

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

### ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AUTOAI (NANJING) TECHNOLOGY CO., LTD. AND [REDACTED]

#### Introduction

We report on the historical financial information of AutoAI (Nanjing) Technology Co., Ltd. (the “**Company**”, formerly known as Nanjing AutoAI Technology Co., Ltd.) and its subsidiaries (together, the “**Group**”) set out on pages IA-3 to IA-77, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IA-3 to IA-77 forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

#### Directors’ responsibility for the Historical Financial Information

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

#### Reporting accountants’ responsibility

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

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

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

---

**APPENDIX IA****ACCOUNTANTS' REPORT OF OUR GROUP**

---

**Opinion**

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

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

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

**Dividends**

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

[•]

*Certified Public Accountants*

Hong Kong

[Date]

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**I HISTORICAL FINANCIAL INFORMATION**

**Preparation of Historical Financial Information**

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

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

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

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

	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>REVENUE</b> . . . . .	5	477,232	478,756	706,355
Cost of sales . . . . .		(337,034)	(339,160)	(533,959)
Gross profit . . . . .		140,198	139,596	172,396
Other income and gains . . . . .	5	1,725	10,259	2,424
Selling expenses . . . . .		(9,725)	(10,099)	(11,122)
Administrative expenses . . . . .		(35,257)	(43,435)	(62,464)
Research and development expenses . . . . .		(103,410)	(209,623)	(268,104)
Impairment losses on financial assets . . . . .		(32,402)	(8,984)	(522)
Other expenses and losses . . . . .		(19,387)	(8,108)	(39,833)
Interest on redemption liabilities . . . . .	27	(205,525)	(243,882)	(303,078)
Finance costs . . . . .	7	(1,958)	(3,088)	(3,951)
<b>LOSS BEFORE TAX</b> . . . . .	6	(265,741)	(377,364)	(514,254)
Income tax credit/(expense) . . . . .	10	408	(508)	181
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b> . . . . .		(265,333)	(377,872)	(514,073)
Attributable to:				
Owners of the Company . . . . .		(265,342)	(377,872)	(514,073)
Non-controlling interests . . . . .		9	—	—
		(265,333)	(377,872)	(514,073)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	12			
Basic ( <i>RMB</i> ) . . . . .		(2.26)	(2.95)	(3.54)
Diluted ( <i>RMB</i> ) . . . . .		(2.26)	(2.95)	(3.54)

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Property and equipment	13	6,586	55,222	39,488
Right-of-use assets	14(a)	2,941	11,090	13,773
Goodwill	15	299,559	585,997	585,997
Other intangible assets	16	1,717	166,879	150,201
Prepayments, other receivables and other assets	20	2,229	4,705	1,302
Deferred tax assets	28	768	260	441
Total non-current assets		313,800	824,153	791,202
<b>CURRENT ASSETS</b>				
Inventories	18	110,269	144,680	239,396
Trade and bills receivables	19	237,471	179,469	241,327
Prepayments, other receivables and other assets	20	7,947	28,647	33,096
Financial investments at fair value through other comprehensive income	21	—	50,827	41,980
Restricted cash	22	2,376	—	3,269
Pledged deposits	22	12,120	2,301	17,483
Cash and cash equivalents	22	61,732	89,878	65,444
Total current assets		431,915	495,802	641,995
<b>CURRENT LIABILITIES</b>				
Trade and bills payables	23	259,329	143,569	273,760
Contract liabilities	24	4,813	18,180	8,000
Other payables and accruals	25	74,077	73,350	93,140
Interest-bearing bank and other borrowings	26	66,574	103,162	284,034
Lease liabilities	14(b)	8,065	4,001	9,001
Redemption liabilities	27	2,774,585	3,788,467	4,091,545
Total current liabilities		3,187,443	4,130,729	4,759,480
<b>NET CURRENT LIABILITIES</b>		(2,755,528)	(3,634,927)	(4,117,485)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(2,441,728)	(2,810,774)	(3,326,283)
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	14(b)	—	8,826	7,390
Deferred tax liabilities	28	—	—	—
Total non-current liabilities		—	8,826	7,390
Deficiency in assets		(2,441,728)	(2,819,600)	(3,333,673)
<b>EQUITY</b>				
Deficit attributable to owners of the Company				
Share capital/paid-in capital	29	117,632	145,080	145,080
Reserves	30	(2,551,280)	(2,956,600)	(3,470,673)
		(2,433,648)	(2,811,520)	(3,325,593)
Non-controlling interests		(8,080)	(8,080)	(8,080)
Total deficit		(2,441,728)	(2,819,600)	(3,333,673)

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**Year ended 31 December 2023**

	Attributable to owners of the Company				Non-controlling interests	Total deficit
	Paid-in capital	Capital reserve	Accumulated losses	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
At 1 January 2023 . . . . .	117,632	(52,563)	(2,233,375)	(2,168,306)	(8,089)	(2,176,395)
Loss for the year and total comprehensive loss for the year . . . . .	—	—	(265,342)	(265,342)	9	(265,333)
At 31 December 2023 . . . . .	<u>117,632</u>	<u>(52,563)*</u>	<u>(2,498,717)*</u>	<u>(2,433,648)</u>	<u>(8,080)</u>	<u>(2,441,728)</u>

**Year ended 31 December 2024**

	<i>Notes</i>	Attributable to owners of the Company				Non-controlling interests	Total equity
		Paid-in capital	Capital reserve	Accumulated losses	Total		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
At 1 January 2024 . . . . .		117,632	(52,563)	(2,498,717)	(2,433,648)	(8,080)	(2,441,728)
Loss for the year and total comprehensive loss for the year . . . . .		—	—	(377,872)	(377,872)	—	(377,872)
Acquisition of a subsidiary . . . . .	27, 31	16,041	433,959	—	450,000	—	450,000
Contributions from equity holders . . . . .	29	11,407	308,593	—	320,000	—	320,000
Recognition of redemption liabilities . . . . .	27	—	(770,000)	—	(770,000)	—	(770,000)
At 31 December 2024 . . . . .		<u>145,080</u>	<u>(80,011)*</u>	<u>(2,876,589)*</u>	<u>(2,811,520)</u>	<u>(8,080)</u>	<u>(2,819,600)</u>

**Year ended 31 December 2025**

	Attributable to owners of the Company					Non-controlling interests	Total deficit
	Share capital/paid-in capital	Capital reserve	Accumulated losses	Total			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			
At 1 January 2025 . . . . .	145,080	(80,011)	(2,876,589)	(2,811,520)	(8,080)	(2,819,600)	
Loss for the year and total comprehensive loss for the year . . . . .	—	—	(514,073)	(514,073)	—	(514,073)	
At 31 December 2025 . . . . .	<u>145,080</u>	<u>(80,011)*</u>	<u>(3,390,662)*</u>	<u>(3,325,593)</u>	<u>(8,080)</u>	<u>(3,333,673)</u>	

\* These reserve accounts comprise the negative balances of consolidated reserves of RMB2,551,280,000, RMB2,956,600,000 and RMB3,470,673,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax . . . . .		(265,741)	(377,364)	(514,254)
Adjustments for:				
Finance costs on redemption liabilities . . . . .	27	205,525	243,882	303,078
Other finance costs . . . . .	7	1,958	3,088	3,951
Bank interest income . . . . .	5	(799)	(809)	(1,504)
Loss/(gain) on disposal of property and equipment . . . . .	5,6	162	1,577	(89)
Depreciation of property and equipment . . . . .	6,13	3,742	14,048	17,739
Depreciation of right-of-use assets . . . . .	6,14	6,722	6,634	7,388
Amortisation of other intangible assets . . . . .	6,16	1,880	9,861	19,580
Provision against inventories . . . . .	6	19,225	6,182	29,193
Impairment of trade receivables . . . . .	6	32,402	8,984	522
Loss on revision of lease terms . . . . .		—	132	—
		5,076	(83,785)	(134,396)
Increase in inventories . . . . .		(32,976)	(29,462)	(123,909)
Decrease/(increase) in trade and bills receivables . . . . .		(92,872)	49,018	(62,380)
Decrease/(increase) in prepayments, other receivables and other assets . . . . .		2,144	(11,072)	(9,762)
Decrease/(increase) in restricted cash . . . . .		1,098	2,376	(3,269)
Decrease/(increase) in pledged deposits . . . . .		(12,120)	9,819	(15,182)
Increase/(decrease) in trade and bills payables . . . . .		78,100	(133,154)	130,191
Increase/(decrease) in contract liabilities . . . . .		(678)	13,367	(10,180)
Increase/(decrease) in other payables and accruals . . . . .		1,980	(7,893)	18,802
Cash used in operations . . . . .		(50,248)	(190,786)	(210,085)
Interest received . . . . .		799	496	1,200
Income tax refunded . . . . .		2,137	—	—
Net cash flows used in operating activities . . . . .		(47,312)	(190,290)	(208,885)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchases of property and equipment . . . . .		(2,585)	(36,221)	(1,068)
Proceeds from disposal of property and equipment . . . . .		115	11	8,933
Payments for purchases of other intangible assets . . . . .		(511)	(54,779)	(1,332)
Acquisition of a subsidiary . . . . .	31	—	16,592	—
Proceeds from disposal of financial investments at fair value through other comprehensive income . . . . .		—	—	51,131
Purchases of financial investments at fair value through other comprehensive income . . . . .		—	(50,514)	(41,980)

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Net cash flows from/(used in) investing activities . . . . .		(2,981)	(124,911)	15,684
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New redemption liabilities . . . . .	27	—	320,000	—
New bank borrowings . . . . .		76,545	113,108	283,988
Repayment of bank borrowings . . . . .		(84,472)	(76,546)	(103,108)
Interest paid on bank borrowings . . . . .		(1,743)	(2,785)	(3,288)
Principal portion of lease payments . . . . .		(3,725)	(10,153)	(6,507)
Interest portion of lease payments . . . . .		(233)	(277)	(671)
Prepaid [REDACTED] expenses . . . . .		—	—	[REDACTED]
Net cash flows from/(used in) financing activities . . . . .		(13,628)	343,347	168,767
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .</b>		(63,921)	28,146	(24,434)
Cash and cash equivalents at beginning of year . . . . .		125,653	61,732	89,878
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR . . . . .</b>		<u>61,732</u>	<u>89,878</u>	<u>65,444</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances . . . . .	22	61,732	89,878	65,444
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows . . . . .		<u>61,732</u>	<u>89,878</u>	<u>65,444</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**STATEMENTS OF FINANCIAL POSITION**

	Notes	31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Property and equipment . . . . .	13	3,037	7,624	7,220
Right-of-use assets . . . . .	14(a)	2,941	10,645	9,553
Other intangible assets . . . . .	16	613	771	2,621
Investments in subsidiaries . . . . .	17	268,880	889,980	913,280
Prepayments, other receivables and other assets . . . . .	20	1,342	4,091	1,239
Deferred tax assets . . . . .	28	175	189	238
Total non-current assets . . . . .		276,988	913,300	934,151
<b>CURRENT ASSETS</b>				
Inventories . . . . .	18	54,648	91,712	157,816
Trade and bills receivables . . . . .	19	157,723	159,213	189,879
Prepayments, other receivables and other assets . . . . .	20	2,065	4,442	19,880
Due from subsidiaries . . . . .	17	178,936	230,509	230,507
Financial investments at fair value through other comprehensive income . . . . .	21	—	50,827	41,980
Restricted cash . . . . .	22	—	—	854
Pledged deposits . . . . .	22	12,120	2,301	17,483
Cash and cash equivalents . . . . .	22	50,135	73,416	55,516
Total current assets . . . . .		455,627	612,420	713,915
<b>CURRENT LIABILITIES</b>				
Trade and bills payables . . . . .	23	231,803	112,064	244,290
Contract liabilities . . . . .	24	1,188	4,829	4,016
Other payables and accruals . . . . .	25	26,869	15,970	39,354
Due to subsidiaries . . . . .	17	12,193	110,737	88,593
Interest-bearing bank borrowings . . . . .	26	48,049	100,354	273,184
Lease liabilities . . . . .	14(b)	4,108	3,104	3,750
Redemption liabilities . . . . .	27	2,774,585	3,788,467	4,091,545
Total current liabilities . . . . .		3,098,795	4,135,525	4,744,732
<b>NET CURRENT LIABILITIES</b> . . . . .		(2,643,168)	(3,523,105)	(4,030,817)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .				
		(2,366,180)	(2,609,805)	(3,096,666)
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities . . . . .	14(b)	—	8,798	7,390
Deferred tax liabilities . . . . .	28	—	—	—
Total non-current liabilities . . . . .		—	8,798	7,390
Deficiency in assets . . . . .		(2,366,180)	(2,618,603)	(3,104,056)
<b>EQUITY</b>				
Share capital/paid-in capital . . . . .	29	117,632	145,080	145,080
Reserves . . . . .	30	(2,483,812)	(2,763,683)	(3,249,136)
Total deficit . . . . .		(2,366,180)	(2,618,603)	(3,104,056)

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

AutoAI (Nanjing) Technology Co., Ltd. (formerly known as Nanjing AutoAI Technology Co., Ltd.) was registered as a limited liability company in the People’s Republic of China (the “PRC”) on 16 November 2020. On 3 April 2025, the Company was converted into a joint stock company with limited liability with registered capital of RMB145,079,911. The registered office of the Company is located at Room 3307, Building A4, No. 9 Kechuang Road, Intelligent Manufacturing Industrial Park, Jiangbei New Area, Nanjing, Jiangsu Province, the PRC.

During the Relevant Periods, the Company and its subsidiaries are principally engaged in the development and sale of hardware and software of smart cockpit systems, and software of intelligent driving systems in the PRC.

As at the date of approval of the Historical Financial Information, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of registration and operations	Registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing AutoAI Technology Co., Ltd. (“AutoAI Beijing”) (北京四維智聯科技有限公司* (note (b))) . . .	PRC/Chinese mainland 21 December 2004	RMB161,620,119	100	—	Development and sale of hardware and software of smart cockpit systems
Ruilian Xingchen (Beijing) Technology Co., Ltd. (“Ruilian Xingchen”) (睿聯星晨(北京)科技有限公司* (note (a))) . . . . .	PRC/Chinese mainland 28 March 2024	RMB100,000,000	100	—	Development and sale of hardware and software of smart cockpit systems
Beijing Mapbar Technology Co., Ltd. (北京圖吧科技有限公司* (note (b))) . . . . .	PRC/Chinese mainland 9 May 2005	RMB673,158,960	100	—	Dormant
AutoAI (Dalian) Technology Co., Ltd. (四維智聯(大連)科技有限公司* (note (b))) . . . . .	PRC/Chinese mainland 16 January 2019	RMB60,520,000	—	100	Dormant
Shenzhen Hongfan Network Technology Co., Ltd. (深圳弘範網絡科技有限公司* (note (b))) . . .	PRC/Chinese mainland 20 June 2014	RMB8,528,412	—	100	Dormant
Shanghai Qujia Information Technology Co., Ltd. (上海趣駕信息科技有限公司* (note (b))) . . .	PRC/Chinese mainland 29 July 2014	RMB10,000,000	—	80	Dormant

\* The English names of these subsidiaries represent the best efforts made by the management of the Company to translate the Chinese names as they do not have an official English names registered in the PRC.

Notes:

- (a) No audited financial statements have been prepared for this entity during the Relevant Periods as this entity was newly established during the year ended 31 December 2024 and it was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of registration.
- (b) No audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

Other than Ruilian Xingchen which was acquired by the Company on 16 August 2024, further details of which are included in note 31 to the Historical Financial Information, the above entities have been subsidiaries of the Group since the beginning of the Relevant Periods and their respective equity interest percentage held by the Group remain unchanged during the Relevant Periods.

### 2. ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial investments at fair value through other comprehensive income and bills receivables which have been measured at fair value.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that, as at 31 December 2025, the Group and the Company recorded net current liabilities amounting to RMB4,117,485,000 and RMB4,030,817,000, and deficiency in assets amounting to RMB3,333,673,000 and RMB3,104,056,000, respectively. The deficiency in assets primarily arose from the financial instruments with preferred rights issued by the Company (the “**Redemption Liabilities**”) amounting to RMB4,091,545,000 as at 31 December 2025. As disclosed in note 27 to the Historical Financial Information, the redemption rights are conditionally suspended. In the opinion of the directors of the Company, taking into account (i) the conditional suspension of redemption rights of the Redemption Liabilities and the conversion of the Redemption Liabilities into ordinary shares of the Company in connection with the planned initial [REDACTED] of the shares of the Company within twelve months from the end of the Relevant Periods, and (ii) the Group’s financial resources on hand and the anticipated cash flows to be generated from the Group’s operations as well as the anticipated proceeds from issue of shares of the Company, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2025. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

#### **Basis of consolidation**

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

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

- (a) the contractual arrangement with the other vote holders of the investee;

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

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

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

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

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

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

### 2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>2</sup>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> <sup>2</sup>
<i>Annual Improvements to HKFRSs Accounting Standards — Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

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

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

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

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. HKFRS 19 is not expected to have any significant impact on the Group’s financial information. Some of the Company’s subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits or accumulated losses (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirement for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial information.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group’s financial information.

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation’s comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.

*Annual Improvements to HKFRS Accounting Standards — Volume II* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.

- *HKFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group’s financial information.

### 2.3 MATERIAL ACCOUNTING POLICIES

#### Business combinations and goodwill

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

### **Fair value measurement**

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

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

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

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

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

## APPENDIX IA

## ACCOUNTANTS' REPORT OF OUR GROUP

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

### Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

### Related parties

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

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

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;

## APPENDIX IA

## ACCOUNTANTS' REPORT OF OUR GROUP

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

### Property and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of the lease terms and 3 years
Electronics equipment	19% to 31.67%
Furniture and office equipment	19% to 31.67%
Motor vehicles	19%

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

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

---

## APPENDIX IA

## ACCOUNTANTS' REPORT OF OUR GROUP

---

### **Intangible assets (other than goodwill)**

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

Purchased software, patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Purchased software	20% to 33.33%
Patents and licenses	10%

### ***Research and development costs***

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

### **Leases**

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

### ***Group as a lessee***

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

#### ***(a) Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1.75 to 5 years
-----------	-----------------

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

### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

### *(c) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

## **Investments and other financial assets**

### ***Initial recognition and measurement***

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

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

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

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

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

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

### *Subsequent measurement*

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

#### *Financial assets at amortised cost (debt instruments)*

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

#### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

### *Derecognition of financial assets*

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### **Impairment of financial assets**

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

### *General approach*

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

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At the end of each of the Relevant Periods, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation the Group reassesses the external credit ratings or the debt investments. It is the Group’s policy to measure ECLs on low credit risk investments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

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

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

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

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

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

### *Simplified approach*

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

### **Financial liabilities**

#### *Initial recognition and measurement*

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

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

#### *Subsequent measurement*

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

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

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

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

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are

---

## APPENDIX IA

## ACCOUNTANTS' REPORT OF OUR GROUP

---

designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

### **Derecognition of financial liabilities**

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

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

### **Offsetting of financial instruments**

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

### **Inventories**

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

### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months or over three months with no intention to hold them to maturity that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### **Provisions**

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

## APPENDIX IA

## ACCOUNTANTS' REPORT OF OUR GROUP

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

### Income tax

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

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

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

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

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

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

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

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

---

## APPENDIX IA

## ACCOUNTANTS' REPORT OF OUR GROUP

---

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

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

### **Government grants**

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

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

### **Revenue recognition**

#### *Revenue from contracts with customers*

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### *Sale of hardware and software in integrated software and hardware solution and smart cockpit software solution, and associated services*

Revenue from the sale of hardware and software products is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the products and acknowledged by the customers. Revenue from associated services, mainly include the provision of

---

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

---

mobile data usage services in intelligent cockpit systems over pre-determined contracted periods, is recognised over time because customers simultaneously receive and consume the benefits provided by the Group.

### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

### *Other income*

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

### **Contract liabilities**

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

### **Contract fulfilment costs**

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

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

The capitalised contract costs recorded in inventories are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred. An impairment exists if the carrying amount of the capitalised contract exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods or services, less the remaining costs that relate directly to providing those goods or services. Impairment losses are recognised in profit or loss.

### **Pension scheme**

The employees of the Company and its subsidiaries which operate in the Chinese mainland are required to participate in central pension schemes operated by local municipal governments. These entities are required to contribute certain percentages of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

---

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

---

### Termination benefits

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

### Borrowing costs

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

### Events after the reporting period

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

### Dividends

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

### Foreign currencies

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

---

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

---

### **Judgements**

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

#### ***Research and development costs***

Development expenses incurred on the Group’s products and services are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group’s intention to complete and the Group’s ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Relevant Periods, all expenses incurred for research and development activities were expensed when incurred.

#### ***Deferred tax assets***

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

The Group has tax losses of RMB1,422,989,000, RMB1,230,479,000 and RMB1,155,364,000 carried forward at 31 December 2023, 2024 and 2025, respectively. These losses related to the Company and its subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The Company and its subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details are contained in note 28 to the Historical Financial Information.

#### **Estimation uncertainty**

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

#### ***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2023, 2024 and 2025 were RMB299,559,000, RMB585,997,000 and RMB585,997,000, respectively. Further details are included in note 15 to the Historical Financial Information.

---

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

---

### *Impairment of non-financial assets (other than goodwill)*

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

### *Provision for expected credit losses on trade receivables*

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

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

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

## **4. OPERATING SEGMENT INFORMATION**

For management purposes, during the Relevant Periods, the Group has only one reportable operating segment, which is the development and sale of hardware and software of smart cockpit systems, and software of intelligent driving systems in the PRC, because the Group’s chief operating decision maker, who has been identified as the Chief Executive Officer (“CEO”), regularly reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Geographical information**

*(a) Revenue from external customers*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chinese mainland . . . . .	477,232	478,756	705,215
Overseas . . . . .	—	—	1,140
Total revenue . . . . .	<u>477,232</u>	<u>478,756</u>	<u>706,355</u>

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

*(b) Non-current assets*

All of the Group’s non-current assets were located in the Chinese mainland as at the end of each of the Relevant Periods. The non-current asset information excludes financial instruments and deferred tax assets.

**Information about major customers**

During the Relevant Periods, revenues from transactions with single external customers (including entities under common control with those customers) amounting to 10% or more of the Group’s revenues are as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Customer A . . . . .	221,882	228,831	315,240
Customer B . . . . .	141,575	142,765	*
Customer C . . . . .	50,000	*	*
Customer D . . . . .	*	*	95,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>

\* The revenues from transactions with those customers were less than 10% of the Group’s revenues in the indicated year.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**5. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>			
Sale of integrated software and hardware solution . . . . .	312,364	234,682	295,174
Sale of smart cockpit software solution . . . . .	164,418	243,418	407,471
Total revenue from contracts with customers . . . . .	476,782	478,100	702,645
<i>Revenue from other sources</i>			
Gross rental income from subleases of buildings under operating leases . . . . .	450	656	3,710
Total revenue . . . . .	477,232	478,756	706,355

Disaggregation of the Group’s revenue from contracts with customers is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Timing of revenue recognition</i>			
<i>Transfer at a point in time:</i>			
Sale of integrated software and hardware solution . . . . .	309,203	232,669	292,684
Sale of smart cockpit software solution . . . . .	164,418	243,418	407,471
Subtotal . . . . .	473,621	476,087	700,155
<i>Transfer over time:</i>			
Associated services . . . . .	3,161	2,013	2,490
Total . . . . .	476,782	478,100	702,645
<i>Geographical markets</i>			
Chinese mainland . . . . .	476,782	478,100	701,505
Overseas . . . . .	—	—	1,140
Total . . . . .	476,782	478,100	702,645

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sale of integrated software and hardware solution . . . . .	2,544	2,026	16,864
Sale of smart cockpit software solution . . . . .	482	91	75
Total . . . . .	3,026	2,117	16,939

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

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

***Sale of hardware and software in integrated software and hardware solution, and smart cockpit software solution, and associated services***

The performance obligation of sale of hardware and software is satisfied upon delivery of hardware and software products and receipt of acknowledges from customers and payment is generally due within 30 to 90 days from the customers’ acknowledge of receipt date or billing date, except for small-sized customers where payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

The performance obligation of associated services, which mainly include the provision of mobile data usage services, is satisfied over time as services are rendered and payment in advance is normally required.

The Group has elected the practical expedient of not to disclose the remaining performance obligations because the performance obligation for the majority of the contracts has an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied is not disclosed.

An analysis of the Group’s other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
<b>Other income</b>			
Bank interest income <sup>^</sup> . . . . .	799	809	1,504
Government grant <sup>*</sup> . . . . .	852	9,448	826
Others . . . . .	74	2	5
Total other income . . . . .	1,725	10,259	2,335
<b>Gains</b>			
Gain on disposal of property and equipment. . . . .	—	—	89
Total other income and gains. . . . .	1,725	10,259	2,424

<sup>^</sup> Included in the amounts during the years ended 31 December 2024 and 2025 were interest income amounting to RMB313,000 and RMB304,000, respectively, attributable to certificates of bank deposits classified as financial investments at fair value through other comprehensive income set out in note 21 to the Historical Financial Information.

<sup>\*</sup> Various government grants during the Relevant Periods were mainly attributable to the Group’s development in advanced technology and contributions to the district where the Group’s primary business operates. There are no unfulfilled conditions or contingencies relating to these government grants.

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

6. LOSS BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of inventories sold . . . . .		256,318	182,283	199,457
Cost of services provided . . . . .		80,716	156,877	334,502
Depreciation of property and equipment* . . . . .	13	3,742	14,048	17,739
Depreciation of right-of-use assets* . . . . .	14	6,722	6,634	7,388
Amortisation of other intangible assets* . . . . .	16	1,880	9,861	19,580
Lease payments not included in the measurement of lease liabilities . . . . .	14	310	2,890	1,230
[REDACTED] expenses . . . . .		—	[REDACTED]	[REDACTED]
Employee benefit expense (excluding directors’ and chief executive’s remuneration (note 8))*				
Wages and salaries . . . . .		145,402	156,881	178,548
Social welfare benefits . . . . .		20,958	31,152	33,282
Termination benefits . . . . .		9,994	11,712	8,749
Pension scheme contributions (defined contribution scheme) . . . . .		15,471	23,289	25,166
Total . . . . .		191,825	223,034	245,745
Impairment of trade receivables . . . . .	19	32,402	8,984	522
Write-down of inventories to net realisable value** . . . . .		19,225	6,182	29,193
Loss on disposal of property and equipment** . . . . .		162	1,577	—
Provision for litigation damages** . . . . .		—	—	10,627
Penalties and late fees** . . . . .		—	349	—

\* The amounts of the following expenses are included in the cost of services provided:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Depreciation of property and equipment . . . . .	105	81	3,770
Depreciation of right-of-use assets . . . . .	458	462	270
Amortisation of other intangible assets . . . . .	—	760	9,245
Employee benefit expense . . . . .	47,361	69,016	70,452

\*\* These items are included in “Other expenses and losses” in profit or loss.

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on bank borrowings . . . . .	1,725	2,811	3,280
Interest on lease liabilities. . . . .	233	277	671
Total . . . . .	<u>1,958</u>	<u>3,088</u>	<u>3,951</u>

### 8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration of the Company’s directors (including the chief executive) during the Relevant Periods is summarised as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees. . . . .	—	—	—
Other emoluments:			
Salaries, allowances and benefits-in-kind . . . .	808	992	1,446
Discretionary performance related bonuses. . .	266	—	—
Pension scheme contributions . . . . .	65	68	123
Subtotal . . . . .	<u>1,139</u>	<u>1,060</u>	<u>1,569</u>
Total . . . . .	<u>1,139</u>	<u>1,060</u>	<u>1,569</u>

The remuneration of each of the Company’s directors is set out below:

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023					
Mr. Cheng Peng . . . . .	—	—	—	—	—
Mr. Jian Guodong . . . . .	—	—	—	—	—
Mr. Jiang Sheng . . . . .	—	—	—	—	—
Mr. Zhong Xuedan. . . . .	—	—	—	—	—
Mr. Zhang Bo. . . . .	—	—	—	—	—
Mr. Tao Gang. . . . .	—	—	—	—	—
Mr. Yu Ning . . . . .	—	—	—	—	—
Mr. Matsueda Nobuaki . . . . .	—	—	—	—	—
Ms. Han Mei . . . . .	—	—	—	—	—
Mr. Yang Laitu <sup>^</sup> . . . . .	—	808	266	65	1,139
Total . . . . .	<u>—</u>	<u>808</u>	<u>266</u>	<u>65</u>	<u>1,139</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2024					
Mr. Cheng Peng . . . . .	—	—	—	—	—
Mr. Jian Guodong . . . . .	—	—	—	—	—
Mr. Jiang Sheng . . . . .	—	—	—	—	—
Mr. Zhong Xuedan . . . . .	—	—	—	—	—
Mr. Chai Hua** . . . . .	—	—	—	—	—
Mr. Tao Gang . . . . .	—	—	—	—	—
Mr. Lv Yuanxing* . . . . .	—	—	—	—	—
Mr. Matsueda Nobuaki . . . . .	—	—	—	—	—
Ms. Han Mei . . . . .	—	—	—	—	—
Mr. Yu Ning* . . . . .	—	—	—	—	—
Mr. Zhang bo* . . . . .	—	—	—	—	—
Mr. Yang Laitu^ . . . . .	—	992	—	68	1,060
Total . . . . .	—	992	—	68	1,060
Year ended 31 December 2025					
Mr. Cheng Peng . . . . .	—	—	—	—	—
Mr. Wang Jianqin** . . . . .	—	510	—	55	565
Mr. Jiang Sheng . . . . .	—	—	—	—	—
Mr. Jian Guodong* . . . . .	—	—	—	—	—
Mr. Tao Gang* . . . . .	—	—	—	—	—
Mr. Lv Yuanxing* . . . . .	—	—	—	—	—
Mr. Huang Weiguo** . . . . .	—	—	—	—	—
Ms. Han Mei . . . . .	—	—	—	—	—
Mr. Chai Hua . . . . .	—	—	—	—	—
Mr. Zhong Xuedan . . . . .	—	—	—	—	—
Mr. Matsueda Nobuaki* . . . . .	—	—	—	—	—
Mr. Yang Laitu^ . . . . .	—	936	—	68	1,004
Ms. Wong Ching Ying Belinda*** . . . . .	—	—	—	—	—
Mr. Wang Ye*** . . . . .	—	—	—	—	—
Ms. Wu Aijin*** . . . . .	—	—	—	—	—
Total . . . . .	—	1,446	—	123	1,569

^ Mr. Yang Laitu is also the chief executive of the Company.

\* Mr. Yu Ning, Mr. Zhang Bo, Mr. Jian Guodong, Mr. Tao Gang and Mr. Matsueda Nobuaki resigned as directors of the Company with effect from 6 June 2024, 16 August 2024, 18 March 2025, 18 March 2025 and 5 May 2025, respectively. Mr. Lv Yuanxing was appointed as a director of the Company with effect from 24 June 2024 and resigned as a director of the Company with effect from 18 March 2025.

\*\* Mr. Chai Hua and Mr. Huang Weiguo were appointed as directors of the Company with effect from 16 August 2024 and 18 March 2025, respectively. Mr. Wang Jianqin was appointed as an executive director of the Company with effect from 18 June 2025.

\*\*\* Ms. Wong Ching Ying Belinda, Mr. Wang Ye and Ms. Wu Aijin were appointed as independent non-executive directors of the Company with effective from the date of the Company’s document published.

There was no arrangement under which a director of the Company waived or agreed to waive any remuneration and no remuneration was paid by the Group to a director of the Company as an inducement to join or upon joining the Group during the Relevant Periods.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**9. FIVE HIGHEST PAID EMPLOYEES**

Included in the five highest paid employees during the years ended 31 December 2023, 2024 and 2025 were one, one and one director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four, four and four highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2023, 2024 and 2025, respectively, are as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits-in-kind . . . . .	3,298	3,181	3,299
Discretionary performance related bonuses . . . . .	1,011	140	302
Pension scheme contributions . . . . .	241	258	258
<b>Total . . . . .</b>	<b>4,550</b>	<b>3,579</b>	<b>3,859</b>

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

	Year ended 31 December		
	2023	2024	2025
Nil to HK\$1,000,000 . . . . .	—	3	1
HK\$1,000,001 to HK\$1,500,000 . . . . .	3	1	3
HK\$1,500,001 to HK\$2,000,000 . . . . .	1	—	—
<b>Total . . . . .</b>	<b>4</b>	<b>4</b>	<b>4</b>

**10. INCOME TAX**

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the entities which operate in the Chinese mainland are subject to corporate income tax (“CIT”) at a rate of 25% on the taxable income. During the Relevant Periods, the Company and AutoAI Beijing were entitled to a preferential tax rate of 15% because they were regarded as “High and New Technology Enterprise”.

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current tax charged for the year . . . . .	—	—	—
Deferred tax charged/(credited) for the year (note 28). . . . .	(408)	508	(181)
<b>Total . . . . .</b>	<b>(408)</b>	<b>508</b>	<b>(181)</b>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory tax rate of the PRC to the tax expense at the effective tax rates is as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax. . . . .	(265,741)	(377,364)	(514,254)
Tax at the statutory rate . . . . .	(66,435)	(94,341)	(128,564)
Lower tax rate enacted by relevant authorities. . . . .	26,256	28,397	46,915
Expenses not deductible for tax. . . . .	31,033	36,690	45,448
Additional deductible allowance for research and development expense. . . . .	(7,238)	(4,677)	(11,564)
Tax loss utilised from previous periods . . . . .	—	—	(5)
Temporary differences not recognised . . . . .	7,890	2,664	6,051
Tax loss not recognised. . . . .	8,086	31,775	41,538
Tax charge/(credit) at the Group’s effective rate. . . . .	(408)	508	(181)

**11. DIVIDENDS**

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

**12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic loss per share amounts is based on the amounts of loss for the year attributable to the ordinary equity holders of the Company of RMB265,342,000, RMB377,872,000 and RMB514,073,000 and the weighted average number of ordinary shares of 117,632,360, 128,009,790 and 145,079,911 deemed to be outstanding during the years ended 31 December 2023, 2024 and 2025, respectively.

The Company was converted into a joint stock limited liability company and issued 145,079,911 shares with the par value of RMB1 each on 3 April 2025. For the purpose of calculating basic loss per share amounts, the weighted average number of ordinary shares deemed to be outstanding before the Company’s conversion into a joint stock limited liability company was determined assuming the conversion into joint stock limited liability company had occurred on 1 January 2023, at the conversion ratio established in the conversion on 3 April 2025.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares deemed to be in issue during the Relevant Periods. Accordingly, diluted loss per share amounts are same as basic loss per share amounts during the Relevant Periods.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**13. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Electronics equipment	Furniture and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>					
<b>31 December 2023</b>					
At 1 January 2023:					
Cost . . . . .	993	20,726	8,852	920	31,491
Accumulated depreciation and impairment . . . . .	(134)	(14,239)	(8,350)	(748)	(23,471)
Net carrying amount. . . . .	<u>859</u>	<u>6,487</u>	<u>502</u>	<u>172</u>	<u>8,020</u>
At 1 January 2023, net of accumulated depreciation and impairment . . . . .					
	859	6,487	502	172	8,020
Additions . . . . .	115	2,342	8	120	2,585
Disposals/write-off. . . . .	—	(46)	(209)	(22)	(277)
Depreciation provided during the year . . . . .	(352)	(3,135)	(143)	(112)	(3,742)
At 31 December 2023, net of accumulated depreciation and impairment. . . . .					
	<u>622</u>	<u>5,648</u>	<u>158</u>	<u>158</u>	<u>6,586</u>
At 31 December 2023:					
Cost . . . . .	1,108	22,945	8,544	767	33,364
Accumulated depreciation and impairment . . . . .	(486)	(17,297)	(8,386)	(609)	(26,778)
Net carrying amount. . . . .	<u>622</u>	<u>5,648</u>	<u>158</u>	<u>158</u>	<u>6,586</u>
	<b>Leasehold improvements</b>	<b>Electronics equipment</b>	<b>Furniture and office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>					
<b>31 December 2024</b>					
At 1 January 2024:					
Cost . . . . .	1,108	22,945	8,544	767	33,364
Accumulated depreciation and impairment . . . . .	(486)	(17,297)	(8,386)	(609)	(26,778)
Net carrying amount. . . . .	<u>622</u>	<u>5,648</u>	<u>158</u>	<u>158</u>	<u>6,586</u>
At 1 January 2024, net of accumulated depreciation and impairment . . . . .					
	622	5,648	158	158	6,586
Additions . . . . .	1,129	5,815	327	227	7,498
Acquisition of a subsidiary. . . . .	—	61,871	335	3,381	65,587
Disposals/write-off. . . . .	—	(10,315)	(78)	(8)	(10,401)
Depreciation provided during the year . . . . .	(513)	(13,007)	(84)	(444)	(14,048)
At 31 December 2024, net of accumulated depreciation and impairment. . . . .					
	<u>1,238</u>	<u>50,012</u>	<u>658</u>	<u>3,314</u>	<u>55,222</u>
At 31 December 2024:					
Cost . . . . .	2,237	76,522	9,120	4,227	92,106
Accumulated depreciation and impairment . . . . .	(999)	(26,510)	(8,462)	(913)	(36,884)
Net carrying amount. . . . .	<u>1,238</u>	<u>50,012</u>	<u>658</u>	<u>3,314</u>	<u>55,222</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

	Leasehold improvements	Electronics equipment	Furniture and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>					
<b>31 December 2025</b>					
At 1 January 2025:					
Cost . . . . .	2,237	76,522	9,120	4,227	92,106
Accumulated depreciation and impairment . . . . .	(999)	(26,510)	(8,462)	(913)	(36,884)
Net carrying amount. . . . .	<u>1,238</u>	<u>50,012</u>	<u>658</u>	<u>3,314</u>	<u>55,222</u>
At 1 January 2025, net of accumulated depreciation and impairment . . . . .					
	1,238	50,012	658	3,314	55,222
Additions . . . . .	182	1,632	321	—	2,135
Disposals/write-off. . . . .	—	(107)	—	(23)	(130)
Depreciation provided during the year . . . . .	(311)	(16,367)	(182)	(879)	(17,739)
At 31 December 2025, net of accumulated depreciation and impairment. . . . .					
	<u>1,109</u>	<u>35,170</u>	<u>797</u>	<u>2,412</u>	<u>39,488</u>
At 31 December 2025:					
Cost . . . . .	2,419	77,965	9,441	3,842	93,667
Accumulated depreciation and impairment . . . . .	(1,310)	(42,795)	(8,644)	(1,430)	(54,179)
Net carrying amount. . . . .	<u>1,109</u>	<u>35,170</u>	<u>797</u>	<u>2,412</u>	<u>39,488</u>
	<b>Leasehold improvements</b>	<b>Electronics equipment</b>	<b>Furniture and office equipment</b>	<b>Total</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>Company</b>					
<b>31 December 2023</b>					
At 1 January 2023:					
Cost . . . . .	993	1,413	418	2,824	
Accumulated depreciation and impairment . . . . .	(134)	(180)	(99)	(413)	
Net carrying amount . . . . .	<u>859</u>	<u>1,233</u>	<u>319</u>	<u>2,411</u>	
At 1 January 2023, net of accumulated depreciation and impairment. . . . .					
	859	1,233	319	2,411	
Additions. . . . .	115	1,614	9	1,738	
Disposals/write-off . . . . .	—	—	(208)	(208)	
Depreciation provided during the year . . . . .	(352)	(484)	(68)	(904)	
At 31 December 2023, net of accumulated depreciation and impairment. . . . .					
	<u>622</u>	<u>2,363</u>	<u>52</u>	<u>3,037</u>	
At 31 December 2023:					
Cost . . . . .	1,108	3,027	112	4,247	
Accumulated depreciation and impairment . . . . .	(486)	(664)	(60)	(1,210)	
Net carrying amount . . . . .	<u>622</u>	<u>2,363</u>	<u>52</u>	<u>3,037</u>	

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

	<b>Leasehold improvements</b>	<b>Electronics equipment</b>	<b>Furniture and office equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Company</b>				
<b>31 December 2024</b>				
At 1 January 2024:				
Cost . . . . .	1,108	3,027	112	4,247
Accumulated depreciation and impairment . . . . .	(486)	(664)	(60)	(1,210)
Net carrying amount . . . . .	<u>622</u>	<u>2,363</u>	<u>52</u>	<u>3,037</u>
At 1 January 2024, net of accumulated depreciation and impairment. . . . .	622	2,363	52	3,037
Additions. . . . .	1,129	4,584	326	6,039
Depreciation provided during the year. . . . .	(513)	(924)	(15)	(1,452)
At 31 December 2024, net of accumulated depreciation and impairment. . . . .	<u>1,238</u>	<u>6,023</u>	<u>363</u>	<u>7,624</u>
At 31 December 2024:				
Cost . . . . .	2,237	7,611	438	10,286
Accumulated depreciation and impairment . . . . .	(999)	(1,588)	(75)	(2,662)
Net carrying amount . . . . .	<u>1,238</u>	<u>6,023</u>	<u>363</u>	<u>7,624</u>
	<b>Leasehold improvements</b>	<b>Electronics equipment</b>	<b>Furniture and office equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Company</b>				
<b>31 December 2025</b>				
At 1 January 2025:				
Cost . . . . .	2,237	7,611	438	10,286
Accumulated depreciation and impairment . . . . .	(999)	(1,588)	(75)	(2,662)
Net carrying amount . . . . .	<u>1,238</u>	<u>6,023</u>	<u>363</u>	<u>7,624</u>
At 1 January 2025, net of accumulated depreciation and impairment. . . . .	1,238	6,023	363	7,624
Additions. . . . .	182	1,287	321	1,790
Depreciation provided during the year. . . . .	(311)	(1,836)	(47)	(2,194)
At 31 December 2025, net of accumulated depreciation and impairment. . . . .	<u>1,109</u>	<u>5,474</u>	<u>637</u>	<u>7,220</u>
At 31 December 2025:				
Cost . . . . .	2,419	8,898	759	12,076
Accumulated depreciation and impairment . . . . .	(1,310)	(3,424)	(122)	(4,856)
Net carrying amount . . . . .	<u>1,109</u>	<u>5,474</u>	<u>637</u>	<u>7,220</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**14. LEASES**

**Group as a lessee**

The Group has certain lease contracts for buildings for its office and dormitory uses. Leases of buildings generally have lease terms between two and five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

*(a) Right-of-use assets*

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

*Group*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at beginning of year . . . . .	6,288	2,941	11,090
Additions . . . . .	3,413	15,293	10,071
Depreciation charges . . . . .	(6,722)	(6,634)	(7,388)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	(38)	(510)	—
Carrying amount at end of year . . . . .	<u>2,941</u>	<u>11,090</u>	<u>13,773</u>

*Company*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at beginning of year . . . . .	5,415	2,941	10,645
Additions . . . . .	1,375	12,458	1,906
Depreciation charges . . . . .	(3,849)	(4,244)	(2,998)
Revision of a lease term arising from a change in the non-cancellable period of a lease . . . . .	—	(510)	—
Carrying amount at end of year . . . . .	<u>2,941</u>	<u>10,645</u>	<u>9,553</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**(b) Lease liabilities**

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

*Group*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at beginning of year . . . . .	8,415	8,065	12,827
New leases . . . . .	3,413	15,293	10,071
Accretion of interest recognised during the year . . . . .	233	277	671
Payments . . . . .	(3,958)	(10,430)	(7,178)
Revision of lease payments . . . . .	(38)	(378)	—
Carrying amount at end of year . . . . .	<u>8,065</u>	<u>12,827</u>	<u>16,391</u>

*Company*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at beginning of year . . . . .	5,332	4,108	11,902
New leases . . . . .	1,375	12,458	1,906
Accretion of interest recognised during the year . . . . .	195	238	412
Payments . . . . .	(2,794)	(4,524)	(3,080)
Revision of lease payments . . . . .	—	(378)	—
Carrying amount at end of year . . . . .	<u>4,108</u>	<u>11,902</u>	<u>11,140</u>

The carrying amounts of lease liabilities at the end of each of the Relevant Periods are analysed into:

*Group*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current portion			
Repayable within one year . . . . .	8,065	4,001	9,001
Non-current portion			
Repayable in the second year . . . . .	—	2,229	2,470
Repayable in the third to fifth years, inclusive . . . . .	—	6,597	4,920
Total non-current portion . . . . .	—	8,826	7,390
Total lease liabilities . . . . .	<u>8,065</u>	<u>12,827</u>	<u>16,391</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

*Company*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current portion			
Repayable within one year . . . . .	4,108	3,104	3,750
Non-current portion			
Repayable in the second year . . . . .	—	2,201	2,470
Repayable in the third to fifth years, inclusive. . . . .	—	6,597	4,920
Total non-current portion . . . . .	—	8,798	7,390
Total lease liabilities. . . . .	4,108	11,902	11,140

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

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

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities. . . . .	233	277	671
Depreciation charge of right-of-use assets . . .	6,722	6,634	7,388
Expense relating to short-term leases . . . . .	310	2,890	1,230
Loss on revision of lease terms . . . . .	—	132	—
Total amount charged to profit or loss . . . . .	7,265	9,933	9,289

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

**15. GOODWILL**

**Group**

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost and net carrying amount at beginning of year . . . . .	299,559	299,559	585,997
Acquisition of a subsidiary ( <i>note 31</i> ). . . . .	—	286,438	—
Cost and net carrying amount at end of year . .	299,559	585,997	585,997

There was no impairment of goodwill recognised during the Relevant Periods, and no accumulated impairment of goodwill at the end of each of the Relevant Periods.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Impairment testing of goodwill**

Goodwill acquired through business combinations prior to and during the Relevant Periods is allocated to the cash-generating unit of cockpit products for impairment testing as they were highly integrated.

The recoverable amount of the cockpit products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the Group’s management. Assumptions were used in the value in use calculation of the cockpit products cash-generating unit for the Relevant Periods. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

***Budgeted revenue growth and perpetual growth rates***

Compound growth rates of revenue applied to the five-year cash flow projections are 28.3%, 25.0%, and 21.2% for the impairment testing of goodwill at 31 December 2023, 2024 and 2025, respectively, as determined by the management with reference to the historical growth rates in prior years, adjusted by the management’s outlook of expected market development. The perpetual growth rates used to extrapolate the cash flows of the cockpit products cash-generating unit beyond the five-year period are 0%, 0% and 0% for the impairment testing of goodwill at 31 December 2023, 2024 and 2025, respectively. The perpetual growth rates were same as the long term average growth rates of the market to which the cockpit products cash-generating unit is dedicated.

***Discount rates***

The discount rates applied to the cash flow projections are 14.5%, 13.3% and 13.8% for the impairment testing of goodwill at 31 December 2023, 2024 and 2025, respectively. The discount rates used are before tax and reflect specific risks relating to the cockpit products cash-generating unit.

The values assigned to the above key assumptions are consistent with external information sources.

The excesses of the recoverable amounts of the cockpit products cash-generating unit over the corresponding carrying amounts, i.e., headrooms, were RMB46,442,000, RMB210,573,000 and RMB151,501,000 at 31 December 2023, 2024 and 2025, respectively. The following table demonstrates the sensitivity to reasonable possible changes in key parameters, i.e., pre-tax discount rates and revenue growth rates, with all other variables held constant, of the Group’s headroom for the Group’s goodwill impairment assessment purpose.

	<b>Headroom decreased by</b>		
	<b>31 December 2023</b>	<b>31 December 2024</b>	<b>31 December 2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Pre-tax discount rate increased by 100 basis points . . . . .	29,036	152,049	93,319
Revenue growth rate decreased by 5%. . . . .	26,951	124,049	86,872

Considering the amounts of headroom and the results of the aforementioned sensitivity analysis, the management is of the view that reasonable possible changes in key parameters would not cause impairment to the Group’s goodwill as at the end of each of the Relevant Periods.

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

16. OTHER INTANGIBLE ASSETS

	<u>Purchased software</u>	<u>Patents and licenses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>			
<b>31 December 2023</b>			
At 1 January 2023:			
Cost. . . . .	14,602	—	14,602
Accumulated amortisation and impairment . . .	(11,516)	—	(11,516)
Net carrying amount. . . . .	<u>3,086</u>	<u>—</u>	<u>3,086</u>
At 1 January 2023, net of accumulated			
amortisation and impairment . . . . .	3,086	—	3,086
Additions . . . . .	511	—	511
Amortisation provided during the year . . . . .	(1,880)	—	(1,880)
At 31 December 2023, net of accumulated			
amortisation and impairment . . . . .	<u>1,717</u>	<u>—</u>	<u>1,717</u>
At 31 December 2023:			
Cost. . . . .	15,113	—	15,113
Accumulated amortisation and impairment . . .	(13,396)	—	(13,396)
Net carrying amount. . . . .	<u>1,717</u>	<u>—</u>	<u>1,717</u>
	<u>Purchased software</u>	<u>Patents and licenses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>			
<b>31 December 2024</b>			
At 1 January 2024:			
Cost. . . . .	15,113	—	15,113
Accumulated amortisation and impairment . . .	(13,396)	—	(13,396)
Net carrying amount. . . . .	<u>1,717</u>	<u>—</u>	<u>1,717</u>
At 1 January 2024, net of accumulated			
amortisation and impairment . . . . .	1,717	—	1,717
Additions . . . . .	554	—	554
Acquisition of a subsidiary ( <i>note 31</i> ). . . . .	5,863	168,606	174,469
Amortisation provided during the year . . . . .	(2,778)	(7,083)	(9,861)
At 31 December 2024, net of accumulated			
amortisation and impairment . . . . .	<u>5,356</u>	<u>161,523</u>	<u>166,879</u>
At 31 December 2024:			
Cost. . . . .	21,530	168,606	190,136
Accumulated amortisation and impairment . . .	(16,174)	(7,083)	(23,257)
Net carrying amount. . . . .	<u>5,356</u>	<u>161,523</u>	<u>166,879</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

	<u>Purchased software</u>	<u>Patents and licenses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>			
<b>31 December 2025</b>			
At 1 January 2025:			
Cost . . . . .	21,530	168,606	190,136
Accumulated amortisation and impairment . . .	(16,174)	(7,083)	(23,257)
Net carrying amount . . . . .	<u>5,356</u>	<u>161,523</u>	<u>166,879</u>
At 1 January 2025, net of accumulated			
amortisation and impairment . . . . .	5,356	161,523	166,879
Additions . . . . .	2,902	—	2,902
Amortisation provided during the year . . . . .	(3,183)	(16,397)	(19,580)
At 31 December 2025, net of accumulated			
amortisation and impairment . . . . .	<u>5,075</u>	<u>145,126</u>	<u>150,201</u>
At 31 December 2025:			
Cost . . . . .	24,432	168,606	193,038
Accumulated amortisation and impairment . . .	(19,357)	(23,480)	(42,837)
Net carrying amount . . . . .	<u>5,075</u>	<u>145,126</u>	<u>150,201</u>

**Company**

*Purchased software*

	<u>Year ended 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year			
Cost . . . . .	388	899	1,453
Accumulated amortisation and impairment . . .	(23)	(286)	(682)
Net carrying amount . . . . .	<u>365</u>	<u>613</u>	<u>771</u>
Carrying amount at beginning of year . . . . .			
	365	613	771
Additions . . . . .	511	554	2,810
Amortisation provided during the year . . . . .	(263)	(396)	(960)
Carrying amount at end of year . . . . .	<u>613</u>	<u>771</u>	<u>2,621</u>
At end of year			
Cost . . . . .	899	1,453	4,263
Accumulated amortisation and impairment . . .	(286)	(682)	(1,642)
Net carrying amount . . . . .	<u>613</u>	<u>771</u>	<u>2,621</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**17. INVESTMENTS IN SUBSIDIARIES AND BALANCES WITH SUBSIDIARIES**

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investments, at cost . . . . .	429,444	1,050,544	1,073,844
Impairment. . . . .	(160,564)	(160,564)	(160,564)
Net carrying amount. . . . .	<u>268,880</u>	<u>889,980</u>	<u>913,280</u>

The Company’s balances with subsidiaries are unsecured, interest-free and repayable on demand. Further details of the Company’s balances with subsidiaries are included in note 35 to the Historical Financial Information.

Particulars of the Company’s subsidiaries as at the end of each of the Relevant Periods are set out in note 1 to the Historical Financial Information.

**18. INVENTORIES**

**Group**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials . . . . .	18,103	10,883	38,063
Work in progress . . . . .	441	783	721
Finished goods . . . . .	49,920	10,754	21,823
Contract fulfilment costs. . . . .	41,805	122,260	178,789
Total . . . . .	<u>110,269</u>	<u>144,680</u>	<u>239,396</u>

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials . . . . .	17,212	10,415	37,787
Work in progress . . . . .	441	783	721
Finished goods . . . . .	12,693	6,221	18,703
Contract fulfilment costs. . . . .	24,302	74,293	100,605
Total . . . . .	<u>54,648</u>	<u>91,712</u>	<u>157,816</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**19. TRADE AND BILLS RECEIVABLES**

**Group**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables . . . . .	203,264	216,114	300,859
Impairment. . . . .	(58,677)	(67,661)	(68,183)
Net carrying amount . . . . .	144,587	148,453	232,676
Bills receivable . . . . .	92,884	31,016	8,651
Total . . . . .	<u>237,471</u>	<u>179,469</u>	<u>241,327</u>

The Group’s trading terms with its customers are mainly on credit, except for certain smaller-sized customers of software products, where payment in advance is normally required. The credit period is generally 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and long-aged balances are reviewed regularly by senior management. Trade receivables are settled in accordance with the terms of the respective contracts. Notwithstanding that the Group has concentration of credit risk as further detailed in note 39 to the Historical Financial Information, the directors of the Company are of the view that there has been no significant increase in credit risk of default because the amounts are from customers which are related companies and/or with good repayment history. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group’s trade receivables included amounts due from one of the Company’s shareholding companies with significant influence over the Company namely, SeeWay.ai Co., Ltd. (“**SeeWay.ai**”), a PRC-registered company whose shares are listed on Shenzhen Stock Exchange, and certain subsidiaries of SeeWay.ai, which are repayable on the terms mutually agreed by the parties involved, further details of which are included in note 35 to the Historical Financial Information.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the customers’ acknowledge of product receipt date or service rendered date and net of loss allowance, is as follows:

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 3 months . . . . .	139,012	136,226	201,161
4 to 12 months . . . . .	5,210	11,580	30,802
13 to 24 months . . . . .	365	647	713
Total . . . . .	<u>144,587</u>	<u>148,453</u>	<u>232,676</u>

The Group’s bills receivable were held within a business model with the objective of both holding to collect contractual cash flows and selling, therefore they are classified and measured at fair value through other comprehensive income. At the end of each of the Relevant Periods, the Group’s bills receivable were due to mature within six months of the end of the respective reporting period.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year . . . . .	26,494	58,677	67,661
Impairment loss ( <i>note 6</i> ) . . . . .	32,402	8,984	522
Amount written off as uncollectible . . . . .	(219)	—	—
At end of year . . . . .	<u>58,677</u>	<u>67,661</u>	<u>68,183</u>

The increase in the loss allowance of the Group during the Relevant Periods was mainly due to the increase in the gross amounts of trade receivables aged within 12 months during the Relevant Periods.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on the ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity. In addition, when there exists an indicator of significant increase in credit risk in relation to a particular debtor, an impairment analysis is performed in respect of the corresponding outstanding receivable balance on an individual debtor basis.

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

**As at 31 December 2023**

	Ageing				Total
	Within 3 months	4 to 12 months	13 to 24 months	Over 24 months	
Individually assessed:					
Expected credit loss rate . . . . .	—	100.0%	100.0%	100.0%	100.0%
Gross carrying amount (RMB’000) . . . . .	—	1,117	18,255	22,207	41,579
Expected credit losses (RMB’000) . . . . .	—	1,117	18,255	22,207	41,579
Collectively assessed:					
Expected credit loss rate . . . . .	4.5%	33.8%	71.4%	100.0%	10.6%
Gross carrying amount (RMB’000) . . . . .	145,495	7,865	1,278	7,047	161,685
Expected credit losses (RMB’000) . . . . .	6,483	2,655	913	7,047	17,098
Total:					
Gross carrying amount (RMB’000) . . . . .	145,495	8,982	19,533	29,254	203,264
Expected credit losses (RMB’000) . . . . .	6,483	3,772	19,168	29,254	58,677

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**As at 31 December 2024**

	Ageing				Total
	Within 3 months	4 to 12 months	13 to 24 months	Over 24 months	
Individually assessed:					
Expected credit loss rate . . . . .	—	—	100.0%	100.0%	100.0%
Gross carrying amount (RMB’000). . . . .	—	—	1,109	39,435	40,544
Expected credit losses (RMB’000) . . . . .	—	—	1,109	39,435	40,544
Collectively assessed:					
Expected credit loss rate . . . . .	4.7%	33.5%	90.5%	100.0%	15.4%
Gross carrying amount (RMB’000). . . . .	143,003	17,420	6,815	8,332	175,570
Expected credit losses (RMB’000) . . . . .	6,777	5,840	6,168	8,332	27,117
Total:					
Gross carrying amount (RMB’000). . . . .	143,003	17,420	7,924	47,767	216,114
Expected credit losses (RMB’000) . . . . .	6,777	5,840	7,277	47,767	67,661

**As at 31 December 2025**

	Ageing				Total
	Within 3 months	4 to 12 months	13 to 24 months	Over 24 months	
Individually assessed:					
Expected credit loss rate . . . . .	—	—	100.0%	100.0%	100.0%
Gross carrying amount (RMB’000). . . . .	—	—	7,111	40,544	47,655
Expected credit losses (RMB’000) . . . . .	—	—	7,111	40,544	47,655
Collectively assessed:					
Expected credit loss rate . . . . .	2.0%	15.8%	59.6%	100.0%	8.1%
Gross carrying amount (RMB’000). . . . .	205,271	36,585	1,765	9,583	253,204
Expected credit losses (RMB’000) . . . . .	4,110	5,783	1,052	9,583	20,528
Total:					
Gross carrying amount (RMB’000). . . . .	205,271	36,585	8,876	50,127	300,859
Expected credit losses (RMB’000) . . . . .	4,110	5,783	8,163	50,127	68,183

The Group’s bills receivable are subject to impairment using the low credit risk simplification under the general approach. The credit risk on bills receivable is limited because the counterparties are banks with high credit-ratings. There was no impairment of bills receivable recognised during the Relevant Periods, and no accumulated impairment of bills receivable at the end of each of the Relevant Periods.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	118,101	169,693	215,376
Impairment . . . . .	(19,707)	(30,972)	(30,388)
Net carrying amount . . . . .	98,394	138,721	184,988
Bills receivable . . . . .	59,329	20,492	4,891
Total . . . . .	<u>157,723</u>	<u>159,213</u>	<u>189,879</u>

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the customers’ acknowledge of product receipt date or service rendered date and net of loss allowance, is as follows:

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months . . . . .	92,827	126,573	156,116
4 to 12 months . . . . .	5,207	11,537	28,163
13 to 24 months . . . . .	360	611	709
Total . . . . .	<u>98,394</u>	<u>138,721</u>	<u>184,988</u>

At the end of each of the Relevant Periods, the Company’s bills receivable were due to mature within six months of the end of the respective reporting period.

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

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year . . . . .	3,666	19,707	30,972
Impairment loss/(reversal of impairment loss) . . . . .	16,041	11,265	(584)
At end of year . . . . .	<u>19,707</u>	<u>30,972</u>	<u>30,388</u>

The increase/decrease in the loss allowance of the Company during the Relevant Periods was mainly due to the increase/decrease in the gross amounts of trade receivables subject to collectively impairment assessed aged over one year during the Relevant Periods.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

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

**As at 31 December 2023**

	Ageing				Total
	Within 3 months	4 to 12 months	13 to 24 months	Over 24 months	
Individually assessed:					
Expected credit loss rate . . . . .	—	100.0%	100.0%	100.0%	100.0%
Gross carrying amount (RMB’000). . . . .	—	7	11,630	187	11,824
Expected credit losses (RMB’000) . . . . .	—	7	11,630	187	11,824
Collectively assessed:					
Expected credit loss rate . . . . .	4.5%	33.8%	71.5%	—	7.4%
Gross carrying amount (RMB’000). . . . .	97,155	7,860	1,262	—	106,277
Expected credit losses (RMB’000) . . . . .	4,328	2,653	902	—	7,883
Total:					
Gross carrying amount (RMB’000). . . . .	97,155	7,867	12,892	187	118,101
Expected credit losses (RMB’000) . . . . .	4,328	2,660	12,532	187	19,707
Due from subsidiaries*:					
Expected credit loss rate . . . . .	—	—	30.8%	100.0%	1.9%
Gross carrying amount (RMB’000). . . . .	64,486	—	3,687	191	68,364
Expected credit losses (RMB’000) . . . . .	—	—	1,135	191	1,326

**As at 31 December 2024**

	Ageing				Total
	Within 3 months	4 to 12 months	13 to 24 months	Over 24 months	
Individually assessed:					
Expected credit loss rate . . . . .	—	—	—	100.0%	100.0%
Gross carrying amount (RMB’000). . . . .	—	—	—	11,814	11,814
Expected credit losses (RMB’000) . . . . .	—	—	—	11,814	11,814
Collectively assessed:					
Expected credit loss rate . . . . .	4.7%	33.5%	90.5%	100.0%	12.1%
Gross carrying amount (RMB’000). . . . .	132,784	17,359	6,465	1,271	157,879
Expected credit losses (RMB’000) . . . . .	6,211	5,822	5,854	1,271	19,158
Total:					
Gross carrying amount (RMB’000). . . . .	132,784	17,359	6,465	13,085	169,693
Expected credit losses (RMB’000) . . . . .	6,211	5,822	5,854	13,085	30,972
Due from subsidiaries*:					
Expected credit loss rate . . . . .	—	—	—	95.8%	6.7%
Gross carrying amount (RMB’000). . . . .	17,115	1,407	—	1,384	19,906
Expected credit losses (RMB’000) . . . . .	—	—	—	1,326	1,326

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

As at 31 December 2025

	Ageing				Total
	Within 3 months	4 to 12 months	13 to 24 months	Over 24 months	
Individually assessed:					
Expected credit loss rate . . . . .	—	—	100.0%	100.0%	100.0%
Gross carrying amount (RMB’000). . . . .	—	—	7,111	11,814	18,925
Expected credit losses (RMB’000) . . . . .	—	—	7,111	11,814	18,925
Collectively assessed:					
Expected credit loss rate . . . . .	2.0%	14.5%	59.1%	100.0%	5.8%
Gross carrying amount (RMB’000). . . . .	159,306	32,925	1,733	2,487	196,451
Expected credit losses (RMB’000) . . . . .	3,190	4,762	1,024	2,487	11,463
Total:					
Gross carrying amount (RMB’000). . . . .	159,306	32,925	8,844	14,301	215,376
Expected credit losses (RMB’000) . . . . .	3,190	4,762	8,135	14,301	30,388
Due from subsidiaries*:					
Expected credit loss rate . . . . .	—	—	—	95.8%	1.5%
Gross carrying amount (RMB’000). . . . .	10,940	77,733	—	1,384	90,057
Expected credit losses (RMB’000) . . . . .	—	—	—	1,326	1,326

\* The Company’s trade receivables from its subsidiaries are included in due from subsidiaries as set out in note 35 to the Historical Financial information. Other than trade receivables from a dormant subsidiary for which the Company had made a full impairment provision, no impairment provision is made against the trade receivables from subsidiaries because the management considered that the expected credit loss rate with respect to the trade receivables from subsidiaries is minimal.

The Company’s bills receivable are subject to impairment using the low credit risk simplification under the general approach. There was no impairment of bills receivable recognised during the Relevant Periods, and no accumulated impairment of bills receivable at the end of each of the Relevant Periods.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current:			
Prepayments . . . . .	4,711	5,330	12,058
Value-added tax deductibles . . . . .	1,513	11,430	16,339
Deposits . . . . .	1,593	1,713	1,285
Other receivables . . . . .	130	9,948	553
Prepaid [REDACTED] expenses . . . . .	—	[REDACTED]	[REDACTED]
Total — current . . . . .	7,947	28,647	33,096
Non-current:			
Prepayments . . . . .	1,208	3,661	836
Deposits . . . . .	1,021	1,044	466
Total — non-current . . . . .	2,229	4,705	1,302
Total . . . . .	10,176	33,352	34,398

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

As at 31 December 2024, the Group’s other receivables included amounts due from SeeWay.ai arising from the disposal of certain equipment with an aggregate carrying amount of RMB8,400,000 at an aggregate selling price of RMB8,714,000, resulting in a disposal gain of RMB314,000. These disposal proceed receivables at 31 December 2024 were repayable on the terms mutually agreed by the parties involved, further details of which are included in note 35 to the Historical Financial Information and they have been fully settled during the year ended 31 December 2025.

**Company**

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current:			
Prepayments . . . . .	1,257	2,350	8,093
Value-added tax deductibles . . . . .	—	1,510	8,327
Deposits . . . . .	695	257	411
Other receivables . . . . .	113	99	188
Prepaid <b>[REDACTED]</b> expenses . . . . .	—	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Total — current . . . . .	<u>2,065</u>	<u>4,442</u>	<u>19,880</u>
Non-current:			
Prepayments . . . . .	1,167	3,288	773
Deposits . . . . .	175	803	466
Total — non-current . . . . .	<u>1,342</u>	<u>4,091</u>	<u>1,239</u>
Total . . . . .	<u><u>3,407</u></u>	<u><u>8,533</u></u>	<u><u>21,119</u></u>

**21. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The Group’s financial investments at fair value through other comprehensive income comprised certificates of bank deposits which are principal-protected and with fixed interest rates. These financial investments were held within a business model with the objective of both holding to collect contractual cash flows and selling, therefore they are classified and measured at fair value through other comprehensive income.

**22. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS**

**Group**

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances . . . . .	76,228	52,179	86,196
Time deposits . . . . .	—	40,000	—
Subtotal . . . . .	<u>76,228</u>	<u>92,179</u>	<u>86,196</u>
Less: restricted cash . . . . .	(2,376)	—	(3,269)
pledged deposits . . . . .	(12,120)	(2,301)	(17,483)
Cash and cash equivalents . . . . .	<u><u>61,732</u></u>	<u><u>89,878</u></u>	<u><u>65,444</u></u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods over one year and could be withdrawn prior to their maturities depending on the immediate cash requirements of the Group, and earn interests at the respective time deposit rates when they reach maturity, or at daily bank deposit rates when they are early withdrawn. The bank balances are deposited with creditworthy banks with no recent history of default.

As of 31 December 2023, the restricted cash arose from the control measures imposed in relation to the fulfillment of payment requirements of certain contracts with a supplier, and it was released during the year ended 31 December 2024. As of 31 December 2025, the restricted cash was related to labour disputes with certain former employees. The pledged deposits are attributable to the Group’s bills payable.

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances . . . . .	62,255	35,717	73,853
Time deposits . . . . .	—	40,000	—
Subtotal . . . . .	62,255	75,717	73,853
Less: restricted cash . . . . .	—	—	(854)
pledged deposits . . . . .	(12,120)	(2,301)	(17,483)
Cash and cash equivalents . . . . .	<u>50,135</u>	<u>73,416</u>	<u>55,516</u>

**23. TRADE AND BILLS PAYABLES**

**Group**

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

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 3 months . . . . .	143,824	106,808	218,603
4 to 12 months . . . . .	48,990	11,994	36,922
13 to 24 months . . . . .	64,104	21,249	15,050
Over 24 months . . . . .	2,411	3,518	3,185
Total . . . . .	<u>259,329</u>	<u>143,569</u>	<u>273,760</u>

The Group’s trade payables included amounts due to SeeWay.ai and certain subsidiaries of SeeWay.ai, which are repayable on the terms mutually agreed by the parties involved, further details of which are included in note 35 to the Historical Financial Information.

The trade payables are non-interest-bearing and are normally settled within 90 days.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Company**

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

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months . . . . .	129,983	78,518	196,424
4 to 12 months . . . . .	38,407	10,153	33,854
13 to 24 months . . . . .	61,748	20,844	12,189
Over 24 months . . . . .	1,665	2,549	1,823
<b>Total . . . . .</b>	<b>231,803</b>	<b>112,064</b>	<b>244,290</b>

The Company’s trade payables included amounts due from its subsidiaries as well as SeeWay.ai and certain subsidiaries of SeeWay.ai, which are repayable on the terms mutually agreed by the parties involved, further details of which are included in note 35 to the Historical Financial Information.

The trade payables are non-interest-bearing and are normally settled within 90 days.

**24. CONTRACT LIABILITIES**

**Group**

An analysis of contract liabilities arising from short-term advances received from customers is as follows:

	<b>1 January</b>	<b>31 December</b>		
	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of hardware . . . . .	3,474	3,187	16,646	6,441
Sale of software . . . . .	2,017	1,626	1,534	1,559
<b>Total . . . . .</b>	<b>5,491</b>	<b>4,813</b>	<b>18,180</b>	<b>8,000</b>

The increase/decrease in contract liabilities of the Group during the Relevant Periods was mainly due to an increase/decrease in short-term advances received from hardware customers.

**Company**

An analysis of contract liabilities arising from short-term advances received from customers is as follows:

	<b>1 January</b>	<b>31 December</b>		
	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of hardware . . . . .	593	1,096	4,829	4,016
Sale of software . . . . .	483	92	—	—
<b>Total . . . . .</b>	<b>1,076</b>	<b>1,188</b>	<b>4,829</b>	<b>4,016</b>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

The increase/decrease in contract liabilities of the Company during the Relevant Periods was mainly due to an increase/decrease in short-term advances received from hardware customers.

**25. OTHER PAYABLES AND ACCRUALS**

**Group**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payroll and welfare payables . . . . .	45,498	52,814	49,765
Value-added tax accruals . . . . .	14,518	8,216	8,060
Other tax payables . . . . .	3,042	2,901	2,675
Other payables . . . . .	11,019	9,419	32,640
	<u>74,077</u>	<u>73,350</u>	<u>93,140</u>

Other payables of the Group are non-interest-bearing and have an average term of two months.

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payroll and welfare payables . . . . .	15,501	11,846	12,673
Value-added tax accruals . . . . .	7,837	1,185	1,193
Other tax payables . . . . .	1,479	875	1,171
Other payables . . . . .	2,052	2,064	24,317
	<u>26,869</u>	<u>15,970</u>	<u>39,354</u>

Other payables of the Company are non-interest-bearing and have an average term of two months.

**26. INTEREST-BEARING BANK BORROWINGS**

**Group**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings, unsecured . . . . .	56,571	93,162	224,034
Bank borrowings, secured . . . . .	10,003	10,000	60,000
Total . . . . .	<u>66,574</u>	<u>103,162</u>	<u>284,034</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

All of the principal amounts of the Group’s interest-bearing bank borrowings at the end of each of the Relevant Periods are denominated in RMB and due to mature within one year from their respective end of the Relevant Periods. They are charged interests with fixed rates, and accordingly the Group’s interest-bearing bank borrowings had no interest rate risk exposure. The effective interest rates of the Group’s interest-bearing bank borrowings at the end of each of the Relevant Periods are as follows:

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	%	%	%
Bank borrowings, unsecured . . . . .	2.6%–3.1%	1.2%–2.6%	1.5%–2.5%
Bank borrowings, secured . . . . .	3.4%	2.6%	2.6%

Included in the balances at 31 December 2023, 2024 and 2025 are bank borrowings attributable to bills receivable of nil, RMB20,300,000 and nil received from SeeWay.ai and discounted to a bank, and SeeWay.ai agreed to bear the corresponding interest expenses arising therefrom. During the years ended 31 December 2023, 2024 and 2025, the interest expenses borne by SeeWay.ai in respect of the aforementioned bills discount arrangement amounting to nil, RMB338,000 and nil, respectively, further details of which are set out in note 37(b) to the Historical Financial Information.

As at 31 December 2023 and 2024, the securities of the Group’s borrowings are certain self-developed intellectual property rights of which the corresponding costs have been charged to profit or loss as incurred. As at 31 December 2025, the securities of the Group’s borrowings are certain trade receivables with an aggregate original amount of RMB115,966,000.

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bank borrowings, unsecured . . . . .	38,046	90,354	213,184
Bank borrowings, secured . . . . .	10,003	10,000	60,000
Total . . . . .	48,049	100,354	273,184

The effective interest rates of the Company’s interest-bearing bank borrowings at the end of each of the Relevant Periods are as follows:

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	%	%	%
Bank borrowings, unsecured . . . . .	2.6%–3.1%	1.5%–2.6%	1.5%–2.5%
Bank borrowings, secured . . . . .	3.4%	2.6%	2.6%

As at 31 December 2023 and 2024, the securities of the Company’s borrowings are certain self-developed intellectual property rights of which the corresponding costs have been charged to profit or loss as incurred. As at 31 December 2025, the securities of the Company’s borrowings are certain trade receivables with an aggregate original amount of RMB115,966,000.

In addition, the Company’s bank borrowings of RMB38,046,000, RMB50,000,000 and RMB170,000,000 at 31 December 2023, 2024 and 2025, respectively, were guaranteed by one of the Company’s subsidiaries.

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

### 27. REDEMPTION LIABILITIES

The Redemption Liabilities are initially the capital contributions with preferred rights made by certain equity holders of the Company to the Company. There are in general three series of the Redemption Liabilities, namely Series A, Series A+ and Series B, of which Series A and Series A+ with an aggregate principal amount of RMB1,855,332,000 were issued prior to the beginning of the Relevant Periods and Series B (comprising Series B cash investment and Series B share exchange) with an aggregate amount of RMB770,000,000 (note 29) were issued during the year ended 31 December 2024. The Series A, Series A+ and Series B equity holders are collectively referred to as the Redemption Liabilities’ Investors.

According to the Company’s equity holders’ agreements, certain of the key features of the Redemption Liabilities, including redemption rights, liquidation preferences and anti-dilution rights, are summarised as follows:

#### **Redemption rights**

Upon the occurrence of any triggering events, including the Company’s failure to achieve a qualified [REDACTED] as of 31 December 2024, any material breach by the Group companies or the Company’s major shareholders of their representations, warranties and covenants, and any shareholder requests for repurchase of shares, the Redemption Liabilities’ Investors have the right to exercise the redemption right. The redemption price is the original investment amount paid by the Redemption Liabilities’ Investors for the Redemption Liabilities they requested to repurchase, plus the interest accrued on the original investment amount at the annual compound interest rate of 8% calculated from the payment date of the original investment amount to the date on which the redemption price is fully paid, plus the declared but unpaid dividends. The full payment of redemption price is in the priority order of (i) Series B cash investment and Series A+, (ii) Series A, and (iii) Series B share exchange. The repurchase date shall not be earlier than either the 15th or 30th day after a written notice of repurchase is given by the Redemption Liabilities’ Investors, depending on the series of the Redemption Liabilities.

#### **Liquidation preferences**

In the event of (i) any statutory liquidation, including liquidation, dissolution, bankruptcy or closure, of the Group companies, (ii) trade sale of equities, i.e., the merger, acquisition or reorganisation of the Group companies which results the Company’s then equity holders to directly or indirectly hold less than 50% equity interest or voting right in the Company or the surviving entity, or (iii) trade sale of assets, i.e., the sale of all or substantially all of the assets or business, or exclusive license or intellectual properties of the Group companies, to a third party, the Redemption Liabilities’ Investors can receive liquidation preference amounts equal to the original investment amount paid by the Redemption Liabilities’ Investors, plus the interest accrued on the original investment amount at the annual compound rate of 8% calculated from the actual payment date of the original investment amount to the date on which the liquidation preference amount is fully paid, plus the declared but unpaid dividends. The full payment of liquidation preference amount is in the priority order of (i) Series B cash investment and Series A+ and (ii) Series A. If there are remaining distributable liquidated assets after the full payment of liquidated preference amount to Series B cash investment, Series A+ and Series A equity holders, the amount of such remaining assets is distributed among all the Company’s equity holders in proportion to their respective effective shareholding percentage in the Company at that time.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Anti-dilution rights**

If the Company increases its capital, other than for the purpose of implementing employee incentive plan, at the price lower than the unit price of the original investment paid by the Redemption Liabilities’ Investors, the effective shareholding of the Company of the Redemption Liabilities’ Investors is adjusted in accordance with a pre-determined formula to the extent that the effective shareholding percentage is consistent before and after the Company’s capital increase, through the Company’s issuance of equity interests to the Redemption Liabilities’ Investors at the lowest price permitted by laws.

**Conditional suspension of preferred rights**

The above redemption rights are conditional suspended and certain other preferred rights shall suspense from the date on which the Company completes a qualified [REDACTED] according to a supplemental agreement dated 16 June 2025. However, if the Company revokes or withdraws its [REDACTED] application, or the [REDACTED] application is rejected or cancelled, or the [REDACTED] process is terminated, or a qualified [REDACTED] has not been completed within 18 months after execution of the supplemental agreement, the aforementioned redemption rights shall be automatically restored and shall be deemed to continue to be effective from the effective date of the equity holders’ agreement.

**Accounting implications of key features of the Redemption Liabilities**

Considering the redemption rights and liquidation preferences which constitutes as the Company’s obligations to repurchase its own equity instruments, such instruments are classified as financial liabilities, i.e., the Redemption Liabilities, which are initially measured at fair value, representing the present value of the expected cash flows for settling the related obligations if such preferred rights are exercised, and subsequently measured at amortised cost. The Company applied a redemption discount rate of 8% to determine the initial recognition amount of the Redemption Liabilities. The anti-dilutive right is a derivative financial instrument measured at fair value through profit or loss, of which the fair value was considered minimal as the directors of the Company do not expect the Company to increase its capital or issue new shares at a price lower than those of previously capital increase or share issuance.

The movements of the Redemption Liabilities during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year . . . . .	2,569,060	2,774,585	3,788,467
New redemption liabilities (note 29) . . . . .	—	770,000	—
Interest expense . . . . .	205,525	243,882	303,078
At end of year . . . . .	<u>2,774,585</u>	<u>3,788,467</u>	<u>4,091,545</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**28. DEFERRED TAX**

**Group**

The movements in deferred tax assets/(liabilities) during the Relevant Periods are as follows:

	<u>Right-of-use assets</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023 . . . . .	(1,018)	1,378	360
Deferred tax credited/(charged) to profit or loss . . . . .	577	(169)	408
At 31 December 2023 and 1 January 2024 . . . . .	(441)	1,209	768
Deferred tax credited/(charged) to profit or loss . . . . .	(1,223)	715	(508)
At 31 December 2024 and 1 January 2025 . . . . .	(1,664)	1,924	260
Deferred tax credited/(charged) to profit or loss . . . . .	(578)	759	181
At 31 December 2025 . . . . .	(2,242)	2,683	441

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

	<b>31 December</b>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recognised in the consolidated statements of financial position:			
Net deferred tax assets . . . . .	768	260	441
Net deferred tax liabilities . . . . .	—	—	—
Deferred tax balances . . . . .	768	260	441

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

	<b>31 December</b>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses:			
to be expired in one to five years . . . . .	762,184	513,049	248,929
to be expired in one to ten years . . . . .	660,805	717,430	906,435
Subtotal . . . . .	1,422,989	1,230,479	1,155,364
Temporary differences . . . . .	80,522	90,635	131,439
Total . . . . .	1,503,511	1,321,114	1,286,803

The Group has tax losses arising in the Chinese mainland that will expire in one to five years and one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Company**

The Company’s deferred tax assets and liabilities arose from the lease liabilities and the corresponding right-of-use assets of the Company, respectively.

	<u>Right-of-use assets</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023 . . . . .	(812)	800	(12)
Deferred tax credited/(charged) to profit or loss . . . . .	371	(184)	187
At 31 December 2023 and 1 January 2024 . . . . .	(441)	616	175
Deferred tax credited/(charged) to profit or loss . . . . .	(1,155)	1,169	14
At 31 December 2024 and 1 January 2025 . . . . .	(1,596)	1,785	189
Deferred tax credited/(charged) to profit or loss . . . . .	163	(114)	49
At 31 December 2025 . . . . .	(1,433)	1,671	238

For presentation purposes, certain deferred tax assets and liabilities of the Group have been offset in the statement of financial position.

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Recognised in the consolidated statements of financial position:			
Net deferred tax assets . . . . .	175	189	238
Net deferred tax liabilities . . . . .	—	—	—
Deferred tax balances . . . . .	175	189	238

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

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tax losses to be expired in one to ten years . . . . .	81,984	91,786	266,906
Temporary differences . . . . .	494,326	495,573	534,360
Total . . . . .	576,310	587,359	801,266

The Company has tax losses arising in the Chinese mainland that will expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**29. SHARE CAPITAL/PAID-IN CAPITAL**

A summary of movements of the Company’s share capital/paid-in capital during the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year. . . . .	117,632	117,632	145,080
Contribution from equity holders. . . . .	—	27,448	—
At end of year . . . . .	<u>117,632</u>	<u>145,080</u>	<u>145,080</u>

On 16 August 2024, SeeWay.ai, Didi Intelligent Transportation Technology Co., Ltd. (“**Didi Intelligent Transportation**”) and the Company entered into a capital increase agreement pursuant to which the Company agreed to acquire from Didi Intelligent Transportation the entire 100% equity interest of Ruilian Xingchen at a consideration of RMB450,000,000 to be satisfied by the Company’s capital of the same amount comprising paid-in capital of RMB16,041,000 and capital reserve of RMB433,959,000. Further details of the acquisition are disclosed in note 31 to the Historical Financial Information. In addition, SeeWay.ai and Didi Intelligent Transportation agreed to contribute to the Company additional capital amounting to RMB100,000,000 and RMB220,000,000, respectively, comprising paid-in capital of RMB3,565,000 and RMB7,842,000 and capital reserve of RMB96,435,000 and RMB212,158,000, respectively. The aggregate amount of RMB770,000,000 was transferred to and classified as the Redemption Liabilities.

On 3 April 2025, the Company’s paid-in capital of RMB145,079,910 was converted into 145,079,911 shares at RMB1 each.

**30. RESERVES**

**Group**

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

*Capital reserve*

Capital reserve represents the excess of the contributions from the equity holders of the Company over the corresponding amounts of paid-in capital issued, offset by the initial amounts recognised for the Redemption Liabilities (net of paid-in capital amount).

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Company**

	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023 . . . . .	(1,023,520)	(1,223,923)	(2,247,443)
Loss for the year and total comprehensive loss for the year . . . . .	—	(236,369)	(236,369)
At 31 December 2023 and 1 January 2024 . . . . .	(1,023,520)	(1,460,292)	(2,483,812)
Loss for the year and total comprehensive loss for the year . . . . .	—	(252,423)	(252,423)
Acquisition of a subsidiary . . . . .	433,959	—	433,959
Contribution from equity holders . . . . .	308,593	—	308,593
Recognition of redemption liabilities . . . . .	(770,000)	—	(770,000)
At 31 December 2024 and 1 January 2025 . . . . .	(1,050,968)	(1,712,715)	(2,763,683)
Loss for the year and total comprehensive loss for the year . . . . .	—	(485,453)	(485,453)
At 31 December 2025 . . . . .	<u>(1,050,968)</u>	<u>(2,198,168)</u>	<u>(3,249,136)</u>

**31. BUSINESS COMBINATION**

On 16 August 2024, The Group acquired a 100% equity interest of Ruilian Xingchen from Didi Intelligent Transportation at a consideration of RMB450,000,000, which is determined with reference to a valuation performed by an independent valuer, and wholly satisfied by the Company’s capital (note 29). The acquisition was made as part of the Group’s strategy to expand its product range and market share of intelligent cockpit systems.

	<i>Notes</i>	<u>Fair value recognized on acquisition</u>
		<i>RMB'000</i>
Property and equipment . . . . .	<i>13</i>	65,587
Intangible assets . . . . .	<i>16</i>	174,469
Inventories . . . . .		11,131
Prepayments, other receivables and other assets . . . . .		11,135
Cash and bank balances . . . . .		16,592
Trade and bills payables . . . . .		(17,394)
Other payables and accruals . . . . .		(97,958)
Total identifiable net asset at fair value . . . . .		163,562
Goodwill on acquisition . . . . .	<i>15</i>	286,438
Satisfied by capital . . . . .	<i>29</i>	<u>450,000</u>

The gross contractual amount and fair value of other receivables as at the date of acquisition amounted to RMB11,135,000.

The Group incurred transaction costs of RMB216,000 for this acquisition. These transaction costs have been expensed and are included in general and administrative expenses in profit or loss.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB’000</i>
Cash consideration . . . . .	—
Cash and bank balances acquired . . . . .	16,592
Net inflow of cash and cash equivalents included in cash flows from investing activities . . . . .	16,592
Transaction costs of the acquisition included in cash flows from operating activities . . . . .	(216)
Total net cash inflow . . . . .	<u>16,376</u>

Since the acquisition, Ruilian Xingchen has contributed RMB34,613,000 to the Group’s revenue and contributed RMB90,165,000 to the consolidated loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of 2024, the revenue of the Group and the loss of the Group for the year ended 31 December 2024 would have been RMB478,756,000 and RMB 401,767,000, respectively.

**32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**

(a) In addition to the transactions detailed in note 37 to the Historical Financial Information, the Group had the following major non-cash transactions:

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Additions to right-of-use assets and lease liabilities . . . . .	3,413	15,293	10,071
Capital contribution in the form of business combination consideration . . . . .	—	450,000	—

**(b) Changes in liabilities arising from financing activities**

*Lease liabilities*

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year . . . . .	8,415	8,065	12,827
Changes from financing cash flows . . . . .	(3,958)	(10,430)	(7,178)
New leases . . . . .	3,413	15,293	10,071
Interest expense . . . . .	233	277	671
Revision of lease terms . . . . .	(38)	(378)	—
At end of year . . . . .	<u>8,065</u>	<u>12,827</u>	<u>16,391</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

*Interest-bearing bank borrowings*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year . . . . .	74,519	66,574	103,162
Changes from financing cash flows . . . . .	(9,670)	33,777	177,592
Interest expense . . . . .	1,725	2,811	3,280
At end of year . . . . .	<u>66,574</u>	<u>103,162</u>	<u>284,034</u>

*Redemption liabilities*

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year . . . . .	2,569,060	2,774,585	3,788,467
Changes from financing cash flows . . . . .	—	320,000	—
Interest expense . . . . .	205,525	243,882	303,078
Capital contribution in the form of business combination consideration . . . . .	—	450,000	—
At end of year . . . . .	<u>2,774,585</u>	<u>3,788,467</u>	<u>4,091,545</u>

**(c) Total cash outflow for leases**

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

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities . . . . .	310	2,890	1,230
Within financing activities . . . . .	3,958	10,430	7,178
Total . . . . .	<u>4,268</u>	<u>13,320</u>	<u>8,408</u>

**33. COMMITMENTS**

At the end of each of the Relevant Periods, the Group did not have any material capital commitment.

**34. CONTINGENT LIABILITIES**

At 31 December 2023 and 2024, a litigation was in process against a subsidiary of the Group relating to a dispute with two companies which allege that certain acts of that subsidiary constituted unfair competition and are seeking damages of RMB90 million. During the year ended 31 December 2025, the first instance judgement was rendered and the Group made a full provision of litigation damage of RMB10,627,000 according to the first instance judgement.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**35. RELATED PARTY TRANSACTIONS**

(a) In addition to the transactions detailed in notes 26 and 31 to the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shareholding companies (including their subsidiaries) with significant influence over the Company			
Sale of hardware . . . . .	113,216	30,650	108,543
Sale of software . . . . .	108,666	197,525	202,987
Purchase of hardware . . . . .	20,904	22,716	47,167
Purchase of software . . . . .	—	888	—
Purchase of services . . . . .	4,286	78,944	67,117
Gross rental income from operating leases of properties and equipment . . . . .	—	656	3,710
Gross rental expenses from operating leases of properties . . . . .	4,939	7,309	11,179
Sale of equipment . . . . .	—	8,714	—
Purchase of equipment . . . . .	—	390	—
A joint venture of SeeWay.ai			
Sale of hardware . . . . .	—	5,460	5,831
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

**(b) Outstanding balances with related parties**

**Group**

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shareholding companies (including their subsidiaries) with significant influence over the Company			
Trade and bills receivables . . . . .	106,786	132,464	117,333
Prepayments . . . . .	54	414	31
Other receivables . . . . .	685	10,538	690
Trade payables . . . . .	87,224	44,026	22,067
Contract liabilities . . . . .	695	1,148	272
Other payables . . . . .	5,972	4,655	1,796
Lease liabilities . . . . .	4,585	1,520	7,132
A joint venture of SeeWay.ai			
Contract liabilities . . . . .	—	1,872	709
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The balances with related parties are trade in nature, and they are unsecured, interest-free and repayable on the terms mutually agreed by the parties involved or have no fixed terms of repayment. Details of trade and bills receivables and trade payables are included in notes 19 and 23 to the Historical Financial Information.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Company**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shareholding companies (including their subsidiaries) with significant influence over the Company			
Trade and bill receivables . . . . .	99,980	124,505	108,422
Other receivables . . . . .	94	100	100
Trade payables . . . . .	61,166	31,655	19,790
Contract liabilities . . . . .	695	1,148	102
Other payables . . . . .	322	751	1,000
Lease liabilities . . . . .	628	942	1,938
A joint venture of SeeWay.ai			
Contract liabilities . . . . .	—	1,872	709
Subsidiaries			
Trade receivables . . . . .	67,038	18,580	88,731
Prepayments and other receivables . . . . .	111,898	211,929	141,776
Due from subsidiaries . . . . .	<u>178,936</u>	<u>230,509</u>	<u>230,507</u>
Trade payables . . . . .	2,928	45,743	9,682
Other payables . . . . .	9,265	64,994	78,911
Due to subsidiaries . . . . .	<u>12,193</u>	<u>110,737</u>	<u>88,593</u>

The balances with related parties are trade in nature, and they are unsecured, interest-free and repayable on the terms mutually agreed by the parties involved or have no fixed terms of repayment.

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

	<b>Year ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits . . . . .	4,263	3,730	4,654
Post-employment benefits . . . . .	221	255	316
Total . . . . .	<u>4,484</u>	<u>3,985</u>	<u>4,970</u>

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

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**36. FINANCIAL INSTRUMENTS BY CATEGORY**

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

**As at 31 December 2023**

	<b>Financial assets at fair value through other comprehensive income — debt investments</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables . . . . .	76,486	160,985	237,471
Financial assets included in prepayments, other receivables and other assets . . . . .	—	2,744	2,744
Financial investments at fair value through other comprehensive income . . . . .	—	—	—
Restricted cash . . . . .	—	2,376	2,376
Pledged deposits . . . . .	—	12,120	12,120
Cash and cash equivalents . . . . .	—	61,732	61,732
<b>Total . . . . .</b>	<b>76,486</b>	<b>239,957</b>	<b>316,443</b>

**As at 31 December 2024**

	<b>Financial assets at fair value through other comprehensive income — debt investments</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables . . . . .	5,917	173,552	179,469
Financial assets included in prepayments, other receivables and other assets . . . . .	—	12,705	12,705
Financial investments at fair value through other comprehensive income . . . . .	50,827	—	50,827
Pledged deposits . . . . .	—	2,301	2,301
Cash and cash equivalents . . . . .	—	89,878	89,878
<b>Total . . . . .</b>	<b>56,744</b>	<b>278,436</b>	<b>335,180</b>

APPENDIX IA

ACCOUNTANTS’ REPORT OF OUR GROUP

As at 31 December 2025

	Financial assets at fair value through other comprehensive income — debt investments	Financial assets at amortised cost	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills receivables . . . . .	702	240,625	241,327
Financial assets included in prepayments, other receivables and other assets . . . . .	—	2,304	2,304
Financial investments at fair value through other comprehensive income . . . . .	41,980	—	41,980
Restricted cash . . . . .	—	3,269	3,269
Pledged deposits . . . . .	—	17,483	17,483
Cash and cash equivalents . . . . .	—	65,444	65,444
Total . . . . .	<u>42,682</u>	<u>329,125</u>	<u>371,807</u>

All of the Group’s financial liabilities are classified as financial liabilities at amortised cost. Their carrying amounts as at the end of each of the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	259,329	143,569	273,760
Financial liabilities included in other payables and accruals . . . . .	11,019	9,419	32,640
Interest-bearing bank borrowings . . . . .	66,574	103,162	284,034
Redemption liabilities . . . . .	2,774,585	3,788,467	4,091,545
Total . . . . .	<u>3,111,507</u>	<u>4,044,617</u>	<u>4,681,979</u>

37. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

- (a) At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “**Endorsed Bills**”) with carrying amounts in aggregate of RMB9,288,000, RMB192,000 and RMB4,341,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills to which the suppliers have recourse were RMB9,288,000, RMB192,000 and RMB4,341,000 as at 31 December 2023, 2024 and 2025, respectively.

## APPENDIX IA

## ACCOUNTANTS’ REPORT OF OUR GROUP

- (b) At 31 December 2023, 2024 and 2025, the Group discounted certain bills receivable accepted by banks in the Chinese mainland (“**Discounted Bills**”) with carrying amounts in aggregate of nil, RMB23,108,000 and RMB1,000,000, respectively, to banks (the “**Bills Discount**”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated bank borrowings. Subsequent to the Bills Discount, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amounts of bank borrowings attributable to the Discounted Bills were nil, RMB23,108,000 and RMB1,000,000 as at 31 December 2023, 2024 and 2025, respectively.
- (c) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “**Arrangement**”) and transferred certain trade receivables (the “**Factored Trade Receivables**”) to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest of the Factored Trade Receivables, and hence the Group is exposed to default risks of the Factored Trade Receivables after the transfer. Accordingly, the Group continued to recognise the full carrying amounts of the Factored Trade Receivables and the proceeds arising from the Arrangement are recorded as bank borrowings. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying values of the Factored Trade Receivables not yet settled as at 31 December 2023, 2024 and 2025 were nil, RMB20,000,000 and RMB23,138,000 respectively. The carrying amounts of the assets that the Group continued to recognise as at 31 December 2023, 2024 and 2025 were nil, RMB20,000,000 and RMB23,138,000 respectively, and that of the associated liabilities as at 31 December 2023, 2024 and 2025 were nil, RMB20,000,000 and RMB23,138,000, respectively.

### **Transferred financial assets that are derecognised in their entirety**

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “**Derecognised Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB15,452,000, RMB17,373,000 and RMB19,372,000, respectively. Some bills receivable accepted by banks (the “**Derecognized Bills**”) were discounted with carrying amounts of RMB11,950,000, RMB75,293,000 and RMB27,788,000 as at 31 December 2023, 2024 and 2025 respectively. The Derecognised Bills had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

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

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

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:

**Financial assets**

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills receivable			
Carrying amounts . . . . .	76,486	5,917	702
Fair values . . . . .	76,486	5,917	702
Financial investments at fair value through other comprehensive income			
Carrying amounts . . . . .	—	50,827	41,980
Fair values . . . . .	—	50,827	41,980
Non-current portion of financial assets included in prepayments, other receivables and other assets			
Carrying amounts . . . . .	1,021	1,044	466
Fair values . . . . .	953	948	414

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

The Group’s senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

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

The fair values of bills receivables, financial investments at fair value through other comprehensive income and non-current portion of financial assets included in prepayments, other receivables and other assets have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group’s financial assets:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets measured at fair value				
Bills receivable				
31 December 2023 .....	—	76,486	—	76,486
31 December 2024 .....	—	5,917	—	5,917
31 December 2025 .....	—	702	—	702
Financial investments at fair value through other comprehensive income				
31 December 2023 .....	—	—	—	—
31 December 2024 .....	—	50,827	—	50,827
31 December 2025 .....	—	41,980	—	41,980
Financial assets for which fair values are disclosed				
Non-current portion of financial assets included in prepayments, other receivables and other assets				
31 December 2023 .....	—	953	—	953
31 December 2024 .....	—	948	—	948
31 December 2025 .....	—	414	—	414

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

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

***Credit risk***

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

*Maximum exposure and year-end staging*

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

The amounts presented are gross carrying amounts for financial assets.

*As at 31 December 2023*

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	203,264	203,264
Bills receivable	92,884	—	—	—	92,884
Financial assets included in prepayments, other receivables and other assets					
— Normal**	2,744	—	—	—	2,744
— Doubtful**	—	—	—	—	—
Restricted cash					
— Not yet past due.	2,376	—	—	—	2,376
Pledged deposits					
— Not yet past due.	12,120	—	—	—	12,120
Cash and cash equivalents					
— Not yet past due.	61,732	—	—	—	61,732
<b>Total</b>	<b>171,856</b>	<b>—</b>	<b>—</b>	<b>203,264</b>	<b>375,120</b>

*As at 31 December 2024*

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	216,114	216,114
Bills receivable	31,016	—	—	—	31,016
Financial assets included in prepayments, other receivables and other assets					
— Normal**	12,705	—	—	—	12,705
— Doubtful**	—	—	—	—	—
Financial investments at fair value through other comprehensive income	50,827	—	—	—	50,827
Pledged deposits					
— Not yet past due.	2,301	—	—	—	2,301
Cash and cash equivalents					
— Not yet past due.	89,878	—	—	—	89,878
<b>Total</b>	<b>186,727</b>	<b>—</b>	<b>—</b>	<b>216,114</b>	<b>402,841</b>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

*As at 31 December 2025*

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	300,859	300,859
Bills receivable	8,651	—	—	—	8,651
Financial assets included in prepayments, — Normal**	2,304	—	—	—	2,304
— Doubtful**	—	—	—	—	—
Financial investments at fair value through other comprehensive income	41,980	—	—	—	41,980
Restricted cash					
— Not yet past due.	3,269	—	—	—	3,269
Pledged deposits					
— Not yet past due.	17,483	—	—	—	17,483
Cash and cash equivalents					
— Not yet past due.	65,444	—	—	—	65,444
<b>Total</b>	<b>139,131</b>	<b>—</b>	<b>—</b>	<b>300,859</b>	<b>439,990</b>

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

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

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of each of the Relevant Periods, the Group had certain concentrations of credit risks and the following table summarises the Group’s largest debtor and top five debtors as the percentage of the Group’s total trade receivable balances:

	31 December		
	2023	2024	2025
	%	%	%
Largest debtor	53	52	39
Top five debtors	93	92	74

Liquidity risk

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

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

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

*As at 31 December 2023*

	<b>On demand or less than one year</b>	<b>In the second to fifth years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	259,329	—	259,329
Financial liabilities included in other payables and accruals . . . . .	11,019	—	11,019
Interest-bearing bank borrowings . . . . .	67,804	—	67,804
Lease liabilities . . . . .	8,154	—	8,154
Redemption liabilities . . . . .	3,788,467	—	3,788,467
<b>Total contractual undiscounted payments . . . .</b>	<b>4,134,773</b>	<b>—</b>	<b>4,134,773</b>

*As at 31 December 2024*

	<b>On demand or less than one year</b>	<b>In the second to fifth years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	143,569	—	143,569
Financial liabilities included in other payables and accruals . . . . .	9,419	—	9,419
Interest-bearing bank borrowings . . . . .	103,750	—	103,750
Lease liabilities . . . . .	4,012	10,103	14,115
Redemption liabilities . . . . .	3,788,467	—	3,788,467
<b>Total contractual undiscounted payments . . . .</b>	<b>4,049,217</b>	<b>10,103</b>	<b>4,059,320</b>

*As at 31 December 2025*

	<b>On demand or less than one year</b>	<b>In the second to fifth years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	273,760	—	273,760
Financial liabilities included in other payables and accruals . . . . .	32,640	—	32,640
Interest-bearing bank borrowings . . . . .	287,866	—	287,866
Lease liabilities . . . . .	9,427	7,809	17,236
Redemption liabilities . . . . .	4,404,807	—	4,404,807
<b>Total contractual undiscounted payments . . . .</b>	<b>5,008,500</b>	<b>7,809</b>	<b>5,016,309</b>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT OF OUR GROUP**

*Capital management*

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents. Capital includes the Redemption Liabilities and equity. At the end of each of the Relevant Periods, the gearing ratios are as follows:

	<b>31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	259,329	143,569	273,760
Financial liabilities included in other payables and accruals . . . . .	11,019	9,419	32,640
Interest-bearing bank borrowings . . . . .	66,574	103,162	284,034
Lease liabilities . . . . .	8,065	12,827	16,391
Less: cash and cash equivalents . . . . .	61,732	89,878	65,444
Net debt . . . . .	283,255	179,099	541,381
Redemption liabilities . . . . .	2,774,585	3,788,467	4,091,545
Equity . . . . .	(2,441,728)	(2,819,600)	(3,333,673)
Adjusted capital . . . . .	332,857	968,867	757,872
Capital and net debt . . . . .	616,112	1,147,966	1,299,253
Gearing ratio . . . . .	46%	16%	42%

**40. SUBSEQUENT FINANCIAL STATEMENTS**

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