4,875	4,052	2,786
Total	472,967	299,055	215,732	293,825

Financial liabilities

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Financial liabilities at amortised cost				
Trade and bills payables	193,752	228,429	146,726	109,894
Financial liabilities included in other payables and accruals	20,133	12,462	11,971	19,970
Lease liabilities	113,113	90,852	69,333	61,248
Interest-bearing bank and other borrowings	7,660	40,111	182,387	251,070
Total	334,658	371,854	410,417	442,182

For the details of Pre-[REDACTED] Investments, please refer to note 31 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

38. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with carrying amounts of nil, nil, RMB3,094,000 and RMB4,086,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, 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, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the Relevant Periods to which the suppliers have recourse were nil, nil, RMB3,094,000 and RMB4,086,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of nil, nil, RMB6,974,000 and RMB6,812,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognized from the Continuing Involvement, both during the years or cumulatively. The endorsement has been made evenly throughout the years.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and short-term interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

APPENDIX I

ACCOUNTANTS’ REPORT

The fair values of unlisted investments measured at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book (“P/B”) multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022, 2023, 2024 and 30 June 2025:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets				
Investments measured at fair value through profit or loss				
Unlisted equity investments	Market approach	Discount for lack of marketability (“DLOM”)	31 December 2022: 29.37%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB267,000
			31 December 2023: 16.07%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB138,000

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

The Group and the Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
Significant observable inputs (Level 2)				
Financial assets at fair value through other comprehensive income	500	4,875	4,052	2,786
	<u>500</u>	<u>4,875</u>	<u>4,052</u>	<u>2,786</u>
Significant observable inputs (Level 3)				
Investments measured at fair value through profit or loss	18,877	11,619	–	–
	<u>18,877</u>	<u>11,619</u>	<u>–</u>	<u>–</u>

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments, other than bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

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

Foreign currency risk

As the Group’s major businesses are in Mainland China, the majority of the transactions are conducted in RMB. Most of the Group’s assets and liabilities are denominated in RMB. The Group was not exposed to material foreign currency risk during the Relevant Periods.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific verification procedures.

APPENDIX I

ACCOUNTANTS’ REPORT

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on debtors’ external credit ratings and industry features, and year-end staging classification.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Trade and bills receivables*	–	–	–	84,688	84,688	
Contract assets*	–	–	–	7,585	7,585	
Financial assets included in prepayments, other receivables and other assets						
– Normal**	8,182	–	–	–	8,182	
Restricted cash						
– Not yet past due	17,212	–	–	–	17,212	
Cash and cash equivalents						
– Not yet past due	346,823	–	–	–	346,823	
Total	372,217	–	–	92,273	464,490	

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Trade and bills receivables*	–	–	–	109,014	109,014	
Contract assets*	–	–	–	18,008	18,008	
Financial assets included in prepayments, other receivables and other assets						
– Normal**	27,246	–	–	–	27,246	
Restricted cash						
– Not yet past due	14,222	–	–	–	14,222	
Cash and cash equivalents						
– Not yet past due	148,386	–	–	–	148,386	
Total	189,854	–	–	127,022	316,876	

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
Trade and bills receivables*	–	–	–		74,518	74,518
Contract assets*	–	–	–		38,460	38,460
Financial assets included in prepayments, other receivables and other assets						
– Normal**	11,975	–	–		–	11,975
Restricted cash						
– Not yet past due	10,351	–	–		–	10,351
Cash and cash equivalents						
– Not yet past due	133,538	–	–		–	133,538
Total	155,864	–	–		112,978	268,842

As at 30 June 2025

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
Trade and bills receivables*	–	–	–		177,175	177,175
Contract assets*	–	–	–		22,322	22,322
Financial assets included in prepayments, other receivables and other assets						
– Normal**	13,592	–	–		–	13,592
Restricted cash						
– Not yet past due	11,192	–	–		–	11,192
Cash and cash equivalents						
– Not yet past due	111,463	–	–		–	111,463
Total	136,247	–	–		199,497	335,744

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 and note 22.

APPENDIX I

ACCOUNTANTS’ REPORT

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

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group’s financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 3 years RMB’000	Between 3 and 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
31 December 2022						
Interest-bearing bank and other borrowings	7,660	–	–	–	–	7,660
Lease liabilities	37,195	27,140	17,542	28,727	18,673	129,277
Trade and bills payables	193,752	–	–	–	–	193,752
Financial liabilities included in other payables	20,133	–	–	–	–	20,133
Total	258,740	27,140	17,542	28,727	18,673	350,822
	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 3 years RMB’000	Between 3 and 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
31 December 2023						
Interest-bearing bank and other borrowings	40,932	–	–	–	–	40,932
Lease liabilities	36,103	17,580	14,364	29,266	3,770	101,083
Trade and bills payables	228,429	–	–	–	–	228,429
Financial liabilities included in other payables	12,462	–	–	–	–	12,462
Total	317,926	17,580	14,364	29,266	3,770	382,906

APPENDIX I

ACCOUNTANTS’ REPORT

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2024						
Interest-bearing bank and other borrowings	147,565	9,253	7,937	23,813	–	188,568
Lease liabilities	26,166	14,364	14,364	18,673	–	73,567
Trade and bills payables	146,726	–	–	–	–	146,726
Financial liabilities included in other payables	11,971	–	–	–	–	11,971
Total	332,428	23,617	22,301	42,486	–	420,832

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
30 June 2025						
Interest-bearing bank and other borrowings	199,427	17,720	19,187	23,393	–	259,727
Lease liabilities	26,030	14,436	14,543	11,311	–	66,320
Trade and bills payables	109,894	–	–	–	–	109,894
Financial liabilities included in other payables	19,970	–	–	–	–	19,970
Total	355,321	32,156	33,730	34,704	–	455,911

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade and bills payables	193,752	228,429	146,726	109,894
Other payables and accruals	72,778	38,969	45,569	58,055
Interest-bearing bank and other borrowings	7,660	40,111	182,387	251,070
Lease liabilities	113,113	90,852	69,333	61,248
Less: Cash and cash equivalents	(346,823)	(148,386)	(133,538)	(111,463)
Net debt	<u>40,480</u>	<u>249,975</u>	<u>310,477</u>	<u>368,804</u>
Equity attributable to owners of the parent	<u>133,892</u>	<u>137,453</u>	<u>174,985</u>	<u>270,855</u>
Capital and net debt	<u>174,372</u>	<u>387,428</u>	<u>485,462</u>	<u>639,659</u>
Gearing ratio	<u>23%</u>	<u>65%</u>	<u>64%</u>	<u>58%</u>

41. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events for which disclosures or adjustments are required after the end of the Relevant Periods.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2025.