

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOSIN GLOBAL ELECTRONICS CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of HOSIN Global Electronics Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-120, which comprises the consolidated statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023 and 2024 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group as at 31 December 2023 and 2024 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-120 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the [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 2023 and 2024 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 financial information

We have reviewed the interim financial information of the Group 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 the nine months ended 30 September 2024 and 2025, and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2025 and other explanatory information (the “**Interim Financial Information**”).

APPENDIX I

ACCOUNTANTS' REPORT

The directors of the Company are responsible for the preparation of the Interim 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 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 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.

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-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information and the Interim Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods and the nine months ended 30 September 2024 and 2025.

[•]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

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

	<i>Notes</i>	Year ended 31 December		Nine months ended	
				30 September	
		2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	5	8,780,699	8,718,412	6,757,918	7,744,176
Cost of sales		(8,363,547)	(7,318,805)	(5,154,143)	(6,730,167)
Gross profit		417,152	1,399,607	1,603,775	1,014,009
Other income and gains	6	51,585	38,926	9,298	17,772
Selling and distribution expenses		(41,924)	(52,916)	(37,831)	(46,444)
Administrative expenses.		(161,960)	(148,063)	(100,474)	(130,350)
Research and development expenses		(282,563)	(392,182)	(304,928)	(354,939)
Impairment losses on financial assets, net . . .		(19,938)	(13,868)	(6,664)	7,215
Other expenses		(8,480)	(96,658)	(138,175)	(20,461)
Finance costs	8	(72,342)	(154,607)	(110,936)	(106,068)
Share of losses of an associate.		(13,059)	(11,654)	(7,132)	(2,071)
(LOSS)/PROFIT BEFORE TAX	7	(131,529)	568,585	906,933	378,663
Income tax expense	11	14,079	(85,712)	(135,369)	(27,992)
(LOSS)/PROFIT FOR THE					
YEAR/PERIOD		<u>(117,450)</u>	<u>482,873</u>	<u>771,564</u>	<u>350,671</u>
Attributable to:					
Owners of the parent		<u>(117,450)</u>	<u>482,873</u>	<u>771,564</u>	<u>350,671</u>
(LOSS)/EARNINGS PER SHARE					
ATTRIBUTABLE TO ORDINARY					
EQUITY HOLDERS OF THE PARENT. . .	13				
Basic (<i>RMB per share</i>)		<u>(0.28)</u>	<u>1.09</u>	<u>1.74</u>	<u>0.76</u>
Diluted (<i>RMB per share</i>)		<u>(0.28)</u>	<u>1.09</u>	<u>1.74</u>	<u>0.76</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
(LOSS)/PROFIT FOR THE YEAR/PERIOD	<u>(117,450)</u>	<u>482,873</u>	<u>771,564</u>	<u>350,671</u>
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations	<u>(14,136)</u>	<u>9,845</u>	<u>(11,448)</u>	<u>(26,313)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(14,136)</u>	<u>9,845</u>	<u>(11,448)</u>	<u>(26,313)</u>
Total comprehensive income/(loss) for the year/period, net of tax	<u>(131,586)</u>	<u>492,718</u>	<u>760,116</u>	<u>324,358</u>
Attributable to:				
Owners of the parent	<u>(131,586)</u>	<u>492,718</u>	<u>760,116</u>	<u>324,358</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		As at
		2023	2024	30 September
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
NON-CURRENT ASSETS				
Property, plant and equipment	14	59,677	100,365	98,723
Right-of-use assets	15	27,367	36,110	39,123
Goodwill	16	341,475	285,924	285,924
Other intangible assets	17	462,205	372,512	323,633
Investments in an associate	18	27,141	18,959	19,921
Deferred tax assets	28	179,216	154,431	117,684
Prepayments, other receivables and other assets	22	3,892	7,071	12,411
Total non-current assets		<u>1,100,973</u>	<u>975,372</u>	<u>897,419</u>
CURRENT ASSETS				
Inventories	20	2,548,171	3,949,776	5,147,450
Trade receivables	21	1,704,906	2,017,104	2,054,307
Prepayments, other receivables and other assets	22	260,070	397,128	267,972
Restricted bank deposits	23	—	15,000	17,204
Cash and cash equivalents	23	254,714	275,790	610,300
Total current assets		<u>4,767,861</u>	<u>6,654,798</u>	<u>8,097,233</u>
CURRENT LIABILITIES				
Trade payables	25	1,342,195	1,062,787	1,439,624
Contract liabilities	26	45,075	17,531	27,398
Other payables and accruals	27	131,025	214,061	198,603
Interest-bearing bank and other borrowings	24	2,224,812	3,604,530	3,294,367
Lease liabilities	15	12,797	16,789	15,934
Tax payable		—	97	133
Total current liabilities		<u>3,755,904</u>	<u>4,915,795</u>	<u>4,976,059</u>
NET CURRENT ASSETS		<u>1,011,957</u>	<u>1,739,003</u>	<u>3,121,174</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,112,930</u>	<u>2,714,375</u>	<u>4,018,593</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December		As at
		2023	2024	30 September
		<i>RMB’000</i>	<i>RMB’000</i>	2025
				<i>RMB’000</i> (Unaudited)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other				
borrowings	24	50,000	65,140	646,870
Lease liabilities	15	15,985	21,532	25,156
Deferred income		950	313	—
Deferred tax liabilities	28	52,461	36,731	28,405
Total non-current liabilities		119,396	123,716	700,431
Net assets		1,993,534	2,590,659	3,318,162
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	442,650	449,354	467,814
Reserves	31	1,550,884	2,141,305	2,850,348
		1,993,534	2,590,659	3,318,162
Non-controlling interests		—	—	—
Total equity		1,993,534	2,590,659	3,318,162

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						Total equity
	Share capital	Capital reserve	Share based	Other reserve	Exchange	Retained	
			payment		fluctuation	profits	
		reserve		reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 29)	(Note 31)	(Note 30)	(Note 31)	(Note 31)		
At 31 December 2022 and							
1 January 2023	406,233	1,914,956	44,208	5,411	25,422	(842,622)	1,553,608
Loss for the year	—	—	—	—	—	(117,450)	(117,450)
Other comprehensive income for the year:							
Exchange differences on translation of foreign							
operations	—	—	—	—	(14,136)	—	(14,136)
Total comprehensive loss for the year	—	—	—	—	(14,136)	(117,450)	(131,586)
Share-based payments (note 30)	—	—	85,765	—	—	—	85,765
Issue of shares	36,417	440,266	—	—	—	—	476,683
Share of capital reserves of an associate	—	—	—	2,064	—	—	2,064
Deemed capital contributions from a shareholder	—	7,000	—	—	—	—	7,000
At 31 December 2023	<u>442,650</u>	<u>2,362,222*</u>	<u>129,973*</u>	<u>7,475*</u>	<u>11,286*</u>	<u>(960,072)*</u>	<u>1,993,534</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Attributable to owners of the parent							Total equity
	Share capital	Capital reserve	Share based payment reserve	Other reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	
	RMB'000 (Note 29)	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	
At 31 December 2023 and								
1 January 2024	442,650	2,362,222	129,973	7,475	11,286	—	(960,072)	1,993,534
Profit for the year	—	—	—	—	—	—	482,873	482,873
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	—	9,845	—	—	9,845
Total comprehensive income for the year	—	—	—	—	9,845	—	482,873	492,718
Share-based payments (note 30).	—	—	67,742	—	—	—	—	67,742
Issue of shares	6,704	47,496	—	—	—	—	—	54,200
Recognition of redemption liabilities on ordinary shares	—	—	—	(30,000)	—	—	—	(30,000)
Share of capital reserves of an associate	—	—	—	3,465	—	—	—	3,465
Deemed capital contributions from a shareholder	—	9,000	—	—	—	—	—	9,000
Transferred from retained profits	—	—	—	—	—	49,097	(49,097)	—
At 31 December 2024	449,354	2,418,718*	197,715*	(19,060)*	21,131*	49,097*	(526,296)*	2,590,659

APPENDIX I

ACCOUNTANTS’ REPORT

Nine months ended 30 September 2025 (Unaudited)

	Attributable to owners of the parent							Total equity
	Share capital	Capital reserve	Share based payment reserve	Other reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	
	RMB'000 (Note 29)	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	
1 January 2025 (audited)	449,354	2,418,718	197,715	(19,060)	21,131	49,097	(526,296)	2,590,659
Profit for the period (unaudited)	—	—	—	—	—	—	350,671	350,671
Other comprehensive income for the period (unaudited):								
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	(26,313)	—	—	(26,313)
Total comprehensive income for the period (unaudited)	—	—	—	—	(26,313)	—	350,671	324,358
Share-based payments (note 30) (unaudited)	—	—	54,238	—	—	—	—	54,238
Issue of shares (unaudited)	18,460	320,052	—	—	—	—	—	338,512
Share of capital reserves of an associate (unaudited)	—	—	—	3,037	—	—	—	3,037
Deemed capital contributions from a shareholder (unaudited)	—	7,358	—	—	—	—	—	7,358
At 30 September 2025 (unaudited)	<u>467,814</u>	<u>2,746,128*</u>	<u>251,953*</u>	<u>(16,023)*</u>	<u>(5,182)*</u>	<u>49,097*</u>	<u>(175,625)*</u>	<u>3,318,162</u>

* The reserve accounts comprise the consolidated reserves of RMB1,550,884,000, RMB2,141,305,000 and RMB2,850,348,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 30 September 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

Nine months ended 30 September 2024 (Unaudited)

	Attributable to owners of the parent						Total equity
	Share capital	Capital reserve	Share based payment		Exchange fluctuation reserve	Retained profits	
			reserve	Other reserve			
	RMB'000 (Note 29)	RMB'000 (Note 31)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000
At 31 December 2023 and							
1 January 2024 (audited)	442,650	2,362,222	129,973	7,475	11,286	(960,072)	1,993,534
Profit for the period (unaudited)	—	—	—	—	—	771,564	771,564
Other comprehensive income for the period (unaudited):							
Exchange differences on translation of foreign operations (unaudited).	—	—	—	—	(11,448)	—	(11,448)
Total comprehensive income for the period (unaudited).	—	—	—	—	(11,448)	771,564	760,116
Share-based payments (unaudited)	—	—	46,193	—	—	—	46,193
Issue of shares (unaudited).	1,704	37,496	—	—	—	—	39,200
Share of capital reserves of an associate (unaudited) . .	—	—	—	3,020	—	—	3,020
Deemed capital contributions from shareholder (unaudited).	—	9,000	—	—	—	—	9,000
Recognition of redemption liabilities on ordinary shares	—	—	—	(30,000)	—	—	(30,000)
At 30 September 2024 (unaudited)	<u>444,354</u>	<u>2,408,718</u>	<u>176,166</u>	<u>(19,505)</u>	<u>(162)</u>	<u>(188,508)</u>	<u>2,821,063</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax		(131,529)	568,585	906,933	378,663
Adjustments for:					
Finance costs		72,342	154,607	110,936	106,068
Bank interest income	7	(851)	(560)	(442)	(2,214)
Investment income from financial assets at fair value through profit or loss.	7	(241)	—	—	—
Loss/(gain) on disposal of items of property, plant and equipment.	7	5	(447)	(447)	(96)
(Gain)/loss on disposal of right-of-use assets	7	(153)	66	66	116
Loss on disposal of other intangible assets	7	—	—	—	13
Depreciation of items of property, plant and equipment.	7	31,928	40,706	28,308	38,681
Impairment of items of other intangible assets	7	—	40,883	40,883	—
Impairment of goodwill	7	—	55,551	55,551	—
Amortisation of other intangible assets.	7	79,892	104,909	80,997	74,556
Depreciation of right-of-use assets	7	13,736	16,296	11,154	13,192
Share of losses of an associate.	7	13,059	11,654	7,132	2,071
Impairment/ (reversal of impairment) on trade receivables.	7	19,938	13,868	6,664	(7,215)
Write down of inventories to net realisable value	7	93,892	498,974	232,848	17,869
Realised loss on derivative instruments — transactions not qualifying as hedges	7	8,302	—	—	—
Equity-settled share-based payment		85,765	67,742	46,193	54,238
Gain on deemed disposal of investment in an associate.	6	(19,359)	—	—	—
Foreign exchange losses.		6,070	17,480	2,729	3,862
		<u>272,796</u>	<u>1,590,314</u>	<u>1,529,505</u>	<u>679,804</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		Nine months ended	
			30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Increase in inventories.	(547,542)	(1,900,579)	(2,128,849)	(1,215,543)
(Increase)/decrease in trade receivables	(1,375,255)	(326,066)	16,955	(29,988)
Decrease/(increase) in prepayments, other receivables and other assets	91,448	(74,129)	(98,870)	128,786
Increase/(decrease) in trade payables	589,760	(279,408)	(382,384)	376,837
(Decrease)/increase in other payables and accruals	(41,939)	33,321	(2,191)	9,714
Increase/(decrease) in contract liabilities.	13,914	(27,544)	(24,031)	9,867
Decrease in deferred income	(878)	(637)	(533)	(313)
Cash generated from operations	(997,696)	(984,728)	(1,090,398)	(40,836)
Income tax paid.	(51,399)	(137,857)	(137,835)	(217)
Interest received	851	560	442	2,214
Net cash flows used in operating activities	(1,048,244)	(1,122,025)	(1,227,791)	(38,839)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of financial assets at fair value through profit or loss.	67,020	—	—	—
Proceeds from settlement of derivative instruments	964	—	—	—
Purchases of items of property, plant and equipment	(38,636)	(76,466)	(64,039)	(43,172)
Purchases of items of intangible assets.	(39,192)	(53,512)	(45,219)	(36,244)
Proceeds from disposal of items of property, plant and equipment.	1,474	2,335	2,316	243
Net cash flows used in investing activities	(8,370)	(127,643)	(106,942)	(79,173)

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING					
ACTIVITIES					
Addition in other interest bearing payable . . .		—	14,492	11,093	—
Repayment of other interest bearing payable . . .		—	—	—	(14,809)
Addition in borrowings from related parties. . .	34	28,500	360,000	340,000	—
Repayment of borrowings to related parties . . .	34	(28,500)	(92,500)	(22,500)	(270,000)
Interest paid on related party borrowings . . .	34	(687)	(2,581)	(774)	(7,222)
New bank and other borrowings		2,495,252	4,320,143	3,150,108	3,957,498
Repayment of bank and other borrowings . . .		(1,687,545)	(3,199,267)	(1,891,968)	(3,397,260)
Interest paid on bank and other borrowings . .		(56,205)	(153,047)	(101,035)	(108,894)
Lease payments		(16,010)	(17,129)	(11,265)	(14,226)
Deemed capital contributions from a shareholder		7,000	9,000	9,000	7,358
Payment for [REDACTED]		—	—	—	[REDACTED]
Receipt of deposit of bank borrowings arising from discounted letters of credit		17,870	—	—	—
Payment of deposit of bank borrowings arising from discounted letters of credit. . .		—	(15,000)	—	(2,204)
Capital injection from shareholders		476,683	45,000	30,000	338,512
Prepayment received from an investor	27	9,200	—	—	—
Net cash flows from financing activities. . . .		<u>1,245,558</u>	<u>1,269,111</u>	<u>1,512,659</u>	<u>487,718</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>188,944</u>	<u>19,443</u>	<u>177,926</u>	<u>369,706</u>
Cash and cash equivalents at beginning of year/period		91,148	254,714	254,714	275,790
Effect of foreign exchange rate changes, net . .		(25,378)	1,633	(20,557)	(35,196)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u><u>254,714</u></u>	<u><u>275,790</u></u>	<u><u>412,083</u></u>	<u><u>610,300</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows.	23	<u>254,714</u>	<u>275,790</u>	<u>412,083</u>	<u>610,300</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		As at
		2023	2024	30 September
		RMB'000	RMB'000	2025
				RMB'000 (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	25,859	51,214	48,200
Right-of-use assets	15	9,422	9,525	10,794
Other intangible assets	17	21,193	48,095	41,671
Investments in subsidiaries	19	1,640,738	1,759,277	1,835,797
Deferred tax assets	28	67,534	17,749	40,878
Prepayments, other receivables and other assets	22	800	3,710	7,421
Total non-current assets		1,765,546	1,889,570	1,984,761
CURRENT ASSETS				
Inventories	20	747,061	933,671	1,942,873
Trade receivables	21	1,816,312	2,455,503	1,608,281
Prepayments, other receivables and other assets	22	116,045	1,661,646	2,583,098
Restricted bank deposits	23	—	15,000	17,204
Cash and cash equivalents	23	108,915	191,796	377,997
Total current assets		2,788,333	5,257,616	6,529,453
CURRENT LIABILITIES				
Trade payables	25	238,801	367,991	466,276
Contract liabilities	26	2,478	1,373	757
Other payables and accruals	27	165,031	258,476	257,845
Interest-bearing bank and other borrowings	24	1,376,559	2,805,566	3,056,709
Lease liabilities	15	4,607	6,688	6,261
Total current liabilities		1,787,476	3,440,094	3,787,848
NET CURRENT ASSETS		1,000,857	1,817,522	2,741,605
TOTAL ASSETS LESS CURRENT LIABILITIES		2,766,403	3,707,092	4,726,366
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	24	50,000	58,000	639,760
Lease liabilities	15	6,344	4,352	5,863
Total non-current liabilities		56,344	62,352	645,623
Net assets		2,710,059	3,644,740	4,080,743
EQUITY				
Share capital	29	442,650	449,354	467,814
Reserves	31	2,267,409	3,195,386	3,612,929
Total equity		2,710,059	3,644,740	4,080,743

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

HOSIN Global Electronics Co., Ltd. (深圳宏芯宇電子股份有限公司) (the “Company”) was incorporated as a joint stock company with limited liability under the Company Law of the PRC on 18 December 2018. The registered office address of the Company is Room 2501, 2401, 2301 and 1501, Block 2, Shenzhen Next-Generation Industrial Park, 136 Zhongkang Road, Meilin Sub-district, Meidu Community, Futian District, Shenzhen, Guangdong Province, PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively the “Group”) were primarily engaged in the design, research and development, manufacture and sale of semiconductor memory application products.

In the opinion of the directors, Mr. Wu, Ms. Wu Jiamin, Xinruilai, Hongxin Micro, Shenzhen Jubang, Hongxin Chuang, Hongxintai No. 2, Hosintai, Ningbo Zhaohan, Ningbo Zhaoxin and Hangzhou Feisuan will together constitute a group of the controlling shareholders of the Group as at the end of the Relevant Periods.

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

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hefei Kaimeng Technology Co., Ltd (合肥開夢科技有限責任公司*) (Note (a))	February 24, 2023 PRC/Chinese Mainland	RMB20,000,000	—	100	Research and development, design and sales of memory products
HOSIN Global (HK) Electronics Co., Limited (宏芯宇電子有限公司) (Note (b))	January 11, 2019 HONG KONG	USD8,050,000	100	—	Sales of memory products

* The English name of the entity registered in the PRC represents the best efforts made by the management of the Company to directly translate its Chinese name as it did not register any official English name.

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (a) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared in accordance with Accounting Standards for Business Enterprises Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions (“**PRC GAAP**”) issued by the Ministry of Finance, were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) and Shenzhen Yongbo Certified Public Accountants (深圳市永博會計師事務所(普通合夥)), certified public accountants registered in PRC, respectively.
- (b) The statutory financial statements of this entity for the year ended 31 December 2023 and 2024 prepared in accordance with HKFRS Accounting Standards were audited by Jointek Consultants Limited (駿德顧問有限公司), a certified public accounting firm registered in Hong Kong.

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 (“**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.

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

Basis of consolidation

The Historical Financial Information includes the financial information of the 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;

APPENDIX I

ACCOUNTANTS’ REPORT

- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following 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.

Annual Improvements to IFRS Accounting Standards — Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>

APPENDIX I

ACCOUNTANTS’ REPORT

Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

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

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

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. 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 statements of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group’s financial information.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investment in an associate

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 investment in an associate is 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group’s share of the post-acquisition results and other comprehensive income of an associate 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 an 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 the associate are eliminated to the extent of the Group’s

APPENDIX I

ACCOUNTANTS' REPORT

investment in the associate, 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 investment in an associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

APPENDIX I

ACCOUNTANTS’ REPORT

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

APPENDIX I

ACCOUNTANTS' REPORT

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the

APPENDIX I

ACCOUNTANTS' REPORT

time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

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;

APPENDIX I

ACCOUNTANTS' REPORT

- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Machine equipment	20.00%
Electronic equipment	33.33%
Transportation equipment	25.00%
Furniture and fixtures	33.33%
Leasehold improvement	Shorter of remaining lease terms and estimated useful lives

APPENDIX I

ACCOUNTANTS' REPORT

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized 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 Relevant Periods.

Intangible assets with definite useful lives are amortized on the straight-line basis over the following useful economic lives:

Software	13 to 60 months
Patents	10 to 12 years
IP licenses	13 to 60 months

Research and development expenses

All research expenses are charged to the consolidated statements of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset,

APPENDIX I

ACCOUNTANTS' REPORT

how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Plant and properties 2 to 5 years

(b) Lease liabilities

Lease liabilities are recognized 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

APPENDIX I

ACCOUNTANTS’ REPORT

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 recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

APPENDIX I

ACCOUNTANTS' REPORT

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

APPENDIX I

ACCOUNTANTS’ REPORT

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

APPENDIX I

ACCOUNTANTS' REPORT

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

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

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

APPENDIX I

ACCOUNTANTS' REPORT

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings.

Subsequent measurement

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

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

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

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

APPENDIX I

ACCOUNTANTS' REPORT

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

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.

APPENDIX I

ACCOUNTANTS' REPORT

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, 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 carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

APPENDIX I

ACCOUNTANTS' REPORT

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each or the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 each Relevant Periods.

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

Government grants

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

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

APPENDIX I

ACCOUNTANTS' REPORT

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.

(a) Sales of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products for export sales and acceptance of the products for domestic sales.

Some contracts for the sales of products provide customers with volume rebates, giving rise to variable consideration.

Rebates are offset against amounts payable by the customer. The most likely amount method is used to best estimate the variable consideration for the expected future rebates.

(b) Provision of technical services

Revenue from the provision of technical service is recognised over time, using the input method to determine the progress towards the complete satisfaction of the performance obligation, because the customer simultaneously receives and consumes the benefits provided by the Group.

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.

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).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates share option scheme and restricted share scheme 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 as consideration 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 on which they are granted. The fair value of restricted shares refers to the fair value of the underlying ordinary shares and the fair value of share options is determined using a binomial model. Further details are included in note 30 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

APPENDIX I

ACCOUNTANTS’ REPORT

end of each Relevant Periods 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

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

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

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

APPENDIX I

ACCOUNTANTS’ REPORT

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

Borrowing costs

All 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.

Events after the reporting period

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

Foreign currencies

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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 Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods 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 recognized 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 recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. 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.

APPENDIX I

ACCOUNTANTS' REPORT

Judgements

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

Recognition of income taxes and deferred tax assets

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

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

Research and development expenses

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

Principal versus agent considerations

The Group determines whether it is a principal or an agent in providing goods to customers. The Group is a principal and therefore records revenue on a gross basis if it controls promised goods before transferring the goods to the customer. Otherwise, the Group is an agent and records revenue as the net amount that it retains if its role is to arrange to provide the goods. To assess whether the Group controls the goods before they are transferred to the customer, the Group has

APPENDIX I

ACCOUNTANTS’ REPORT

considered various factors, including but not limited to whether the Group is (i) the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

Estimation uncertainty

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

Leases — Estimating the incremental borrowing rate (“IBR”)

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

Provision for expected credit losses on trade receivables

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

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and

APPENDIX I

ACCOUNTANTS' REPORT

forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the Historical Financial Information.

Provision against obsolete and slow-moving inventories

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

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 Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash

APPENDIX I

ACCOUNTANTS’ REPORT

flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16 to the Historical Financial Information.

Useful lives of intangible assets

The Group’s finite life intangible assets primarily included patents acquired in the business acquisitions. These intangible assets are amortized on a straight-line basis over their useful economic lives. Additional amortization is recognized if the estimated useful lives are different from the previous estimation. Useful lives are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

Fair value of share-based payments

The equity-settled share-based payments were estimated based on fair value of the awards as at the date of grant using the valuation model depending on the terms and conditions of the grant. This requires the Group to determine the most appropriate inputs to the valuation model and make assumptions about them. Further details are included in note 30 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group manages its business as a whole for the purpose of making decision on resource allocation and performance assessment, therefore, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Chinese Mainland*	1,824,779	1,264,609	603,101	2,663,038
Other countries/regions**	6,955,920	7,453,803	6,154,817	5,081,138
Total revenue	<u>8,780,699</u>	<u>8,718,412</u>	<u>6,757,918</u>	<u>7,744,176</u>

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

APPENDIX I

ACCOUNTANTS’ REPORT

* Chinese Mainland means the People’s Republic of China excluding Hong Kong, Macau and Taiwan.

** Other countries/regions mainly including Hong Kong.

(b) Non-current assets

All significant operating assets of the Group are located in Chinese Mainland. Accordingly, no geographical information of non-current assets is presented.

Information about a major customer

Revenue derived from a single customer which accounted for 10% or more of the Group’s total revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Customer A	1,836,063	1,840,103	1,389,127	1,489,179
Customer B	1,059,147	N/A*	N/A*	N/A*
Customer C	N/A*	2,914,783	2,583,415	N/A*
Customer D	N/A*	N/A*	N/A*	948,403

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

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Revenue from contracts with customers	<u>8,780,699</u>	<u>8,718,412</u>	<u>6,757,918</u>	<u>7,744,176</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Types of goods or services				
Sales of products	8,707,197	8,691,397	6,740,620	7,742,431
Provision of services	73,502	27,015	17,298	1,745
Total	<u>8,780,699</u>	<u>8,718,412</u>	<u>6,757,918</u>	<u>7,744,176</u>
Geographical markets				
Chinese Mainland	1,824,779	1,264,609	603,101	2,663,038
Other countries/regions	6,955,920	7,453,803	6,154,817	5,081,138
Total	<u>8,780,699</u>	<u>8,718,412</u>	<u>6,757,918</u>	<u>7,744,176</u>
Timing of revenue recognition				
Products transferred at a point in time	8,707,197	8,691,397	6,740,620	7,742,431
Services transferred over time	73,502	27,015	17,298	1,745
Total	<u>8,780,699</u>	<u>8,718,412</u>	<u>6,757,918</u>	<u>7,744,176</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows the amounts of revenue recognised in the current reporting periods that were included in the contract liabilities at the beginning of the reporting periods:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting periods:				
Sale of products	29,094	42,695	42,695	11,488

(b) Performance obligations

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

Sales of products

The performance obligation is satisfied upon the acceptance of delivered products and payment is mainly due within 30 to 120 days from delivery. Some contracts require advance payment before delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

Provision of services

The performance obligation of technical services is satisfied over time and the amount is billed on quarterly basis. The payment is generally due within 45 days after billing.

As the contracts with customers are rendered in a short period of time, which is generally less than one year, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

APPENDIX I

ACCOUNTANTS’ REPORT

6. OTHER INCOME AND GAINS

An analysis of other income and gains, net is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Other income				
Bank interest income	851	560	442	2,214
Investment income from financial assets at fair value through profit or loss	241	—	—	—
Government grants*	25,258	14,294	7,932	14,894
Total other income	26,350	14,854	8,374	17,108
Other gains				
Foreign exchange gains, net	5,405	22,725	—	—
Gain on deemed disposal of investment in an associate**	19,359	—	—	—
Gain on disposal of property, plant and equipment	—	447	447	96
Gain on disposal of right-of-use assets	153	—	—	—
Others	318	900	477	568
Total gains	25,235	24,072	924	664
Total other income and gains	51,585	38,926	9,298	17,772

* Government grants have been received from local government authorities as subsidies to the Group. There were no unfulfilled conditions or contingencies relating to these grants.

** In 2023, the Group’s interest in an associate was diluted as a result of the capital contribution from external investors to the associate, over which the Group still has significant influence. Accordingly, the Group accounts for the changes in its proportionate interest in the associate as a gain on deemed disposal.

APPENDIX I

ACCOUNTANTS’ REPORT

7. PROFIT BEFORE TAX

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

	<i>Notes</i>	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of inventories sold*		8,340,829	7,308,336	5,148,061	6,729,139
Cost of services provided		22,718	10,469	6,082	1,028
Write-down of inventories to net realisable value*		93,892	498,974	232,848	17,869
Depreciation of property, plant and equipment**	14	31,928	40,706	28,308	38,681
Depreciation of right-of-use assets**	15	13,736	16,296	11,154	13,192
Amortisation of other intangible assets **	17	79,892	104,909	80,997	74,556
Research and development expenses		282,563	392,182	304,928	354,939
Lease payments not included in the measurement of lease liabilities		4,590	3,379	2,734	3,352
Employee benefit expense (excluding directors’ and chief executive’s remuneration):					
Salaries and other benefits		241,490	337,508	236,733	301,511
Pension scheme contributions, social welfare and other welfare ***		40,169	56,415	40,043	53,755
Equity-settled share-based payments		26,304	54,808	35,365	47,595
Total		307,963	448,731	312,141	402,861
[REDACTED]		—	—	—	[REDACTED]
Auditors’ remuneration		1,120	719	64	29
Impairment losses on financial assets, net:					
Impairment/(reversal of impairment) on trade receivable	21	19,938	13,868	6,664	(7,215)
Total		19,938	13,868	6,664	(7,215)

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Nine months ended			
		Year ended 31 December		30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	(Unaudited)
Impairment of goodwill****	16	—	55,551	55,551	—
Impairment of other intangible assets****	17	—	40,883	40,883	—
Share of losses of an associate		(13,059)	(11,654)	(7,132)	(2,071)
Bank interest income	6	(851)	(560)	(442)	(2,214)
Investment income from financial assets at fair value through profit or loss	6	(241)	—	—	—
Realised loss on derivative instruments — transactions not qualifying as hedges		8,302	—	—	—
(Gain)/loss on disposal of items of property, plant and equipment****		5	(447)	(447)	(96)
Loss on disposal of other intangible assets****		—	—	—	13
(Gain)/loss on disposal of right-of-use assets****		(153)	66	66	116
Foreign exchange gains/(losses)		(5,405)	(22,725)	41,640	20,237
Government grants	6	(25,258)	(14,294)	(7,932)	(14,894)

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

** The depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets are included in “Cost of sales”, “Selling and distribution expenses”, “Administrative expenses” and “Research and development expenses” in profit or loss, respectively.

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

**** The amounts are included in “Other expenses” or “Other income and gains” in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Interest on bank and other borrowings	68,556	151,423	108,932	102,884
Interest on other payables (<i>note 27</i>) . .	—	315	125	150
Interest expenses on lease liabilities . .	1,508	1,552	1,016	1,220
Interest on redemption liabilities on ordinary shares (<i>note 27</i>)	—	1,317	863	1,346
Other finance cost	2,278	—	—	468
	<u>72,342</u>	<u>154,607</u>	<u>110,936</u>	<u>106,068</u>

APPENDIX I

ACCOUNTANTS’ REPORT

9. DIRECTORS’ AND SUPERVISORS’ REMUNERATION

The remuneration of each director and supervisor as recorded during the Relevant Periods and nine months ended 30 September 2024 and 2025, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 set out below:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Fees	—	—	—	—
Salaries, allowances and benefits in kind	3,960	4,974	3,733	3,808
Performance related bonuses	913	1,424	728	1,067
Pension scheme contributions	566	697	511	567
Share-based payments	59,461	12,933	10,828	6,643
Total	<u>64,900</u>	<u>20,028</u>	<u>15,800</u>	<u>12,085</u>

(a) Independent non-executive directors

Note:

Dr. Chu Dazhi, Dr. Gong Xiaofeng and Mr. Chan Kin Ho Philip were appointed as independent non-executive directors of the Company with effect from 30 October 2025.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Executive directors, director and supervisors

Year ended 31 December 2023	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payments	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
Mr. Wu Yisheng (<i>note (i)</i>)	951	312	101	55,689	57,053
Ms. Wu Jiamin (<i>note (ii)</i>).	205	34	49	—	288
Ms. Liang Qiyan (<i>note (iii)</i>)	633	210	76	1,512	2,431
Mr. Zhang Yun (<i>note (iv)</i>)	1,288	215	124	1,589	3,216
Non-executive directors					
Mr. Feng Shuixing (<i>note (v)</i>).	—	—	—	—	—
Mr. Cai Zhenhao (<i>note (vi)</i>)	—	—	—	—	—
Ms. Hong Ciwan (<i>note (vii)</i>)	—	—	—	—	—
Supervisors					
Mr. Sun Yu (<i>note (ix)</i>).	255	40	66	282	643
Mr. Huang Binghui (<i>note (x)</i>)	328	52	80	276	736
Ms. Su Jiabin (<i>note (xi)</i>)	—	—	—	—	—
Mr. Su Hang (<i>note (xii)</i>)	300	50	70	113	533
	<u>3,960</u>	<u>913</u>	<u>566</u>	<u>59,461</u>	<u>64,900</u>

Year ended 31 December 2024	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share- based payments	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
Mr. Wu Yisheng (<i>note (i)</i>)	946	624	103	5,919	7,592
Ms. Wu Jiamin (<i>note (ii)</i>).	218	34	55	—	307
Ms. Liang Qiyan (<i>note (iii)</i>)	846	280	103	3,264	4,493
Mr. Zhang Yun (<i>note (iv)</i>)	1,720	286	167	2,724	4,897
Non-Executive Director					
Mr. Feng Shuixing (<i>note (v)</i>).	—	—	—	—	—
Supervisors					
Mr. Sun Yu (<i>note (ix)</i>).	353	56	80	442	931
Mr. Huang Binghui (<i>note (x)</i>)	401	64	90	454	1,009
Mr. Su Hang (<i>note (xii)</i>)	490	80	99	130	799
	<u>4,974</u>	<u>1,424</u>	<u>697</u>	<u>12,933</u>	<u>20,028</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Nine months ended 30 September 2025	Salaries,	Performance	Pension	Share- based	Total
	allowances and benefits in kind	related bonuses	scheme contributions	payments	remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors					
Mr. Wu Yisheng (note (i))	707	468	83	—	1,258
Ms. Wu Jiamin (note (ii)).	164	25	44	240	473
Ms. Liang Qiyan (note (iii))	636	210	83	3,454	4,383
Mr. Zhang Yun (note (iv))	1,290	214	126	2,043	3,673
Non-Executive Directors					
Mr. Feng Shuixing (note (v)).	—	—	—	—	—
Mr. Cao Bin (note (viii))	—	—	—	—	—
Supervisors					
Mr. Sun Yu (note (ix)).	321	42	74	332	769
Mr. Huang Binghui (note (x))	302	48	76	435	861
Mr. Su Hang (note (xii))	388	60	81	139	668
	<u>3,808</u>	<u>1,067</u>	<u>567</u>	<u>6,643</u>	<u>12,085</u>

Nine months ended 30 September 2024	Salaries,	Performance	Pension	Share- based	Total
	allowances and benefits in kind	related bonuses	scheme contributions	payments	remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors					
Mr. Wu Yisheng (note (i))	711	234	76	5,919	6,940
Ms. Wu Jiamin (note (ii)).	164	25	41	—	230
Ms. Liang Qiyan (note (iii))	634	105	76	2,113	2,928
Mr. Zhang Yun (note (iv))	1,290	214	125	2,043	3,672
Non- Executive Director					
Mr. Feng Shuixing (note (v)).	—	—	—	—	—
Supervisors					
Mr. Sun Yu (note (ix)).	265	42	56	332	695
Mr. Huang Binghui (note (x))	301	48	65	324	738
Mr. Su Hang (note (xii))	368	60	72	97	597
	<u>3,733</u>	<u>728</u>	<u>511</u>	<u>10,828</u>	<u>15,800</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Mr. Wu Yisheng was appointed as an executive director of the Company with effect from 18 December 2018.
- (ii) Ms. Wu Jiamin was appointed as an executive director of the Company with effect from 18 December 2018.
- (iii) Ms. Liang Qiyan was appointed as an executive director of the Company with effect from 7 April 2023.
- (iv) Mr. Zhang Yun was appointed as an executive director of the Company with effect from 7 April 2023.
- (v) Mr. Feng Shuixing was appointed as a non-executive director of the Company with effect from 18 December 2018.
- (vi) Mr. Cai Zhenhao was appointed as a non-executive director of the Company with effect from 10 January 2019 and resigned on 7 April 2023.
- (vii) Ms. Hong Ciwan was appointed as a non-executive director of the Company with effect from 10 January 2019 and resigned on 7 April 2023.
- (viii) Mr. Cao Bin was appointed as a non-executive director of the Company with effect from 20 March 2025.
- (ix) Mr. Sun Yu was appointed as a supervisor of the Company with effect from 18 December 2018.
- (x) Mr. Huang Binghui was appointed as a supervisor of the Company with effect from 18 December 2018.
- (xi) Ms. Su Jiabin was appointed as a supervisor of the Company with effect from 18 December 2018 and resigned on 7 April 2023.
- (xii) Mr. Su Hang was appointed as a supervisor of the Company with effect from 7 April 2023.

During the Relevant Periods and nine months ended 30 September 2024 and 2025, share awards were granted to certain directors through share incentive platforms, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors’ remuneration disclosures.

No emoluments were paid by the Company to the directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office during the Relevant Periods and nine months ended 30 September 2024 and 2025.

Save for the disclosed above, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and nine months ended 30 September 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods and nine months ended 30 September 2024 and 2025 included 2, 3, 2, 2 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 3, 2, 3, 3 highest paid employees who are neither a director of the Group during the Relevant Periods and nine months ended 30 September 2024 and 2025 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Salaries, allowances and benefits in kind	4,637	3,425	4,241	3,655
Performance related bonuses	992	570	556	607
Pension scheme contributions	361	184	262	217
Share-based payments	4,116	12,500	7,882	18,417
Total	10,106	16,679	12,941	22,896

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
HK\$3,000,001 to HK\$3,500,000	1	—	1	1
HK\$3,500,001 to HK\$4,000,000	2	—	1	1
HK\$4,500,001 to HK\$5,000,000	—	1	—	—
HK\$7,000,001 to HK\$7,500,000	—	—	1	—
HK\$10,000,001 to HK\$10,500,000	—	1	—	—
HK\$15,000,001 to HK\$20,000,000	—	—	—	1
Total	3	2	3	3

APPENDIX I

ACCOUNTANTS’ REPORT

During the Relevant Periods and nine months ended 30 September 2024 and 2025, share awards were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and nine months ended 30 September 2024 and 2025 is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

11. INCOME TAX

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

(a) Chinese Mainland

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law (“**CIT Law**”) which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland which are granted tax concession and are taxed at preferential tax rates.

According to the Administrative Measures for Determination of High-tech Enterprises, which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation and became effective on January 1, 2016, an enterprise recognised as a High-tech Enterprises may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the CIT Law.

The Company was qualified as a High-tech Enterprises to enjoy a preferential income tax rate of 15% from 2023 to 2025.

Hefei Kaimeng Technology Co., Ltd was qualified as a High-tech Enterprises to enjoy a preferential income tax rate of 15% from 2024 to 2026.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Hong Kong

The income tax rate applicable to the Group’s subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax is 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HK\$2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%.

The major components of the income tax expense/(credit) for the year/period are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Current tax:	13,801	75,199	106,472	456
Deferred tax	(27,880)	10,513	28,897	27,536
Tax (credit)/charge for the year/period.	<u>(14,079)</u>	<u>85,712</u>	<u>135,369</u>	<u>27,992</u>

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
(Loss)/profit before tax	<u>(131,529)</u>	<u>568,585</u>	<u>906,933</u>	<u>378,663</u>
Tax at the applicable tax rate of 15% .	(19,729)	85,288	136,040	56,799
Effect of different tax rates enacted by local authorities	(1,711)	(19,987)	(15,868)	(639)
Additional deductible allowance for qualified research and development expenses	(48,927)	(62,421)	(50,637)	(57,551)
Income not subject to tax	(1)	—	—	—
Profits and losses attributable to an associate	(1,575)	2,913	1,783	518
Expenses not deductible for tax	14,677	21,315	17,398	8,264
Tax deduction	(2)	(22)	—	—
Tax losses utilised from previous periods.	—	(639)	(31)	(2,467)
Effect on opening deferred tax of decrease in rates	5,526	2,922	2,922	—
Effect of withholding tax	1,771	1,824	603	101
Deductible temporary difference and tax losses not recognised	<u>35,892</u>	<u>54,519</u>	<u>43,159</u>	<u>22,967</u>
Tax (credit)/charge at the Group’s effective rate	<u>(14,079)</u>	<u>85,712</u>	<u>135,369</u>	<u>27,992</u>

According to the Corporate Income Tax Law, the Company and its subsidiaries are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2022 to 31 December 2027.

APPENDIX I

ACCOUNTANTS’ REPORT

12. DIVIDENDS

No dividends had been paid or declared by the Company during the Relevant Periods and nine months ended 30 September 2024 and 2025.

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods and nine months ended 30 September 2024 and 2025.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/earnings			<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	<u>(117,450)</u>	<u>482,873</u>	<u>771,564</u>	<u>350,671</u>
	Number of shares			
	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Number of shares				
Weighted average number of ordinary shares in issue during the year/period, used in the basic earnings/(loss) per share calculation ('000)	<u>418,145</u>	<u>443,794</u>	<u>443,608</u>	<u>463,310</u>

APPENDIX I

ACCOUNTANTS’ REPORT

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machine equipment	Electronic equipment	Furniture and fixtures	Transportation equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	3,769	63,700	8,788	859	20,727	78	97,921
Accumulated depreciation	(126)	(29,777)	(5,728)	(374)	(8,206)	—	(44,211)
Net carrying amount.	<u>3,643</u>	<u>33,923</u>	<u>3,060</u>	<u>485</u>	<u>12,521</u>	<u>78</u>	<u>53,710</u>
At 1 January 2023, net of accumulated depreciation . . .	3,643	33,923	3,060	485	12,521	78	53,710
Additions.	5,801	28,234	109	—	1,260	3,906	39,310
Depreciation provided during the year	(1,390)	(20,819)	(1,664)	(215)	(7,840)	—	(31,928)
Disposals.	—	(1,330)	(149)	—	—	—	(1,479)
Transfer	—	45	—	—	3,906	(3,951)	—
Exchange realignment	—	45	6	—	13	—	64
At 31 December 2023, net of accumulated depreciation .	<u>8,054</u>	<u>40,098</u>	<u>1,362</u>	<u>270</u>	<u>9,860</u>	<u>33</u>	<u>59,677</u>
At 31 December 2023:							
Cost	9,570	86,339	8,134	859	25,932	33	130,867
Accumulated depreciation	(1,516)	(46,241)	(6,772)	(589)	(16,072)	—	(71,190)
Net carrying amount.	<u>8,054</u>	<u>40,098</u>	<u>1,362</u>	<u>270</u>	<u>9,860</u>	<u>33</u>	<u>59,677</u>
31 December 2024							
At 1 January 2024:							
Cost	9,570	86,339	8,134	859	25,932	33	130,867
Accumulated depreciation	(1,516)	(46,241)	(6,772)	(589)	(16,072)	—	(71,190)
Net carrying amount.	<u>8,054</u>	<u>40,098</u>	<u>1,362</u>	<u>270</u>	<u>9,860</u>	<u>33</u>	<u>59,677</u>
At 1 January 2024, net of accumulated depreciation . . .	8,054	40,098	1,362	270	9,860	33	59,677
Additions.	22,054	53,718	1,212	—	4,623	1,708	83,315
Depreciation provided during the year	(3,767)	(27,746)	(1,187)	(215)	(7,791)	—	(40,706)
Disposals.	—	(1,835)	(53)	—	—	—	(1,888)
Transfer	—	160	—	—	1,548	(1,708)	—
Exchange realignment	—	(36)	(1)	—	4	—	(33)
At 31 December 2024, net of accumulated depreciation .	<u>26,341</u>	<u>64,359</u>	<u>1,333</u>	<u>55</u>	<u>8,244</u>	<u>33</u>	<u>100,365</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machine equipment	Electronic equipment	Furniture and fixtures	Transportation equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024:							
Cost	31,625	127,092	7,653	859	32,057	33	199,319
Accumulated depreciation	(5,284)	(62,733)	(6,320)	(804)	(23,813)	—	(98,954)
Net carrying amount.	<u>26,341</u>	<u>64,359</u>	<u>1,333</u>	<u>55</u>	<u>8,244</u>	<u>33</u>	<u>100,365</u>
30 September 2025 (Unaudited)							
At 1 January 2025:							
Cost	31,625	127,092	7,653	859	32,057	33	199,319
Accumulated depreciation	(5,284)	(62,733)	(6,320)	(804)	(23,813)	—	(98,954)
Net carrying amount.	<u>26,341</u>	<u>64,359</u>	<u>1,333</u>	<u>55</u>	<u>8,244</u>	<u>33</u>	<u>100,365</u>
At 1 January 2025, net of accumulated depreciation . . .	26,341	64,359	1,333	55	8,244	33	100,365
Additions.	4,156	28,427	547	—	1,801	2,245	37,176
Depreciation provided during the period.	(4,830)	(29,216)	(543)	(55)	(4,037)	—	(38,681)
Disposals.	—	(112)	(11)	—	(24)	—	(147)
Transfer	—	181	—	—	—	(181)	—
Exchange realignment	—	11	1	—	(2)	—	10
At 30 September 2025, net of accumulated depreciation .	<u>25,667</u>	<u>63,650</u>	<u>1,327</u>	<u>—</u>	<u>5,982</u>	<u>2,097</u>	<u>98,723</u>
At 30 September 2025:							
Cost	35,780	155,687	8,295	859	32,372	2,097	235,090
Accumulated depreciation	(10,113)	(92,037)	(6,968)	(859)	(26,390)	—	(136,367)
Net carrying amount.	<u>25,667</u>	<u>63,650</u>	<u>1,327</u>	<u>—</u>	<u>5,982</u>	<u>2,097</u>	<u>98,723</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Machine equipment	Electronic equipment	Furniture and fixtures	Transportation equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	3,769	26,118	2,469	460	13,338	78	46,232
Accumulated depreciation	(126)	(6,294)	(1,303)	(191)	(5,460)	—	(13,374)
Net carrying amount.	<u>3,643</u>	<u>19,824</u>	<u>1,166</u>	<u>269</u>	<u>7,878</u>	<u>78</u>	<u>32,858</u>
At 1 January 2023, net of accumulated depreciation . . .	3,643	19,824	1,166	269	7,878	78	32,858
Additions.	—	14,231	16	—	—	—	14,247
Depreciation provided during the year	(251)	(9,856)	(661)	(115)	(4,395)	—	(15,278)
Disposals.	(3,392)	(2,569)	(7)	—	—	—	(5,968)
Transfer	—	45	—	—	—	(45)	—
At 31 December 2023, net of accumulated depreciation .	<u>—</u>	<u>21,675</u>	<u>514</u>	<u>154</u>	<u>3,483</u>	<u>33</u>	<u>25,859</u>
At 31 December 2023:							
Cost	—	36,499	2,433	460	13,338	33	52,763
Accumulated depreciation	—	(14,824)	(1,919)	(306)	(9,855)	—	(26,904)
Net carrying amount.	<u>—</u>	<u>21,675</u>	<u>514</u>	<u>154</u>	<u>3,483</u>	<u>33</u>	<u>25,859</u>
31 December 2024							
At 1 January 2024							
Cost	—	36,499	2,433	460	13,338	33	52,763
Accumulated depreciation	—	(14,824)	(1,919)	(306)	(9,855)	—	(26,904)
Net carrying amount.	<u>—</u>	<u>21,675</u>	<u>514</u>	<u>154</u>	<u>3,483</u>	<u>33</u>	<u>25,859</u>
At 1 January 2024, net of accumulated depreciation . . .	—	21,675	514	154	3,483	33	25,859
Additions.	7,876	34,932	1,103	—	415	1,548	45,874
Depreciation provided during the year	(262)	(10,870)	(661)	(116)	(3,848)	—	(15,757)
Disposals.	—	(4,754)	(8)	—	—	—	(4,762)
Transfer	—	—	—	—	1,548	(1,548)	—
At 31 December 2024, net of accumulated depreciation .	<u>7,614</u>	<u>40,983</u>	<u>948</u>	<u>38</u>	<u>1,598</u>	<u>33</u>	<u>51,214</u>
At 31 December 2024:							
Cost	7,876	67,237	3,180	460	15,301	33	94,087
Accumulated depreciation	(262)	(26,254)	(2,232)	(422)	(13,703)	—	(42,873)
Net carrying amount.	<u>7,614</u>	<u>40,983</u>	<u>948</u>	<u>38</u>	<u>1,598</u>	<u>33</u>	<u>51,214</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machine equipment	Electronic equipment	Furniture and fixtures	Transportation equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 September 2025 (Unaudited)							
At 1 January 2025							
Cost	7,876	67,237	3,180	460	15,301	33	94,087
Accumulated depreciation	(262)	(26,254)	(2,232)	(422)	(13,703)	—	(42,873)
Net carrying amount.	<u>7,614</u>	<u>40,983</u>	<u>948</u>	<u>38</u>	<u>1,598</u>	<u>33</u>	<u>51,214</u>
At 1 January 2025, net of accumulated depreciation . . .	7,614	40,983	948	38	1,598	33	51,214
Additions.	1,575	11,281	483	—	—	1,804	15,143
Depreciation provided during the period.	(1,234)	(16,048)	(294)	(38)	(543)	—	(18,157)
Transfer	—	33	—	—	—	(33)	—
At 30 September 2025, net of accumulated depreciation .	<u>7,955</u>	<u>36,249</u>	<u>1,137</u>	<u>—</u>	<u>1,055</u>	<u>1,804</u>	<u>48,200</u>
At 30 September 2025:							
Cost	9,451	78,499	3,663	460	15,301	1,804	109,178
Accumulated depreciation	(1,496)	(42,250)	(2,526)	(460)	(14,246)	—	(60,978)
Net carrying amount.	<u>7,955</u>	<u>36,249</u>	<u>1,137</u>	<u>—</u>	<u>1,055</u>	<u>1,804</u>	<u>48,200</u>

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties. Leases of plant and properties generally have lease terms with from 24 months to 60 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods and nine months ended 30 September 2025 are as follows:

The Group

	Plant and properties
	<i>RMB’000</i>
31 December 2023	
At 1 January 2023:	
Cost	46,577
Accumulated depreciation	(17,594)
Net carrying amount	<u>28,983</u>
At 1 January 2023, net of accumulated depreciation	28,983
Additions	14,263
Depreciation provided during the year	(13,736)
Disposals	(2,163)
Exchange realignment	20
At 31 December 2023, net of accumulated depreciation	<u>27,367</u>
At 31 December 2023:	
Cost	51,636
Accumulated depreciation	(24,269)
Net carrying amount	<u>27,367</u>
31 December 2024	
At 1 January 2024:	
Cost	51,636
Accumulated depreciation	(24,269)
Net carrying amount	<u>27,367</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Plant and properties
	<i>RMB’000</i>
At 1 January 2024, net of accumulated depreciation	27,367
Additions	25,259
Depreciation provided during the year.	(16,296)
Disposals.	(252)
Exchange realignment	32
At 31 December 2024, net of accumulated depreciation	<u>36,110</u>
At 31 December 2024:	
Cost	65,264
Accumulated depreciation	<u>(29,154)</u>
Net carrying amount	<u>36,110</u>
30 September 2025 (Unaudited)	
At 1 January 2025:	
Cost	65,264
Accumulated depreciation	<u>(29,154)</u>
Net carrying amount	<u>36,110</u>
At 1 January 2025, net of accumulated depreciation	36,110
Additions	23,512
Depreciation provided during the period	(13,192)
Disposals.	(7,486)
Exchange realignment	179
At 30 September 2025, net of accumulated depreciation	<u>39,123</u>
At 30 September 2025:	
Cost	73,285
Accumulated depreciation	<u>(34,162)</u>
Net carrying amount	<u>39,123</u>

APPENDIX I

ACCOUNTANTS' REPORT

The Company

	Plant and properties
	<i>RMB'000</i>
31 December 2023	
At 1 January 2023:	
Cost	20,699
Accumulated depreciation	(7,688)
Net carrying amount	<u>13,011</u>
At 1 January 2023, net of accumulated depreciation	13,011
Additions	533
Depreciation provided during the year	(4,122)
At 31 December 2023, net of accumulated depreciation	<u>9,422</u>
At 31 December 2023:	
Cost	20,410
Accumulated depreciation	(10,988)
Net carrying amount	<u>9,422</u>
31 December 2024	
At 1 January 2024:	
Cost	20,410
Accumulated depreciation	(10,988)
Net carrying amount	<u>9,422</u>
At 1 January 2024, net of accumulated depreciation	9,422
Additions	5,041
Depreciation provided during the year	(4,905)
Disposals	(33)
At 31 December 2024, net of accumulated depreciation	<u>9,525</u>
At 31 December 2024:	
Cost	25,388
Accumulated depreciation	(15,863)
Net carrying amount	<u>9,525</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Plant and properties
	<i>RMB'000</i>
30 September 2025 (Unaudited)	
At 1 January 2025:	
Cost	25,388
Accumulated depreciation	<u>(15,863)</u>
Net carrying amount	<u>9,525</u>
At 1 January 2025, net of accumulated depreciation	
At 1 January 2025, net of accumulated depreciation	9,525
Additions	6,152
Depreciation provided during the period	<u>(4,883)</u>
At 30 September 2025, net of accumulated depreciation	<u>10,794</u>
At 30 September 2025:	
Cost	31,540
Accumulated depreciation	<u>(20,746)</u>
Net carrying amount	<u>10,794</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods and nine months ended 30 September 2025 are as follows:

The Group

	As at 31 December		As at
			30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
			(Unaudited)
At the beginning of year/period.	31,293	28,782	38,321
Additions	14,263	25,259	23,512
Accretion of interest recognised during the year/period.	1,508	1,552	1,220
Early termination	(2,317)	(186)	(7,916)
Payments.	(16,010)	(17,129)	(14,226)
Exchange realignment	45	43	179
At the end of year/period	<u>28,782</u>	<u>38,321</u>	<u>41,090</u>
Analysed into:			
Current portion	12,797	16,789	15,934
Non-current portion	<u>15,985</u>	<u>21,532</u>	<u>25,156</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
At the beginning of year/period.	14,676	10,951	11,040
Additions	533	5,041	6,152
Accretion of interest recognised during the year/period.	580	476	324
Early termination	—	(34)	—
Payments.	(4,838)	(5,394)	(5,392)
At the end of year/period	<u>10,951</u>	<u>11,040</u>	<u>12,124</u>
Analysed into:			
Current portion	4,607	6,688	6,261
Non-current portion	<u>6,344</u>	<u>4,352</u>	<u>5,863</u>

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

The Group

	Year ended 31 December		Nine months ended	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Depreciation charge of right-of-use assets.	13,736	16,296	11,154	13,192
Interest on lease liabilities.	1,508	1,552	1,016	1,220
Expense relating to short-term leases/leases of low-value assets . . .	<u>4,590</u>	<u>3,379</u>	<u>2,734</u>	<u>3,352</u>
Total amount recognised in profit or loss	<u>19,834</u>	<u>21,227</u>	<u>14,904</u>	<u>17,764</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Depreciation charge of right-of-use assets	4,122	4,905	3,453	4,883
Interest on lease liabilities	580	476	327	324
Expense relating to short-term leases/leases of low-value assets . . .	1,414	838	509	999
Total amount recognised in profit or loss	<u>6,116</u>	<u>6,219</u>	<u>4,289</u>	<u>6,206</u>

16. GOODWILL

	<i>RMB’000</i>
At 1 January 2023:	
Cost	461,688
Accumulated impairment	<u>(120,213)</u>
Net carrying amount	<u>341,475</u>
Cost at 1 January 2023, net of accumulated impairment	341,475
Impairment during the year	<u>—</u>
At 31 December 2023	<u><u>341,475</u></u>
At 31 December 2023:	
Cost	461,688
Accumulated impairment	<u>(120,213)</u>
Net carrying amount	<u><u>341,475</u></u>
Cost at 1 January 2024, net of accumulated impairment	341,475
Impairment during the year (<i>note 7</i>)	<u>(55,551)</u>
Cost and net carrying amount at 31 December 2024	<u><u>285,924</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>RMB’000</i>
At 31 December 2024:	
Cost	461,688
Accumulated impairment	(175,764)
Net carrying amount	<u>285,924</u>
Cost at 1 January 2025, net of accumulated impairment	285,924
Impairment during the period	—
Cost and net carrying amount at 30 September 2025	<u>285,924</u>
At 30 September 2025 (Unaudited):	
Cost	461,688
Accumulated impairment	(175,764)
Net carrying amount	<u>285,924</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Anhui Memory Solution cash-generating unit (the “**Anhui Memory Solution CGU**”); and
- Intelligent JBOF cash-generating unit (the “**Intelligent JBOF CGU**”).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	<u>At 31 December 2023</u>		<u>At 31 December 2024</u>		<u>At 30 September 2025</u>	
	<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>(Unaudited)</i>	<i>(Unaudited)</i>
	Anhui Memory Solution	Intelligent JBOF	Anhui Memory Solution	Intelligent JBOF	Anhui Memory Solution	Intelligent JBOF
Carrying amount of goodwill	406,137	55,551	406,137	55,551	406,137	55,551
Accumulated impairment provision recognised	(120,213)	—	(120,213)	(55,551)	(120,213)	(55,551)
Net carrying amount	<u>285,924</u>	<u>55,551</u>	<u>285,924</u>	<u>—</u>	<u>285,924</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Anhui Memory Solution CGU

The recoverable amount of the Anhui Memory Solution CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management. Due to the expected decrease in revenue, the recoverable amount of the Anhui Memory Solution CGU was less than the carrying value as at 31 December 2022 and an impairment provision of RMB120,213,000 was recognised in 2022.

As at 31 December 2023 and 2024, the recoverable amount of the Anhui Memory Solution CGU to which goodwill was allocated has exceeded the carrying value by RMB71,720,000 and RMB40,719,000, respectively. Therefore, no additional impairment was recognised during the Relevant Periods. The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, profit margin and the terminal growth rate used to extrapolate the cash flows of the Anhui Memory Solution CGU beyond the five-year period are as follows:

	As at 31 December	As at 31 December
	2023	2024
Revenue growth rate	18.8%	11.3%
Profit margin	12.0%	15.7%
Pre-tax discount rate	13.8%	14.5%
Terminal growth rate	0%	0%

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management’s past experience and external information sources.

Decreases in the revenue growth rate or profit margin as follows (with other assumptions remaining unchanged) would result in Anhui Memory Solution CGU’s recoverable amount equal to its carrying amount:

	As at 31 December	As at 31 December
	2023	2024
	Increase/(decrease)	Increase/(decrease)
Revenue growth rate	(6.9%)	(5.3%)
Profit margin	(3.3%)	(1.9%)

APPENDIX I

ACCOUNTANTS’ REPORT

In the opinion of the directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount as at 31 December 2023 and 2024.

Intelligent JBOF CGU

The recoverable amount of the Intelligent JBOF CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management.

As at 31 December 2023, the recoverable amount of the Intelligent JBOF CGU to which goodwill was allocated has exceeded the carrying value by RMB30,884,000. As at 31 December 2024, due to the decrease in revenue and the changes in business plan, the recoverable amount of the Intelligent JBOF CGU to which goodwill was allocated was less than the carrying value and an impairment provision of RMB55,551,000 was recognised in 2024.

The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, profit margin and the terminal growth rate used to extrapolate the cash flows of the Intelligent JBOF CGU beyond the five-year period are as follows:

	As at 31 December	As at 31 December
	2023	2024
Revenue growth rate	16.7%	33.0%
Profit margin	42.9%	32.1%
Pre-tax discount rate	14.5%	14.5%
Terminal growth rate	0%	0%

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management’s past experience and external information sources.

APPENDIX I

ACCOUNTANTS’ REPORT

Decreases in the revenue growth rate or profit margin as follows (with other assumptions remaining unchanged) would result in Intelligent JBOF CGU’s recoverable amount equal to its carrying amount:

	As at
	31 December
	2023
	Increase/(decrease)
Revenue growth rate	(12.6%)
Profit margin	(5.6%)

In the opinion of the directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount as at 31 December 2023.

17. OTHER INTANGIBLE ASSETS

The Group

	Software	Patents	IP licenses	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2023				
At 1 January 2023:				
Cost	15,261	604,939	21,689	641,889
Accumulated amortisation	(10,179)	(124,116)	(8,937)	(143,232)
Net carrying amount	<u>5,082</u>	<u>480,823</u>	<u>12,752</u>	<u>498,657</u>
Cost at 1 January 2023, net of accumulated amortisation	5,082	480,823	12,752	498,657
Additions	3,631	—	39,805	43,436
Amortisation provided during the year	(2,634)	(59,577)	(17,681)	(79,892)
Exchange realignment	4	—	—	4
At 31 December 2023	<u>6,083</u>	<u>421,246</u>	<u>34,876</u>	<u>462,205</u>
At 31 December 2023:				
Cost	18,907	604,939	61,495	685,341
Accumulated amortisation	(12,824)	(183,693)	(26,619)	(223,136)
Net carrying amount	<u>6,083</u>	<u>421,246</u>	<u>34,876</u>	<u>462,205</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Software</u>	<u>Patents</u>	<u>IP licenses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024				
At 1 January 2024:				
Cost	18,907	604,939	61,495	685,341
Accumulated amortisation	(12,824)	(183,693)	(26,619)	(223,136)
Net carrying amount	<u>6,083</u>	<u>421,246</u>	<u>34,876</u>	<u>462,205</u>
Cost at 1 January 2024, net of				
accumulated amortisation	6,083	421,246	34,876	462,205
Additions	22,331	—	33,770	56,101
Amortisation provided during the				
year	(5,727)	(59,577)	(39,605)	(104,909)
Impairment during the year (<i>note 7</i>) . .	—	(40,883)	—	(40,883)
Exchange realignment	(2)	—	—	(2)
At 31 December 2024	<u>22,685</u>	<u>320,786</u>	<u>29,041</u>	<u>372,512</u>
At 31 December 2024:				
Cost	41,207	604,939	94,468	740,614
Accumulated amortisation	(18,522)	(284,153)	(65,427)	(368,102)
Net carrying amount	<u>22,685</u>	<u>320,786</u>	<u>29,041</u>	<u>372,512</u>
30 September 2025 (Unaudited)				
At 1 January 2025:				
Cost	41,207	604,939	94,468	740,614
Accumulated amortisation	(18,522)	(284,153)	(65,427)	(368,102)
Net carrying amount	<u>22,685</u>	<u>320,786</u>	<u>29,041</u>	<u>372,512</u>
Cost at 1 January 2025, net of				
accumulated amortisation	22,685	320,786	29,041	372,512
Additions	5,075	—	20,622	25,697
Amortisation provided during the				
period	(7,738)	(41,244)	(25,574)	(74,556)
Disposals	(13)	—	—	(13)
Exchange realignment	(7)	—	—	(7)
At 30 September 2025	<u>20,002</u>	<u>279,542</u>	<u>24,089</u>	<u>323,633</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Software</u>	<u>Patents</u>	<u>IP licenses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 30 September 2025:				
Cost	46,280	604,939	115,090	766,309
Accumulated amortisation	(26,278)	(325,397)	(91,001)	(442,676)
Net carrying amount	<u>20,002</u>	<u>279,542</u>	<u>24,089</u>	<u>323,633</u>

Patents of the Group were mainly acquired in business combinations and initially recognised at the fair value at the date of acquisition. Due to the decrease in revenue and the operating losses incurred, the Group assessed there were indicators of impairment for patents at the end of each of the Relevant Periods. The Group performed impairment test on non-financial assets of the relevant cash-generating units to which the patents belong. The recoverable amount has been determined based on the fair value less costs of disposal (“FVLCD”), with reference to the valuation performed by an independent qualified professional valuer. The fair values were determined based on income approach. Based on the impairment assessment, the Group recognised impairment provision balance of RMB40,883,000 and RMB40,883,000 for patents, as at 31 December 2024 and 30 September 2025, respectively.

The Company

	<u>Software</u>	<u>IP licenses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023			
At 1 January 2023:			
Cost	10,552	8,153	18,705
Accumulated amortisation	(6,960)	(4,173)	(11,133)
Net carrying amount	<u>3,592</u>	<u>3,980</u>	<u>7,572</u>
Cost at 1 January 2023, net of accumulated amortisation	3,592	3,980	7,572
Additions	3,050	17,595	20,645
Amortisation provided during the year	(1,867)	(5,157)	(7,024)
At 31 December 2023	<u>4,775</u>	<u>16,418</u>	<u>21,193</u>
At 31 December 2023:			
Cost	13,602	25,748	39,350
Accumulated amortisation	(8,827)	(9,330)	(18,157)
Net carrying amount	<u>4,775</u>	<u>16,418</u>	<u>21,193</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Software	IP licenses	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2024			
At 1 January 2024:			
Cost	13,602	25,748	39,350
Accumulated amortisation	(8,827)	(9,330)	(18,157)
Net carrying amount	<u>4,775</u>	<u>16,418</u>	<u>21,193</u>
Cost at 1 January 2024, net of accumulated amortisation	4,775	16,418	21,193
Additions	19,681	34,527	54,208
Amortisation provided during the year	(4,544)	(22,762)	(27,306)
At 31 December 2024	<u>19,912</u>	<u>28,183</u>	<u>48,095</u>
At 31 December 2024:			
Cost	33,283	60,275	93,558
Accumulated amortisation	(13,371)	(32,092)	(45,463)
Net carrying amount	<u>19,912</u>	<u>28,183</u>	<u>48,095</u>

The Company

	Software	IP licenses	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
30 September 2025 (Unaudited)			
At 1 January 2025:			
Cost	33,283	60,275	93,558
Accumulated amortisation	(13,371)	(32,092)	(45,463)
Net carrying amount	<u>19,912</u>	<u>28,183</u>	<u>48,095</u>
Cost at 1 January 2025, net of accumulated amortisation	19,912	28,183	48,095
Additions	4,720	20,622	25,342
Amortisation provided during the period . . .	(6,819)	(24,947)	(31,766)
At 30 September 2025	<u>17,813</u>	<u>23,858</u>	<u>41,671</u>
At 30 September 2025:			
Cost	38,003	80,897	118,900
Accumulated amortisation	(20,190)	(57,039)	(77,229)
Net carrying amount	<u>17,813</u>	<u>23,858</u>	<u>41,671</u>

APPENDIX I

ACCOUNTANTS’ REPORT

18. INVESTMENTS IN AN ASSOCIATE

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Share of net assets	27,141	18,959	19,921

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Date and place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Hefei Tang Storage Technology Co., Ltd. (合肥大唐存儲 科技有限公司).	Ordinary shares	7 June 2018, PRC	14.75%	Manufacture of Industrial products

The Company has significant influence over Hefei Tang Storage Technology Co., Ltd. (“**Tang Storage**”) as it has the power to participate in the financial and operating policy decisions of the entity by appointing a director in the board.

The above associate incurred losses during the Relevant Periods as they are under the development of new storage products. Based on the recent capital injection transaction of the associate, the market price of the equity value has exceeded the carrying amount of the investment in the associate and the Group considers no impairment was required as at the end of the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

19. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		As at
			30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			<i>(Unaudited)</i>
Cost	1,640,738	1,759,277	1,835,797
Accumulated impairment	—	—	—
Net carrying amount	<u>1,640,738</u>	<u>1,759,277</u>	<u>1,835,797</u>

20. INVENTORIES

The Group

	As at 31 December		As at
			30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			<i>(Unaudited)</i>
Raw materials	1,415,250	2,429,753	3,036,066
Finished goods	760,818	1,014,567	1,362,935
Goods in transit	2,915	23,077	928
Contract fulfilment cost	6,929	32,081	8,232
Materials consigned for processing	<u>362,259</u>	<u>450,298</u>	<u>739,289</u>
	<u>2,548,171</u>	<u>3,949,776</u>	<u>5,147,450</u>

The inventories are net of a write-down of approximately RMB94,106,000, RMB503,556,000 and RMB153,586,000 as at 31 December 2023 and 2024 and 30 September 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Raw materials	386,060	436,851	1,005,903
Finished goods	170,941	189,562	618,039
Materials consigned for processing	189,104	286,567	318,003
Goods in transit.	956	20,691	928
	<u>747,061</u>	<u>933,671</u>	<u>1,942,873</u>

The inventories are net of a write-down of approximately RMB42,786,000, RMB98,391,000 and RMB68,955,000 as at 31 December 2023 and 2024 and 30 September 2025, respectively.

21. TRADE RECEIVABLES

The Group

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Trade receivables	1,728,972	2,055,171	2,084,700
Allowance for expected credit losses.	(24,066)	(38,067)	(30,393)
Net carrying amount	<u>1,704,906</u>	<u>2,017,104</u>	<u>2,054,307</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Amounts due from third parties	920,401	896,918	627,690
Amounts due from subsidiaries	909,270	1,577,005	994,736
Allowance for expected credit losses	(13,359)	(18,420)	(14,145)
Net carrying amount	<u>1,816,312</u>	<u>2,455,503</u>	<u>1,608,281</u>

The Group’s trading terms with its customers are mainly on credit. For large and medium-sized customers with large scale and good reputation, the Group generally gives a credit period of 30 to 120 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group has certain concentration of credit risk as 80.73%, 76.29% and 80.66% of trade receivables were due from the top five customers as at 31 December 2023 and 2024 and 30 September 2025, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The balances of trade receivables are non-interest-bearing.

Included in the Group’s trade receivables are amounts due from a related party of the Group of RMB23,215,000, RMB5,142,000 and RMB215,000 as at 31 December 2023, 2024 and 30 September 2025, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group (note 34).

As at 31 December 2023, 2024 and 30 September 2025, certain of the Group’s trade receivables with a net carrying amount of approximately RMB832,533,000, RMB535,510,000, and RMB317,084,000 were pledged to secure general credit facilities granted to the Group (note 24).

APPENDIX I

ACCOUNTANTS’ REPORT

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the billing date and net of allowance for expected credit losses, is as follows:

The Group

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			<i>(Unaudited)</i>
Within 3 months	1,546,684	1,607,378	1,848,579
3 months to 6 months	155,076	392,036	171,325
Over 6 months	3,146	17,690	34,403
Total	<u>1,704,906</u>	<u>2,017,104</u>	<u>2,054,307</u>

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			<i>(Unaudited)</i>
Within 3 months	1,433,964	1,315,342	967,963
3 months to 6 months	382,318	990,374	242,989
Over 6 months	30	149,787	397,329
Total	<u>1,816,312</u>	<u>2,455,503</u>	<u>1,608,281</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in the allowance for expected credit losses of trade receivables are as follows:

The Group

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			<i>(Unaudited)</i>
At the beginning of year/period.	4,071	24,066	38,067
Impairment losses, net (<i>note 7</i>)	19,938	13,868	(7,215)
Exchange realignment	57	133	(459)
At the end of year/period	<u>24,066</u>	<u>38,067</u>	<u>30,393</u>

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
			<i>(Unaudited)</i>
At the beginning of year/period.	1,376	13,359	18,420
Impairment losses, net.	11,983	5,061	(4,275)
At the end of year/period	<u>13,359</u>	<u>18,420</u>	<u>14,145</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. The Company estimated that the expected loss rate for its trade receivables due from subsidiaries is minimal.

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:

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
			<i>(Unaudited)</i>
Expected credit loss rate	1.39%	1.85%	1.46%
Gross carrying amount (<i>RMB’000</i>)	1,728,972	2,055,171	2,084,700
Expected credit losses (<i>RMB’000</i>)	24,066	38,067	30,393

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
			<i>(Unaudited)</i>
Expected credit loss rate	1.45%	2.05%	2.25%
Gross carrying amount (<i>RMB’000</i>)	920,401	896,918	627,690
Expected credit losses (<i>RMB’000</i>)	13,359	18,420	14,145

APPENDIX I

ACCOUNTANTS’ REPORT

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Current assets			
Prepayments	180,969	77,589	52,078
Deposits and other receivables*	1,465	2,177	1,755
VAT recoverable	77,636	317,362	212,245
Deferred [REDACTED]	—	—	[REDACTED]
	260,070	397,128	267,972
Less: Impairment of other receivables**	—	—	—
	<u>260,070</u>	<u>397,128</u>	<u>267,972</u>
Non-current assets			
Deposits and other receivables*	2,752	2,493	3,271
Prepayment for long-term assets	896	4,249	8,933
Others	244	329	207
	3,892	7,071	12,411
Less: Impairment of other receivables**	—	—	—
	<u>3,892</u>	<u>7,071</u>	<u>12,411</u>

* Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

** As at 31 December 2023, 31 December 2024 and 30 September 2025, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss. The Group estimated that the expected loss rate for its other receivables is minimal.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Current assets			
Prepayments	67,627	11,870	5,078
Deposits and other receivables	363	97	1,301
Amounts due from subsidiaries	28,283	1,491,524	2,426,795
VAT recoverable	19,772	158,155	148,030
Deferred [REDACTED]	—	—	[REDACTED]
	116,045	1,661,646	2,583,098
Less: Impairment of other receivables	—	—	—
	<u>116,045</u>	<u>1,661,646</u>	<u>2,583,098</u>
Non-current assets			
Deposits and other receivables	790	1,172	752
Prepayment for long-term assets	10	2,333	6,517
Others	—	205	152
	800	3,710	7,421
Less: Impairment of other receivables	—	—	—
	<u>800</u>	<u>3,710</u>	<u>7,421</u>

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Cash and bank balances	254,714	290,790	627,504
Less:			
Restricted bank deposits*	—	(15,000)	(17,204)
Cash and cash equivalents	<u>254,714</u>	<u>275,790</u>	<u>610,300</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Cash and bank balances			
Denominated in			
— RMB	150,490	266,622	399,890
— USD	103,332	23,338	226,724
— Others	892	830	890
Total	<u>254,714</u>	<u>290,790</u>	<u>627,504</u>

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

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

* As at 31 December 2024 and 30 September 2025, the restricted bank deposits amounted to RMB 15,000,000 and RMB 17,204,000, respectively, were secured for certain letters of credit.

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Cash and bank balances	<u>108,915</u>	<u>206,796</u>	<u>395,201</u>
Less:			
Restricted bank deposits	<u>—</u>	<u>(15,000)</u>	<u>(17,204)</u>
Cash and cash equivalents	<u>108,915</u>	<u>191,796</u>	<u>377,997</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		As at
	2023	2024	30 September
	RMB’000	RMB’000	2025
			RMB’000 (Unaudited)
Cash and bank balances			
Denominated in			
— RMB	105,280	202,279	258,114
— USD	3,635	4,517	137,087
Total	<u>108,915</u>	<u>206,796</u>	<u>395,201</u>

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December 2023			As at 31 December 2024			As at 30 September 2025		
	Effective Interest rate (%)	Maturity	RMB’000	Effective Interest rate (%)	Maturity	RMB’000	Effective Interest rate (%) (Unaudited)	Maturity (Unaudited)	RMB’000 (Unaudited)
	Current								
Bank loans — secured (a) & (b)	3.40–4.80	2024	1,248,811	2.08–4.93	2025	2,512,413	2.60–4.93	2025–2026	2,827,519
Bank loans — unsecured . .	—	—	—	3.65	2025	42,554	3.10	2026	92,506
Other loans — secured (c) .	7.88–7.92	2024	765,012	6.83–7.58	2025	660,256	6.82	2025	72,522
Current portion of long-term bank loans — secured (a) & (b)	4.00–4.70	2024	206,024	2.90–4.40	2025	113,677	2.75–4.40	2026	301,780
Current portion of long-term bank loans — unsecured .	3.60	2024	1,960	3.25	2025	40	3.25	2026	40
Related party loans (d) . . .	4.00	2024	3,005	3.10–3.45	2025	275,590	—	—	—
Total — current			<u>2,224,812</u>			<u>3,604,530</u>			<u>3,294,367</u>
Non-current									
Bank loans — secured (a) .	4.00–4.70	2025	50,000	2.90–4.40	2026	58,000	2.75–4.40	2026–2027	639,760
Bank loans — unsecured . .	—	—	—	3.25	2026–2027	7,140	3.25	2027	7,110
Total — non-current			<u>50,000</u>			<u>65,140</u>			<u>646,870</u>
Total			<u>2,274,812</u>			<u>3,669,670</u>			<u>3,941,237</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	31 December 2023	31 December 2024	30 September 2025 (Unaudited)
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed into:			
Bank loans repayable:			
Within one year or on demand	1,456,795	2,668,684	3,221,845
In the second year	50,000	58,040	646,870
In the third to fifth years, inclusive	—	7,100	—
Subtotal	<u>1,506,795</u>	<u>2,733,824</u>	<u>3,868,715</u>
Other borrowings and related party repayable:			
Within one year or on demand	768,017	935,846	72,522
Subtotal	<u>768,017</u>	<u>935,846</u>	<u>72,522</u>
Total	<u><u>2,274,812</u></u>	<u><u>3,669,670</u></u>	<u><u>3,941,237</u></u>

The Company

	As at 31 December 2023			As at 31 December 2024			As at 30 September 2025		
	<i>Effective Interest rate</i>		<i>RMB’000</i>	<i>Effective Interest rate</i>		<i>RMB’000</i>	<i>Effective Interest rate</i>		<i>RMB’000</i>
	(<i>%</i>)	<i>Maturity</i>		(<i>%</i>)	<i>Maturity</i>		(<i>%</i>)	<i>Maturity</i>	
						<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Current									
Bank loans — secured	3.40–4.80	2024	1,170,535	2.70–4.93	2025	2,416,299	2.60–4.93	2025–2026	2,754,928
Current portion of long-term bank loans	4.00–4.70	2024	206,024	2.90–4.40	2025	113,677	2.75–4.40	2026	301,780
— secured									
Related party loans			—	3.10–3.45	2025	275,590			—
Total — current			<u>1,376,559</u>			<u>2,805,566</u>			<u>3,056,708</u>
Non-current									
Bank loans	4.00–4.70	2025	50,000	2.90–4.40	2026	58,000	2.75–4.40	2026–2027	639,760
— secured									
Total — non-current			<u>50,000</u>			<u>58,000</u>			<u>639,760</u>
Total			<u><u>1,426,559</u></u>			<u><u>2,863,566</u></u>			<u><u>3,696,468</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>31 December 2023</u>	<u>31 December 2024</u>	<u>30 September 2025 (Unaudited)</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed into:			
Bank loans repayable:			
Within one year or on demand.	1,376,559	2,529,976	3,056,708
In the second year	<u>50,000</u>	<u>58,000</u>	<u>639,760</u>
Subtotal.	<u>1,426,559</u>	<u>2,587,976</u>	<u>3,696,468</u>
Other borrowings and related party repayable:			
Within one year or on demand.	<u>—</u>	<u>275,590</u>	<u>—</u>
Subtotal.	<u>—</u>	<u>275,590</u>	<u>—</u>
Total	<u><u>1,426,559</u></u>	<u><u>2,863,566</u></u>	<u><u>3,696,468</u></u>

Notes:

- (a) The Company’s controlling shareholder has guaranteed for the Group’s bank loans as at 31 December 2023, 2024 and 30 September 2025 (note 34).
- (b) Except for a 2.08% secured bank loan amounting to RMB1,115,000 was denominated in TWD as at 31 December 2024 and a 4.02% secured bank loan amounting to RMB154,114,000, a 4.93% secured loan amounting to RMB145,500,000 and a 4.93% secured loan amounting to RMB145,500,000 were denominated in USD as at 31 December 2023, 2024 and 30 September 2025, respectively, all bank loans were denominated in RMB.
- (c) All other loans were dominated in USD and represented the borrowings from a financial institution of Xiaomi Finance H.K. Limited.

The other loans, amounting to RMB765,012,000, RMB660,256,000, RMB72,522,000 as at 31 December 2023, 2024 and 30 September 2025, respectively, were secured by the pledge of certain of the Group’s trade receivables (note 21).
- (d) All related party loans were dominated in RMB and represented the borrowings from related parties named Wang Wenhua, a director of a subsidiary, and Wu Yisheng, the controlling shareholder, which were fully settled in 2024 and 2025 respectively (note 34).

APPENDIX I

ACCOUNTANTS’ REPORT

25. TRADE PAYABLES

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (Unaudited)
Trade payables	1,342,195	1,062,787	1,439,624

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (Unaudited)
Trade payables due to third parties	168,807	353,295	450,298
Trade payables due to subsidiaries	69,994	14,696	15,978
	<u>238,801</u>	<u>367,991</u>	<u>466,276</u>

The trade payables are non-interest-bearing and are normally settled on 30-90 days terms.

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the date of goods received from the suppliers, is as follows:

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (Unaudited)
Within one year	1,340,939	1,060,228	1,435,509
Over one years	1,256	2,559	4,115
Total	<u>1,342,195</u>	<u>1,062,787</u>	<u>1,439,624</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Within one year	238,791	367,943	465,352
Over one years	10	48	924
Total	238,801	367,991	466,276

26. CONTRACT LIABILITIES

The Group

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
<i>Short-term advances received from customers</i>			
Sale of products	45,075	17,531	27,398

The Company

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
<i>Short-term advances received from customers</i>			
Sale of products	2,478	1,373	757

Contract liabilities include payments from the customers based on sales order in advance of delivery of products under the contracts.

APPENDIX I

ACCOUNTANTS’ REPORT

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (Unaudited)
Payables for long-term assets purchase	17,325	30,116	18,257
Payroll payables	56,798	81,222	71,350
Other payables and accruals (<i>note a</i>).	9,417	29,526	18,326
Investment received in advance (<i>note b</i>) . . .	9,200	—	—
Advance payment from a customer (<i>note c</i>)	31,160	34,712	49,311
Redemption liabilities on ordinary shares (<i>note d</i>)	—	31,317	32,663
[REDACTED]	—	—	[REDACTED]
Other tax payables	7,125	7,168	5,026
Total	<u>131,025</u>	<u>214,061</u>	<u>198,603</u>

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (Unaudited)
Payments for long-term assets purchase . . .	7,947	23,100	15,932
Payroll payables	16,592	33,326	31,064
Other payables due to subsidiaries	125,872	164,769	161,647
Other payables and accruals	4,002	4,866	11,720
Investment received in advance (<i>note b</i>) . . .	9,200	—	—
Redemption liabilities on ordinary shares (<i>note d</i>)	—	31,317	32,663
[REDACTED]	—	—	[REDACTED]
Other tax payables	1,418	1,098	1,149
Total	<u>165,031</u>	<u>258,476</u>	<u>257,845</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (a) As at 31 December 2024, other payables and accruals included amount of RMB14,814,000 payable to a third party, which bears interests at 5.38% per annum and repaid in full in 2025. The interests charged on the other payables for the years ended 31 December 2024 and nine months ended 30 September 2025 were RMB315,000 and RMB150,000, respectively (note 8).
- (b) The Group received the prepayment of capital contribution from one [REDACTED], in the amount of RMB 9,200,000. The binding agreements have not been finalised and the amounts were recognised as other payables as at 31 December 2023. The capital contribution was completed in April 2024.
- (c) It represented advance payments received from a customer, which will be refunded on proportional basis when the goods are delivered to the customer. It was recognised as other payables in the Relevant Periods as the return mechanism was not finalized by both parties. In November 2025, it has been agreed that the advance payments will be used to settle the consideration receivables from the customers for the sales of goods.
- (d) Pursuant to the share subscription agreement entered into in March 2024 (the “Agreement”), the Company issued 1,304,348 ordinary shares to one Pre-[REDACTED] investor for a total cash proceed of RMB30,000,000. Pursuant to the Agreements, the Pre-[REDACTED] investor was granted by the Company with redemption rights to request the Company to repurchase part or all of the equity held by the Pre-[REDACTED] investor at a price equal to the sum of the invested principal and accrued returns calculated at a 6% annualized return, when the corresponding redemption event is triggered (the “Redemption Right”).

In December 2025, the Company and the Pre-[REDACTED] Investor subsequently entered into a supplemental agreement to the Agreement (the “Supplemental Agreement”). It was agreed that the Redemption Right shall be irrevocably terminated as of the day preceding the date of lodging the [REDACTED] under the [REDACTED] (the “[REDACTED]”). If the Company fails to obtain approval for the [REDACTED] from any competent authority, withdraws the [REDACTED], or fails to fulfil the conditions for the [REDACTED] within the time specified in the Agreement, all terminated special rights (including the Redemption Right) shall be automatically and retroactively reinstated from the date when such an event is triggered.

As the Agreements give rise to redemption obligation of the Company, upon the issuance of shares, the Company classifies the ordinary shares as financial liabilities measured at amortised cost using the effective interest rate method and debited to other reserve in equity. The redemption liabilities on ordinary shares were presented as current liabilities as not all triggering events were within the control of the Company.

The movements of financial liabilities on ordinary shares are set out as follows:

	As at 31 December		As at
	2023	2024	30 September
	RMB’000	RMB’000	RMB’000 (Unaudited)
Carrying amount at 1 January	—	—	31,317
Recognition of redemption liabilities	—	30,000	—
Accretion of interest recognised during the year/period.	—	1,317	1,346
Carrying amount at 31 December/30 September	—	31,317	32,663
Analysed into:			
Current portion	—	31,317	32,663

APPENDIX I

ACCOUNTANTS’ REPORT

Except for the other payables mentioned above, other payables are non-interest-bearing and have no fixed terms of settlement.

28. DEFERRED TAX

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

The Group

Deferred tax assets

	Impairment of trade receivables	Write-down of inventories to net realisable value	Lease liabilities	Deferred income	Tax loss	Temporary difference on unrealised profit from internal transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	710	65,567	5,931	457	145,296	668	218,629
Deferred tax credited/(charged) to the statement of profit or loss during the year	3,347	(46,233)	(489)	(219)	48,275	8,091	12,772
Exchange Realignment	—	—	—	—	1,508	—	1,508
At 31 December 2023 and 1 January 2024	<u>4,057</u>	<u>19,334</u>	<u>5,442</u>	<u>238</u>	<u>195,079</u>	<u>8,759</u>	<u>232,909</u>
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,710	68,579	1,813	(160)	(107,145)	5,783	(29,420)
Exchange Realignment	—	—	—	—	1,458	—	1,458
At 31 December 2024 and 1 January 2025	<u>5,767</u>	<u>87,913</u>	<u>7,255</u>	<u>78</u>	<u>89,392</u>	<u>14,542</u>	<u>204,947</u>
Deferred tax (charged)/credited to the statement of profit or loss during the period	(1,160)	(58,826)	358	(78)	7,869	14,384	(37,453)
Exchange Realignment	—	—	—	—	(885)	—	(885)
At 30 September 2025 (Unaudited)	<u>4,607</u>	<u>29,087</u>	<u>7,613</u>	<u>—</u>	<u>96,376</u>	<u>28,926</u>	<u>166,609</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

	Right-of-use assets	Fair value adjustment from business combination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	5,626	115,636	121,262
Deferred tax (credited) to the statement of profit or loss during the year	(280)	(14,828)	(15,108)
At 31 December 2023 and 1 January 2024	<u>5,346</u>	<u>100,808</u>	<u>106,154</u>
Deferred tax charged/(credited) to the statement of profit or loss during the year	1,665	(20,572)	(18,907)
At 31 December 2024 and 1 January 2025	<u>7,011</u>	<u>80,236</u>	<u>87,247</u>
Deferred tax charged/(credited) to the statement of profit or loss during the period	394	(10,311)	(9,917)
At 30 September 2025 (Unaudited)	<u>7,405</u>	<u>69,925</u>	<u>77,330</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 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Net deferred tax assets recognised in the consolidated statement of financial position	179,216	154,431	117,684
Net deferred tax liabilities recognised in the consolidated statement of financial position	52,461	36,731	28,405

APPENDIX I

ACCOUNTANTS’ REPORT

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

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Deductible temporary differences	—	1,261	484
Tax losses	247,057	488,749	581,566

The Group has accumulated tax losses in Chinese Mainland of RMB187,955,000, RMB419,533,000 and RMB522,007,000 in aggregate as at 31 December 2023 and 2024 and 30 September 2025, respectively, which available to offset against future taxable profits of the companies in which the losses were incurred within the next one to ten years.

The Group also has accumulated tax losses in Taiwan of RMB59,102,000, RMB69,216,000 and RMB59,559,000 in aggregate as at 31 December 2023 and 2024 and 30 September 2025, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Deferred tax assets

	Impairment of trade receivables	Write-down of inventories to net realisable value	Lease liabilities	Tax loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	206	16,940	2,201	38,729	58,076
Deferred tax credited/(charged) to the statement of profit or loss during the year	<u>1,798</u>	<u>(10,522)</u>	<u>(558)</u>	<u>20,155</u>	<u>10,873</u>
At 31 December 2023 and 1 January 2024	<u>2,004</u>	<u>6,418</u>	<u>1,643</u>	<u>58,884</u>	<u>68,949</u>
Deferred tax credited/(charged) to the statement of profit or loss during the year	759	8,341	13	(58,884)	(49,771)
At 31 December 2024 and 1 January 2025	<u>2,763</u>	<u>14,759</u>	<u>1,656</u>	<u>—</u>	<u>19,178</u>
Deferred tax (charged)/credited to the statement of profit or loss during the period	(641)	(4,416)	163	28,212	23,318
At 30 September 2025 (Unaudited)	<u>2,122</u>	<u>10,343</u>	<u>1,819</u>	<u>28,212</u>	<u>42,496</u>

Deferred tax liabilities

	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	1,952	1,952
Deferred tax (credited) to the statement of profit or loss during the year	<u>(537)</u>	<u>(537)</u>
At 31 December 2023 and 1 January 2024	<u>1,415</u>	<u>1,415</u>
Deferred tax charged to the statement of profit or loss during the year	14	14
At 31 December 2024 and 1 January 2025	<u>1,429</u>	<u>1,429</u>
Deferred tax charged to the statement of profit or loss during the period	189	189
At 30 September 2025 (Unaudited)	<u>1,618</u>	<u>1,618</u>

APPENDIX I

ACCOUNTANTS’ REPORT

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 Company for financial reporting purposes:

	As at 31 December		As at
			30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (Unaudited)
Net deferred tax assets recognised in the statement of financial position	67,534	17,749	40,878
Net deferred tax liabilities recognised in the statement of financial position	—	—	—

29. SHARE CAPITAL

The Group and the Company

	As at 31 December		As at
			30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (Unaudited)
Registered, issued and fully paid: Ordinary shares	442,650	449,354	467,814

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Number of shares in issue	Share capital <i>RMB’000</i>
At 1 January 2023.....	406,233,275	406,233
Capital contribution by shareholders*	36,416,848	36,417
At 31 December 2023 and 1 January 2024	<u>442,650,123</u>	<u>442,650</u>
Capital contribution by shareholders**	6,704,348	6,704
At 31 December 2024 and 1 January 2025	<u>449,354,471</u>	<u>449,354</u>
Capital contribution by shareholders***	18,459,613	18,460
At 30 September 2025 (Unaudited).....	<u>467,814,084</u>	<u>467,814</u>

* During the year ended 31 December 2023, the Company received capital contributions of RMB476,683,000 from 10 investors. The capital contributions increased the share capital and capital reserve by RMB36,417,000 and RMB440,266,000, respectively.

** During the year ended 31 December 2024, the Company received capital contributions of RMB54,200,000 from 3 investors, of which, RMB9,200,000 was received in advance in 2023. The capital contributions increased the share capital and capital reserve by RMB6,704,000 and RMB47,496,000, respectively.

*** During the period ended 30 September 2025, the Company received capital contributions of RMB338,512,000 from 6 investors. The capital contributions increased the share capital and capital reserve by RMB18,460,000 and RMB320,052,000, respectively.

30. SHARE INCENTIVE SCHEME

The Group approved and adopted the share incentive schemes in order to recognise the past contributions of the eligible participants and incentivise them to further promote the development of the Group.

In order to implement the share incentive schemes, Hosintai Enterprise Management Partnership (L.P.) (“**Hosintai**”), Ningbo Meishan Bonded Port Area Zhaohan Investment Limited Partnership (Limited Partnership) (“**Ningbo Zhaohan**”), Ningbo Meishan Bonded Port Area Zhaoxin Investment Limited Partnership (Limited Partnership) (“**Ningbo Zhaoxin**”) and Shenzhen Hongxintai No.2 Enterprise Management Partnership (Limited Partnership) (“**Hongxintai No.2**”) were designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platforms.

APPENDIX I

ACCOUNTANTS’ REPORT

On 10 October 2019, the Group granted 4,000,000 restricted share units (“RSUs”) of the Company to 27 eligible employees at a subscribed price of RMB2.20 per share through Hosintai. Except for the 1,810,000 RSUs granted to the controlling shareholder which were vested immediately, the vesting of the other RSUs granted is subject to the service condition and the [REDACTED] Condition. On 10 March 2021, the Group granted 5,315,500 RSUs of the Company to 125 eligible employees at a subscribed price of RMB2.60 per share, of which, 1,668,000 RSUs, 2,180,000 RSUs and 1,467,500 RSUs were granted through Hosintai, Ningbo Zhaohan and Ningbo Zhaoxin, respectively. Except for the 2,858,000 RSUs granted to the controlling shareholder which were vested immediately, the vesting of the other RSUs granted is subject to the service condition and the [REDACTED] Condition. The [REDACTED] Condition would be satisfied when the ordinary shares of the Company are successfully [REDACTED] on a recognised stock exchange.

On 4 November 2021, the Group granted 3,203,500 share options of the Company to 158 eligible employees with the exercise price of RMB3.00 per share. The share options were granted through Hongxintai No.2 and the options granted were exercised in March 2023 for 2,881,500 RSUs of the Company. Except for the 500,000 RSUs granted to the controlling shareholder which were vested immediately, the vesting of the other RSUs granted is subject to the service condition and the [REDACTED] Condition.

On 10 May 2023, the Group granted 14,971,000 RSUs of the Company to 304 eligible employees at a subscribed price of RMB3.00 per share through Hongxintai No.2. Except for the 2,671,000 RSUs granted to the controlling shareholder which were vested immediately, the vesting of the other RSUs granted is subject to the service condition and the [REDACTED] Condition.

On 9 August 2024, the Group granted 9,303,000 RSUs of the Company to 180 eligible employees at a subscribed price of RMB3.00 per share through Hosintai. The vesting of the RSUs granted is subject to the service condition and the [REDACTED] Condition.

The fair value of the RSUs granted were estimated as at the grant date by reference to recent transaction prices.

APPENDIX I

ACCOUNTANTS’ REPORT

The fair values of the share option granted were estimated as at the grant date by using a binomial model. The following table lists the key inputs to the fair value model used:

	<u>4 November 2021</u>
Expected volatility (%)	60.00
Risk-free interest rate (%)	2.27
Expected life of options (year)	1.08
Weighted average share price	14.00

The following table summarises the Company’s share incentive schemes activities during the Relevant Periods:

	<u>Number of</u> <u>Share options</u>	<u>Number of</u> <u>RSUs</u>
At 1 January 2023	3,023,500	4,562,000
Granted during the year	—	15,375,000
Exercised during the year	(2,881,500)	2,881,500
Vested during the year	—	(3,441,000)
Forfeited during the year	(142,000)	(404,000)
At 31 December 2023 and 1 January 2024	<u>—</u>	<u>18,973,500</u>
Granted during the year	—	10,504,000
Vested during the year	—	(122,000)
Forfeited during the year	—	(1,201,000)
At 31 December 2024 and 1 January 2025	<u>—</u>	<u>28,154,500</u>
Granted during the period	—	2,155,500
Vested during the period	—	(12,000)
Forfeited during the period	—	(2,155,500)
At 30 September 2025 (Unaudited)	<u>—</u>	<u>28,142,500</u>

During the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2024 and 2025, the Group recorded share-based payment expenses of RMB85,765,000, RMB67,742,000, RMB46,193,000 and RMB54,238,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

31. RESERVES

The Group

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

Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received, the reserves arising from the transactions with the non-controlling shareholders, and the deemed capital contribution from shareholders.

Other reserve

The other reserve represents the debt amount of the financial liabilities on ordinary shares upon initial recognition and the reserves arising from equity accounting of investment in an associate.

Share based payment reserve

Share based payment reserve represents the share-based compensation reserve due to equity-settled share award, details of which were set out in note 30 to the Historical Financial Information.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currency other than RMB.

Statutory surplus reserve

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

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods and nine months ended 30 September 2024 and 2025 are presented as follows:

	Capital reserve	Share based payment reserve	Other reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	2,048,936	44,208	—	(294,661)	1,798,483
Loss for the year	—	—	—	(57,105)	(57,105)
Total comprehensive income for the year . . .	—	—	—	(57,105)	(57,105)
Share-based payments	—	85,765	—	—	85,765
Issue of shares	440,266	—	—	—	440,266
At 31 December 2023	<u>2,489,202</u>	<u>129,973</u>	<u>—</u>	<u>(351,766)</u>	<u>2,267,409</u>

	Capital reserve	Share based payment reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024.	2,489,202	129,973	—	—	(351,766)	2,267,409
Profit for the year	—	—	—	—	842,739	842,739
Total comprehensive income for the year . .	—	—	—	—	842,739	842,739
Share-based payments	—	67,742	—	—	—	67,742
Issue of shares	47,496	—	—	—	—	47,496
Recognition of redemption liabilities on ordinary shares	—	—	(30,000)	—	—	(30,000)
Transferred from retained profits	—	—	—	49,097	(49,097)	—
At 31 December 2024	<u>2,536,698</u>	<u>197,715</u>	<u>(30,000)</u>	<u>49,097</u>	<u>441,876</u>	<u>3,195,386</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Capital	Share based	Other reserve	Statutory	Retained	Total
	reserve	payment reserve		surplus reserve	profits	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025.	2,536,698	197,715	(30,000)	49,097	441,876	3,195,386
Profit for the period (unaudited)	—	—	—	—	43,253	43,253
Total comprehensive income for the period (unaudited).	—	—	—	—	43,253	43,253
Share-based payments (unaudited)	—	54,238	—	—	—	54,238
Issue of shares (unaudited)	320,052	—	—	—	—	320,052
At 30 September 2025 (unaudited).	<u>2,856,750</u>	<u>251,953</u>	<u>(30,000)</u>	<u>49,097</u>	<u>485,129</u>	<u>3,612,929</u>

	Capital	Share based	Other reserve	Retained	Total
	reserve	payment reserve		profits	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	2,489,202	129,973	—	(351,766)	2,267,409
Profit for the period (unaudited).	—	—	—	986,621	986,621
Total comprehensive income for the period (unaudited)	—	—	—	986,621	986,621
Share-based payments (unaudited)	—	46,193	—	—	46,193
Issue of shares (unaudited)	37,496	—	—	—	37,496
Recognition of redemption liabilities on ordinary shares.	—	—	(30,000)	—	(30,000)
At 30 September 2024 (unaudited)	<u>2,526,698</u>	<u>176,166</u>	<u>(30,000)</u>	<u>634,855</u>	<u>3,307,719</u>

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods and the nine months ended 30 September 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB14,263,000, RMB25,259,000, RMB13,633,000 and RMB23,512,000, respectively, in respect of lease arrangements for office premises.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Other payable	Interest-bearing bank and other borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	31,293	—	1,456,784	1,488,077
Additions	14,263	—	—	14,263
Changes from financing cash flows . . .	(16,010)	—	750,815	734,805
Accretion of interest	1,508	—	70,834	72,342
Early termination of lease liabilities . .	(2,317)	—	—	(2,317)
Foreign exchange movement	45	—	(3,621)	(3,576)
At 31 December 2023	<u>28,782</u>	<u>—</u>	<u>2,274,812</u>	<u>2,303,594</u>
At 1 January 2024	28,782	—	2,274,812	2,303,594
Additions	25,259	—	—	25,259
Changes from financing cash flows . . .	(17,129)	14,492	1,232,748	1,230,111
Accretion of interest	1,552	315	151,423	153,290
Early termination of lease liabilities . .	(186)	—	—	(186)
Foreign exchange movement	43	—	10,687	10,730
At 31 December 2024	<u>38,321</u>	<u>14,807</u>	<u>3,669,670</u>	<u>3,722,798</u>
At 1 January 2025	38,321	14,807	3,669,670	3,722,798
Additions	23,512	—	—	23,512
Changes from financing cash flows . . .	(14,226)	(14,809)	174,122	145,087
Accretion of interest	1,220	150	103,352	104,722
Early termination of lease liabilities . .	(7,916)	—	—	(7,916)
Foreign exchange movement	179	(148)	(5,907)	(5,876)
At 30 September 2025 (unaudited) . . .	<u>41,090</u>	<u>—</u>	<u>3,941,237</u>	<u>3,982,327</u>
At 1 January 2024	28,782	—	2,274,812	2,303,594
Additions	13,633	—	—	13,633
Changes from financing cash flows . . .	(11,265)	11,093	1,473,831	1,473,659
Accretion of interest	1,016	125	108,932	110,073
Early termination of lease liabilities . .	(186)	—	—	(186)
Foreign exchange movement	(23)	—	(7,436)	(7,459)
At 30 September 2024 (unaudited) . . .	<u>31,957</u>	<u>11,218</u>	<u>3,850,139</u>	<u>3,893,314</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Within operating activities	4,590	3,379	2,734	3,352
Within financing activities.	16,010	17,129	11,265	14,226
Total	<u>20,600</u>	<u>20,508</u>	<u>13,999</u>	<u>17,578</u>

33. COMMITMENTS

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

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Contracted, but not provided for:			
Purchases of property, plant and equipment.	4,723	9,430	11,027
Additions of intangible assets	5,004	3,450	6,479
Total	<u>9,727</u>	<u>12,880</u>	<u>17,506</u>

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Name and relationships of the related parties

Name	Relationship
Phison Electronics and its subsidiaries (“Phison Electronics”)	Phison Electronics is one of the substantial Shareholders.
Mr. Wu Yisheng	Controlling shareholder
Ms. Liang Qiyang	Director
Mr. Wang Wenhua	Director of a subsidiary

(b) The Group had the following transactions with related parties during the Relevant Periods and the nine months ended 30 September 2024 and 2025:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Purchases of products or services from:				
Phison Electronics	576,670	999,716	874,335	918,274
Sales of products or services to:				
Phison Electronics	76,183	19,298	12,929	1,053
Loans borrowed from:				
Mr. Wu Yisheng*	28,500	360,000	340,000	—
Repayment of loans to:				
Mr. Wu Yisheng*	29,187	92,035	20,228	277,222
Mr. Wang Wenhua**	—	3,046	3,046	—
	<u>29,187</u>	<u>95,081</u>	<u>23,274</u>	<u>277,222</u>
Deemed capital contributions from a shareholder:				
Phison Electronics***	7,000	9,000	9,000	7,358

APPENDIX I

ACCOUNTANTS’ REPORT

The above purchase and sales of products or services were made according to the published prices and terms agreed between the parties.

- * The loans from Mr. Wu Yisheng, were unsecured and non-trade in nature with an interest rate of 3.10%–3.45% p.a. and were repaid in 2025. The repayment of loans included principal and interest.
- ** The loans from Mr. Wang Wenhua were unsecured and non-trade in nature with an interest rate of 4.00% p.a. and were repaid in 2024. The repayment of loans included principal and interest.
- *** The deemed capital contribution represented the compensation received pursuant to an arrangement with Phison Electronics, which was accounted for as equity transactions during the Relevant Periods.

(c) Guarantees provided by related parties:

As at 31 December 2023:

Guarantees provided by:	Amount	Duration
	<i>RMB’000</i>	
Mr. Wu Yisheng	1,454,835	2022–2025
Mr. Wu Yisheng	50,000	2023–2025
	<u> </u>	<u> </u>

As at 31 December 2024:

Guarantees provided by:	Amount	Duration
	<i>RMB’000</i>	
Mr. Wu Yisheng	2,626,090	2023–2026
Mr. Wu Yisheng	58,000	2024–2026
	<u> </u>	<u> </u>

As at 30 September 2025 (Unaudited)

Guarantees provided by:	Amount	Duration
	<i>RMB’000</i>	
Mr. Wu Yisheng	3,129,299	2023–2027
Mr. Wu Yisheng	639,760	2025–2027
	<u> </u>	<u> </u>

The above guarantees by related parties are expected to be released before [REDACTED].

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Outstanding balances with related parties:

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Trade receivables:			
Phison Electronics	23,215	5,142	215
Trade payables:			
Phison Electronics	220,066	100,479	276,062
Other payables and accruals:			
Phison Electronics	3,520	228	3,725
Interest-bearing bank and other borrowings:			
Mr. Wu Yisheng	—	275,590	—
Mr. Wang Wenhua	3,005	—	—
	3,005	275,590	—

Except for the borrowings from related parties which were non-trade and fully settled in 2025, all other balances with related parties are trade in nature.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		Nine months ended	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Salaries, allowances and benefits in kind	3,960	4,974	3,733	5,733
Performance related bonuses	913	1,424	728	1,526
Pension scheme contributions	566	697	511	815
Share-based payments	59,461	12,933	10,828	14,091
	64,900	20,028	15,800	22,165

APPENDIX I

ACCOUNTANTS’ REPORT

Further details of directors’ and the chief executive’s remuneration are included in note 9 to the Historical Financial Information.

35. 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:

Financial assets

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Financial assets at amortised cost:			
Cash and cash equivalents	254,714	275,790	610,300
Restricted bank deposits	—	15,000	17,204
Trade receivables	1,704,906	2,017,104	2,054,307
Financial assets included in prepayments, other receivables and other assets	4,217	4,670	5,026
Total	<u>1,963,837</u>	<u>2,312,564</u>	<u>2,686,837</u>

Financial liabilities

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Financial liabilities at amortised cost:			
Trade payables	1,342,195	1,062,787	1,439,624
Financial liabilities included in other payables and accruals	67,102	125,671	122,227
Interest-bearing bank and other borrowings .	2,274,812	3,669,670	3,941,237
Lease liabilities	28,782	38,321	41,090
Total	<u>3,712,891</u>	<u>4,896,449</u>	<u>5,544,178</u>

APPENDIX I

ACCOUNTANTS' REPORT

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023 and 2024 and 30 September 2025, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

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

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

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

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 for both financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, 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.

APPENDIX I

ACCOUNTANTS’ REPORT

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing bank and other borrowings.

The following table demonstrates a sensitivity analysis of interest rate risk, reflecting the impact on profit before tax (through the impact on floating rate borrowings) of a reasonable and probable change in interest rates, assuming other variables are constant.

	<u>Increase/ (decrease) in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>
		<i>HK\$’000</i>
Year ended 31 December 2023		
RMB.....	50.00	(343)
RMB.....	(50.00)	343
Year ended 31 December 2024		
RMB.....	50.00	(757)
RMB.....	(50.00)	757
Nine months ended 30 September 2025 (Unaudited)		
RMB.....	50.00	(514)
RMB.....	(50.00)	514

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of each Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax and other comprehensive income.

APPENDIX I

ACCOUNTANTS’ REPORT

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit before tax	Increase/(decrease) in other comprehensive income
	%	RMB’000	RMB’000
Year ended 31 December 2023			
If RMB weakens against the USD.	5	(20,171)	(4,867)
If RMB strengthens against the USD.	(5)	20,171	4,867
Year ended 31 December 2024			
If RMB weakens against the USD.	5	390	(8,301)
If RMB strengthens against the USD.	(5)	(390)	8,301
Nine months ended 30 September 2025			
(Unaudited)			
If RMB weakens against the USD.	5	4,165	10,967
If RMB strengthens against the USD.	(5)	(4,165)	(10,967)

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. The credit risk of the Group’s other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each Relevant Periods and 30 September 2025.

The amounts presented are gross carrying amounts for financial assets.

APPENDIX I

ACCOUNTANTS’ REPORT

At 31 December 2023

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	1,728,972	1,728,972
Financial assets included in prepayments, other receivables and other assets					
— Normal**	4,217	—	—	—	4,217
Cash and cash equivalents					
— Not yet past due	254,714	—	—	—	254,714
Total	258,931	—	—	1,728,972	1,987,903

At 31 December 2024

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	2,055,171	2,055,171
Financial assets included in prepayments, other receivables and other assets					
— Normal**	4,670	—	—	—	4,670
Cash and cash equivalents	275,790	—	—	—	275,790
Restricted bank deposits	15,000	—	—	—	15,000
Total	295,460	—	—	2,055,171	2,350,631

APPENDIX I

ACCOUNTANTS’ REPORT

At 30 September 2025 (Unaudited)

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	2,084,700	2,084,700
Financial assets included in prepayments, other receivables and other assets					
— Normal**	5,026	—	—	—	5,026
Cash and cash equivalents	610,300	—	—	—	610,300
Restricted bank deposits	17,204	—	—	—	17,204
Total	632,530	—	—	2,084,700	2,717,230

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information. At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk.

** 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.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

At 31 December 2023

	Less than 12 months or on demand	Over 1 year	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	1,342,195	—	1,342,195
Financial liabilities included in other payables and accruals	67,102	—	67,102
Interest-bearing bank and other borrowings.	2,281,106	52,188	2,333,294
Lease liabilities	13,784	16,738	30,522
Total	3,704,187	68,926	3,773,113

At 31 December 2024

	Less than 12 months or on demand	Over 1 year	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	1,062,787	—	1,062,787
Financial liabilities included in other payables and accruals	125,671	—	125,671
Interest-bearing bank and other borrowings.	3,652,221	65,693	3,717,914
Lease liabilities	18,092	22,344	40,436
Total	4,858,771	88,037	4,946,808

APPENDIX I

ACCOUNTANTS’ REPORT

At 30 September 2025 (Unaudited)

	Less than 12 months or on demand	Over 1 year	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	1,439,624	—	1,439,624
Financial liabilities included in other payables and accruals	122,227	—	122,227
Interest-bearing bank and other borrowings .	3,342,048	657,287	3,999,335
Lease liabilities	17,129	26,162	43,291
Total	4,921,028	683,449	5,604,477

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 and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The Group’s policy is to maintain the gearing ratio at a reasonable level.

APPENDIX I

ACCOUNTANTS’ REPORT

The gearing ratio as at the end of each of the Relevant Periods and 30 September 2025 was as follows:

	As at 31 December		As at
	2023	2024	30 September
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
Total liabilities	3,875,300	5,039,511	5,676,490
Total assets	5,868,834	7,630,170	8,994,652
Gearing ratio	66.03%	66.05%	63.11%

38. EVENTS AFTER THE RELEVANT PERIODS

On 18 December 2025, the Shareholders’ meeting of the Company approved the Pre-[REDACTED] Share Option Scheme pursuant to which, 6,100,000 share options of the Company were granted to 46 employees with an exercise price of RMB3.00 per share.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2024.