

## APPENDIX I

## ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[●], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



### ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MGS ECO-HOME LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

#### INTRODUCTION

We report on the historical financial information of MGS Eco-Home Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●] which comprises the combined statements of financial position of the Group as at 31 December 2023 and 2024, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2023 and 2024 (the “Track Record Period”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### DIRECTORS’ RESPONSIBILITY FOR 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 and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company 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 and presentation set out in Note 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 purpose of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2023 and 2024 and the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**REVIEW OF INTERIM FINANCIAL INFORMATION**

We have reviewed the interim financial information of the Group which comprises the combined statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2025, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flows statements for the nine months ended 30 September 2024 and 2025 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in Note 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 enquiries, 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,

---

**APPENDIX I**

**ACCOUNTANTS' REPORT**

---

nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED 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 30(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its incorporation.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

[Date]

---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

**HISTORICAL FINANCIAL INFORMATION**

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

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(Expressed in Renminbi (“RMB”))

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Revenue</b> . . . . .	4	3,394,217	3,455,617	2,548,574	2,518,816
Cost of sales . . . . .		(2,640,167)	(2,680,589)	(1,990,518)	(1,872,334)
<b>Gross profit</b> . . . . .		754,050	775,028	558,056	646,482
Other income . . . . .	5	42,863	46,253	37,776	32,644
Selling and distribution expenses . . . . .		(200,118)	(217,189)	(155,105)	(176,465)
Administrative expenses . . . .		(139,636)	(135,472)	(91,993)	(111,398)
Research and development costs . . . . .		(42,023)	(46,214)	(31,019)	(34,766)
Impairment loss on trade and other receivables and contract assets . . . . .	6(d)	(6,631)	(6,233)	(4,915)	(4,549)
Other net (loss)/gain . . . . .	6(c)	(91)	7,577	7,442	11,888
<b>Profit from operations</b> . . . .		408,414	423,750	320,242	363,836
Finance costs . . . . .	6(a)	(1,225)	(4,101)	(2,791)	(3,135)
Share of (loss)/profit of an associate . . . . .	16	–	(550)	(180)	4,494
<b>Profit before taxation</b> . . . .	6	407,189	419,099	317,271	365,195
Income tax . . . . .	7(a)	(87,164)	(98,330)	(72,994)	(85,476)
<b>Profit for the year/period</b> . .		320,025	320,769	244,277	279,719
Other comprehensive income for the year/period, net of income tax . . . . .		–	–	–	–
<b>Total comprehensive income for the year/period</b> . . . . .		320,025	320,769	244,277	279,719
<b>Earnings per share</b>					
<b>Basic and diluted earnings per share (RMB)</b> . . . . .	10	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

*(Expressed in RMB)*

	Note	As at 31 December		As at
		2023	2024	30 September
		RMB’000	RMB’000	2025
				RMB’000
				<i>(Unaudited)</i>
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	11	435,760	338,902	336,287
Right-of-use assets . . . . .	12	83,771	73,659	99,195
Intangible assets . . . . .	13	4,277	4,098	2,911
Investment property . . . . .	14	–	72,454	69,436
Interests in an associate . . . . .	16	–	14,150	28,444
Financial assets measured at fair value through profit or loss (“FVPL”) . . .	22	62,337	254,758	227,015
Deferred tax assets . . . . .	29	3,303	4,423	5,317
Time deposits . . . . .		–	359,724	377,370
Other non-current assets . . . . .	17	1,413	–	386
		<u>590,861</u>	<u>1,122,168</u>	<u>1,146,361</u>
<b>Current assets</b>				
Inventories . . . . .	18	335,977	350,898	301,215
Contract assets . . . . .	20(a)	9,983	10,656	11,540
Trade and other receivables . . . . .	19	132,313	104,928	261,088
Financial assets measured at fair value through other comprehensive income (“FVOCI”) . . . . .	21	1,572	1,947	1,038
Financial assets measured at FVPL . . .	22	–	507,960	345,121
Restricted cash . . . . .	23(b)	4,724	11,759	12,436
Time deposits . . . . .		–	–	41,092
Cash and cash equivalents . . . . .	23(a)	990,673	367,104	280,301
		<u>1,475,242</u>	<u>1,355,252</u>	<u>1,253,831</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	24	678,398	672,726	967,936
Contract liabilities . . . . .	20(b)	211,308	251,650	210,603
Bank loans . . . . .	25	–	59,887	249,507
Lease liabilities . . . . .	26	1,818	413	764
Current taxation . . . . .	29	28,507	32,024	37,203
		<u>920,031</u>	<u>1,016,700</u>	<u>1,466,013</u>
<b>Net current assets/(liabilities) . . . . .</b>		<u>555,211</u>	<u>338,552</u>	<u>(212,182)</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	<i>Note</i>	<b>As at 31 December</b>		<b>As at</b>
		<b>2023</b>	<b>2024</b>	<b>30 September</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
<b>Total assets less current liabilities . .</b>		1,146,072	1,460,720	934,179
<b>Non-current liabilities</b>				
Lease liabilities . . . . .	26	413	–	285
Deferred income . . . . .	27	5,117	5,597	4,590
Deferred tax liabilities . . . . .	29	414	5,361	7,755
		5,944	10,958	12,630
<b>NET ASSETS . . . . .</b>		<u>1,140,128</u>	<u>1,449,762</u>	<u>921,549</u>
<b>CAPITAL AND RESERVES</b>				
Share capital . . . . .	30(a)	95,000	95,000	95,000
Reserves . . . . .	30(d)	<u>1,045,128</u>	<u>1,354,762</u>	<u>826,549</u>
<b>TOTAL EQUITY . . . . .</b>		<u>1,140,128</u>	<u>1,449,762</u>	<u>921,549</u>

The accompanying notes form part of the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

*(Expressed in RMB)*

	<i>Note</i>	<u>As at 30 September 2025</u> <i>RMB’000 (Unaudited)</i>
<b>Current liabilities</b>		
Trade and other payables . . . . .	24	1,928
		1,928
<b>Net current liabilities</b> . . . . .		(1,928)
		<u>–</u>
<b>NET LIABILITIES</b> . . . . .		<u>–</u>
<b>CAPITAL AND RESERVES</b>		
Share capital . . . . .	30(a)	–
Reserves . . . . .		(1,928)
<b>TOTAL DEFICIT</b> . . . . .		<u>(1,928)</u>

The accompanying notes form part of the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in RMB)

	<i>Note</i>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Statutory reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total equity</b>
		<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>(Note 30(a))</i>	<i>(Note 30(d)(i))</i>	<i>(Note 30(d)(ii))</i>	<i>(Note 30(d)(iii))</i>		
<b>Balance at 1 January 2023</b>		95,000	73,158	47,500	–	598,760	814,418
<b>Changes in equity for year ended 2023:</b>							
Profit for the year . . . . .		–	–	–	–	320,025	320,025
Profit and total comprehensive income . . .		–	–	–	–	320,025	320,025
Equity-settled share-based transactions . . . . .	28	–	5,685	–	–	–	5,685
<b>Balance at 31 December 2023 and 1 January 2024</b>		95,000	78,843	47,500	–	918,785	1,140,128
<b>Changes in equity for year ended 2024:</b>							
Profit for the year . . . . .		–	–	–	–	320,769	320,769
Profit and total comprehensive income . . .		–	–	–	–	320,769	320,769
Equity-settled share-based transactions . . . . .	28	–	(11,135)	–	–	–	(11,135)
<b>Balance at 31 December 2024</b>		<u>95,000</u>	<u>67,708</u>	<u>47,500</u>	<u>–</u>	<u>1,239,554</u>	<u>1,449,762</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	<i>Note</i>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Statutory reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total equity</b>
		<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>(Note 30(a))</i>	<i>(Note 30(d)(i))</i>	<i>(Note 30(d)(ii))</i>	<i>(Note 30(d)(iii))</i>		
(Unaudited)							
<b>Balance at 31 December</b>							
<b>2023 and 1 January 2024</b>		95,000	78,843	47,500	–	918,785	1,140,128
<b>Changes in equity for nine months ended 30 September 2024:</b>							
Profit for the period . . . . .		–	–	–	–	244,277	244,277
Profit and total comprehensive income . . .		–	–	–	–	244,277	244,277
Equity-settled share-based transactions . . . . .	28	–	(12,253)	–	–	–	(12,253)
<b>Balance at 30 September 2024</b>							
		<u>95,000</u>	<u>66,590</u>	<u>47,500</u>	<u>–</u>	<u>1,163,062</u>	<u>1,372,152</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Note</i>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Statutory reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total equity</b>
		<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>(Note 30(a))</i>	<i>(Note 30(d)(i))</i>	<i>(Note 30(d)(ii))</i>	<i>(Note 30(d)(iii))</i>		
<b>Balance at 31 December 2024 and 1 January 2025 .</b>		95,000	67,708	47,500	–	1,239,554	1,449,762
<b>Changes in equity for nine months ended 30 September 2025:</b>							
Profit for the period . . . . .		–	–	–	–	279,719	279,719
Profit and total comprehensive income . . . . .		–	–	–	–	279,719	279,719
Distribution to shareholders . . . . .		–	–	–	–	(807,500)	(807,500)
Equity-settled share-based transactions . . . . .	28	–	(432)	–	–	–	(432)
<b>Balance at 30 September 2025 . . . . .</b>		<u>95,000</u>	<u>67,276</u>	<u>47,500</u>	<u>–</u>	<u>711,773</u>	<u>921,549</u>

*Note:* The balance as at 1 January 2023, 31 December 2023 and 2024 and 30 September 2025 represents the share capital of Zhejiang Shenghua Yunfeng Greeneo Co., Ltd. (“Yunfeng Greeneo”) prior to the completion of Reorganization.

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Operating activities:</b>					
Cash generated from operations . . . . .	23(c)	652,869	507,828	391,941	526,824
Income tax paid . . . . .	29(a)	(94,783)	(91,238)	(67,557)	(78,446)
<b>Net cash generated from operating activities . . . . .</b>		<b>558,086</b>	<b>416,590</b>	<b>324,384</b>	<b>448,378</b>
<b>Investing activities:</b>					
Payment for the purchase of property, plant and equipment, right-of-use assets and intangible assets . . . . .		(71,435)	(46,839)	(41,813)	(59,344)
Proceeds from sale of property, plant and equipment . . . . .		1,491	1,077	681	792
Net gain on disposal of leases . . . . .		–	125	–	–
Payments for purchase of financial assets measured at FVPL . . . . .		(75,410)	(3,273,396)	(2,203,485)	(4,234,960)
Proceeds from redemption of financial assets measured at FVPL . . . . .		280,210	2,583,256	1,452,530	4,423,644
Payments for purchase of time deposits . . . . .		–	(415,000)	(415,000)	(50,000)
Proceeds from redemption of time deposits . . . . .		–	60,000	–	–
Payment for the investment in an associate . . . . .		–	(14,700)	(14,700)	(9,800)
Receipt of asset-related government grant . . . . .		380	1,671	1,471	169
Interest received . . . . .		179	7,191	4,569	13,837
<b>Net cash generated/(used) in investing activities . . . . .</b>		<b>135,415</b>	<b>(1,096,615)</b>	<b>(1,215,747)</b>	<b>84,338</b>
<b>Financing activities:</b>					
Proceeds from bank loans . . . . .	23(d)	–	288,188	288,188	398,267
Capital element of lease rentals paid . . . . .	23(d)	(1,704)	(2,019)	(1,925)	(392)
Interest element of lease rentals paid . . . . .	23(d)	(83)	(25)	(19)	(23)
Repayment of bank loans . . . . .	23(d)	–	(230,000)	–	(210,000)
Distribution to shareholders . . . . .	30(c)	–	–	–	(807,500)
<b>Net cash (used)/generated in financing activities . . . . .</b>		<b>(1,787)</b>	<b>56,144</b>	<b>286,244</b>	<b>(619,648)</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>		<b>691,714</b>	<b>(623,881)</b>	<b>(605,119)</b>	<b>(86,932)</b>
<b>Cash and cash equivalents at 1 January . . . . .</b>	23(a)	<b>298,803</b>	<b>990,673</b>	<b>990,673</b>	<b>367,104</b>
<b>Effect of foreign exchange rate changes . . . . .</b>		<b>156</b>	<b>312</b>	<b>198</b>	<b>129</b>
<b>Cash and cash equivalents at 31 December/30 September . . . . .</b>	23(a)	<b>990,673</b>	<b>367,104</b>	<b>385,752</b>	<b>280,301</b>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

MGS Eco-Home Limited (the “Company”) was incorporated in the Cayman Islands on 17 September 2025 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Palm Grove Unit 4, 265 Smith Road, George Town, P.O. Box 52A Edgewater Way, #1653, Grand Cayman KY1-9006, Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation. The Company and its subsidiaries (together the “Group”) are principally engaged in the design, research and development, production and sales of green wood-based panels and customized home furnishings under the brand “Moganshan” (the “[REDACTED] Businesses”).

Prior to the incorporation of the Company, the [REDACTED] Businesses were carried out by Yunfeng Greeneo and its subsidiaries (together “Yunfeng Greeneo Group”). To rationalise the corporate structure in preparation of the [REDACTED] of the Company’s shares on the Stock Exchange of Hong Kong Limited, the Group underwent the reorganization, as detailed in the section headed “History, Reorganization and Corporate Structure” in the document (the “Reorganization”). Upon completion of the Reorganization in January 2026, the Company became the holding company of the Group.

As the Reorganization only involved inserting certain newly formed entities with no business operations as the new holding companies of Yunfeng Greeneo, the former holding company of the Group, there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganization has been accounted for using principles similar to those for a reverse acquisition, with Yunfeng Greeneo treated as the acquirer for accounting purpose. The Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Yunfeng Greeneo Group with the assets and liabilities of Yunfeng Greeneo Group recognized and measured at their historical carrying amounts prior to the Reorganization. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of report, the Company has direct or indirect interests in the following subsidiaries, all of which are private and limited liability companies.

Company name	Note	Place and date of incorporation/ establishment	Particulars of registered capital/ paid-up capital	Proportion of ownership interest		Principal activities
				Directly held by the Company	Indirectly held by the Company	
MGS Eco-Home (Hong Kong) Limited (“MGS HK”) . . . . .	(i)	Hong Kong 9 October 2025	HKD1/ HKD1	100.00%	–	Investment holding
Huzhou Shenghua Yunfeng Zhixiang Home Furnishings Co., Ltd. (the “WFOE”) 湖州升華雲峰智享家居有限公司 . . . . .	(i)	Chinese Mainland 18 November 2025	RMB100,000/ RMB0	–	100.00%	Investment holding
Zhejiang Shenghua Yunfeng Greeneo Co., Ltd. 浙江升華雲峰新材股份有限公司 . . . . .	(ii)	Chinese Mainland 11 December 1995	RMB95,000,000/ RMB95,000,000	–	100.00%	Research and development (“R&D”), production and sales of wood-based panels
Zhejiang Yunfeng Moganshan Marketing Co., Ltd. 浙江雲峰莫干山營銷有限公司 . . . . .	(ii)	Chinese Mainland 6 March 2008	RMB30,000,000/ RMB30,000,000	–	100.00%	Sales of wood-based panels

APPENDIX I

ACCOUNTANTS’ REPORT

Company name	Note	Place and date of incorporation/ establishment	Particulars of registered capital/ paid-up capital	Proportion of ownership interest		Principal activities
				Directly held by the Company	Indirectly held by the Company	
Zhejiang Yunfeng Moganshan Flooring Co., Ltd. (“Moganshan Flooring”) 浙江雲峰莫干山地板有限公司	(ii)	Chinese Mainland 23 July 2001	RMB116,427,000/ RMB76,427,000	–	100.00%	R&D, production and sales of flooring
Zhejiang Yunfeng Moganshan Floor Trading Co., Ltd. 浙江雲峰莫干山地板商貿有限公司	(ii)	Chinese Mainland 26 March 2013	RMB100,000,000/ RMB10,000,000	–	100.00%	Sales of flooring
Zhejiang Yunfeng Moganshan Furniture Co., Ltd. (“Moganshan Furniture”) 浙江雲峰莫干山家居用品有限公司	(ii)	Chinese Mainland 7 November 2014	RMB60,000,000/ RMB60,000,000	–	100.00%	R&D, production and sales of customized home furnishings
Guangzhou Yunmo Furniture Co., Ltd. 廣州雲莫家居用品有限公司	(i)	Chinese Mainland 6 March 2025	RMB500,000/ RMB0	–	100.00%	Online-sales of customized home furnishings
Deqing Yunmo Furniture Co., Ltd. 德清雲莫家居用品有限公司	(i)	Chinese Mainland 11 June 2025	RMB500,000/ RMB0	–	100.00%	Sales of customized home furnishings
Zhejiang Yunfeng Moganshan Decoration and Construction Materials Co., Ltd. 浙江雲峰莫干山裝飾建材有限公司	(ii)	Chinese Mainland 1 December 1998	RMB30,000,000/ RMB30,000,000	–	100.00%	R&D, production and sales of engineered veneer
Zhejiang Yunfeng Moganshan Import and Export Co., Ltd. 浙江雲峰莫干山進出口有限公司	(ii)	Chinese Mainland 23 March 2011	RMB15,000,000/ RMB15,000,000	–	100.00%	Import and export of timber
Shandong Yunfeng Moganshan Furniture Co., Ltd. 山東雲峰莫干山家居有限公司	(ii)	Chinese Mainland 8 December 2020	RMB60,000,000/ RMB60,000,000	–	100.00%	R&D, production and sales of customized home furnishings
Feixian Yunfeng Moganshan Decoration Materials Co., Ltd. 費縣雲峰莫干山裝飾材料有限公司	(ii)	Chinese Mainland 10 October 2013	RMB10,000,000/ RMB10,000,000	–	100.00%	Production and sales of wood-based panels
Zhejiang Yunfeng Moganshan Supply Chain Management Co., Ltd. 浙江雲峰莫干山供應鏈管理有限公司	(i)	Chinese Mainland 24 June 2025	RMB50,000,000/ RMB0	–	100.00%	Management of raw material procurement
Zhejiang Moganshan Smart Home Co., Ltd. 浙江莫干山智能家居有限公司	(i)	Chinese Mainland 1 July 2025	RMB100,000,000/ RMB26,800,000	–	100.00%	R&D and production of customized home furnishings
Shanghai Yunmo Home Furnishings Co., Ltd. 上海雲莫家居用品有限公司	(i)	Chinese Mainland 27 November 2025	RMB500,000/ RMB0	–	100.00%	Sales of customized home furnishings

## APPENDIX I

## ACCOUNTANTS’ REPORT

*Notes:*

- (i) No audited financial statements of these entities for the years ended 31 December 2023 and 2024 were prepared as they are newly incorporated.
- (ii) The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the years ended 31 December 2023 and 2024 were audited by Pan-China Certified Public Accountants LLP.
- (iii) The English name of the subsidiaries incorporated in the Chinese Mainland is translated from their registered Chinese name for identification purpose only.
- (iv) All companies now comprising the Group have adopted 31 December as the financial year end.

As at 30 September 2025, the Group had net current liabilities of RMB212,182,000 (unaudited). The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due and to sustain its operations for at least twelve months from 30 September 2025, based on the Group’s cash flow forecasts, taking into accounts of the profit distribution of RMB708,700,000 approved in October 2025, the expected working capital requirements for at least twelve months from 30 September 2025 and the unused banking facilities as at 30 November 2025. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Further details of the material accounting policy information adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised HKFRS Accounting Standards that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 36.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

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

## 2 MATERIAL ACCOUNTING POLICY INFORMATION

### (a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Investment in securities (see Note 2(e)).

### (b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## APPENDIX I

## ACCOUNTANTS’ REPORT

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

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

### (c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the combined statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group is presented on the face of the combined statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

### (d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognized at cost, which includes transaction costs.

Subsequently, the combined financial statements include the Group’s share of the profit or loss and other comprehensive income (“OCI”) of those investees, until the date on which significant influence ceases.

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group’s net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**(e) Other investments in securities**

The Group's policies for investments, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

**(i) Non-equity investments**

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(t)(ii)(b)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

**(f) Investment property**

Investment property is initially measured at cost. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. As investment properties are all transferred from the Group's own plant and buildings and land use rights, the estimated useful lives remain the same before and after the transfer. The estimated useful lives are as follows:

- Land use rights . . . . . 50 years
- Plant and buildings . . . . . 10 – 20 years

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gain or loss on disposal of investment property is recognized in profit or loss. Rental income from investment properties is recognized in accordance with Note 2(t)(ii)(a).

**(g) Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Plant and buildings . . . . . 3 – 20 years
- Equipment and machinery . . . . . 5 – 10 years
- Office equipment and furniture . . . . . 3 – 10 years
- Motor vehicles . . . . . 5 years
- Leasehold improvements . . . . . Over the shorter of the lease term or the estimated useful life of the asset

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 2(j)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

**(h) Intangible assets**

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Expenditure on internally generated brands, is recognized in profit or loss as incurred.

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Trademark . . . . . 5 years
- Software . . . . . 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(i) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

**(i) As a lessee**

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

## APPENDIX I

## ACCOUNTANTS’ REPORT

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss incurred.

The right-of-use asset recognized when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e)(i), 2(m) and 2(t)(ii)(a)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the combined statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

### *(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(t)(ii)(a).

### **(j) Credit losses and impairment of assets**

#### *(i) Credit losses from financial instruments, contract assets and lease receivables*

The Group recognizes a loss allowance for expected credit losses (“ECLs”) on:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, time deposits and trade and other receivables);
- contract assets (see Note 2(l));
- non-equity securities measured at FVOCI (recycling) (see Note 2(e)(i)); and
- lease receivables.

## APPENDIX I

## ACCOUNTANTS' REPORT

### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

### *Significant increases in credit risk*

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

## APPENDIX I

## ACCOUNTANTS' REPORT

### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

### *Write-off policy*

The gross carrying amount of a financial asset, lease receivable or contract asset is written-off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written-off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

### **(ii) *Impairment of other non-current assets***

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, other non-current assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

## APPENDIX I

## ACCOUNTANTS' REPORT

### **(k) Inventories**

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(l) Contract assets and contract liabilities**

A contract asset is recognized when the group recognizes revenue (see Note 2(t)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(j)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(m)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(t)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such latter cases, a corresponding receivable is also recognized (see Note 2(m)).

### **(m) Trade and other receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

Except for certain bills receivable measured at FVOCI, receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(j)(i)).

### **(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(j)(i)).

### **(o) Trade and other payables**

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

### **(p) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognized in accordance with Note 2(v).

### **(q) Employee benefits**

#### ***(i) Short-term employee benefits and contributions to defined contribution retirement plans***

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## APPENDIX I

## ACCOUNTANTS' REPORT

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

### (ii) *Share-based payments*

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the income approach model. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

### (iii) *Termination benefits*

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes costs for a restructuring.

### (r) **Income tax**

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### (s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract (see Note 2(j)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

### (t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group’s assets under leases in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition policies are as follows:

#### (i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis, including the sale of products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value-added tax or other sales taxes.

##### (a) Sales of products

The Group sells wood-based panels and customized home furnishings to distributors, real estate development companies, decoration and renovation companies and other customers. Revenue is recognized when the customer takes possession of and accepts the products.

##### (b) IP Licensing

The Group allows authorised manufacturers to sell board and flooring under the Group’s trademark “Moganshan” in exchange for sales-based royalties. Revenue is recognized when the subsequent sales occur.

##### (c) Provision of other services

The Group provides various support services including marketing support to distributors, technical support to authorised manufacturers in exchange for service fees. Revenue is recognized when the relevant services are rendered.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### (u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (v) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

### (w) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if 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 the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## APPENDIX I

## ACCOUNTANTS' REPORT

- (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

#### (a) Sources of estimation uncertainty

Significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

##### (i) *Expected credit losses of trade and other receivables and contract assets*

The Group's management determines the loss allowance for expected credit losses on trade and other receivables and contract assets based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Changes in these estimates could significantly affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

##### (ii) *Net realisable value of inventories*

As described in Note 2(k), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**4 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

The principal activities of the Group are the manufacturing and sale of wood-based panels and customized home furnishings.

**(i) Disaggregation of revenue**

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

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>				
Product offering				
Wood-based panels . . . . .	2,340,389	2,325,671	1,776,477	1,501,273
Customized home furnishings . . .	642,936	703,030	474,769	644,201
IP licensing . . . . .	347,370	356,427	247,495	306,371
Other services . . . . .	62,582	66,513	47,454	61,887
	<u>3,393,277</u>	<u>3,451,641</u>	<u>2,546,195</u>	<u>2,513,732</u>
<b>Revenue from other sources</b>				
Rental income . . . . .	940	3,976	2,379	5,084
	<u>3,394,217</u>	<u>3,455,617</u>	<u>2,548,574</u>	<u>2,518,816</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	(Unaudited)
<b>Disaggregated by timing of revenue recognition</b>				
Point in time . . . . .	3,374,531	3,427,451	2,528,504	2,497,991
Over time . . . . .	18,746	24,190	17,691	15,741
	<u>3,393,277</u>	<u>3,451,641</u>	<u>2,546,195</u>	<u>2,513,732</u>

No revenue from individual customer contributed over 10% of total revenue of the Group for the Track Record Period.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date.

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Transaction price allocated to remaining performance obligations of long-term contracts</b>				
To be recognized as revenue within 1 year . . . . .	176,942	179,888	120,797	100,012
To be recognized as revenue over 1 year . . . . .	243,507	155,448	200,800	97,871
	<u>420,449</u>	<u>335,336</u>	<u>321,597</u>	<u>197,883</u>

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sale contracts such that the above information has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations under the contracts that had an original expected duration of one year or less.

**(b) Segment reporting**

Operating segments are identified on the basis of internal reports that the Group’s most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group’s most senior executive management makes resources allocation decisions based on internal management functions and assess the Group’s business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

**(i) Geographic information**

The following table sets out information about the geographical location of the Group’s revenue from external customers. The geographical location of customers is based on the location of customers where they registered or located.

Revenue from external customers

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Chinese Mainland . . . . .	3,361,953	3,406,181	2,513,153	2,478,010
Others . . . . .	32,264	49,436	35,421	40,806
	<u>3,394,217</u>	<u>3,455,617</u>	<u>2,548,574</u>	<u>2,518,816</u>

All of the non-current assets of the Group are physically located in the Chinese Mainland.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**5 OTHER INCOME**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest income . . . . .	20,761	19,742	16,592	9,473
Compensation income . . . . .	11,203	12,425	9,965	14,108
Government grants (Note (i)) . . . . .	5,710	8,140	6,981	4,294
Additional deduction for Value-added Tax (“VAT”) (Note (ii)) . . . . .	3,932	4,494	3,187	1,651
Others . . . . .	1,257	1,452	1,051	3,118
	<u>42,863</u>	<u>46,253</u>	<u>37,776</u>	<u>32,644</u>

*Notes:*

- (i) Government grants primarily comprise subsidies received from the government for the encouragement of the Group’s business development.
- (ii) Pursuant to the Notice on the Additional VAT Credit Policy for Advanced Manufacturing Enterprises (Announcement [2023] No. 43) issued by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT in the period from 1 January 2023 to 31 December 2027.

**6 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging:

**(a) Finance costs**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest on discounted bills and letters of credit . . . . .	1,142	4,076	2,772	3,112
Interest on lease liabilities . . . . .	83	25	19	23
	<u>1,225</u>	<u>4,101</u>	<u>2,791</u>	<u>3,135</u>

**(b) Staff costs**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, wages and other benefits . . . . .	224,128	239,027	174,319	196,376
Contributions to defined contribution retirement plans (Note (i)) . . . . .	12,058	14,002	9,720	12,239
Equity-settled share-based payment expenses (Note 28) . . . . .	5,685	(11,135)	(12,253)	(432)
	<u>241,871</u>	<u>241,894</u>	<u>171,786</u>	<u>208,183</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Note:

- (i) The employees of the subsidiaries of the Group established in the People’s Republic of China (the “PRC”) participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees’ salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other net (loss)/gain

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000 (Unaudited)
Net realized and unrealized gains on financial assets at FVPL . . . . .	2,000	16,544	9,488	11,939
Net foreign exchange gain . . . . .	553	94	182	624
Net gain on disposal of leases . . . . .	–	19	–	–
Net (loss)/gain on disposal of property, plant and equipment . . . . .	(417)	(6,817)	(181)	26
Others . . . . .	(2,227)	(2,263)	(2,047)	(701)
	<u>(91)</u>	<u>7,577</u>	<u>7,442</u>	<u>11,888</u>

(d) Other items

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000 (Unaudited)
Cost of inventories sold (Note (i)) . . . . .	18(b)	2,637,657	2,676,010	1,987,242	1,867,995
Depreciation charges:					
– owned property, plant and equipment . . . . .	11	34,982	36,405	28,065	25,331
– right-of-use assets . . . . .	12	3,899	3,651	2,826	1,983
– investment property . . . . .	14	–	1,793	787	3,018
Impairment losses on trade and other receivables . . . . .	19	5,954	3,243	3,853	4,662
Impairment loss/(reversal) on contract assets . . . . .	20(a)	677	2,990	1,062	(113)
Research and development expenses (Note (ii)) . . . . .		42,023	46,214	31,019	34,766
Amortisation cost of intangible assets . . . . .	13	1,121	1,467	1,004	1,187
[REDACTED] expenses . . . . .		–	–	–	1,928
		<u>–</u>	<u>–</u>	<u>–</u>	<u>1,928</u>

Notes:

- (i) Cost of inventories sold includes amounts relating to staff costs, depreciation and amortisation expenses which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(ii) During the Track Record Period, research and development expenses include staff costs of RMB17,310,000, RMB17,157,000, RMB12,883,000 (unaudited) and RMB13,408,000 (unaudited) for the years ended 31 December 2023, 2024, and nine months ended 30 September 2024 and 2025, respectively, which are also included in the total amounts of staff costs disclosed Note 6(b).

**7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS**

**(a) Taxation in the combined statements of profit or loss represents**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Current tax:</b>				
Provision for the year/period . . . . .	89,131	94,497	69,575	83,976
(Over)/under provision in respect of prior years/period . . . . .	(196)	6	6	–
	<u>88,935</u>	<u>94,503</u>	<u>69,581</u>	<u>83,976</u>
<b>Deferred tax:</b>				
Origination and reversal of temporary differences . . . . .	(1,771)	3,827	3,413	1,500
	<u>87,164</u>	<u>98,330</u>	<u>72,994</u>	<u>85,476</u>

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit before taxation . . . . .	<u>407,189</u>	<u>419,099</u>	<u>317,271</u>	<u>365,195</u>
Notional tax on profit before taxation calculated at the rates applicable to profits in the jurisdiction concerned ( <i>Note (i)</i> ) . . . . .	88,165	103,836	77,661	88,861
Effect on deferred tax balances at 1 January resulting from a change in tax rate . . . . .	(133)	66	116	(946)
(Over)/under provision in prior years . . . . .	(196)	6	6	–
Tax effect of additional deduction on research and development expenses ( <i>Note (ii)</i> ) . . . . .	(5,293)	(6,144)	(4,249)	(2,883)
Tax effect of share of results of an associate . . . . .	–	138	45	(1,124)
Tax effect of non-deductible expenses . . . . .	635	601	272	150
Utilisation of tax losses previously not recognized . . . . .	(82)	(2,494)	(338)	(435)
Tax effect of deductible temporary differences and tax losses not recognized . . . . .	<u>4,068</u>	<u>2,321</u>	<u>(519)</u>	<u>1,853</u>
Actual tax expense . . . . .	<u>87,164</u>	<u>98,330</u>	<u>72,994</u>	<u>85,476</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

*Notes:*

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The subsidiaries of the Group incorporated in the Chinese Mainland are subject to the PRC Corporate Income Tax (“CIT”) at a statutory rate of 25%. Certain subsidiaries were subject to the following preferential CIT policies during the Track Record Period:

- Certain subsidiaries in the Chinese Mainland were entitled to a preferential the CIT rate of 5% as it was accredited as small and micro business.
- Certain subsidiaries of the Company in the Chinese Mainland were approved as High and New Technology Enterprises (“HNTE”) and they were subject to a preferential CIT rate of 15%. Two of these subsidiaries have ceased to satisfy the criteria required for HNTE and was liable to PRC income tax at a rate of 25% for the year ended 31 December 2024 and the period ended 30 September 2025 and thereafter, respectively.

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

**8 DIRECTORS’ EMOLUMENTS**

Directors’ emoluments are recorded in the Historical Financial Information are set out below:

**Year ended 31 December 2023**

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (Note 28)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Executive directors</b>							
Mr. Zhou Xinlin (i) . . .	–	–	–	–	–	–	–
Mr. Zhao Jianzhong (i) .	–	411	599	33	1,043	471	1,514
Mr. Chen Jian (i) . . . .	–	291	350	33	674	571	1,245
Mr. Tang Yuanming (i)	–	411	323	33	767	–	767
<b>Non-executive director</b>							
Mr. Lu Weifeng (ii) . . .	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Mr. Gao Jianrong (iii) .	78	–	–	–	78	–	78
Mr. Jiang Yinhua (iii) . .	78	–	–	–	78	–	78
Ms. Lu Aimin (iii) . . . .	78	–	–	–	78	–	78
	<u>234</u>	<u>1,113</u>	<u>1,272</u>	<u>99</u>	<u>2,718</u>	<u>1,042</u>	<u>3,760</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (Note 28)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Executive directors</b>							
Mr. Zhou Xinlin (i) . . .	–	351	462	36	849	–	849
Mr. Zhao Jianzhong (i) .	–	411	623	36	1,070	*	1,070
Mr. Chen Jian (i) . . . .	–	291	396	36	723	*	723
Mr. Tang Yuanming (i) .	–	341	316	36	693	–	693
<b>Non-executive directors</b>							
Mr. Lu Weifeng (ii) . . .	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Mr. Gao Jianrong (iii) .	78	–	–	–	78	–	78
Mr. Jiang Yinhua (iii) . .	78	–	–	–	78	–	78
Ms. Lu Aimin (iii) . . . .	78	–	–	–	78	–	78
	<u>234</u>	<u>1,394</u>	<u>1,797</u>	<u>144</u>	<u>3,569</u>	<u>*</u>	<u>3,569</u>

Nine months ended 30 September 2025 (unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (Note 28)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Executive directors</b>							
Mr. Zhou Xinlin (i) . . .	–	307	630	28	965	–	965
Mr. Zhao Jianzhong (i) .	–	307	480	28	815	469	1,284
Mr. Chen Jian (i) . . . .	–	217	270	28	515	569	1,084
Mr. Tang Yuanming (i) .	–	217	195	28	440	–	440
<b>Non-executive directors</b>							
Mr. Lu Weifeng (ii) . . .	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Mr. Gao Jianrong (iii) .	59	–	–	–	59	–	59
Mr. Jiang Yinhua (iii) . .	59	–	–	–	59	–	59
Ms. Lu Aimin (iii) . . . .	59	–	–	–	59	–	59
	<u>177</u>	<u>1,048</u>	<u>1,575</u>	<u>112</u>	<u>2,912</u>	<u>1,038</u>	<u>3,950</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Nine months ended 30 September 2024 (unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (Note 28)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Executive directors</b>							
Mr. Zhou Xinlin (i) . . .	–	263	347	27	637	–	637
Mr. Zhao Jianzhong (i) .	–	308	467	27	802	*	802
Mr. Chen Jian (i) . . . .	–	218	297	27	542	*	542
Mr. Tang Yuanming (i) .	–	256	237	27	520	–	520
<b>Non-executive directors</b>							
Mr. Lu Weifeng (ii) . . .	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Mr. Gao Jianrong (iii) .	59	–	–	–	59	–	59
Mr. Jiang Yinhua (iii) . .	59	–	–	–	59	–	59
Ms. Lu Aimin (iii) . . . .	59	–	–	–	59	–	59
	<u>177</u>	<u>1,045</u>	<u>1,348</u>	<u>108</u>	<u>2,678</u>	<u>*</u>	<u>2,678</u>

\* Due to the reversal of the equity-settled share-based payments in 2024 (see Note 28), for the purpose of directors’ emoluments disclosure, the reversal of equity-settled share-based payments for Mr. Zhao Jianzhong and Mr. Chen Jian, which amounted to RMB859,000 and RMB1,042,000, respectively, for the year ended 31 December 2024, and RMB1,015,000 (unaudited) and RMB1,231,000 (unaudited), respectively, for the nine months ended 30 September 2024, were designated as zero in the table above.

Notes:

- (i) Mr. Zhou Xinlin, Mr. Zhao Jianzhong, Mr. Chen Jian, and Mr. Tang Yuanming was appointed as the executive director of the Company on 17 September 2025. Their emoluments disclosed above included the compensations for their services to one of the Company’s subsidiary as executive directors.
- (ii) Mr. Lu Weifeng was appointed as the non-executive director of the Company on 17 September. Mr. Lu Weifeng received emoluments from an entity controlled by the ultimate controlling shareholder of the Group during the Track Record Period.
- (iii) Mr. Gao Jianrong, Mr. Jiang Yinhua and Ms. Lu Aimin was appointed as the independent non-executive director of the Company on 17 September 2025. Their emoluments disclosed above included the compensations for their services to one of the Company’s subsidiary as independent non-executive directors.
- (iv) During the Track Record Period, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.
- (v) These equity-settled share-based payments above represent the estimated value of share granted to a director under the equity-incentive scheme. The value of these share is measured according to the Group’s accounting policies for share-based payment transactions as set out in Note 2(q)(ii). The details of share-based payment, including the principal terms and number of shares granted, are disclosed in Note 28.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**9 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

For the purpose of the individuals with highest emoluments disclosure, equity-settled share-based payments are not included in the total emoluments as no vesting nor any payment under the equity-incentive scheme during the Track Record Period and the equity settled share-based payments have a reverse impact in 2024 due to the change of the estimated [REDACTED].

Of the five individuals with the highest emoluments of the Group during the years ended 31 December 2023 and 2024 and nine months ended 2024 and 2025, three, three\*, three\* (unaudited) and four (unaudited) are directors, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining two, two\*, two\* (unaudited) and one (unaudited) individuals during the years ended 31 December 2023, 2024 and nine months ended 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, allowance and benefits				
in kind . . . . .	820	817	613	270
Discretionary bonuses . . . . .	2,548	1,352	1,014	–
Retirement scheme contributions . . .	66	71	53	–
Equity-settled share-based payments	1,322	*	*	658
	<u>4,756</u>	<u>2,240</u>	<u>1,680</u>	<u>928</u>

The emoluments of the individuals who are not directors and with the highest emoluments are within the following bands:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> <i>(Unaudited)</i>	<i>Number of individuals</i> <i>(Unaudited)</i>
HK\$Nil to HK\$1,000,000 . . . . .	–	–	1	–
HK\$1,000,001 to HK\$1,500,000 . . .	–	2	1	1
HK\$1,500,001 to HK\$2,000,000 . . .	–	–	–	–
HK\$2,000,001 to HK\$2,500,000 . . .	1	–	–	–
HK\$2,500,001 to HK\$3,000,000 . . .	–	–	–	–
HK\$3,000,001 to HK\$3,500,000 . . .	1	–	–	–
	=	=	=	=

\* Due to the reversal of the equity-settled share-based payments in 2024 (see Note 28), for the purpose of this note, during the year ended 31 December 2024 and nine months ended 30 September 2024, when identifying the five individuals with the highest emoluments, the reversal of the equity-settled share-based payments of each individual were designated as zero. Regarding the emoluments of the remaining two and two (unaudited) individuals, who are not directors disclosed in Note 8, during the years ended 31 December 2024 and nine months ended 30 September 2024, the aggregate reversal of equity-settled share-based payments of RMB2,411,000 and RMB2,850,000 (unaudited), respectively, were designated as zero in the table above.

**10 EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Track Record Period on the basis as disclosed in Note 1.

APPENDIX I

ACCOUNTANTS’ REPORT

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Equipment and machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>							
At 1 January 2023 . . . . .	271,437	128,529	19,770	5,159	1,824	202,160	628,879
Additions . . . . .	986	4,535	1,217	794	-	22,267	29,799
Transfer from construction in progress . . . . .	181,805	38,384	3,315	-	-	(223,504)	-
Disposals . . . . .	(129)	(5,193)	(837)	(440)	-	-	(6,599)
At 31 December 2023 and							
1 January 2024 . . . . .	454,099	166,255	23,465	5,513	1,824	923	652,079
Additions . . . . .	1,216	1,322	1,765	992	-	9,798	15,093
Transfer from construction in progress . . . . .	221	7,575	93	-	-	(7,889)	-
Disposals . . . . .	(12,466)	(3,772)	(392)	(528)	(1,824)	-	(18,982)
Transfer to investment property (Note 14) . . . . .	(79,646)	-	-	-	-	-	(79,646)
At 31 December 2024 and							
1 January 2025 . . . . .	363,424	171,380	24,931	5,977	-	2,832	568,544
Additions . . . . .	2,012	1,101	1,473	-	-	18,876	23,462
Transfer from construction in progress . . . . .	35	3,019	-	730	-	(3,784)	-
Disposals . . . . .	(724)	(1,084)	(258)	-	-	-	(2,066)
At 30 September 2025 (Unaudited) . . . . .	364,747	174,416	26,146	6,707	-	17,924	589,940
<b>Accumulated depreciation:</b>							
At 1 January 2023 . . . . .	(103,495)	(64,718)	(12,998)	(3,969)	(964)	-	(186,144)
Charge for the year . . . . .	(19,138)	(12,089)	(2,775)	(373)	(607)	-	(34,982)
Written back on disposals . . . . .	97	3,554	776	380	-	-	4,807
At 31 December 2023 and							
1 January 2024 . . . . .	(122,536)	(73,253)	(14,997)	(3,962)	(1,571)	-	(216,319)
Charge for the year . . . . .	(18,781)	(14,149)	(2,691)	(531)	(253)	-	(36,405)
Written back on disposals . . . . .	5,998	2,461	372	472	1,824	-	11,127
Transfer to investment property (Note 14) . . . . .	11,955	-	-	-	-	-	11,955
At 31 December 2024 and							
1 January 2025 . . . . .	(123,364)	(84,941)	(17,316)	(4,021)	-	-	(229,642)
Charge for the period . . . . .	(12,271)	(10,565)	(2,043)	(452)	-	-	(25,331)
Written back on disposals . . . . .	129	950	241	-	-	-	1,320
At 30 September 2025 (Unaudited) . . . . .	(135,506)	(94,556)	(19,118)	(4,473)	-	-	(253,653)
<b>Net book value:</b>							
At 31 December 2023 . . . . .	331,563	93,002	8,468	1,551	253	923	435,760
At 31 December 2024 . . . . .	240,060	86,439	7,615	1,956	-	2,832	338,902
At 30 September 2025 (Unaudited) . . . . .	229,241	79,860	7,028	2,234	-	17,924	336,287

(i) As at 30 September 2025, plant and buildings of Moganshan Flooring with a carrying amount of RMB10,056,000 (unaudited) were idle because of a excess capacity. In July 2025, Yunfeng Greeneo entered into an equity transferring agreement with an independent third party, transferring its 100% equity of Moganshan Flooring. As a result of the transaction, the Group will no longer retain ownership of these idle plant and buildings and the corresponding land use rights with a carrying amount RMB9,067,000 (unaudited).

APPENDIX I

ACCOUNTANTS’ REPORT

12 RIGHT-OF-USE ASSETS

	<u>Land use rights</u>	<u>Plant and buildings</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost:</b>			
At 1 January 2023 . . . . .	100,231	4,026	104,257
Additions . . . . .	–	1,316	1,316
Disposals . . . . .	–	(184)	(184)
	<u>100,231</u>	<u>5,158</u>	<u>105,389</u>
At 31 December 2023 and 1 January 2024 . . . . .	100,231	5,158	105,389
Additions . . . . .	–	201	201
Disposals . . . . .	–	(3,845)	(3,845)
Transfer to investment property ( <i>Note 14</i> ) . . . . .	(7,940)	–	(7,940)
	<u>92,291</u>	<u>1,514</u>	<u>93,805</u>
At 31 December 2024 and 1 January 2025 . . . . .	92,291	1,514	93,805
Additions . . . . .	26,590	1,028	27,618
Disposals . . . . .	–	(316)	(316)
	<u>118,881</u>	<u>2,226</u>	<u>121,107</u>
At 30 September 2025 (Unaudited) . . . . .	118,881	2,226	121,107
<b>Accumulated depreciation:</b>			
At 1 January 2023 . . . . .	(16,530)	(1,373)	(17,903)
Charge for the year . . . . .	(2,083)	(1,816)	(3,899)
Written back on disposals . . . . .	–	184	184
	<u>(18,613)</u>	<u>(3,005)</u>	<u>(21,618)</u>
At 31 December 2023 and 1 January 2024 . . . . .	(18,613)	(3,005)	(21,618)
Charge for the year . . . . .	(1,916)	(1,735)	(3,651)
Written back on disposals . . . . .	–	3,739	3,739
Transfer to investment property ( <i>Note 14</i> ) . . . . .	1,384	–	1,384
	<u>(19,145)</u>	<u>(1,001)</u>	<u>(20,146)</u>
At 31 December 2024 and 1 January 2025 . . . . .	(19,145)	(1,001)	(20,146)
Charge for the period . . . . .	(1,412)	(571)	(1,983)
Written back on disposals . . . . .	–	217	217
	<u>(20,557)</u>	<u>(1,355)</u>	<u>(21,912)</u>
At 30 September 2025 (Unaudited) . . . . .	(20,557)	(1,355)	(21,912)
<b>Net book value:</b>			
At 31 December 2023 . . . . .	<u>81,618</u>	<u>2,153</u>	<u>83,771</u>
At 31 December 2024 . . . . .	<u>73,146</u>	<u>513</u>	<u>73,659</u>
At 30 September 2025 (Unaudited) . . . . .	<u>98,324</u>	<u>871</u>	<u>99,195</u>

The Group is in the process of applying for the certificates for certain land use rights with an aggregate carrying value of nil, nil and RMB26,590,000 (unaudited) respectively as at 31 December 2023 and 2024 and 30 September 2025. The directors of the Company are of the opinion that the Group is entitled to legally and validly occupy and use of these land use rights.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation charge of right-of-use assets by class of underlying asset:				
Depreciation charges of right-of-use assets . . . . .	1,816	1,735	1,381	571
Leasehold land for own use . . . . .	2,083	1,916	1,445	1,412
	<u>3,899</u>	<u>3,651</u>	<u>2,826</u>	<u>1,983</u>
Interest on lease liabilities (Note 6(a)) . . . . .	83	25	19	23
Expense relating to short-term leases . . . . .	1,196	2,590	2,153	1,198

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 23(d) and Note 26 respectively.

**(a) Land use rights**

Land in respect of land use rights is located in the PRC with a lease period of 50 years when obtained.

**(b) Properties leased for own use**

The Group has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

**(c) The analysis of the net book value of right-of-use assets by remaining lease term is as follows:**

	As at 31 December		As at
	2023	2024	30 September
	RMB'000	RMB'000	2025 RMB'000 (Unaudited)
Less than 5 years . . . . .	2,153	513	871
Between 5 to 50 years . . . . .	81,618	73,146	98,324
	<u>83,771</u>	<u>73,659</u>	<u>99,195</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**13 INTANGIBLE ASSETS**

	<u>Trademark</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost:</b>			
At 1 January 2023 . . . . .	64	4,004	4,068
Additions . . . . .	—	2,712	2,712
At 31 December 2023 and 1 January 2024 . . . . .	64	6,716	6,780
Additions . . . . .	—	1,288	1,288
At 31 December 2024, 1 January 2025 and 30 September 2025 (Unaudited) . . . . .	<u>64</u>	<u>8,004</u>	<u>8,068</u>
<b>Accumulated amortisation:</b>			
At 1 January 2023 . . . . .	(64)	(1,318)	(1,382)
Charge for the year . . . . .	—	(1,121)	(1,121)
At 31 December 2023 and 1 January 2024 . . . . .	(64)	(2,439)	(2,503)
Charge for the year . . . . .	—	(1,467)	(1,467)
At 31 December 2024 and 1 January 2025 . . . . .	(64)	(3,906)	(3,970)
Charge for the period . . . . .	—	(1,187)	(1,187)
At 30 September 2025 (Unaudited) . . . . .	<u>(64)</u>	<u>(5,093)</u>	<u>(5,157)</u>
<b>Net book value:</b>			
At 31 December 2023 . . . . .	<u>—</u>	<u>4,277</u>	<u>4,277</u>
At 31 December 2024 . . . . .	<u>—</u>	<u>4,098</u>	<u>4,098</u>
At 30 September 2025 (Unaudited) . . . . .	<u>—</u>	<u>2,911</u>	<u>2,911</u>

The amortisation charge is included in “Administrative expenses” and “Selling and distribution expenses” in the combined statements of profit or loss and other comprehensive income.

**14 INVESTMENTS PROPERTY**

	<u>Land use rights</u>	<u>Plant and buildings</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost:</b>			
At 1 January 2023, 31 December 2023 and 1 January 2024 . . . . .	—	—	—
Transfer from property, plant and equipment or right-of-use assets . . . . .	7,940	79,646	87,586
At 31 December 2024, 1 January 2025 and 30 September 2025 (Unaudited) . . . . .	<u>7,940</u>	<u>79,646</u>	<u>87,586</u>
<b>Accumulated amortisation:</b>			
At 1 January 2023, 31 December 2023 and 1 January 2024 . . . . .	—	—	—
Transfer from property, plant and equipment or right-of-use assets . . . . .	(1,384)	(11,955)	—
Charge for the year . . . . .	(167)	(1,626)	(1,793)
At 31 December 2024 and 1 January 2025 . . . . .	(1,551)	(13,581)	(15,132)
Charge for the period . . . . .	(150)	(2,868)	(3,018)
At 30 September 2025 (Unaudited) . . . . .	<u>(1,701)</u>	<u>(16,449)</u>	<u>(18,150)</u>
<b>Net book value:</b>			
At 31 December 2023 . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2024 . . . . .	<u>6,389</u>	<u>66,065</u>	<u>72,454</u>
At 30 September 2025 (Unaudited) . . . . .	<u>6,239</u>	<u>63,197</u>	<u>69,436</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The investment properties are valued by management to be nil, RMB102,356,000 and RMB93,400,000 (unaudited) respectively as at 31 December 2023 and 2024 and 30 September 2025, which using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment properties.

**15 INVESTMENTS IN SUBSIDIARIES**

**The Company**

	As at 30 September 2025
	RMB’000 (Unaudited)
Investment in a subsidiary, at cost ( <i>Note (i)</i> ): . . . . .	–

*Note:*

(i) Details of the subsidiaries are set forth in Note 1.

**16 INTERESTS IN AN ASSOCIATE**

Details of the Group’s interest in an associate, which is accounted for using the equity method in the combined financial statements, are as follows:

Name	Place of incorporation and business	Particulars of issued/paid-in capital	Effective interest held by the Group			Principal activities
			As at 31 December		As at 30 September	
			2023	2024	2025	
					(Unaudited)	
Linyi Yunjia New Material Technology Co., Ltd. 临沂雲佳新材料科技有限公司	Chinese Mainland	RMB50,000,000/ RMB50,000,000	–	49%	49%	Production and sales of melamine paper

On 9 July 2024, Linyi Yunjia New Material Technology Co., Ltd. was established by the Group together with Jiangsu Jiashijia New Materials Group Co., Ltd. under the associate agreement. The Group has the right to appoint the supervisor and certain key positions in the associate.

Aggregate information of the associate that are not individually material:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (Unaudited)
Aggregate amounts of the Group’s share of the associate . . . . .	–	14,150	28,444
(Loss)/profit for the year/period . . . . .	–	(550)	4,494
Total comprehensive (loss)/income . . . . .	–	(550)	4,494
	=	=	=

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**17 OTHER NON-CURRENT 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>
Prepayments for acquisition of property, plant and equipment . . . . .	74	–	386
Prepayments for acquisition of intangible assets . . . . .	1,339	–	–
	<u>1,413</u>	<u>–</u>	<u>386</u>

**18 INVENTORIES**

**(a) Inventories in the combined statements of financial position comprise**

	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 . . . . .	47,150	37,206	42,008
Semi-finished products and work in progress . . . . .	227,015	260,830	205,197
Finished products . . . . .	67,312	59,315	60,754
	<u>341,477</u>	<u>357,351</u>	<u>307,959</u>
Less: write down of inventories . . . . .	<u>(5,500)</u>	<u>(6,453)</u>	<u>(6,744)</u>
	<u>335,977</u>	<u>350,898</u>	<u>301,215</u>

**(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss 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>
Carrying amount of inventories sold . . . . .	2,638,284	2,675,057	1,986,585	1,867,704
(Reversal)/write-down of inventories . . . . .	<u>(627)</u>	<u>953</u>	<u>657</u>	<u>291</u>
Included in cost of sales . . . . .	2,637,657	2,676,010	1,987,242	1,867,995
Costs of inventories recognized as expenses . . . . .	<u>17,746</u>	<u>24,195</u>	<u>15,535</u>	<u>16,593</u>
	<u>2,655,403</u>	<u>2,700,205</u>	<u>2,002,777</u>	<u>1,884,588</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**19 TRADE AND OTHER RECEIVABLES**

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Trade receivables			
– Third parties . . . . .	45,221	48,763	99,987
– Related parties . . . . .	–	–	98
Less: loss allowance of trade receivables . . . . .	(7,147)	(10,091)	(15,433)
Bills receivable, carried at amortised cost . . . . .	53,762	35,361	32,986
<b>Trade and bills receivables measured at amortized cost . . . . .</b>	<b>91,836</b>	<b>74,033</b>	<b>117,638</b>
Prepayments . . . . .	34,123	21,117	20,577
Tax recoverable . . . . .	202	2,099	4,476
Other receivables and deposits			
– Third parties . . . . .	15,416	12,266	121,956
– Related parties . . . . .	–	4,900	4,900
Less: loss allowance of other receivables and deposits . . . . .	(9,264)	(9,487)	(8,459)
	<u>132,313</u>	<u>104,928</u>	<u>261,088</u>

All of the trade and other receivables are expected to be recovered or recognized as expenses within one year.

**(a) Ageing analysis**

As of the end of the Track Record Period, the ageing analysis of trade and bills receivables measured at amortized cost, based on the revenue recognition date and net of loss allowance, is as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Within 1 year . . . . .	89,701	68,764	111,677
1 year to 2 years . . . . .	2,130	4,986	5,769
2 years to 3 years . . . . .	5	283	192
Over 3 years . . . . .	–	–	–
	<u>91,836</u>	<u>74,033</u>	<u>117,638</u>

Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 31(a).

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(b) Endorsed bills receivable**

*(i) Endorsed bills receivable that are not derecognized in their entirety*

As at 31 December 2023, 2024 and 30 September 2025, the Group endorsed certain bills receivable with a carrying amount of RMB48,432,000, RMB28,414,000 and RMB31,386,000 (unaudited) respectively to suppliers for settling trade and other payables of the same amount on a full recourse basis. In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, these bills receivable and the associated trade and other payables were not derecognized in the combined statements of financial position.

*(ii) Endorsed bills receivable that are derecognized in their entirety*

As at 31 December 2023, 2024 and 30 September 2025, the Group endorsed certain bills receivable with a carrying amount of RMB18,131,000, RMB7,468,000 and RMB2,849,000 (unaudited) respectively to suppliers for settling trade and other payables of the same amount on a full recourse basis. The Group derecognized these bills receivable and the payables to suppliers in their entirety in the combined statements of financial position. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2023, 2024 and 30 September 2025, the Group’s maximum exposure to loss and undiscounted cash outflow, which is the same as the amounts payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB18,131,000, RMB7,468,000 and RMB2,849,000 (unaudited).

**20 CONTRACT ASSETS AND CONTRACT LIABILITIES**

**(a) Contract 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>
Arising from performance under contracts			
with customers . . . . .	13,276	16,939	17,710
Less: loss allowance on contract assets . . . . .	<u>(3,293)</u>	<u>(6,283)</u>	<u>(6,170)</u>
	<u>9,983</u>	<u>10,656</u>	<u>11,540</u>

Contract assets represent the Group’s rights to consideration from customers for the sale and installation of home products, which arise when the customers withhold certain amounts payable to the Group as warranty deposits after the completion of construction project. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(b) Contract liabilities**

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Receipts in advance from customers			
– Third parties . . . . .	211,301	251,638	210,598
– Related parties . . . . .	7	12	5
	<u>211,308</u>	<u>251,650</u>	<u>210,603</u>
<b>Movements in contract liabilities</b>			
Balance at 1 January . . . . .	188,041	211,308	251,650
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period . . . . .	(153,911)	(158,522)	(174,679)
Increase in contract liabilities as a result of advances from customers . . . . .	177,178	198,864	133,632
Balance at 31 December/30 September . . . . .	<u>211,308</u>	<u>251,650</u>	<u>210,603</u>

The Group receives advance payment from certain customers for sales of products and provision of IP licensing services. Contract liabilities will be recognized as revenue when control of products or trademark is transferred to the customer.

**21 FINANCIAL ASSETS MEASURED AT FVOCI**

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Bills receivable, carried at FVOCI . . . . .	<u>1,572</u>	<u>1,947</u>	<u>1,038</u>

The above bills receivable are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these bills receivable. Hence, these bills receivable are classified as financial assets measured at FVOCI.

**22 FINANCIAL ASSETS MEASURED AT FVPL**

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
<b>Current</b>			
Transferable certificate of deposit . . . . .	–	64,305	65,121
Wealth management products and structured deposits . . . . .	–	443,655	280,000
	<u>–</u>	<u>507,960</u>	<u>345,121</u>
<b>Non-current</b>			
Transferable certificate of deposit . . . . .	<u>62,337</u>	<u>254,758</u>	<u>227,015</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The Group invested its idle funds in wealth management products and structured deposits issued by banks. These wealth management products usually have a preset maturity period and expected return, covering a wide range of investments, including government and corporate debentures, central bank bills, currency market funds, and other Chinese listed and unlisted equity securities. These structured deposits, of which principal are guaranteed, have contractual returns linked to the performance of underlying financial variables (e.g., interest rates, foreign exchange rates, or equity indices). Changes in fair value of these financial assets have been recognized in “Other net (loss)/gain” in the combined statements of comprehensive income.

Transferable certificate of deposits are held within a business model whose objective is achieved by sales. Therefore, the management of the Group classified the transferable certificate of deposit as financial assets measured at FVPL.

**23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION**

**(a) Cash and cash equivalents comprise:**

	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 at bank and on hand . . . . .	990,673	366,876	280,294
Cash held at third party payment platforms . . . . .	—	228	7
	<u>990,673</u>	<u>367,104</u>	<u>280,301</u>

As at 31 December 2023, 2024 and 30 September 2025, cash and cash equivalents of the Group situated in the Chinese Mainland amounted to RMB990,673,000, RMB367,104,000 and RMB280,301,000 (unaudited), respectively. Remittance of funds out of the Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

**(b) Restricted cash**

As at 31 December 2023, 2024 and 30 September 2025, the Group’s restricted cash of RMB4,724,000, RMB11,759,000 and RMB12,436,000 (unaudited) were mainly restricted for the purpose of letter of guarantee deposits and bank acceptance deposits.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Profit before taxation . . . . .</b>		407,189	419,099	317,271	365,195
Adjustments for:					
Depreciation of property, plant and equipment . . . . .	6(d)	34,982	36,405	28,065	25,331
Depreciation of right-of-use assets . . . . .	6(d)	3,899	3,651	2,826	1,983
Depreciation of investment property . . . . .	6(d)	–	1,793	787	3,018
Amortisation of intangible assets . . . . .	6(d)	1,121	1,467	1,004	1,187
Share of loss/(profit) of an associate . . . . .	16	–	550	180	(4,494)
Net loss/(gain) on disposal of property, plant and equipment . . . . .	6(c)	417	6,817	181	(26)
Net gain on disposal of leases . . . . .	6(c)	–	(19)	–	–
Finance costs . . . . .	6(a)	83	1,724	1,118	1,376
Interest income . . . . .	5	–	(5,612)	(2,960)	(8,738)
Provision of impairment loss on inventories . . . . .		2,858	4,823	3,421	3,730
Provision of impairment loss on trade and other receivables and contract assets . . . . .		6,631	6,233	4,915	4,549
Net fair value changes on other financial assets at FVPL . . . . .	6(c)	(2,000)	(16,544)	(9,488)	(11,939)
Equity-settled share-based payment expenses . . . . .	6(b)	5,685	(11,135)	(12,253)	(432)
		460,865	449,252	335,067	380,740
Changes in working capital:					
(Increase)/decrease in inventories . . . . .		(1,431)	(19,744)	(37,756)	45,953
(Increase)/decrease in trade and other receivables . . . . .		(52,552)	25,353	14,189	(157,665)
Increase in contract assets . . . . .		(4,512)	(3,663)	(1,966)	(771)
Decrease/(increase) in restricted cash . . . . .		248	(7,035)	4,724	(677)
Increase in trade and other payables . . . . .		226,967	24,514	17,728	301,467
Increase/(decrease) in contract liabilities . . . . .		23,267	40,342	60,894	(41,047)
Increase/(decrease) in deferred income . . . . .		17	(1,191)	(939)	(1,176)
<b>Cash generated from   operations . . . . .</b>		<u>652,869</u>	<u>507,828</u>	<u>391,941</u>	<u>526,824</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(d) Reconciliation of liabilities arising from financing activities:

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

	<b>Lease liabilities</b>	<b>Bank loans</b>	<b>Total</b>
	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i> <i>(Note 25)</i>	<i>RMB’000</i>
<b>At 1 January 2023</b> . . . . .	2,619	—	2,619
<b>Changes from financing cash flows:</b>			
Capital element of lease rentals paid . . . . .	(1,704)	—	(1,704)
Interest element of lease rentals paid . . . . .	(83)	—	(83)
Total changes from financing cash flows . . . . .	(1,787)	—	(1,787)
<b>Other change:</b>			
Increase in lease liabilities from entering into new leases during the year ( <i>Note 12</i> ) . . . . .	1,316	—	1,316
Interest expenses ( <i>Note 6(a)</i> ) . . . . .	83	—	83
Total other change . . . . .	1,399	—	1,399
<b>At 31 December 2023 and 1 January 2024</b> . . . . .	2,231	—	2,231
<b>Changes from financing cash flows:</b>			
Capital element of lease rentals paid . . . . .	(2,019)	—	(2,019)
Interest element of lease rentals paid . . . . .	(25)	—	(25)
Proceeds from bank loans . . . . .	—	288,188	288,188
Repayment of bank loans . . . . .	—	(230,000)	(230,000)
Total changes from financing cash flows . . . . .	(2,044)	58,188	56,144
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the year ( <i>Note 12</i> ) . . . . .	201	—	201
Interest expenses ( <i>Note 6(a)</i> ) . . . . .	25	1,699	1,724
Total other changes . . . . .	226	1,699	1,925
<b>At 31 December 2024 and 1 January 2025</b> . . . . .	413	59,887	60,300
<b>Changes from financing cash flows:</b>			
Capital element of lease rentals paid . . . . .	(392)	—	(392)
Interest element of lease rentals paid . . . . .	(23)	—	(23)
Proceeds from bank loans . . . . .	—	398,267	398,267
Repayment of bank loans . . . . .	—	(210,000)	(210,000)
Total changes from financing cash flows . . . . .	(415)	188,267	187,852
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the period ( <i>Note 12</i> ) . . . . .	1,028	—	1,028
Interest expenses ( <i>Note 6(a)</i> ) . . . . .	23	1,353	1,376
Total other changes . . . . .	1,051	1,353	2,404
<b>At 30 September 2025 (Unaudited)</b> . . . . .	1,049	249,507	250,556

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(e) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprise the following:

	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 cash flows . . . . .	1,196	2,590	2,153	1,198
Within financing cash flows . . . . .	<u>1,787</u>	<u>2,044</u>	<u>1,944</u>	<u>415</u>
	<u>2,983</u>	<u>4,634</u>	<u>4,097</u>	<u>1,613</u>

These amounts are related to lease rentals paid.

**24 TRADE AND OTHER 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> <i>(Unaudited)</i>
Trade payables . . . . .	318,586	279,286	356,504
Bills payable . . . . .	126,248	147,952	231,744
Deposits . . . . .	94,657	119,545	121,132
Payables for equipment and construction . . . . .	43,043	15,614	9,743
Accrued payroll and other benefits . . . . .	61,904	62,939	56,846
Other tax payables . . . . .	24,107	22,602	20,010
Other payables and accruals . . . . .	9,761	21,386	120,961
Amounts due to related parties . . . . .	<u>92</u>	<u>3,402</u>	<u>50,996</u>
	<u>678,398</u>	<u>672,726</u>	<u>967,936</u>

All trade and other payables are expected to be settled within one year or are repayable on demand.

As of the end of the Track Record Period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	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>
Within 1 year . . . . .	442,191	420,313	579,601
Over 1 year . . . . .	<u>2,643</u>	<u>6,925</u>	<u>8,647</u>
	<u>444,834</u>	<u>427,238</u>	<u>588,248</u>

**The Company**

	As at 30 September
	2025
	<i>RMB'000</i> <i>(Unaudited)</i>
Amounts due to subsidiaries within the Group . . . . .	<u>1,928</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 25 BANK LOANS

The analysis of the repayment schedule of bank loans is as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Bank advances under discounted bills . . . . .	–	59,887	249,507
	<u>–</u>	<u>59,887</u>	<u>249,507</u>

### 26 LEASE LIABILITIES

As of the end of the Track Record Period, the lease liabilities were repayable as follows:

	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 1 year . . . . .	1,818	413	764
After 1 year but within 2 years . . . . .	413	–	285
	<u>2,231</u>	<u>413</u>	<u>1,049</u>

### 27 DEFERRED INCOME

	As at 31 December		As at 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Balance at 1 January . . . . .	4,720	5,117	5,597
Additions . . . . .	1,219	1,738	349
Credited to profit or loss . . . . .	(822)	(1,258)	(1,356)
Balance at 31 December/30 September . . . . .	<u>5,117</u>	<u>5,597</u>	<u>4,590</u>

As of the end of the Track Record Period, deferred income of the Group mainly represented various grants received from governments for construction of property, plant and equipment, and the research and development of new technologies. Government grants relating to compensation of assets are recognized as other income on a straight-line basis over the expected useful life of the relevant assets.

### 28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 19 November 2018, the shareholders of Yunfeng Greeneo approved an equity incentive scheme (the “Scheme”), pursuant to which a total of 5,865,000 shares (the “Shares”) were granted to qualified employees of Yunfeng Greeneo Group. The Shares were issued through Deqing Runfeng Investment Partnership (L.P.) (“Runfeng Partnership”) at a consideration of RMB3.60 per share.

Under the terms of the Scheme, when any grantee ceases employment prior to the listing of shares of Yunfeng Greeneo, Zhejiang Shenghua Holdings Group Co., Ltd., the entity controlled by the ultimate controlling shareholder of the Group is required to purchase the shares in Runfeng Partnership from the grantee at the transfer price which is determined by reference to the most recent audited net asset value per share of Yunfeng Greeneo while it is expected to be below the then-estimated fair value of the granted shares. The Company only has the obligation to deliver the shares and there are implicit service condition and non-market performance condition that the employees can be unconditionally entitled to the shares only if they are still in service until the [REDACTED].

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The Company originally expected to complete an A-share listing on or before 31 December 2024. Following the revision of the expected [REDACTED] timetable, share-based payment expenses of RMB10,193,000 and RMB12,253,000 (unaudited) have been reversed in the combined statements of profit or loss for the year ended 31 December 2024 and the nine months ended 30 September 2024, respectively, to reflect the change in the estimate on the achievement of the non-market vesting condition.

The numbers of the Shares are as follows:

	<u>Number of the Shares</u>
Outstanding as at 1 January 2023 and 31 December 2023 . . . . .	5,675,000
Forfeited during the year . . . . .	<u>(95,000)</u>
Outstanding as at 31 December 2024 . . . . .	5,580,000
Forfeited during the period . . . . .	<u>(660,000)</u>
Outstanding as at 30 September 2025 (unaudited) . . . . .	<u><u>4,920,000</u></u>

Reversal of share-based payment expenses of RMB942,000 and RMB5,340,000 (unaudited) were adjusted in staff costs in the combined statements of profit or loss due to one and one (unaudited) employee resigning and leaving the Group for the year ended 31 December 2024 and the nine months ended 30 September 2025, respectively.

**Fair value of the Shares**

The fair value of services received in return for the shares granted is measured at the difference between (i) the fair value of Shares granted and (ii) the considerations paid by the employees.

The fair value of the Shares is RMB14.02 per share, which was calculated based on the fair value of the underlying ordinary shares of Yunfeng Greeno as at 30 September 2018. The directors of the Company used the discounted cash flow method to determine the fair value of the underlying shares, with any expected dividends incorporated into the measurement of such shares.

The discounted cash flow derived by the directors considered the Group’s future business plan, specific business and financial risks, the stage of development of the Group’s operations and economic and competitive elements affecting the Group’s business, industry and market. The discount rates used for the fair value were 13.85%.

The directors estimated the risk-free interest rate based on the average yield of Chinese government bonds with maturity of above 10 years. Weighted average cost of capital was estimated based on selected comparable companies.

**29 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION**

**(a) Current taxation in the combined statements of financial position represents**

	<u>As at 31 December</u>		<u>As at 30 September</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>
At 1 January . . . . .	34,245	28,397	31,662
Provision for current income tax for the year/period . . . . .	88,935	94,503	83,976
Payments during the year/period . . . . .	<u>(94,783)</u>	<u>(91,238)</u>	<u>(78,446)</u>
At 31 December/30 September . . . . .	28,397	31,662	37,192
In the combined statements of financial position:			
Current taxation . . . . .	28,507	32,024	37,203
Tax recoverable . . . . .	<u>(110)</u>	<u>(362)</u>	<u>(11)</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(b) Deferred tax assets and liabilities recognized**

(i) The components of deferred tax assets/(liabilities) recognized in the combined statements of financial position and the movements during the Track Record Period are as follows:

	Right-of-use assets	Lease liabilities	Credit loss allowances	Impairment of inventories	Equity-settled share-based payments	Deferred income	Unrealised inter-group profit	Loss on disposal of property, plant and equipment	Fair value change of financial assets measured at FVPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 . . . . .	–	–	812	1,079	(1,918)	725	549	–	(129)	1,118
Credited/(Charged) to profit or loss . . . . .	(459)	477	1,500	(109)	807	94	(84)	–	(455)	1,771
At 31 December 2023 and 1 January 2024 . . . . .	(459)	477	2,312	970	(1,111)	819	465	–	(584)	2,889
Credited/(Charged) to profit or loss . . . . .	150	(179)	1,237	179	(2,878)	253	190	946	(3,725)	(3,827)
At 31 December 2024 and 1 January 2025 . . . . .	(309)	298	3,549	1,149	(3,989)	1,072	655	946	(4,309)	(938)
Credited/(Charged) to profit or loss . . . . .	101	(36)	588	(13)	(108)	(200)	(106)	–	(1,726)	(1,500)
At 30 September 2025 (Unaudited) . . . . .	(208)	262	4,137	1,136	(4,097)	872	549	946	(6,035)	(2,438)

**(ii) Reconciliation to the combined statement of financial position**

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Net deferred tax assets recognized in the combined statements of financial position . . . . .	3,303	4,423	5,317
Net deferred tax liabilities recognized in the combined statements of financial position . . . . .	(414)	(5,361)	(7,755)
	<u>2,889</u>	<u>9,784</u>	<u>(2,438)</u>

**(c) Deferred tax assets not recognized**

In accordance with the accounting policy set out in Note 2(r), as at 31 December 2023, 2024 and 30 September 2025, the Group did not recognize deferred tax assets in respect of certain subsidiaries’ cumulative tax losses of RMB37,281,000, RMB18,011,000 and RMB16,318,000 (unaudited) and deductible temporary differences of RMB6,079,000, RMB5,127,000 and RMB4,671,000 (unaudited), respectively, as it is not probable that sufficient future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilised.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The expiration information of the Group’s unused tax losses is set out below:

	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>
2024 . . . . .	1,427	–	–
2025 . . . . .	–	–	–
2026 . . . . .	1,604	757	757
2027 . . . . .	1,373	1,373	1,366
2028 . . . . .	8,593	8,593	8,593
2029 . . . . .	–	243	–
2030 and thereafter . . . . .	24,284	7,045	5,602
	<u>37,281</u>	<u>18,011</u>	<u>16,318</u>

**(d) Deferred tax liabilities not recognized**

According to PRC CIT laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

As at 30 September 2025, the Group has determined that certain retained profits of the Group’s PRC subsidiaries are not probable to be distributed in the foreseeable future, therefore, the Group did not recognize deferred tax liabilities on PRC dividend withholding taxes as at 30 September 2025.

**30 CAPITAL, RESERVES AND DIVIDENDS**

**(a) Share capital**

The Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 17 September 2025. The initial authorised share capital of the Company was USD50,000 divided into 1,000,000,000 shares with a par value of USD0.00005 each.

Upon the completion of the Reorganization in January 2026, the Company became the holding company of the Group.

Since the Reorganization was not completed as at 30 September 2025, the share capital in the combined statements of financial position as at 31 December 2023 and 2024 and 30 September 2025 represented the share capital of Yunfeng Greeneo.

**(b) Movements in components of equity**

Details of the changes in the Company’s individual components of equity are set out below:

<i>Note</i>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total deficit</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Balance at 1 January 2025 . . . . .</b>	–	–	–	–
<b>Changes in equity for nine months ended 30 September</b>				
Loss and total comprehensive loss for the period . . . . .	–	–	(1,928)	(1,928)
<b>Balance at 30 September 2025 (Unaudited) . . . . .</b>	–	–	<u>(1,928)</u>	<u>(1,928)</u>
	=	=	=	=

**(c) Dividends**

The Company did not pay any dividends during the period from 17 September 2025 (date of incorporation) to 30 September 2025.

## APPENDIX I

## ACCOUNTANTS’ REPORT

In May 2025, the board of directors of Yunfeng Greeneo, approved the profit distribution of RMB807,500,000 to its then shareholders. The dividend was paid in cash in May and June 2025.

### (d) Nature and purpose of reserves

#### (i) *Capital reserve*

The capital reserve represents the aggregate amount of capital reserve of the entities now comprising the Group. The capital reserve as at 30 September 2025 represents i) the merger reserve arising from the Reorganization which represents the excess of the aggregate amount of capital reserve of the subsidiaries comprising the Group over the considerations paid, and ii) the share-based payment reserve arising from the equity-settled share-based transactions recognized in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii) (see Note 28).

#### (ii) *Statutory reserve*

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years’ losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity’s registered capital.

#### (iii) *Exchange reserve*

The exchange reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations.

### (e) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group’s overall strategy remains unchanged throughout the Track Record Period. The Group monitors its capital structure with reference to its debt position. The Group’s strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to meet its debt obligations. The Group’s debt to asset ratio, being the Group’s total liabilities divided by its total assets, as at 31 December 2023, 2024 and 30 September 2025 was 44.8%, 41.5%, and 61.6% (unaudited), respectively.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade receivables and contract assets and other receivables. The Group’s exposure to credit risk arising from cash and cash equivalents, bills receivable, wealth management products and structured deposits and transferable certificate of deposit are limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk.

*Trade receivables and contract assets*

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables from third parties are due within 30 days to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2023, 2024 and 30 September 2025, nil, nil and 2.3% (unaudited) of the total trade receivables and contract assets due from the Group’s largest customer respectively, and nil, 6.6% and 14.2% (unaudited) of the total trade receivables and contract assets due from the Group’s five largest customers respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

The following tables provides information about the Group’s exposure to credit risk and ECLs for trade receivables and contract assets:

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year . . . . .	13.3%	48,625	6,473
1 year to 2 years . . . . .	34.3%	8,819	3,022
2 years to 3 years . . . . .	80.0%	540	432
Over 3 years . . . . .	100.0%	513	513
		<u>58,497</u>	<u>10,440</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year . . . . .	10.0%	42,870	4,287
1 year to 2 years . . . . .	41.4%	16,397	6,787
2 years to 3 years . . . . .	81.7%	6,211	5,076
Over 3 years . . . . .	100.0%	224	224
		<u>65,702</u>	<u>16,374</u>

As at 30 September 2025			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Within 1 year . . . . .	9.2%	92,248	8,494
1 year to 2 years . . . . .	35.9%	18,134	6,509
2 years to 3 years . . . . .	85.9%	5,747	4,934
Over 3 years . . . . .	100.0%	1,666	1,666
		<u>117,795</u>	<u>21,603</u>

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the Track Record Period is as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Balance at 1 January . . . . .	5,067	10,440	16,374
Provision of impairment losses . . . . .	5,373	5,956	5,539
Amounts written-off . . . . .	–	(22)	(310)
Balance at 31 December/30 September . . . . .	<u>10,440</u>	<u>16,374</u>	<u>21,603</u>

(b) Liquidity risk

The Group’s policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The following tables show the remaining contractual maturities at the end of the Track Record Period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the Track Record Period) and the earliest date the Group can be required to pay.

**As at 31 December 2023**

	Contractual undiscounted cash outflow					Carrying amount at 31 December
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Trade and other payables . . . . .	678,398	–	–	–	678,398	678,398
Lease liabilities . . . . .	2,040	414	–	–	2,454	2,231
	<u>680,438</u>	<u>414</u>	<u>–</u>	<u>–</u>	<u>680,630</u>	<u>680,629</u>

**As at 31 December 2024**

	Contractual undiscounted cash outflow					Carrying amount at 31 December
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Bank loans . . . . .	59,887	–	–	–	59,887	59,887
Trade and other payables . . . . .	672,726	–	–	–	672,726	672,726
Lease liabilities . . . . .	414	–	–	–	414	413
	<u>733,027</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>733,027</u>	<u>733,026</u>

**As at 30 September 2025**

	Contractual undiscounted cash outflow					Carrying amount at 30 September
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	
Bank loans . . . . .	249,507	–	–	–	249,507	249,507
Trade and other payables . . . . .	967,936	–	–	–	967,936	967,936
Lease liabilities . . . . .	780	292	–	–	1,072	1,049
	<u>1,218,223</u>	<u>292</u>	<u>–</u>	<u>–</u>	<u>1,218,515</u>	<u>1,218,492</u>

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, bank loans and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(d) Currency risk**

The Group is exposed to currency risk primarily through sales and purchases which give rise to trade and other receivables and cash and cash equivalent that are denominated in a foreign currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD and EUR.

**(i) Exposure to currency risk**

The following table details the Group’s exposure at the end of the Track Record Period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB’000)					
	As at 31 December				As at 30 September	
	2023		2024		2025	
	USD RMB’000	EUR RMB’000	USD RMB’000	EUR RMB’000	USD RMB’000 (Unaudited)	EUR RMB’000 (Unaudited)
Cash and cash equivalents . . .	–	–	–	–	*	–
Trade and other receivables . . .	2,022	6,543	9,741	6,051	4,512	5,253
	<u>2,022</u>	<u>6,543</u>	<u>9,741</u>	<u>6,051</u>	<u>4,512</u>	<u>5,253</u>

\* less than RMB1,000

**(ii) Sensitivity analysis**

The following table indicates the instantaneous change in the Group’s profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the Track Record Period had changed at that date, assuming all other risk variables remained constant.

	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB’000
<b>At 31 December 2023</b>		
USD . . . . .	5%	76
	(5%)	(76)
EUR . . . . .	5%	245
	(5%)	(245)
<b>At 31 December 2024</b>		
USD . . . . .	5%	366
	(5%)	(366)
EUR . . . . .	5%	227
	(5%)	(227)
<b>At 30 September 2025 (Unaudited)</b>		
USD . . . . .	5%	169
	(5%)	(169)
EUR . . . . .	5%	197
	(5%)	(197)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities’ profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of the Track Record Period for presentation purposes.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the Track Record Period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group’s presentation currency.

**(e) Fair value measurement**

**(i) Financial assets and liabilities measured at fair value**

*Fair value hierarchy*

The following table presents the fair value of the Group’s financial instruments measured at the end of the Track Record Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorized into		
		Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000
<b>Recurring fair value measurement</b>				
<b>Financial assets measured at FVPL:</b>				
– Transferable certificate of deposit . . . . .	62,337	–	62,337	–
<b>Financial assets measured at FVOCI:</b>				
– Bills receivable, carried at FVOCI . . . . .	<u>1,572</u>	<u>–</u>	<u>1,572</u>	<u>–</u>
	Fair value at 31 December 2024	Fair value measurements as at 31 December 2024 categorized into		
	RMB’000	Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000
<b>Recurring fair value measurement</b>				
<b>Financial assets measured at FVPL:</b>				
– Transferable certificate of deposit . . . . .	319,063	–	319,063	–
– Wealth management products and structured deposits . . . . .	<u>443,655</u>	<u>–</u>	<u>443,655</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Fair value at 31 December 2024	Fair value measurements as at 31 December 2024 categorized into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets measured at FVOCI:</b>				
– Bills receivable, carried at FVOCI . . . . .	1,947	–	1,947	–
	<u>1,947</u>	<u>–</u>	<u>1,947</u>	<u>–</u>
	Fair value at 30 September 2025	Fair value measurements as at 30 September 2025 categorized into		
	RMB'000	Level 1	Level 2	Level 3
	(Unaudited)	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Recurring fair value measurement</b>				
<b>Financial assets measured at FVPL:</b>				
– Transferable certificate of deposit . . . . .	292,136	–	292,136	–
– Wealth management products and structured deposits . . . . .	280,000	–	280,000	–
	<u>280,000</u>	<u>–</u>	<u>280,000</u>	<u>–</u>
<b>Financial assets measured at FVOCI:</b>				
– Bills receivable, carried at FVOCI . . . . .	1,038	–	1,038	–
	<u>1,038</u>	<u>–</u>	<u>1,038</u>	<u>–</u>

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognize transfers between levels of fair value hierarchy as at the end of the Track Record Period in which they occur.

*Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of transferable certificate of deposit measured at fair value are determined by calculating based on the annualised interest rates.

The fair value of wealth management products and structured deposits is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar term and risks.

The fair value of bills receivables is determined by using a discounted cash flow method. The discount rate used to capture the present value of the cash flows to be derived from the receivables should use observable market interest rate risk that matches the credit quality and maturity of the bills as much as possible.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023, 2024 and 30 September 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

32 COMMITMENTS

Capital commitments for purchase of property, plant and equipment outstanding at 31 December 2023, 2024 and 30 September 2025 not provided for in the Historical Financial Information were as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)
Contracted for . . . . .	42,779	28,222	15,678

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationship of the related parties that had material transactions with the Group during the Track Record Period

Name of the related party	Relationship
Xia Shilin . . . . .	Ultimate controlling party of the Group
浙江升華控股集團有限公司* Zhejiang Shenghua Holdings Group Co., Ltd. (“Shenghua Holdings”).	Entity controlled by the ultimate controlling party of the Group
浙江華源應用新材料股份有限公司* Zhejiang Huayuan Applied New Materials Co., Ltd. . . . .	Entity controlled by Shenghua Holdings
浙江華源顏料銷售有限公司* Zhejiang Huayuan Pigment Sales Co., Ltd. . . . .	Entity controlled by Zhejiang Huayuan Pigment Co., Ltd.
德清下渚湖酒店有限公司* Deqing Xiazuhuhu Hotel Co., Ltd. (formerly known as 德清下渚湖度假村有限公司 Deqing Xiazhu Lake Resort Co., Ltd.) . . . . .	Entity controlled by Shenghua Holdings
升華地產集團有限公司* Shenghua Property Group Co., Ltd. . . . .	Entity controlled by Shenghua Holdings
鉅野縣錦枝裝飾材料商行* Juye County Jinzhi Decoration Materials Firm . . . . .	Entity controlled by a close family member of key management
浙江升華蘭德科技股份有限公司* Shenghua Lande Scitech Limited . . . . .	Entity controlled by the Mr. Xia Shilin
杭州華光計算機工程有限公司* Hangzhou Huaguang Computer Engineering Co., Ltd. . . . .	Entity controlled by Shenghua Lande Scitech Limited
升華集團德清奧華廣告有限公司* Shenghua Group Deqing Aohua Advertising Co., Ltd. . . . .	Entity controlled by Shenghua Holdings
德清金達能源有限公司* Deqing Jinda Energy Co., Ltd. . . . .	Entity controlled by Shenghua Group Deqing Aohua Advertising Co., Ltd.
德清奧華能源有限公司* Deqing Aohua Energy Co., Ltd. . . . .	Entity controlled by Shenghua Group Deqing Aohua Advertising Co., Ltd.
安徽升華新材料有限公司* Anhui Shenghua New Materials Co., Ltd. . . . .	Entity controlled by Shenghua Holdings
浙江升華普利商業經營管理有限責任公司* Zhejiang Shenghua Puli Commercial Operation and Management Co., Ltd. . . . .	Entity controlled by Shenghua Holdings
臨沂雲佳新材料科技有限公司* Linyi Yunjia New Material Technology Co., Ltd. . . . .	An associate of the Group

\* The English name of the entities incorporated in the Chinese Mainland is translated from their registered Chinese name for identification purpose only.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(b) Transactions with related parties**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Sales of goods</b>				
Juye County Jinzhi Decoration Materials Firm . . . . .	258	238	195	117
Deqing Xiazhuhu Hotel Co., Ltd. . .	–	32	32	–
Linyi Yunjia New Material Technology Co., Ltd. . . . .	–	1,780	663	8,808
<b>Rental income</b>				
Linyi Yunjia New Material Technology Co., Ltd. . . . .	–	743	–	2,246
<b>Sales of property, plant and equipment</b>				
Linyi Yunjia New Material Technology Co., Ltd. . . . .	–	71	71	–
<b>Purchase of goods . . . . .</b>				
Zhejiang Huayuan Pigment Sales Co., Ltd. . . . .	3	3	3	4
Linyi Yunjia New Material Technology Co., Ltd. . . . .	–	3,074	342	58,104
Shenghua Group Deqing Aohua Advertising Co., Ltd. . . . .	–	–	–	4,615
Deqing Aohua Energy Co., Ltd. . . .	–	–	–	14,651
Deqing Jinda Energy Co., Ltd. . . . .	–	–	–	53
Anhui Shenghua New Materials Co., Ltd. . . . .	–	–	–	17
<b>Receiving other services</b>				
Deqing Xiazhu Lake Resort Co., Ltd. . . . .	306	390	284	148
Shenghua Group Deqing Aohua Advertising Co., Ltd. . . . .	–	–	–	1,372
<b>Purchase of property, plant and equipment</b>				
Hangzhou Huaguang Computer Engineering Co., Ltd. . . . .	93	50	–	–
<b>Loans to a related party</b>				
Linyi Yunjia New Material Technology Co., Ltd. . . . .	–	4,900	4,900	–

The right-of-use assets and lease liabilities recognized for a long-term lease with related parties in respect of certain leasehold properties for operating activities are as below:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Shenghua Property Group Co., Ltd.				
Acquisitions of right-of-use assets . .	1,197	–	–	–
Interest expense on lease liabilities . .	28	17	13	1
Zhejiang Shenghua Puli Commercial Operation and Management Co., Ltd.				
Acquisitions of right-of-use assets . .	–	–	–	1,027
Interest expense on lease liabilities . .	–	–	–	22

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

In October 2022, the Group entered into a three-year lease in respect of company-operated store from Shenghua Property Group Co., Ltd., with annual rental fee of RMB435,000.

In January 2025, the Group entered into a three-year lease in respect of office space with Zhejiang Shenghua Puli Commercial Operation and Management Co., Ltd. with rental fee of RMB2,340,000.

**(c) Balance with related parties**

	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>
<b>Amounts due from related parties – Trade related (i)</b>			
Linyi Yunjia New Material Technology Co., Ltd.	–	–	98
	<u>---</u>	<u>---</u>	<u>---</u>
<b>Amounts due from related parties – Non-trade related (i)</b>			
Linyi Yunjia New Material Technology Co., Ltd.	–	4,900	4,900
<b>Less: loss allowance of other receivables . . . . .</b>	<u>–</u>	<u>(490)</u>	<u>(490)</u>
	<u>–</u>	<u>4,410</u>	<u>4,410</u>
	<u>---</u>	<u>---</u>	<u>---</u>
<b>Amounts due to related parties – Trade related</b>			
Linyi Yunjia New Material Technology Co., Ltd.	–	2,840	6,748
Hangzhou Huaguang Computer Engineering Co., Ltd. . . . .	21	16	6
Deqing Xiazhu Lake Resort Co., Ltd. . . . .	6	11	–
Shenghua Group Deqing Aohua Advertising Co., Ltd. . . . .	–	–	857
Deqing Aohua Energy Co., Ltd. . . . .	–	–	2,855
Anhui Shenghua New Materials Co., Ltd. . . . .	–	–	17
	<u>27</u>	<u>2,867</u>	<u>10,483</u>
	<u>---</u>	<u>---</u>	<u>---</u>
<b>Amounts due to related parties – Non-trade related</b>			
Linyi Yunjia New Material Technology Co., Ltd.	–	500	40,487
Shenghua Lande Scitech Limited . . . . .	40	10	–
Juye County Jinzhi Decoration Materials Firm . . . . .	25	25	25
Anhui Shenghua New Materials Co., Ltd. . . . .	–	–	1
	<u>65</u>	<u>535</u>	<u>40,513</u>
	<u>---</u>	<u>---</u>	<u>---</u>
<b>Contract liabilities</b>			
Juye County Jinzhi Decoration Materials Firm . . . . .	7	12	5
	<u>---</u>	<u>---</u>	<u>---</u>
<b>Lease Liabilities</b>			
Shenghua Real Estate Group Co., Ltd. . . . .	811	413	–
Zhejiang Shenghua Puli Commercial Operation and Management Co., Ltd. . . . .	–	–	1,049
	<u>811</u>	<u>413</u>	<u>1,049</u>
	<u>---</u>	<u>---</u>	<u>---</u>

*Note:*

- (i) Amounts due from related parties — non-trade related are unsecured and interest-free. The ageing of amounts due from related parties, based on the invoice date, is within 1 year as at 31 December 2023, 2024 and 30 September 2025.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(d) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Group’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, 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>
Salaries, wages and other benefits . .	1,113	1,394	1,045	1,048
Discretionary bonuses . . . . .	1,272	1,797	1,348	1,575
Contributions to defined contribution retirement plan . . . . .	99	144	108	112
Equity-settled share-based payment .	1,042	(1,901)	(2,246)	1,038
	<u>3,526</u>	<u>1,434</u>	<u>255</u>	<u>3,773</u>

Total remuneration is included in staff costs (see Note 6(b)).

**34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

As at the date of this report, the directors consider the immediate parent of the Company to be Ascendia Emerald Limited, which is incorporated in the British Virgin Islands, and the ultimate controlling party of the Company to be Mr. Xia Shilin.

**35 NON-ADJUSTING EVENTS AFTER THE TRACK RECORD PERIOD**

- (i) In October 2025, the board of directors of Yunfeng Greeneo, approved the profit distribution of RMB708,700,000 to its then shareholders. The dividend was paid in cash in December 2025.
- (ii) On 6 January 2026, the Company allotted and issued a total of 145,000,000 shares (“Capitalization Issue”) to the holders of shares of the Company in proportion to their existing respective shareholdings in the Company. The shares allotted and issued will rank pari passu in all respects with the existing issued shares.
- (iii) On 9 October 2025, MGS HK was incorporated as a limited liability company in Hong Kong with an authorized share capital of HK\$1.0 divided into one share with par value of HK\$1.0. On the same day, one share of MGS HK was allotted and issued to the Company at par value.

On 18 November 2025, the WFOE was established as a limited liability company in the PRC as a direct wholly owned subsidiary of MGS HK with a registered capital of RMB100,000, which was fully subscribed for by MGS HK on the same day.

Pursuant to the share transfer agreements entered into between Yunfeng Greeneo, WFOE and each of the then existing shareholders of Yunfeng Greeneo dated 8 January 2026, WFOE acquired the 100% equity interests of Yunfeng Greeneo held by the then existing shareholders of Yunfeng Greeneo, amounting to RMB95,000,000 registered share capital of Yunfeng Greeneo, at a consideration of RMB397,000,000 which was determined based on arm’s length negotiations among the shareholders with reference to the appraised value of the net assets of Yunfeng Greeneo, conducted by an independent third party valuer. Upon completion of the share transfers on 13 January 2026, Yunfeng Greeneo became a wholly owned subsidiary of WFOE and thus an indirect wholly owned subsidiary of the Company. A total consideration of RMB277,000,000 with respect to the aforementioned share transfer remained outstanding and is expected to be settled within three months after the date of the share transfer agreement, i.e., on or before 7 April 2026.

- (iv) In November and December 2025 and January 2026, the Group’s certain subsidiaries borrowed short-term bank loans with an aggregate amount of RMB627,000,000.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD**

Up to the date of this report, the HKICPA has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include the followings:

	<u>Effective for accounting periods beginning on or after</u>
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity . . . . .	1 January 2026
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments . . . . .	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11 . . . . .	1 January 2026
HKFRS 18, Presentation and Disclosure in Financial Statements . . . . .	1 January 2027
HKFRS 19, Subsidiaries without Public Accountability: Disclosures . . . . .	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of [REDACTED]. So far it has concluded that the adoption of them is unlikely to have a significant impact on the combined financial statements except for the following:

**HKFRS 18, Presentation and disclosure in financial statements**

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity’s financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and HKFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and position of the Group.

**SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2025.