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

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AQARA INTERNATIONAL LTD AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

INTRODUCTION

We report on the historical financial information of Aqara International Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages [3] to [●], 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 December 31, 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 December 31, 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 [3] to [●] forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated [●] (the "Prospectus") in connection with the initial listing 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 presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information, respectively, 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 presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 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 presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information, respectively.

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

Adjustments

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

Dividends

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

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[●] 2026

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.

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	1,439,385	1,488,573	1,471,628
Cost of sales		(1,011,580)	(985,463)	(907,239)
Gross profit		427,805	503,110	564,389
Research and development expenses		(172,804)	(183,262)	(233,728)
Selling and distribution expenses		(183,657)	(200,655)	(235,072)
Administrative expenses		(93,010)	(91,939)	(119,708)
Other income and gains	5	61,021	78,889	64,458
Impairment losses of financial assets, net		(213)	(666)	(2,237)
Share of losses of investments accounted for using equity method		(2,346)	(1,855)	(3,152)
Other expenses		(6,629)	(577)	(12,914)
Operating income		30,167	103,045	22,036
Finance costs	6	(2,879)	(4,422)	(3,679)
Fair value changes of convertible redeemable preferred shares	26	(185,554)	(328,120)	(338,974)
LOSS BEFORE TAX	7	(158,266)	(229,497)	(320,617)
Income tax expenses	10	(1,216)	(1,268)	(1,786)
LOSS FOR THE YEAR		(159,482)	(230,765)	(322,403)
Attributable to:				
Owners of the parent		(159,482)	(230,765)	(322,403)
		(159,482)	(230,765)	(322,403)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12			
Basic and diluted (RMB per share)		(2.10)	(3.04)	(4.24)
LOSS FOR THE YEAR		(159,482)	(230,765)	(322,403)
OTHER COMPREHENSIVE LOSS				
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations		(17,961)	(15,473)	17,572
Share of other comprehensive loss of joint venture and associate		(55)	(2,081)	(37)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the company		(19,287)	(22,120)	41,687
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(196,785)	(270,439)	(263,181)
Attributable to:				
Owners of the parent		(196,785)	(270,439)	(263,181)
		(196,785)	(270,439)	(263,181)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property and equipment	13	28,402	28,020	28,383
Right-of-use assets	15	15,921	15,810	15,646
Intangible assets	14	5,453	2,370	1,078
Investments in joint venture and associate	17	19,468	16,981	14,938
Financial assets at fair value through profit or loss	21	10,009	14,333	11,691
Prepayments, other receivables and other assets	20	10,585	11,041	14,396
Time deposits	22	50,852	52,502	–
Total non-current assets		140,690	141,057	86,132
CURRENT ASSETS				
Inventories	18	285,537	263,551	262,279
Trade receivables	19	109,122	105,372	99,218
Prepayments, other receivables and other assets	20	107,697	81,614	92,195
Financial assets at fair value through profit or loss	21	65,146	235,114	17,002
Restricted cash	22	5,134	13,552	55,594
Time deposits	22	50,000	51,000	54,152
Cash and cash equivalents	22	455,289	435,341	476,749
Total current assets		1,077,925	1,185,544	1,057,189
CURRENT LIABILITIES				
Trade and bills payables	23	190,035	316,764	249,255
Other payables and accruals	24	206,107	282,394	202,319
Convertible and redeemable preferred shares	26	2,489,811	2,707,942	2,767,799
Interest-bearing bank and other borrowings	25	118,117	60,073	230,994
Lease liabilities	15	8,483	10,191	8,764
Provision	27	39,424	38,141	21,461
Tax payable		584	1,407	2,429
Total current liabilities		3,052,561	3,416,912	3,483,021
NET CURRENT LIABILITIES		(1,974,636)	(2,231,368)	(2,425,832)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,833,946)	(2,090,311)	(2,339,700)
NON-CURRENT LIABILITIES				
Lease liabilities	15	8,347	6,443	7,602
Provision	27	1,303	824	599
Total non-current liabilities		9,650	7,267	8,201
Net liabilities		(1,843,596)	(2,097,578)	(2,347,901)
EQUITY				
Equity attributable to owners of the parent				
Share capital		–	–	–
Reserves	29	(1,843,596)	(2,097,578)	(2,347,901)
Total equity		(1,843,596)	(2,097,578)	(2,347,901)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2023

	Attributable to owners of the parent					
	Share Capital	Capital reserve	Share-based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)	*(note 30)*	*(note 30)*	*(note 30)*		
As at January 1, 2023	–	29,024	17,582	(98,405)	(1,610,616)	(1,662,415)
Loss for the year	–	–	–	–	(159,482)	(159,482)
Exchange differences	–	–	–	(37,248)	–	(37,248)
Share of other comprehensive loss of joint venture and associate	–	–	–	(55)	–	(55)
Total comprehensive loss for the year	–	–	–	(37,303)	(159,482)	(196,785)
Share based payment arrangements	–	–	15,604	–	–	15,604
As at December 31, 2023	–	29,024*	33,186*	(135,708)*	(1,770,098)*	(1,843,596)

Year ended December 31, 2024

	Attributable to owners of the parent					
	Share Capital	Capital reserve	Share-based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)	*(note 30)*	*(note 30)*	*(note 30)*		
As at January 1, 2024	–	29,024	33,186	(135,708)	(1,770,098)	(1,843,596)
Loss for the year	–	–	–	–	(230,765)	(230,765)
Exchange differences	–	–	–	(37,593)	–	(37,593)
Share of other comprehensive loss of joint venture and associate	–	–	–	(2,081)	–	(2,081)
Total comprehensive loss for the year	–	–	–	(39,674)	(230,765)	(270,439)
Share based payment arrangements	–	–	16,457	–	–	16,457
As at December 31, 2024	–	29,024*	49,643*	(175,382)*	(2,000,863)*	(2,097,578)

Year ended December 31, 2025

	Attributable to owners of the parent					
	Share Capital	**Capital reserve**	**Share-based payment reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)	*(note 30)*	*(note 30)*	*(note 30)*		
As at January 1, 2025	–	29,024	49,643	(175,382)	(2,000,863)	(2,097,578)
Loss for the year	–	–	–	–	(322,403)	(322,403)
Exchange differences	–	–	–	59,259	–	59,259
Share of other comprehensive loss of joint venture and associate	–	–	–	(37)	–	(37)
Total comprehensive loss for the year	–	–	–	59,222	(322,403)	(263,181)
Share based payment arrangements	–	–	12,858	–	–	12,858
As at December 31, 2025	–	29,024*	62,501*	(116,160)*	(2,323,266)*	(2,347,901)

* The reserve accounts comprised the consolidated deficits of RMB1,843,596,000, RMB2,097,578,000 and RMB2,347,901,000 in the consolidated statements of financial position as at December 31, 2023, 2024, and 2025.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(158,266)	(229,497)	(320,617)
Adjustments for:				
Finance costs	*6*	2,879	4,422	3,679
Foreign exchange (gains)/losses, net	*7*	6,239	(1,932)	9,804
Interest income	*5*	(10,710)	(11,269)	(13,429)
Share of loss of joint ventures and associates	*17*	2,346	1,855	3,152
Gain on deemed disposal of an associate or a joint venture	*5*	(738)	–	(466)
Investment income on financial assets at fair value through profit or loss	*5*	(3,954)	(5,317)	(1,830)
Fair value (gain)/loss on financial assets at fair value through profit or loss		(1,752)	(5,119)	2,640
Fair value losses of convertible redeemable preferred shares	*26*	185,554	328,120	338,974
Equity-settled share-based expenses		19,221	15,748	23,018
Impairment of trade receivables	*7*	193	272	2,230
Impairment of other receivables	*7*	20	394	7
Loss on disposal of items of property and equipment	*7*	133	115	451
Gain on lease modification	*7*	(122)	–	(2)
Depreciation of property and equipment	*13*	13,514	10,345	7,797
Impairment loss on inventories	*7*	28,124	51,614	34,024
Depreciation of right-of-use assets	*15*	9,134	10,686	10,712
Amortisation of intangible assets	*14*	4,665	3,112	2,039
Decrease/(increase) in inventories		(832)	(29,628)	(32,752)
Decrease in trade receivables		1,447	3,478	3,924
(Increase)/ decrease in prepayments, other receivables and other assets		(9,663)	22,777	(10,978)
Increase/(decrease) in trade and bill payables		(28,869)	126,729	67,509
(Decrease)/increase in other payables and accruals		4,762	(8,395)	(33,481)
Increase in restricted cash		(5,125)	(8,418)	(42,042)
Cash generated from/(used in) operations		58,200	280,092	(80,655)
Interest received		8,368	8,956	8,011
Income tax paid		(1,452)	(445)	(764)
Net cash flows from/(used in) operating activities		65,116	288,603	(73,408)

		Year ended December 31,		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property and equipment		(11,691)	(8,645)	(10,542)
Proceeds from disposal of items of property and equipment		23	33	–
Additions to intangible assets		(3,437)	(29)	(747)
Investments in joint venture		–	(1,250)	(620)
Purchase of financial assets at fair value through profit or loss		(1,361,400)	(1,582,000)	(657,000)
Disposal of financial assets at fair value through profit or loss		1,305,360	1,417,998	876,149
Placement of time deposits		(100,000)	(51,000)	–
Proceeds from maturity of time deposits		–	50,700	55,682
Net cash flows (used in)/from investing activities		(171,145)	(174,193)	262,922
CASH FLOWS FROM FINANCING ACTIVITIES				
Repurchases of preferred shares		–	(64,076)	(297,810)
Repayment to a preferred share investor		(116,649)	–	–
New bank loans		118,000	120,100	407,400
Repayment of bank loans		(2,000)	(178,000)	(236,100)
Lease payments	*15*	(9,367)	(11,482)	(11,419)
Interest paid		(2,070)	(3,855)	(3,453)
Payment for deferred **[REDACTED]** expenses		–	–	(1,294)
Net cash flows used in financing activities		(12,086)	(137,313)	(142,676)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(118,115)	(22,903)	46,838
Cash and cash equivalents at beginning of year		568,867	455,289	435,341
Effect of foreign exchange rate changes, net		4,537	2,955	(5,430)
CASH AND CASH EQUIVALENTS AT END OF YEAR		455,289	435,341	476,749
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		419,875	400,341	476,749
Time deposits with maturity within three months		35,414	35,000	–
Cash and cash equivalents as stated in the consolidated statements of financial position	*22*	455,289	435,341	476,749

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property and equipment		2	–	–
Investments in joint venture	17	–	613	756
Investment in subsidiaries	16	1,213,142	1,246,941	847,713
Total non-current assets		1,213,144	1,247,554	848,469
CURRENT ASSETS				
Prepayments, other receivables and other assets	20	20,968	21,366	35,118
Cash and cash equivalents	22	708	1,505	516
Total current assets		21,676	22,871	35,634
CURRENT LIABILITIES				
Other payables and accruals	24	23,994	187,362	63,123
Convertible and redeemable preferred shares	26	2,489,810	2,707,942	2,767,799
Total current liabilities		2,513,804	2,895,304	2,830,922
NET CURRENT LIABILITIES		(2,492,128)	(2,872,433)	(2,795,288)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,278,984)	(1,624,879)	(1,946,819)
Net liabilities		(1,278,984)	(1,624,879)	(1,946,819)
EQUITY				
Share capital	28	–	–	–
Reserves	29	(1,278,984)	(1,624,879)	(1,946,819)
Total equity		(1,278,984)	(1,624,879)	(1,946,819)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Aqara International Ltd (the "Company") was incorporated in the Cayman Islands on April 10, 2015 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Grand Pavilion Hibiscus Way, George Town, Grand Cayman KY11205.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed "Corporate Structure" in the section headed "History, Development And Corporate Structure" in the Prospectus (the "Reorganization"). During the Relevant Periods, the Company and its subsidiaries (collectively the "Group") was principally engaged in the design, development, manufacturing and commercialisation of smart home automation devices.

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

Name	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
EigenStone Technology Ltd.* 愛根斯通科技有限公司(note (a))	Chinese Mainland 8 September 2015	RMB750,000,000	-	100%	Sale of products
Lumi United Technology Co., Ltd.* 深圳綠米聯創科技有限公司(note (a))	Chinese Mainland 8 December 2009	RMB50,000,000	-	100%	Develop, manufacture and sale of products
Aqara LLC (note (b))	The United States 15 July 2019	USD350,000	100%	-	Sale of products

Notes:

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

(a) The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared in accordance with China Accounting Standards of Business Enterprises ("PRC GAAP"), were audited by Shenzhen Zhenan Certified Public Accountants (General Partnership) (深圳市圳安會計師事務所（普通合夥）) and Shenzhen Zhongzheng Yinhe Certified Public Accountants (General Partnership) (深圳中正銀合會計師事務所（普通合夥）), certified public accountants registered in the PRC, respectively.

(b) No audited financial statements have been prepared for these entities for the Relevant Periods as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the section headed "HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE" in the Prospectus, the Company became the holding company of the companies now comprising the Group on [ ] 2015.

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 the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as at the end of the Relevant Periods have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the reorganization.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on consolidation.

In August 2021, the Group, Shenzhen Ankasa Software Services Co., Ltd ("Shenzhen Ankasa") and the registered shareholder of Shenzhen Ankasa entered into certain contractual arrangements, pursuant to which, the Group had effective control over the financial and operational matters of, and was entitled to, all the economic benefits derived from Shenzhen Ankasa, accordingly, Shenzhen Ankasa was consolidated into the Group during the Relevant Periods. In March 2026, the contractual arrangements were terminated and the Group would lose control over Shenzhen Ankasa since then.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

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

Going concern assumption

As at December 31, 2025, the Group had net deficits of RMB2,347,901,000 and recorded net current liabilities of RMB2,425,832,000, which mainly included the convertible redeemable preferred shares of approximately RMB2,767,799,000 being classified as current liabilities as set out in note 26 to the Historical Financial Information. The directors of the Company do not expect the preferred shares to be redeemed with the next 12 months, as the redemption rights shall be suspended on the date immediately before the date of first submission of **[REDACTED]** and shall be restored upon the earliest of the Company fails to complete the **[REDACTED]** within 18 months after the initial submission. Upon completion of the **[REDACTED]**, all preferred shares will be converted into ordinary shares.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient working capital to enable it to continue its operations and meet its liabilities as and when they fall due for the next twelve months from December 31, 2025.

Accordingly, the Historical Financial Information has been prepared on a basis that the Group will be able to continue as a going concern.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	*Presentation and Disclosure in financial statement*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[1]

[1] Effective for annual periods beginning on or after January 1, 2026

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

[3] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statements of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.4 MATERIAL ACCOUNTING POLICIES

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).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

The financial information of the subsidiaries is 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.

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 Derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized 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.

Investments in joint ventures and associates

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures and associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where Unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Fair value measurement

The Group measures its certain financial instruments 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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 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 capitalized 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 recognizes 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 and equipment to its residual value over its estimated useful life, except for moulds, which are depreciated using the units-of-production method. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Machinery equipment	19%~32%
Electronic equipment and others	32%
Vehicles	24%
Office equipment	19%
Moulds	Units-of-prodction

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 the end of each of the Relevant Periods.

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

Intangible assets

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

Software

Purchased office software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 3 years.

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalized 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 amortized using the straight-line basis over the commercial lives of the underlying products not exceeding three years, 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 recognizes 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 recognized at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 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 recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of employee dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized 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 amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized 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 recognized 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 amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is Derecognized, modified or impaired.

Financial assets at fair value through profit or loss

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

During the Relevant Periods, the Group made investments in certain ordinary shares with preferential rights issued by the investee companies. The Group maintained significant influence in the companies but in substance had risks and returns different with those of interests in associates. The Group also has interests in certain investee companies in the form of ordinary shares with preferential rights which do not meet the definition of equity instruments and are classified as financial assets at fair value through profit or loss are also recognized as other income in 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 Derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

Stage 3 Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other borrowings, and financial liabilities at fair value through profit or loss.

Subsequent measurement

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

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

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

Amortized 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 amortization is included in finance costs in profit or loss.

Financial liabilities at fair value through profit and loss

The Group designated the convertible redeemable preferred shares upon initial recognition as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in profit or loss.

The convertible redeemable preferred shares are classified as current liabilities when the Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

Derecognition of financial liabilities

A financial liability is Derecognized when the obligation under the liability is discharged or canceled, 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 recognized in the statement of profit or loss and other comprehensive income.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable 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 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.

Provisions

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

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

The Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognized based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 recognized 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 recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, 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 recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each or the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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 realize 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 recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customers, generally upon acceptance of the goods as agreed in the sales contracts. The Group mainly sells Aqara-branded products and Original Design Manufactuer ("ODM") products.

Sales of Aqara-branded products – distributors and retailers

A significant part of the Group's Aqara-branded products is sold to distributors and retailers, who have discretion over both price and distribution methods for products to be sold in their designated geographical areas. Revenue is recognised at a point in time when the goods are delivered and accepted by the distributors and retailers in accordance with the sales contract.

Volume rebates may be provided to distributors and retailers under certain conditions as agreed in the sales contract. Rebates are used as the consideration paid for future sales of products and recorded as contract liabilities. To estimate the variable consideration for the expected future rebates, the most likely amount is used.

The Group may provide consideration payable to certain retailers such as gross margin guarantee and outlet subsidies, which is directly deducted from the amounts owed to the Group by the retailers. Revenue is recognised net of the consideration payable to the customers.

The Group may offer installation services to distributors and retailers with separate charge. Revenue from installation is recognized at a point in time when the services are rendered and accepted by the customers.

Sales of Aqara-branded products – direct-to-customer ("DTC")

The Group sells its Aqara-branded products directly to end customers via e-commence platforms and self-operated website. Revenue is recognized at a point in time when the goods are delivered and accepted by the end customers. The Group estimates the time of acceptance by the end customers based on the actual delivery time, the historical experience on transportation time required, and the time when online payment is completed.

The Group may offer installation services to end customers without separate charge. The installation service is considered being distinct and accounted for as a separate performance obligation. The consideration is allocated to the products and installation services based on the relative standalone selling prices. Revenue from installation is recognized at a point in time when the services are rendered and accepted by the customer.

Sales of ODM products

According to the cooperation agreement with ODM customers, the Group is responsible for the design, production and delivery of various ODM products to ODM customers. The ODM customers are responsible for commercial distributions and sales. For the ODM agreement with one customer, the Group can recover the manufacturing and logistic costs when the products are delivered to the ODM customer, and are additionally entitled to share a portion of gross profit when the ODM customer successfully sells such products to end customers.

Revenue is recognized at a point in time when the products are delivered and accepted by the ODM customers. The consideration includes the fixed portion for the costs incurred by the Group and the variable payment to the extent that it is probable that revenue reversal will not occur when settling with the customer subsequently. The Group estimates the variable consideration using the expected value method. In assessing the variable payment, the Group takes into consideration the historical experience with the customer, selling price of the same or similar products as at the report date as well as the recent market trend.

In the ODM arrangements, the Group may purchase certain materials from the ODM customer to produce the ODM products. The Group determines whether it is primarily responsible or acting as an agent in the transaction based on whether the Group has control over the goods before they are transferred to customers. As the Group is able to control the goods before transferring them to customers, the Group recognises revenue based on the total consideration received or receivable.

(b) Cloud storage services and IoT platform development services

Customers subscribe for cloud storage services over a service period. Revenue is recognized over the subscribed period on a straight-line basis, because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from IoT platform development services is recognized at point in time when the services are rendered and accepted by the customers.

(c) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Other income

Interest income is recognized 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 recognized 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 recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized 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.

Right-of-return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Group operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of share award is determined by an external valuer using probability weighted expected return method and valuation models. Further details are included in note 30 to the Historical Financial Information.

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

Chinese Mainland

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

United States

The Group pays fixed contributions into a local separate fund, which is responsible for paying pensions and other post-retirement benefits to the retired employees. The amounts based on the defined contribution plans are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period.

Housing fund and other social insurances — Chinese Mainland

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

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

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its 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.

Foreign currencies

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

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

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

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

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make Judgments, 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.

Judgments

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

Determining the method to estimate variable consideration and assessing the constraint for the revenue from sales of certain ODM products

Revenue from the sales of certain ODM products to one ODM customer includes the share of gross profits when the ODM customer successfully sells such products to end customers, which give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue from the sales of the ODM products, given there is a range of possible outcomes which are subject to negotiations with customers.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, profitability of the ODM products and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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

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

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.

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return and volume rebates.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analyzed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

Estimation of the fair value of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the liquidation event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 26 to the Historical Financial Information.

Estimation of fair value of share-based award

The Group has adopted a share option scheme and granted share options to certain eligible employees. The fair value of the share options to employees is determined by a binomial model at the date they are granted. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the board of directors of the Company. Further details are included in note 30 to the Historical Financial Information.

Provision against obsolete and slow-moving inventories

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

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

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

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 and other receivables is disclosed in note 19 and note 20 to the Historical Financial Information, respectively.

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets

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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organized into business units based on its service and products and only has one reportable operating segment.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland	1,008,783	918,042	810,220
Europe	201,316	231,795	287,959
North America	116,464	165,923	197,789
Others*	112,822	172,813	175,660
	1,439,385	1,488,573	1,471,628

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

* Others include over 40 countries and regions, including South Korea and Singapore, of which each contributed relatively insignificant revenue during the Relevant Periods.

(b) *Non-current assets*

Most of the Group's non-current assets are located in Chinese Mainland. Thus, no geographic information is presented.

Information about major customers

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods are set out below:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	471,628	501,490	476,953

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Revenue from contracts with customers	1,439,385	1,488,573	1,471,628

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Aqara-branded products	899,925	918,474	946,517
ODM products	518,784	543,014	496,701
Others*	20,676	27,085	28,410
	1,439,385	1,488,573	1,471,628
Timing of revenue recognition			
Goods transferred at a point in time	1,429,359	1,476,231	1,459,725
Services transferred at a point in time	9,626	10,693	7,776
Services transferred over time	400	1,649	4,127
Total revenue from contracts with customers	1,439,385	1,488,573	1,471,628

* Others primarily include the revenue generated from the supplementary parts, installation services, cloud storage services and IoT platform development services.

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

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:			
Advance receipts from sales of products	34,180	30,356	27,553
Volume rebates	19,238	23,399	30,352
Deferred installation services	1,713	995	958
Total	55,131	54,750	58,863

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of goods

The performance obligation is satisfied upon delivery and acceptance of products and payment in advance is normally required, except for certain distributors and retailers whose payment is due within 3 months from delivery.

Rendering of services

The performance obligation for cloud storage service is satisfied over time in which the services are rendered and payment in advance is generally required. The performance obligation for installation service and IoT platform development service is satisfied when the services are completed and accepted by the customers and payment in advance is generally required.

As the original expected duration of the contracts from customers of the Group are within one year or less, the Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Interest income	10,710	11,269	13,429
Value added tax refund*	34,897	45,014	39,842
Government grants**	8,113	9,620	7,609
Investment income on financial assets at fair value through profit or loss	3,954	5,317	1,830
Others	735	618	1,278
Total other income	58,409	71,838	63,988
Gains			
Gain on deemed disposal of an associate and a joint venture	738	–	466
Fair value gains on financial assets at fair value through profit or loss	1,752	5,119	2
Gain on lease modification	122	–	2
Foreign exchange gains	–	1,932	–
Total gains	2,612	7,051	470
Total other income and gains	61,021	78,889	64,458

* According to "Notice on the Value Added Tax Policy for Software Products (Cai Shui [2011] No. 100), the Group is entitled to certain value added tax refunds on its sales of software products. The refunded amounts are recognised as other income when received.

** The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled eligibility requirements and conditions relating to these government grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	2,163	3,711	3,074
Interest on lease liabilities	716	711	605
	2,879	**4,422**	**3,679**

7. LOSS BEFORE TAX

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

		Year ended December 31,		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold*		1,003,611	977,126	900,832
Cost of services provided		7,969	8,377	6,407
Research and development expenses		172,804	183,262	233,728
Depreciation of property and equipment**	*13*	13,514	10,345	7,797
Depreciation of right-of-use assets**	*15*	9,134	10,686	10,712
Amortisation of intangible assets**	*14*	4,665	3,112	2,039
Foreign exchange (gains)/losses, net***		6,239	(1,932)	9,804
Lease payments not included in the measurement of lease liabilities		8,078	3,476	5,009
Impairment loss of financial assets, net:				
Impairment loss of trade receivables	*19*	193	272	2,230
Impairment loss of other receivables	*20*	20	394	7
		213	666	2,237
Write-down of inventories to net realisable value*		28,124	51,614	34,024
Product warranty provision*	*27*	5,506	4,982	9,410
Loss on disposal of items of property and equipment***		133	115	451
Gain on lease modification***		(122)	–	(2)
Investment income on financial assets at fair value through profit or loss		(3,954)	(5,317)	(1,830)
Fair value (gain)/loss on financial assets at fair value through profit or loss		(1,752)	(5,119)	2,640
Fair value loss on convertible redeemable preferred shares	*26*	185,554	328,120	338,974
Gain on deemed disposal of an associate and a joint venture***		(738)	–	(466)
Auditor's remuneration		908	235	207
[REDACTED] expense		–	–	17,265
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8))				
– Wages and salaries		239,218	187,133	236,446
– Pension scheme contributions		33,651	36,497	45,672
– Share-based payment expenses		14,994	10,968	17,407
Total		**287,863**	**234,598**	**299,525**

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

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

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration as recorded during the Relevant Periods is set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	3,535	3,712	5,109
Performance related bonus	1,318	1,457	784
Pension scheme contributions	157	193	282
Share-based payment expenses	4,227	4,780	5,611
	9,237	**10,142**	**11,786**

(a) Independent non-executive directors

There were no emoluments payable to the independent non-executive directors during the Relevant Periods. On 26 March 2026, Mr. Tianyu Jiang and Ms. Nan Shen and Mr. Xueyin Zhong were appointed as independent non-executive directors of the Company with effect from the **[REDACTED]** of the Company.

(b) Directors and the chief executive

Year ended December 31, 2023

	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Eugene Yanjun YOU (i)	822	284	43	–	1,149
Lin Zhen (ii)	941	306	68	1,082	2,397
Kong Li (iii)	905	355	46	1,838	3,144
Cathy Chenxi YOU (iv)	867	373	–	1,307	2,547
Total	**3,535**	**1,318**	**157**	**4,227**	**9,237**

Year ended December 31, 2024

	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Eugene Yanjun YOU (i)	839	316	47	–	1,202
Lin Zhen (ii)	968	328	71	1,092	2,459
Kong Li (iii)	930	432	50	2,162	3,574
Cathy Chenxi YOU (iv)	975	381	25	1,526	2,907
Total	**3,712**	**1,457**	**193**	**4,780**	**10,142**

Year ended December 31, 2025

	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Eugene Yanjun YOU (i)	871	123	54	–	1,048
Lin Zhen (ii)	1,026	213	71	1,414	2,724
Kong Li (iii)	951	127	57	2,902	4,037
Cathy Chenxi YOU (iv)	2,261	321	100	1,295	3,977
Total	**5,109**	**784**	**282**	**5,611**	**11,786**

Notes:

(i) Mr. Eugene Yanjun You was appointed as director and the chief executive officer of the Company with effect from April 10, 2015.

(ii) Mr. Lin Zhen was appointed as president of the Company with effect from August 28, 2021.

(iii) Ms. Kong Li was appointed as senior vice president of the Company with effect from October 28, 2020.

(iv) Ms. Cathy Chenxi You was appointed as senior vice president of the Company with effect from March 22, 2023.

During the Relevant Periods, share awards were granted to certain directors, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awards, which has been recognised in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors' remuneration disclosures.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

Save for the non-executive directors, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods**.**

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included three, three and three directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining two, two, two highest paid employee who is neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,813	1,814	2,036
Performance related bonus	628	681	301
Pension scheme contributions	92	100	114
Share-based payment expenses	2,484	2,845	3,384
	5,017	**5,440**	**5,835**

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

	Year ended December 31,		
	2023	2024	2025
	Numbers of employees		
HK$ 1,500,001 to HK$ 2,000,000	1	1	1
Above HK$ 2,000,000	1	1	1
	2	**2**	**2**

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

10. INCOME TAX

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

Chinese Mainland

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008.

Shenzhen Lumi United Technology Co., Ltd. and EigenStone Technology Ltd., the subsidiaries of the Group in Chinese Mainland, was qualified as a high and new technology enterprise and was subject to income tax at a preferential tax rate of 15% during the Relevant Periods. This qualification is subject to review by the relevant governmental authority in the PRC for every three years.

Hong Kong

The subsidiaries incorporated in Hong Kong are qualifying entities under the two-tiered profits tax rates regime, where the first HK$2,000,000 of assessable profits were taxed at 8.25% and the remaining assessable profits were taxed at 16.5% during the Relevant Periods.

USA

The subsidiary incorporated in the USA is subject to statutory United States federal corporate income tax at a rate of 21% during the Relevant Periods, and the state income tax in corresponding jurisdictions.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	888	462	750
Transfer pricing-related tax provision	328	806	1,036
Total tax charge for the year	1,216	1,268	1,786

A reconciliation of the expected income tax calculated at the preferential tax rate and loss before income tax, with the actual income tax at the effective tax rate is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(158,266)	(229,497)	(320,617)
Tax charge at the statutory tax rate of 25%	(39,567)	(57,374)	(80,154)
Effect of fair value loss of convertible redeemable preferred shares	46,385	82,030	84,744
Entities subject to lower statutory income tax rate	(5,541)	(10,259)	6,291
Profits and losses attributable to joint venture and associate	338	253	464
Super deduction for research and development expenses	(24,507)	(26,917)	(34,608)
Expenses not deductible for tax purposes	2,921	2,789	2,416
Temporary differences not recognised	10,656	6,405	–
Tax losses not recognized	12,379	12,060	23,401
Tax losses and temporary differences utilised from previous periods	(2,240)	(8,529)	(2,373)
Transfer pricing provision recognised	329	810	1,157
Withholding tax paid	60	–	448
Tax charge at the Group's effective tax rate	**1,216**	**1,268**	**1,786**

According to the PRC Corporate Income Tax regulations, Shenzhen Lumi United Technology Co., Ltd. Shenzhen Ankasa Software Service Co., Ltd. and EigenStone Technology Ltd., were entitled to additional deduction of 100% of qualified R&D expenses from taxable income during the Relevent Periods.

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

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Tax Loss	892,451	907,551	1,059,286
Temporary differences	40,605	76,995	74,019
Total	**933,056**	**984,546**	**1,133,305**

The Group has accumulated tax losses in Chinese Mainland amounted to RMB892,335,000, RMB906,205,000 and RMB1,058,556,000 as at December 31, 2023, 2024 and 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits of the companies located in Chinese Mainland in which the tax losses arose.

The Group has accumulated tax losses in the United States amounted to RMB116,000, RMB1,346,000 and RMB731,000 as at December 31, 2023, 2024 and 2025, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

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

11. DIVIDENDS

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

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

The calculation of the basic loss per share amounts was based on the loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the impact of the outstanding convertible redeemable preferred shares and share options had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	Year ended December 31,		
	2023	**2024**	**2025**
Loss			
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	(159,482)	(230,765)	(322,403)
Shares			
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation ('000)*	76,000	76,000	76,000

13. PROPERTY AND EQUIPMENT

The Group

	Machinery equipment	Electronic equipment and others	Vehicles	Office equipment	Moulds	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2023							
At January 1, 2023							
Cost	11,390	8,242	301	2,944	31,375	14,427	68,679
Accumulated depreciation and impairment	(4,526)	(4,089)	(280)	(1,212)	(17,903)	(9,847)	(37,857)
Net carrying amount	6,864	4,153	21	1,732	13,472	4,580	30,822
At January 1, 2023, net of accumulated depreciation and impairment	6,864	4,153	21	1,732	13,472	4,580	30,822
Additions	2,208	285	2	98	8,038	1,959	12,590
Disposals	(285)	(68)	–	(68)	(1,075)	–	(1,496)
Depreciation provided during the year	(2,369)	(1,923)	(3)	(491)	(5,630)	(3,098)	(13,514)
At December 31, 2023, net of accumulated depreciation and impairment	6,418	2,447	20	1,271	14,805	3,441	28,402
At December 31, 2023							
Cost	12,454	8,051	303	2,859	37,518	16,386	77,571
Accumulated depreciation and impairment	(6,036)	(5,604)	(283)	(1,588)	(22,713)	(12,945)	(49,169)
Net carrying amount	6,418	2,447	20	1,271	14,805	3,441	28,402
December 31, 2024							
At January 1, 2024							
Cost	12,454	8,051	303	2,859	37,518	16,386	77,571
Accumulated depreciation and impairment	(6,036)	(5,604)	(283)	(1,588)	(22,713)	(12,945)	(49,169)
Net carrying amount	6,418	2,447	20	1,271	14,805	3,441	28,402
At January 1, 2024, net of accumulated depreciation and impairment	6,418	2,447	20	1,271	14,805	3,441	28,402
Additions	2,138	342	265	318	6,534	514	10,111
Disposals	(111)	(23)	(2)	(12)	–	–	(148)
Depreciation provided during the year	(1,801)	(1,493)	(44)	(472)	(5,162)	(1,373)	(10,345)
At December 31, 2024, net of accumulated depreciation and impairment	6,644	1,273	239	1,105	16,177	2,582	28,020
At December 31, 2024							
Cost	14,225	8,104	524	3,101	44,053	16,900	86,907
Accumulated depreciation and impairment	(7,581)	(6,831)	(285)	(1,996)	(27,876)	(14,318)	(58,887)
Net carrying amount	6,644	1,273	239	1,105	16,177	2,582	28,020

	Machinery equipment	Electronic equipment and others	Vehicles	Office equipment	Moulds	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2025							
At January 1, 2025							
Cost	14,225	8,104	524	3,101	44,053	16,900	86,907
Accumulated depreciation and impairment	(7,581)	(6,831)	(285)	(1,996)	(27,876)	(14,318)	(58,887)
Net carrying amount	6,644	1,273	239	1,105	16,177	2,582	28,020
At January 1, 2025, net of accumulated depreciation and impairment	6,644	1,273	239	1,105	16,177	2,582	28,020
Additions	2,782	1,902	268	100	3,485	11	8,548
Disposals	(326)	(11)	–	(16)	(34)	(1)	(388)
Depreciation provided during the year	(2,120)	(829)	(70)	(431)	(3,128)	(1,219)	(7,797)
At December 31, 2025, net of accumulated depreciation and impairment	6,980	2,335	437	758	16,500	1,373	28,383
At December 31, 2025							
Cost	15,542	9,803	792	3,148	47,447	16,911	93,643
Accumulated depreciation and impairment	(8,562)	(7,468)	(355)	(2,390)	(30,947)	(15,538)	(65,260)
Net carrying amount	6,980	2,335	437	758	16,500	1,373	28,383

14. INTANGIBLE ASSETS

The Group

Software

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1			
Cost	9,496	12,933	11,720
Accumulated amortisation	(2,815)	(7,480)	(9,350)
Net carrying amount	6,681	5,453	2,370
At January 1, net of accumulated amortisation	6,681	5,453	2,370
Additions	3,437	29	747
Amortisation provided during the year (note 7)	(4,665)	(3,112)	(2,039)
At December 31, net of accumulated amortisation	5,453	2,370	1,078
At December 31			
Cost	12,933	11,720	9,495
Accumulated amortisation	(7,480)	(9,350)	(8,417)
Net carrying amount	5,453	2,370	1,078

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings. Leases of buildings generally have lease terms between 2 and 5 years.

(a) Right-of-use assets

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

The Group

Buildings

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at January 1	9,958	15,921	15,810
Additions	16,571	10,575	10,640
Depreciation charge	(9,134)	(10,686)	(10,712)
Lease modification	(1,474)	–	(92)
Carrying amount at December 31	15,921	15,810	15,646

(b) Lease liabilities

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

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at January 1	10,506	16,830	16,634
Additions	16,571	10,575	10,640
Accretion of interest recognised during the year	716	711	605
Lease modification	(1,596)	–	(94)
Lease payment	(9,367)	(11,482)	(11,419)
Carrying amount at December 31	16,830	16,634	16,366
Analysed into:			
Current portion	8,483	10,191	8,764
Non-current portion	8,347	6,443	7,602

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

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Lease payments not included in the measurement of lease liabilities	8,078	3,476	5,009
Interest on lease liabilities	716	711	605
Gain on lease modification	(122)	–	(2)
Depreciation charge of right-of-use assets	9,134	10,686	10,712
Total amount recognised in profit or loss	17,806	14,873	16,324

(d) The total cash outflow for leases is disclosed in note 31 to the Historical Financial Information.

16. INVESTMENT IN SUBSIDIARIES

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investment cost	1,213,142	1,246,941	847,713

17. INVESTMENTS IN JOINT VENTURE AND ASSOCIATE

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments in joint venture*	–	613	756
Investments in associate	19,468	16,368	14,182
	19,468	16,981	14,938

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments in joint venture	–	613	756

* The above investment is held by the Company. It is a joint venture of the Group as the decisions about the relevant activities of the entities require the unanimous consent of the shareholders.

Particulars of the associate and joint venture are as follows:

Name	Particulars of issued shares held	Place and date of registration	Percentage of ownership interest attributable to the Group	Principal activity
Joy Smart Home Limited	Ordinary shares	Cayman Islands November 2019	2024:15.00%, 2025:8.10%	Sales of products.
Aqara Life Co. Ltd.	Ordinary shares	South Korea July 2024	2023:19.57%, 2024:19.57%, 2025:19.29%	Sales of products

The Group's balances with the associate and the joint venture are disclosed in note to the Historical Financial Information.

There is no individually material joint venture or associate of the Group.

The following table illustrates the aggregate financial information of the Group's joint venture and associate, neither of which is individually material:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share of loss of a joint venture for the year	–	(650)	(940)
Share of total comprehensive loss of a joint venture for the year	–	(637)	(939)
Share of loss of an associate for the year	(2,346)	(1,205)	(2,212)
Share of total comprehensive loss of an associate for the year	(2,401)	(3,299)	(2,250)

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of the Group's investments in the joint venture	–	613	756
Aggregate carrying amount of the Group's investments in the associate	19,468	16,368	14,182

The above joint venture and associate incurred losses during the Relevant Periods. The Group performed an impairment assessment on the investment in the associate. The recoverable amount of the investment in the associate has been determined based on its value in use by using discounted cashflow projections. Based on the impairment assessment, no impairment provision is required for the Relevant Periods.

18. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	78,807	67,858	66,399
Work in process	23,181	22,270	16,812
Finished goods	153,168	135,294	134,803
Goods in transit	30,381	38,129	44,265
	285,537	263,551	262,279

As at December 31, 2023 ,2024 and 2025, the Group recorded a provision for the excess and obsolete inventories amounting to RMB35,989,000, RMB59,296,000 and RMB42,484,000 respectively.

19. TRADE RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	110,312	106,834	102,910
Less: Impairment of trade receivables	1,190	1,462	3,692
Trade receivables, net	109,122	105,372	99,218

The Group's trade terms with its certain customers are on credit, and the credit period is generally within 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by management. As at December 31, 2023, 2024 and 2025, the Group had a concentration of credit risk as 76.52%, 71.78% and 74.65% of trade receivables is related to the largest customer, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables were amounts due from the Group's associate and joint venture of RMB9,863,000, RMB11,883,000 and RMB8,887,000 as at December 31, 2023, 2024 and 2025, respectively, which were repayable on credit terms similar to those offered to the major customers of the Group.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the revenue recognition date and net of loss allowance, is as follows:

The Group

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	109,122	102,962	99,218
Over 1 year	–	2,410	–
Total	109,122	105,372	99,218

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

The Group

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	997	1,190	1,462
Impairment losses, net (note 7)	193	272	2,230
At end of year	1,190	1,462	3,692

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

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

The Group

As at December 31, 2023

	Expected credit loss rate	**Gross carrying amount**	**Expected credit losses**	**Net carrying amount**
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis				
Aged within 1 year	0.78%	109,982	(860)	109,122
Aged over 1 year	100.00%	330	(330)	–
		110,312	(1,190)	109,122

As at December 31, 2024

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis				
Aged within 1 year	0.75%	103,374	(772)	102,602
Aged over 1 year	100.00%	501	(501)	–
Provision on an individual basis	6.39%	2,959	(189)	2,770
		106,834	(1,462)	105,372

As at December 31, 2025

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis				
Aged within 1 year	0.90%	100,122	(904)	99,218
Aged over 1 year	100.00%	481	(481)	–
Provision on an individual basis	100.00%	2,307	(2,307)	–
		102,910	(3,692)	99,218

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayment for inventories	4,833	3,371	3,136
Prepaid expenses	7,062	6,575	5,721
Deferred **[REDACTED]** expenses	–	–	4,470
Value-added tax recoverable and other tax receivables	53,721	45,812	45,547
Right-of-return assets	5,413	2,791	2,683
Undrawn deposits on third party e-commerce platforms	25,262	15,984	22,570
Other receivables and deposits*	11,479	7,140	8,136
Less: Impairment of other receivables and deposits	73	59	68
	107,697	81,614	92,195
Non-Current			
Long-term deposits	3,419	4,687	6,373
Prepayments for property and equipment	5,142	2,687	4,354
Other receivables*	2,052	4,103	4,103
Less: Impairment of other receivables and deposits	28	436	434
	10,585	11,041	14,396

* In 2022, the Group disposed partial of its interests in investment measured at fair value through profit or loss for a total consideration of RMB15,397,000, of which RMB4,103,000 was outstanding as at 31 December 2023, 2024 and 2025. The amount of RMB2,052,000 was classified as current as at 31 December 2023 as the amount was due for settlement in 2024. Subsequently, the Group agreed to extend the payment date to 2027 and therefore the full amount was classified as non-current. The impairment provision of RMB400,000 and RMB400,000 was recognised as at 31 December 2024 and 2025, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Due from subsidiaries	20,968	21,366	35,118

The Company estimated that the expected loss rate for its other receivables due from subsidiaries is minimal.

Except for other receivable due from a third party as mentioned above, other receivables are unsecured, non-interest-bearing and are collectable within one year.

As at December 31, 2023, 2024 and 2025, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

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

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	81	101	495
Impairment losses, net (note 7)	20	394	7
At the end of the year	101	495	502

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current portion			
Unlisted investments, at fair value	10,009	14,333	11,691
	10,009	14,333	11,691
Current portion			
Wealth management products, at fair value	15,018	204,916	17,002
Structure deposits, at fair value	50,128	30,198	–
	65,146	235,114	17,002

The above investments at fair value through profit or loss are investment in some ordinary shares with preferential rights issued by private investee companies.

The wealth management products and structured deposits issued by banks in Chinese Mainland with a maturity period within one year. They are classified and measured at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND TIME DEPOSITS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	419,875	400,341	476,749
Time deposits	136,266	138,502	54,152
Restricted cash	5,134	13,552	55,594
	561,275	552,395	586,495
Less:			
Restricted cash*	(5,134)	(13,552)	(55,594)
Time deposits with original maturity over three months:			
– Current	(50,000)	(51,000)	(54,152)
– Non– current	(50,852)	(52,502)	–
Cash and cash equivalents	455,289	435,341	476,749
Denominated in:			
RMB	362,927	305,920	163,136
USD	198,008	244,520	420,812
EUR	340	1,955	2,528
HKD			16
SGD	–	–	3
	561,275	552,395	586,495

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

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

* As at December 31, 2023 and 2025, the restricted bank deposits of RMB 5,130,000 and RMB 741,000 were frozen due to pending litigation cases.

As at December 31, 2024 and 2025, the restricted bank deposits of RMB 12,201,000 and RMB 54,827,000 represented guarantee deposits for the issuance of bills payable.

The Company

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	708	1,505	516
	708	1,505	516
Cash and cash equivalents	708	1,505	516
Denominated in			
USD	708	1,505	516
	708	1,505	516

23. TRADE AND BILLS PAYABLES

The Group

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	190,035	286,262	208,607
Bills payable	-	30,502	40,648
	190,035	316,764	249,255

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

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	189,406	285,804	208,427
Over 1 year	629	458	180
	190,035	286,262	208,607

The trade payables are non-interest-bearing and are normally settled on 1-3 months terms.

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll payables	43,725	44,392	36,319
Other tax payables	9,658	10,006	12,101
Contract liabilities (note (a))	57,175	61,175	63,274
Payable for repurchase of preferred shares (note (b))	–	86,143	–
Shares repurchase obligation under share option scheme (note 30)	7,144	6,334	6,383
Accrued expense	18,004	16,757	24,236
[REDACTED] expenses payables	–	–	8,100
Other payables	70,401	57,587	51,906
	206,107	282,394	202,319

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other tax payables	123	125	122
Payable for repurchase of preferred shares	–	86,143	–
Shares repurchase obligation under share option scheme (note 30)	7,144	6,334	6,383
[REDACTED] expenses payables	–	–	8,100
Due to subsidiaries	16,727	94,760	48,518
	23,994	187,362	63,123

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

(a) Details of contract liabilities are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance payments for sales of goods	31,590	29,197	32,815
Volume rebates	24,590	31,020	29,892
Deferred installation services	995	958	567
	57,175	61,175	63,274

Advance payments are mainly related to the sales of Aqara-branded products received from distributors and retailers. Volume rebates that are used as the consideration paid for future sales are recorded as contract liabilities and are transferred to revenue when the future sales are made. Deferred installation services refer to the allocated consideration for the sales of Aqara-branded products and will be transferred to revenue when the installation services are rendered.

(b) The balance represented the redemption liability payable to one investor who has exercised redemption rights in 2024. The amount was fully settled in 2025.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at December 31,								
	2023			2024			2025		
	Weighted average interest rate	Maturity		Weighted average interest rate	Maturity		Weighted average interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current									
Bank loans–unsecured	1.90%	2024	10,000	–	–	–	2.15%	2026	62,433
Bank loans–secured*	3.89%	2024	108,117	2.40%	2025	30,120	–	–	–
Discounted bills	–	–	–	0.95%	2025	29,953	0.71%	2026	168,561
Total			118,117			60,073			230,994
Analyzed into:									
Bank loans repayable									
Within one year or on demand			118,117			60,073			230,994

* As at December 31, 2023 and 2024, the Group's bank loans of RMB108,117,000 and RMB29.953,000 were secured by the patents owned by the Group and certain subsidiaries of the Group.

All bank and other borrowings were denominated in RMB and the carrying amounts approximate to their fair values as at December 31, 2023, 2024 and 2025.

26. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing by issuing convertible redeemable preferred shares ("Preferred Shares") to investors, namely, Class B Ordinary Shares, series A Preferred Shares, series B Preferred Shares, series B+ Preferred Shares, series B2 Preferred Shares, series C Preferred Shares, series D Preferred Shares.

The details of the issuance are set out in the table below (after taking into consideration of Share Split):

	Date of Issuance	Purchase Price	Number of Shares	Total consideration
		(USD/Share)		*USD'000*
Class B Ordinary Shares	October 10, 2015	0.04	55,111,200	2,453
Series A Preferred Shares	October 10, 2015	0.36	26,222,222	9,400
Series B Preferred Shares	September 27, 2017	0.75	21,259,781	15,945
Series B+ Preferred Shares	January 31, 2019	0.99	16,091,620	16,000
Series B2 Preferred Shares	October 23, 2019	1.47	28,021,028	41,320
Series C Preferred Shares	October 28, 2020	2.00	21,364,811	42,670
Series D Preferred Shares	September 16, 2021	2.52	17,868,828	45,055
			185,939,490	172,843

The key terms of the Preferred Shares are summarized as follows:

(a) Dividends rights

Prior to Series D Preferred Shares, each holder of Preferred Shares shall be entitled to receive from the Company, out of funds legally available, cumulative dividends per Preferred Share held by such holder accrued at the rate of eight percent (8%) (calculating from the Original issue date to the date on which such dividend is fully paid) of the applicable original issue price per annum for Series D and other senior series Preferred Shares (as adjusted for any stock dividends, combinations or splits with respect to such shares), when and if declared by the board, prior and in preference to holders of all other current or future class or series of Shares of the Company, including the ordinary shares. The dividends should be paid in the following order: Series D preferred shareholders, Series C preferred shareholders, Series B2 preferred shareholders, Series B+ preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

(b) Conversion feature

Holders of Series D, C, B2, B+, B, A Preferred Shares, and Class B and Class A+ Ordinary Shares have the right to convert their shares into Class A Ordinary Shares under specified terms. The conversion ratio is initially 1:1, with the number of Class A Ordinary Shares determined by dividing the original issue price by the then-effective conversion price. The conversion price is initially equal to the original issue price and is adjusted for events such as share splits, dividends, reorganizations, mergers, and issuance of new equity at below-market prices.

Conversions may occur optionally at the holder's discretion, subject to surrender of share certificates and written notice, or automatically upon a Qualified **[REDACTED]**. The Company will issue Class A Ordinary Shares upon conversion, with fractional shares rounded to the nearest whole share (upward at one-half). Conversion is effected via redemption of the original shares and issuance of Class A Ordinary Shares, with the Company using the redemption amount to fund the conversion.

Adjustments to conversion prices are triggered by various corporate actions, including stock splits, dividends, mergers, and dilutive equity issuances. The Company must provide holders with detailed certificates of adjustment and advance notice of any event affecting conversion rights. The Company must reserve sufficient authorized but unissued Class A Ordinary Shares to satisfy all potential conversions and may take steps to increase authorized shares if needed.

All conversions are subject to compliance with applicable laws and the Company's articles of association. The Company will pay taxes related to the issuance of Class A Ordinary Shares upon conversion, excluding transfer-related taxes. Upon conversion, original shares are canceled, and holders' rights (except for receiving Class A Ordinary Shares) terminate.

(c) Redemption

Series D, C, B2, B+, B, A Preferred Shares and Class B ordinary shares may be redeemed at the holder's option under specific triggers: At any time after (i) the failure of applying for a Qualified **[REDACTED]** prior to the expiry of a 48 months period after October 23, 2019, or (ii) the material breach of the Transaction Documents by the Company or any Group Company or Founder, (iii) any other holder's request the Company to redeem all or portion of its Shares.

The Company shall within 15 business day give written Redemption Notice to each holders with redemption closing within 120 days. The redemption price is the greater of: Adjusted original issue price + 10% annual interest + unpaid dividends; or Fair market value (determined by an independent appraiser, excluding discounts).

Redemption follows a strict priority order: Series D, C, B2, B+, B, A Preferred Shares, Class B Ordinary Shares.

If funds are insufficient, payments are made pro rata to each class, with remaining amounts carried forward. The Company and Eugene Yanjun You must use best efforts to secure third-party buyers if funds are insufficient. Upon full payment, shares are canceled, and rights cease.

(d) Liquidation preferences

Upon liquidation, dissolution, or winding up, Series D, C, B2, B+, B, and A Preferred Shares, followed by Class B Ordinary Shares, hold priority over other equity classes. Each series D, C, B2, B+, B, A Preferred Shares and Class B Ordinary Shares is entitled to receive, before lower-ranked shares: (1) original issue price (adjusted for corporate actions), plus (2) 10% annual interest (from issuance), plus (3) accrued/unpaid dividends (adjusted similarly). If assets are insufficient, holders share remaining funds ratable. After all higher-ranked series are fully paid, residual assets distribute ratable to all shareholders on an as-converted basis.

"Liquidation Events" (treated as liquidation unless waived by majority investors) include mergers (where shareholders retain <50% voting power), asset/IP sales, IP licensing, or Control Document termination. Proceeds follow the above priority.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the profit or loss.

The movements of the convertible redeemable preferred shares are set out as below:

	As at December 31,		
	2023	2024	2025
At beginning of year	2,264,902	2,489,811	2,707,942
Redemption of preferred shares	–	(150,219)	(213,580)
Change in fair value	185,554	328,120	338,974
Currency translation differences	39,355	40,230	(65,537)
At end of year	2,489,811	2,707,942	2,767,799

As one of the redemption events was triggered on October 23, 2023, convertible redeemable preferred shares were classified as current liabilities as at the end of each of the Relevant Periods.

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Risk-free interest rate	4.12%	4.20%	3.48%
DLOM	3%~21%	2%~17%	3%-13%
Volatility	39.97%	38.41%	39.19%

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. The directors estimated the risk-free interest rate based on the yield of US Government Bond with maturity life close to the QIPO timing as of valuation date. The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term.

The following table demonstrates the sensitivity to a reasonably possible change in key assumptions, with all other variables held constant, of the changes in fair values.

	As at December 31,		
	2023	2024	2025
Risk-free interest rate increase/(decrease) in basis points	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.0246%) and (0.0256%)% respectively.	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.0049%) and 0.0049% respectively.	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.0001%) and 0.0184% respectively.
DLOM increase/(decrease) in basis points	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.7981%) and 0.7981% respectively.	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.5890%) and 0.5890% respectively.	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.4359%) and 0.4359% respectively.
Volatility increase/(decrease) in basis points	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by (0.0121%) and 0.0508% respectively.	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by 0.0246% and 0.0132% respectively.	5/(5%) increase/decrease in multiple would result in decrease/increase in fair value by 0.0561% and (0.0558)% respectively.

27. PROVISION

The Group

	Litigation provision	Refund liabilities	Warranty provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	1,200	29,551	5,670	36,421
Additional provision	–	104,744	5,506	110,250
Amounts utilised during the year	–	(101,147)	(4,797)	(105,944)
At 31 December 2023	1,200	33,148	6,379	40,727
At 31 December 2023				
Current	1,200	33,148	5,076	39,424
Non-current	–	–	1,303	1,303
At 1 January 2024	1,200	33,148	6,379	40,727
Additional provision	157	110,763	4,982	115,902
Amounts utilised during the year	(1,200)	(111,037)	(5,427)	(117,664)
At 31 December 2024	157	32,874	5,934	38,965
At 31 December 2024				
Current	157	32,874	5,110	38,141
Non-current	–	–	824	824
At 1 January 2025	157	32,874	5,934	38,965
Additional provision	–	72,109	9,410	81,519
Amounts utilised during the year	–	(90,655)	(7,769)	(98,424)
At 31 December 2025	157	14,328	7,575	22,060
At 31 December 2025				
Current	157	14,328	6,976	21,461
Non-current	–	–	599	599

(a) The Group generally provides 12-36 months warranties to its customers on certain of its products for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

(b) Refund liabilities represented the obligation arising from right of return to refund some or all of the consideration received (or receivable) from a customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of Relevant Periods.

(c) It represented the accrued liabilities for litigation cases.

28. SHARE CAPITAL

The Group and the Company

On 10 April 2015, the Company was incorporated with an authorised share capital of US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each.

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

	Number of shares in issue	Share capital
	(in thousand)	*RMB'000*
At December 31, 2023, December 31, 2024 and 2025		
Class A Ordinary Shares	32,035	–
Class A+ Ordinary Shares	43,965	–
	76,000	–

The Company adopted a weighted voting rights structure. During the Relevant Periods, Class A+ ordinary shares held by Mr, Eugene Yanjun You entitle holders to three votes per share, and Class A ordinary shares retain one vote per share.

29. RESERVES

The Group

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

(i) Capital reserve

Capital reserve of the Group represents the deemed contribution from the then shareholders, the difference between the par value of the shares issued and the consideration received, and the reserves arising from the Reorganisation of the Group.

(ii) Share-based payment reserve

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

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve of the Group represents exchange differences arising from the translation of financial statements of foreign operations.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

	Share-based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	17,582	(61,823)	(1,040,387)	(1,084,628)
Loss for the year	–	–	(190,674)	(190,674)
Exchange differences on translation of foreign operations	–	(19,286)	–	(19,286)
Total comprehensive loss for the year	–	(19,286)	(190,674)	(209,960)
Share based payment arrangements	15,604	–	–	15,604
At 31 December 2023	33,186	(81,109)	(1,231,061)	(1,278,984)
At 1 January 2024	33,186	(81,109)	(1,231,061)	(1,278,984)
Loss for the year	–	–	(340,232)	(340,232)
Exchange differences on translation of foreign operations	–	(22,120)	–	(22,120)
Total comprehensive loss for the year	–	(22,120)	(340,232)	(362,352)
Share based payment arrangements	16,457	–	–	16,457
At 31 December 2024	49,643	(103,229)	(1,571,293)	(1,624,879)
At 1 January 2025	49,643	(103,229)	(1,571,293)	(1,624,879)

	Share-based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss for the year	–	–	(376,485)	(376,485)
Exchange differences on translation of foreign operations	–	41,687	–	41,687
Total comprehensive loss for the year	–	41,687	(376,485)	(334,798)
Share based payment arrangements	12,858	–	–	12,858
At 31 December 2025	62,501	(61,542)	(1,947,778)	(1,946,819)

30. SHARE-BASED PAYMENTS

The Group approved a **[REDACTED]** Employee Share Option Plan on October 10, 2015 to reserve up to 41,830,578 class A ordinary shares to be allocated to the employees of the Group, in order to recognise the contributions of the employees to the growth and development of the Group.

The share options can be exercised for restricted shares immediately or on instalments over a service period. The vesting of the restricted shares that are exercised from share options is subject to the service condition and the **[REDACTED]** condition which would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange.

The fair values of the share option granted were estimated as at the grant date by using the Binomial option pricing model. The key assumptions used in determining the fair value mainly included:

- Risk-free interest rate of 3.88% ~ 4.58%;
- Expected volatility of 41.54% ~ 45.28%.

The share options granted and outstanding during the Relevant Periods are as follows:

	Weighted average exercise price	Number of share options
	USD per share	
At January 1, 2023	0.1426	30,196,762
Granted during the year	0.1000	2,617,570
Forfeited during the year	0.1302	1,106,537
At December 31, 2023	0.1395	31,707,795
At January 1, 2024	0.1395	31,707,795
Granted during the year	0.1000	182,000
Forfeited during the year	0.1316	1,260,295
At December 31, 2024	0.1396	30,629,500
At January 1, 2025	0.1396	30,629,500
Granted during the year	0.1000	2,955,650
Forfeited during the year	0.1114	954,600
At December 31, 2025	0.1368	32,630,550

The aforesaid transactions have been accounted for as share-based payment transactions. During the years ended December 31, 2023, 2024 and 2025, the Group recognized share award expenses of RMB19,221,000, RMB15,748,000, and RMB23,018,000 respectively.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB16,571,000, RMB10,575,000 and RMB10,640,000 respectively, in respect of lease arrangements for buildings premises.

(b) Changes in liabilities arising from financing activities

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

	Lease liabilities	Interest bearing bank loans	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	10,506	2,024	12,530
Changes from financing cash flow	(9,367)	113,930	104,563
Additions to lease liabilities	16,571	–	16,571
Lease modification	(1,596)	–	(1,596)
Accretion of interest expenses	716	2,163	2,879
At December 31, 2023 and January 1, 2024	16,830	118,117	134,947
Changes from financing cash flow	(11,482)	(61,755)	(73,237)
Additions to lease liabilities	10,575	–	10,575
Accretion of interest expenses	711	3,711	4,422
At December 31, 2024 and January 1, 2025	16,634	60,073	76,707
Changes from financing cash flow	(11,419)	167,847	156,428
Additions to lease liabilities	10,640	–	10,640
Lease modification	(94)	–	(94)
Accretion of interest expenses	605	3,074	3,679
At December 31, 2025	16,366	230,994	247,360

(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 December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	8,078	3,476	5,009
Within financing activities	9,367	11,482	11,419
	17,445	14,958	16,428

32. PLEDGE OF ASSETS

Details of the Group's restricted cash are included in note 22 to the Historical Financial Information.

33. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Capital contributions payable to investees	–	630	–
Purchase of items of property, plant and equipment	4,980	4,328	4,920
	4,980	4,958	4,920

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following are related parties that have material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of the related parties

Name	Relationship
Xiaomi Corporation	Shareholder of the Company
Aqara Life Co., Ltd.	Associate of the Group
Joy SmartHome Limited	Joint venture of the Group
Mr. Eugene Yanjun YOU	Director
Mr. Lin Zhen	Director
Ms. Kong Li	Director
Ms. Cathy Chenxi YOU	Director

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services to:			
Xiaomi Corporation	471,628	501,490	476,953
Aqara Life Co., Ltd.	55,764	54,708	42,735
Joy SmartHome Limited	–	765	15,018
	527,392	556,963	534,706
Purchases of goods from:			
Xiaomi Corporation	30,403	39,655	49,962

(c) Outstanding balances with related parties:

The Group

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Xiaomi Corporation	84,440	76,687	76,810
Joy SmartHome Limited	–	–	2,687
Aqara Life Co., Ltd.	9,863	11,883	6,199
Kong Li (non-trade nature)	280	280	–
	94,583	88,850	85,696
Amounts due to related parties:			
Xiaomi Corporation	4,682	9,189	4,511

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	4,455	4,626	6,061
Performance related bonus	1,673	1,865	911
Pension scheme contributions	203	243	339
Equity-settled share-based payment expenses	6,143	7,021	8,440
	12,474	13,755	15,751

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at fair value through profit and loss:			
Unlisted investments, at fair value	10,009	14,333	11,691
Wealth management products, at fair value	15,018	204,916	17,002
Structure deposits, at fair value	50,128	30,198	–
	75,155	249,447	28,693
Financial assets at amortised cost:			
Trade receivables	109,122	105,372	99,218
Financial assets included in deposit and other receivables	42,111	31,419	40,680
Restricted cash	5,134	13,552	55,594
Time deposits	100,852	103,502	54,152
Cash and cash equivalents	455,289	435,341	476,749
	712,508	689,186	726,393

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities at fair value through profit and loss:			
Convertible redeemable preferred shares	2,489,811	2,707,942	2,767,799
Financial liabilities at amortised cost:			
Trade payables	190,035	316,764	249,255
Financial liabilities included in other payables and accruals	81,333	152,892	76,410
Lease liabilities	16,830	16,634	16,366
Interest-bearing bank loans	118,117	60,073	230,994
	406,315	546,363	573,025

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, trade receivables, trade payables, interest-bearing bank loans, restricted cash, the current portion of time deposits, the current portion of financial assets included in deposit and other receivables, the current portion of financial liabilities included in other payables and accruals, the current portion of lease liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of time deposits, lease liabilities, financial assets included in deposit and other receivables, in respect of their non-current portions, have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

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

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

The fair values of unlisted investments at fair value through profit or loss have been estimated using market method based on comparable companies, and back-solve method based on underlying equity value.

The fair values of wealth management products and structured deposits issued by banks in Chinese Mainland have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

As at December 31, 2023

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted investments	Market multiple method	Risk-free Rate	2.40%	A 1% increase in risk-free rate would result in an increase in fair value by RMB91,000; A 1% decrease in risk-free rate would result in a decrease in fair value by RMB81,000
		Volatility	48.01%/ 47.96%	A 1% increase in volatility would result in an increase in fair value by RMB11,000; A 1% decrease in volatility would result in a increase in fair value by RMB15,000
		Discount for Lack of Marketability	27.01%/ 27.49%	A 1% increase/(decrease) in discount for lack of marketability would result in a (decrease)/increase in fair value by RMB132,000;

As at December 31, 2024

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted investments	Market multiple method	Risk-free Rate	1.42%	A 1% increase in risk-free rate would result in an increase in fair value by RMB73,000; A 1% decrease in risk-free rate would result in a decrease in fair value by RMB56,000
		Volatility	46.45%	A 1% increase in volatility would result in an increase in fair value by RMB4,000; A 1% decrease in volatility would result in a decrease in fair value by RMB3,000
		Discount for Lack of Marketability	26.74%	A 1% increase/(decrease) in discount for lack of marketability would result in a (decrease)/increase in fair value by RMB107,000;
Unlisted investments	Backsolve Method	Risk-free Rate	1.3%	A 1% increase in risk-free rate would result in an increase in fair value by RMB29,000; A 1% decrease in risk-free rate would result in a decrease in fair value by RMB47,000
		Volatility	45.79%	A 1% increase in volatility would result in a decrease in fair value by RMB10,000; A 1% decrease in volatility would result in an increase in fair value by RMB9,000
		Discount for Lack of Marketability	23.39%	A 1% increase/(decrease) in discount for lack of marketability would result in a (decrease)/increase in fair value by RMB77,000;

As at December 31, 2025

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted investments	Market multiple method	Risk-free Rate	1.63%	A 1% increase in risk-free rate would result in an increase in fair value by RMB52,000; A 1% decrease in risk-free rate would result in a decrease in fair value by RMB65,000
		Volatility	46.28%	A 1% increase in volatility would result in an increase in fair value by RMB10,000; A 1% decrease in volatility would result in a decrease in fair value by RMB20,000
		Discount for Lack of Marketability	26.16%	A 1% increase/(decrease) in discount for lack of marketability would result in a (decrease)/increase in fair value by RMB76,000;
Unlisted investments	Backsolve Method	Risk-free Rate	1.65%	A 1% increase in risk-free rate would result in an increase in fair value by RMB28,000; A 1% decrease in risk-free rate would result in a decrease in fair value by RMB30,000
		Volatility	46.58%	A 1% increase in volatility would result in a decrease in fair value by RMB3,000; A 1% decrease in volatility would result in an increase in fair value by RMB3,000
		Discount for Lack of Marketability	27.33%	A 1% increase/(decrease) in discount for lack of marketability would result in a (decrease)/increase in fair value by RMB77,000;

Financial assets:

As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	65,146	10,009	75,155

As at December 31, 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	235,114	14,333	249,447

As at December 31, 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	17,002	11,691	28,693

Financial liabilities:

As at December 31, 2023

	Fair value measurement using			
	Quotedprices inactive markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
— Convertible redeemable preferred shares	–	–	2,489,810	2,489,810

As at December 31, 2024

	Fair value measurement using			
	Quotedprices inactive markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
— Convertible redeemable preferred shares	–	–	2,707,942	2,707,942

As at December 31, 2025

	Fair value measurement using			
	Quotedprices inactive markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
— Convertible redeemable preferred shares	–	–	2,767,799	2,767,799

The changes in Level 3 instruments of convertible redeemable preferred shares and a summary of significant unobservable inputs to the valuation of these financial instruments together with a quantitative sensitivity analysis are presented in note 26 to the Historical Financial Information.

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

The movements in financial assets fair value measurements within Level 3 during the Relevant Periods are as follows:

	Unlisted investments
	RMB'000
At January 1, 2023	8,403
Fair value change recognised in profit or loss under "Other income and gains"	1,606
At December 31, 2023	10,009
At January 1, 2024	10,009
Fair value change recognised in profit or loss under "Other income and gains"	4,324
At December 31, 2024	14,333
At January 1, 2025	14,333
Fair value change recognised in profit or loss under "Other expenses"	(2,642)
At December 31, 2025	11,691

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets and financial liabilities at fair value through profit or loss and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term interest-bearing bank borrowings with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As of December 31, 2023, 2024 and 2025, approximately 100%, 50.1% and 100% of the Group's interest-bearing borrowings bore interest at fixed rates.

If the interest rate of bank borrowings had increased/decreased in 10 basis points and all other variables were held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB1,000 for the year ended December 31, 2024.

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the translated value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency exchange rates	Increase/ (decrease) in profit before tax	(Decrease)/ increase in equity
	%	*RMB'000*	*RMB'000*
Year ended December 31, 2023			
If RMB weakens against the USD	5	10,298	10,298
If RMB strengthens against the USD	5	(10,298)	(10,298)
Year ended December 31, 2024			
If RMB weakens against the USD	5	8,143	8,143
If RMB strengthens against the USD	5	(8,143)	(8,143)
Year ended December 31, 2025			
If RMB weakens against the USD	5	20,581	20,581
If RMB strengthens against the USD	5	(20,581)	(20,581)

Credit risk

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

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 December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	110,312	110,312
Financial assets included in deposits and other receivables					
— Normal**	42,200	–	–	–	42,220
— Doubtful**		–	12	–	12
Restricted cash	5,134	–	–	–	5,134
Time deposits	100,852	–	–	–	100,852
Cash and cash equivalents	455,289	–	–	–	455,289
	603,475	–	12	110,312	713,799

As at December 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	106,834	106,834
Financial assets included in deposits and other receivables					
— Normal**	27,799	–	–	–	27,799
— Doubtful**	–	4,103	12	–	4,115
Restricted cash	13,552	–	–	–	13,552
Time deposits	103,502	–	–	–	103,502
Cash and cash equivalents	435,341	–	–	–	435,341
	580,194	4,103	12	106,834	691,143

As at December 31, 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	102,910	102,910
Financial assets included in deposits and other receivables					
— Normal**	37,067	–	–	–	37,067
— Doubtful**	–	4,103	12	–	4,115
Restricted cash	55,594	–	–	–	55,594
Time deposits	54,152	–	–	–	54,152
Cash and cash equivalents	476,749	–	–	–	476,749
	623,562	4,103	12	102,910	730,587

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

** The credit quality of the financial assets included in prepayments, deposits and other receivables 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".

As at the end of each of the Relevant Periods, cash and bank balances were deposited in banks of high quality without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. 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 December 31, 2023

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	190,035	–	190,035
Convertible and redeemable preferred shares	1,224,192	–	1,224,192
Financial liabilities included in other payables and accruals	81,333	–	81,333
Lease liabilities	9,084	9,200	18,284
Interest-bearing bank and other borrowings	119,445	–	119,445
	1,624,089	9,200	1,633,289

As at December 31, 2024

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	316,764	–	316,764
Convertible and redeemable preferred shares	1,199,390	–	1,199,390
Financial liabilities included in other payables and accruals	152,892	–	152,892
Lease liabilities	10,670	6,874	17,544
Interest-bearing bank and other borrowings	60,757	–	60,757
	1,740,473	6,874	1,747,347

As at December 31, 2025

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	249,255	–	249,255
Convertible and redeemable preferred shares	910,715	–	910,715
Financial liabilities included in other payables and accruals	76,410	–	76,410
Lease liabilities	9,336	7,772	17,108
Interest-bearing bank and other borrowings	231,727	–	231,727
	1,477,443	7,772	1,485,215

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 maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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 asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,218,615	1,326,601	1,143,321
Total liabilities	3,062,211	3,424,179	3,491,222
Asset-liability ratio*	251%	258%	305%

* Asset-liability ratio is calculated by dividing total liabilities by total assets.

38. EVENTS AFTER THE RELEVANT PERIODS

There is no significant subsequent event undertaken by the Company after December 31, 2025.

39. SUBSEQUENT FINANCIAL STATEMENTS

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