

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-68, received from the Company’s reporting accountants, Rongcheng (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KUNSHAN WANYUANTONG ELECTRONICS TECHNOLOGY CO., LTD. AND CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Kunshan Wanyuantong Electronics Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-68, which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “**Track Record Period**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-68 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

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REPORTING ACCOUNTANTS’ RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 consolidated financial position of the Group and the financial position of the Company as at 31 December 2023, 2024 and 2025 and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”) AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

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Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

Rongcheng (Hong Kong) CPA Limited

Certified Public Accountants

[●]

Practising Certificate Number: [●]

Hong Kong

[REDACTED]

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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 consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”) and were audited by Rongcheng (Hong Kong) CPA Limited in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) 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.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5	984,056	1,042,754	1,179,885
Cost of sales		(749,945)	(816,672)	(947,908)
Gross profit		234,111	226,082	231,977
Other income	6(a)	10,874	12,133	20,987
Selling and marketing expenses . . .		(14,400)	(15,193)	(17,313)
Administrative expenses		(35,537)	(39,846)	(42,527)
Research and development expenses	7	(42,619)	(39,799)	(42,683)
Impairment losses on financial assets, net	8	(1,970)	267	(602)
Other gains and (losses), net	6(b)	2,948	3,344	(6,155)
Finance costs	9	(13,171)	(8,896)	(4,644)
PROFIT BEFORE TAX	8	140,236	138,092	139,040
Income tax expenses	12	(22,182)	(14,781)	(14,326)
PROFIT FOR THE YEAR		118,054	123,311	124,714
Attributable to:				
Owners of the Company		118,054	123,311	124,714
EARNINGS PER SHARE				
Basic (RMB per share)	14	1.01	1.04	0.82
Diluted (RMB per share)	14	1.01	1.04	0.82

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PROFIT FOR THE YEAR.		118,054	123,311	124,714
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations, net of tax .		—	—	244
Provision for electronic debt certificates of trade receivables . .		—	—	90
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		—	—	334
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		118,054	123,311	125,048
Attributable to:				
Owners of the Company		118,054	123,311	125,048

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	426,506	396,254	497,668
Right-of-use assets	16	17,486	17,036	16,644
Intangible assets	17	1,006	406	30
Investment properties	18	69,789	65,717	61,353
Prepayments, other receivables and other assets.	22	17,593	13,253	22,014
Goodwill	19	6,731	6,731	6,731
Deferred tax assets	26	8,812	8,700	8,390
TOTAL NON-CURRENT ASSETS		547,923	508,097	612,830
CURRENT ASSETS				
Inventories	20	154,956	173,792	273,659
Trade and bills receivables	21	460,996	455,935	471,728
Prepayments, other receivables and other assets	22	6,968	7,339	23,158
Prepaid income tax		1,054	1,428	930
Financial assets at fair value through profit or loss ("FVTPL").	23	—	—	172,066
Receivable financing	25	24,404	406	5,094
Cash and bank balances	27	48,667	405,893	165,781
Restricted cash	27	135,036	125,454	125,966
TOTAL CURRENT ASSETS		832,081	1,170,247	1,238,382
CURRENT LIABILITIES				
Trade and bills payables	28	458,743	381,546	526,388
Contract liabilities		881	199	1,276
Other payables and accruals	29	48,250	40,471	101,005
Borrowings.	30	298,665	209,972	129,079
Income tax payable.		4,411	3,119	2,721
TOTAL CURRENT LIABILITIES		810,950	635,307	760,469
NET CURRENT ASSETS.		21,131	534,940	477,913
TOTAL ASSETS LESS CURRENT LIABILITIES				
		569,054	1,043,037	1,090,743
NON-CURRENT LIABILITIES . .				
Deferred income.	29	17,223	15,983	14,663
TOTAL NON-CURRENT LIABILITIES		17,223	15,983	14,663
NET ASSETS		551,831	1,027,054	1,076,080
EQUITY				
Share capital.	31	116,395	152,045	152,045
Reserves		435,436	875,009	924,035
Equity attributable to owners of the Company.		551,831	1,027,054	1,076,080
TOTAL EQUITY		551,831	1,027,054	1,076,080

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STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statements of financial position of the Company at the end of each of the Track Record Period is as follows:

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	32,796	29,321	27,023
Right-of-use assets	16	3,249	3,118	3,044
Intangible assets	17	17	—	—
Investments properties	18	22,593	20,845	18,806
Investment in subsidiaries.	24	44,833	44,833	347,838
Prepayments, other receivables and other assets.	22	4,648	875	5,001
Deferred tax assets	26	1,182	1,084	938
TOTAL NON-CURRENT ASSETS		109,318	100,076	402,650
CURRENT ASSETS				
Inventories	20	41,048	44,200	57,977
Trade and bills receivables	21	160,749	148,936	141,626
Prepayments, other receivables and other assets.	22	270,672	265,330	248,237
Financial assets at fair value through profit or loss ("FVTPL").	23	—	—	40,196
Cash and bank balances	27	31,217	367,303	86,886
Restricted cash	27	90,098	100,022	85,481
TOTAL CURRENT ASSETS		593,784	925,791	660,403
CURRENT LIABILITIES				
Trade and bills payables	28	203,458	170,260	268,917
Contract liabilities		79	25	25
Other payables and accruals	29	7,322	6,303	8,260
Borrowings.	30	99,074	74,051	64,046
TOTAL CURRENT LIABILITIES		309,933	250,639	341,248
NET CURRENT ASSETS.		283,851	675,152	319,155
TOTAL ASSETS LESS CURRENT LIABILITIES				
NET ASSETS.		393,169	775,228	721,805
EQUITY				
Share capital.	31	116,395	152,045	152,045
Reserves.	32	276,774	623,183	569,760
TOTAL EQUITY		393,169	775,228	721,805

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Capital reserve	Statutory reserve	Retained profits	Total equity
	(note 31)	(note a)	(note b)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023.	116,395	160,865	8,417	148,100	433,777
Profit for the year	–	–	–	118,054	118,054
Total comprehensive income for the year	–	–	–	118,054	118,054
Appropriation of statutory reserve	–	–	3,432	(3,432)	–
As at 31 December 2023 . . .	<u>116,395</u>	<u>160,865</u>	<u>11,849</u>	<u>262,722</u>	<u>551,831</u>

	Attributable to owners of the Company				
	Share capital	Capital reserve	Statutory reserve	Retained profits	Total equity
	(note 31)	(note a)	(note b)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024.	116,395	160,865	11,849	262,722	551,831
Profit for the year	–	–	–	123,311	123,311
Total comprehensive income for the year	–	–	–	123,311	123,311
Issue of shares	35,650	316,262	–	–	351,912
Appropriation of statutory reserve	–	–	3,015	(3,015)	–
As at 31 December 2024 . . .	<u>152,045</u>	<u>477,127</u>	<u>14,864</u>	<u>383,018</u>	<u>1,027,054</u>

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	Attributable to owners of the Company					Total equity
	Share capital	Capital reserve	Statutory reserve	Other reserve	Retained profits	
	(note 31)	(note a)	(note b)	(note c)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2025	152,045	477,127	14,864	–	383,018	1,027,054
Profit for the year	–	–	–	–	124,714	124,714
Other comprehensive income for the year	–	–	–	334	–	334
Total comprehensive income for the year	–	–	–	334	124,714	125,048
Dividends declared (note 13) . .	–	–	–	–	(76,022)	(76,022)
Appropriation of statutory reserve	–	–	2,260	–	(2,260)	–
As at 31 December 2025.	<u>152,045</u>	<u>477,127</u>	<u>17,124</u>	<u>334</u>	<u>429,450</u>	<u>1,076,080</u>

Notes:

- (a) Capital reserve mainly includes share premium.
- (b) It represents the statutory reserve of the Company in the People’s Republic of China (the “PRC”).
- (c) Other reserve mainly represents provision for electronic debt certificates of trade receivables and exchange difference on the translation of financial statements of foreign operations.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		140,236	138,092	139,040
Adjustments for:				
Finance costs	9	13,171	8,896	4,644
Interest income.	6	(2,827)	(2,781)	(4,970)
Fair value gains on financial assets at FVTPL	6	—	—	(301)
Gain on disposal of financial assets at FVTPL	6	—	—	(501)
Loss from debt restructuring	6	—	—	1,812
Depreciation of property, plant and equipment.	15	40,906	39,152	40,920
Deprecation of investment properties	18	4,071	4,072	4,062
Depreciation of right-of-use assets .	16	450	450	451
Amortisation of intangible assets . .	17	878	600	376
Amortisation of deferred government grants.	6	(2,115)	(2,210)	(2,290)
(Loss)/gain on disposal of property, plant and equipment, net.	6	(4)	1,681	1,357
Provisions for credit impairment losses, net.	8	1,970	(267)	602
Provision of inventories, net.	8	5,914	7,350	5,766
Net foreign exchange (gains)/losses	6	(2,292)	(4,737)	2,509
Operating cash flows before movements in working capital. . .		200,358	190,298	193,477
Increase in inventories		(19,286)	(26,186)	(105,633)
Decrease/(increase) in restricted cash		21,935	9,582	(512)
Increase in trade and bills receivables		(69,267)	(10,304)	(53,413)
(Increase)/decrease in prepayments, other receivables and other assets.		(846)	2,681	(15,366)
Decrease/(increase) in receivable financing.		6,987	23,998	(4,688)
Increase/(decrease) in trade and bills payables		(26,398)	(77,197)	144,842
Increase/(decrease) in contract liabilities		422	(682)	1,077
Increase in other payables and accruals		4,430	5,675	11,417
Net cash generated from operations.		118,335	117,865	171,201
Income taxes paid.		(13,720)	(16,335)	(13,916)
Interest received		2,827	2,781	2,913
Net cash flows generated from operating activities		107,442	104,311	160,198

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	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
CASH FLOWS FROM				
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		35	447	330
Purchase of property, plant and equipment, prepaid land-use rights and intangible assets		(50,550)	(6,644)	(66,716)
Proceeds from disposal of financial assets at FVTPL		—	—	135,122
Investment income received		—	—	501
Interest received		—	—	170
Purchases of financial assets at FVTPL		—	—	(305,000)
Net cash flows used in investing activities		<u>(50,515)</u>	<u>(6,197)</u>	<u>(235,593)</u>
CASH FLOWS FROM				
FINANCING ACTIVITIES				
Proceeds from issue of shares		—	366,036	—
Proceeds from borrowings		410,404	246,780	238,000
Repayment of borrowings		(433,500)	(335,380)	(318,780)
Interest paid		(13,470)	(8,989)	(4,757)
Dividend paid to owners of the Company		—	—	(76,022)
Others		(11,498)	(12,226)	(3,330)
Net cash flows (used in)/generated from financing activities		<u>(48,064)</u>	<u>256,221</u>	<u>(164,889)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,863	354,335	(240,284)
Cash and cash equivalents at beginning of year		39,249	48,667	405,893
Effect of foreign exchange rate changes		555	2,891	172
Cash and cash equivalents at end of year	27	<u>48,667</u>	<u>405,893</u>	<u>165,781</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock limited company registered in the People’s Republic of China (the “**PRC**”). The Company’s A shares were listed on the Beijing Stock Exchange on 19 November 2024. The address of the Company’s registered office and its principal place of business is No.1288, Shipai Zhonghua Road, Bacheng Town, Kunshan City, Jiangsu Province, the PRC.

During the Track Record Period, the Company and its subsidiaries are principally engaged in research and development, manufacturing and sales of printed circuit boards (“**PCBs**”).

In the opinion of the directors, the ultimate controlling party of the Company is Mr. Wang Xuegen, which holds 34.94% of the Company’s total equity.

In the Historical Financial Information, certain English name of the companies referred herein represent the management’s best effort to translate the Chinese name of the companies as no English name has been registered.

As at the end of each year of the Track Record Period and the date of this report, the particulars of the Company’s principal subsidiaries are set out as below:

Entity name	Place and date of incorporation/ registration and place of operations	Paid-in capital (RMB)	Percentage of direct equity interest attributable to the Company as at				Principal activities
			31 December 2023	31 December 2024	31 December 2025	Date of this report	
Kunshan Guangqian Electronics Co., Ltd. (昆山廣謙電子有限公司) (note a)	Chinese Mainland 16 November 2009	13,934,490	100%	100%	100%	100%	Sale of PCBs
Jiangsu Guangqian Electronics Co., Ltd. (江蘇廣謙電子有限) (note a)	Chinese Mainland 1 February 2018	355,703,000	100%	100%	100%	100%	Research and development, manufacturing and sales of PCBs

Note:

- (a) The statutory financial statements for the years ended 31 December 2023 and 2024 prepared under the PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by RSM China CPA LLP.
- (b) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the operating results during the Track Record Period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards (“**IFRSs**”), International Accounting Standards (“**IAS**”) and Interpretations approved by the International Accounting Standards Board (“**IASB**”). In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial assets which are stated at fair value.

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It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

The material accounting policy information that has been used in the preparation of this Historical Financial Information are disclosed in note 2.3. These accounting policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

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 Track Record Period. The adoption of the IFRS Accounting Standards do not have any significant impact on the financial positions or results of the Group during the Track Record Period.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

Annual Improvements to IFRS Accounting Standards–Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

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

² Effective for accounting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

Except for new IFRS Accounting Standards mentioned below, the Group anticipates that the application of all the new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made. IFRS 18, and amendments to other standards, will be effective for accounting periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 has no impact on the Group’s financial positions and performance, but has impact on presentation of the consolidated statements of profit or loss.

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2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group for the Track Record Period. 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).

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

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

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

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

Goodwill

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

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

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

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

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Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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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, plant and equipment and depreciation

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

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

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values using the straight-line basis over their estimated useful lives as follow:

Buildings	20-30 years
Machinery	5-10 years
Transportation equipment	4-5 years
Office equipment and others	3-5 years

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

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

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

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Buildings held for rental purposes are depreciated using the same depreciation policy as the Group’s fixed assets. Land use rights held for rental purposes are amortised using the same amortisation policy as right-of-use assets.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over their estimated useful lives 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 capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

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

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(a) Right-of-use assets

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

Prepaid land use rights	50 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases (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 that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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Investments and other financial assets

Initial recognition and measurement

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

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

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

Bills receivables measured at FVTOCI and electronic debt certificates of trade receivables classified as at FVTOCI upon acquisition by the Company are presented as receivable financing.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVTOCI (debt instruments)

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

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Financial assets at FVTPL

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers 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.

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

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

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. 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 borrowings and payables, as appropriate.

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

The Group’s financial liabilities include trade and bills payables, other payables and accruals, and borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

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Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above and form an integral part of the Group’s cash management.

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

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ACCOUNTANTS’ REPORT

Revenue recognition

Revenue from contracts with customers

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on declaration of the goods for customs clearance in accordance with the contract terms for overseas sales and acceptance of the products as agreed in the sales contracts for domestic sales.

A portion of the sales of products is on vendor-managed inventory (“VMI”) arrangements where the products are delivered to the customers’ locations for their use. The control of the products is transferred when the products are picked up by the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Contract liabilities

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

Employee benefits

Short-term employee benefits

Salaries, discretionary bonuses, paid annual leave and the cost of non-monetary benefits are accrued and recognised in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Retirement benefits pension scheme

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its 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.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

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.

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Borrowing costs

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

Dividends

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

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information 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 year of Track Record Period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of profit or loss.

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

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

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

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

For the purpose of the consolidated statements 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 for the year.

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ACCOUNTANTS’ REPORT

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 21 to the Historical Financial Information, respectively.

4. OPERATING SEGMENT INFORMATION

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being executive directors of the Company and the chief executive. The Group’s management reviews the consolidated results of the Group when making decisions about allocating resources and assessing performance as a single operating segment based on the internal organisation structure, management requirements and internal reporting system. Accordingly, only entity-wide information, along with the Group’s result and financial position as a whole, major customers and geographic information are presented.

Geographical information in respect of Group’s non-current assets

The geographical location of the Group’s non-current assets (excluding deferred tax assets), mainly comprising of the property, plant and equipment, right-of-use assets, intangible assets, investment properties, goodwill, prepayments, other receivables and other assets is based on the geographical location of these assets. As at the end of each year for the Track Record Period, the geographical location of the Group’s non-current assets are as follows.

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current assets (excluding deferred tax assets)			
– Chinese Mainland	539,111	499,397	571,428
– Thailand	–	–	33,012
Total	539,111	499,397	604,440

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Information about major customers

Revenue from customers which individually contributed over 10% of the Group’s revenue during the Track Record Period is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	128,812	140,272	139,934
Customer B	147,487	130,578	145,109
	<u>276,299</u>	<u>270,850</u>	<u>285,043</u>

The group of entities under common control of a reporting entity is considered as a single customer.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	971,096	1,031,579	1,169,077
Revenue from other sources			
– Gross rental income from operating leases of investment property	12,960	11,175	10,808
Total	<u>984,056</u>	<u>1,042,754</u>	<u>1,179,885</u>

Revenue from contracts with customers

Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers			
Single-layer PCBs	263,130	254,717	216,728
Double-layer PCBs	295,177	284,882	352,160
Multi-layer PCBs	362,687	431,047	512,098
Others	50,102	60,933	88,091
Total	<u>971,096</u>	<u>1,031,579</u>	<u>1,169,077</u>
Geographical markets (based on the location at which the goods are delivered)			
Chinese Mainland	944,411	965,482	1,053,216
Other countries/regions	26,685	66,097	115,861
Total	<u>971,096</u>	<u>1,031,579</u>	<u>1,169,077</u>

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All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time. The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales of goods such that it does not disclose the information about its remaining performance obligations as the contracts have an original expected duration of one year or less.

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

(a) Other income

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants*	8,047	9,352	16,017
Interest income	2,827	2,781	4,970
	<u>10,874</u>	<u>12,133</u>	<u>20,987</u>

* The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group’s support and contribution for the development of local economies.

During the Track Record Period, amortisation of deferred government grants included in other income amounted to approximately RMB2,115,000, RMB2,210,000, and RMB2,290,000, respectively. The remaining government grants income recognised during the Track Record Period have no unfulfilled condition or contingencies.

(b) Other gains and (losses), net

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gain/(loss) on disposal of property, plant and equipment, net	4	(1,681)	(1,357)
Fair value gains on financial assets at FVTPL	—	—	301
Gain on disposal of financial assets at FVTPL	—	—	501
Loss from debt restructuring (<i>note</i>) . .	—	—	(1,812)
Foreign exchange difference, net. . . .	2,292	4,737	(2,509)
Others	652	288	(1,279)
	<u>2,948</u>	<u>3,344</u>	<u>(6,155)</u>

Note:

The Company has signed agreements with certain customers, waiving partial trade receivables due from these customers in order to accelerate the settlement of the remaining trade receivables.

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7. RESEARCH AND DEVELOPMENT EXPENSES

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Employee benefit expenses	18,060	18,999	20,010
Material costs	21,398	17,268	19,190
Depreciation	3,157	3,153	3,262
Others	4	379	221
	<u>42,619</u>	<u>39,799</u>	<u>42,683</u>

8. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Raw materials recognised as cost of products		433,296	468,474	513,757
Depreciation of property, plant and equipment	15	40,906	39,152	40,920
Depreciation of investment properties	18	4,071	4,072	4,062
Depreciation of right-of-use assets	16	450	450	451
Amortisation of intangible assets	17	878	600	376
Provision of inventories, net		5,914	7,350	5,766
Employee benefit expenses: Wages, salaries and other allowances (including directors’, supervisors’ and chief executives’ remuneration (note 10))		114,628	124,449	141,737
Pension scheme contributions and social welfare*.		<u>22,843</u>	<u>26,647</u>	<u>30,096</u>
		137,471	151,096	171,833
Impairment/(reversal of impairment) of trade and bills receivables	21	1,987	(265)	499
Impairment of electronic debt certificates of trade receivables		–	–	90
(Reversal of impairment)/impairment of prepayments, other receivables and other assets	22	<u>(17)</u>	<u>(2)</u>	<u>13</u>
		<u>1,970</u>	<u>(267)</u>	<u>602</u>

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

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9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expense on borrowings	13,171	8,896	4,644

10. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVES’ REMUNERATION

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees, salaries, allowances, discretionary bonuses, benefits in kind and retirement scheme contributions	2,620	2,924	4,636

Fees, salaries, allowances and benefits in kind paid to or for the executive directors of the Company, supervisors and chief executives are generally emoluments paid or receivable in respect of services in connection with the management of the affairs of the Company and its subsidiaries.

There was no arrangement under which directors, supervisors and chief executives waived or agreed to waive any remuneration during the Track Record Period. No emolument was paid by the Group to the directors of the Company, supervisors and chief executives as an inducement to join or upon joining the Group or as compensation for loss of office for the Track Record Period.

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Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company and the director’s connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

	Fees	Salaries, allowances, discretionary bonuses, benefits in kind and retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023			
<i>Executive directors</i>			
Mr. Wang Xuegen	–	709	709
Mr. Wang Liguu (<i>note a</i>).	–	637	637
<i>Independent non-executive directors</i>			
Mr. Min Changzheng	70	–	70
Mr. Wang Xiaohu	70	–	70
<i>Supervisors</i>			
Mr. Huang Haifeng	–	189	189
Mr. Li Weixi	–	189	189
Ms. Wang Liping	–	115	115
<i>Chief executives</i>			
Mr. Hu Youwen	–	274	274
Ms. Ji Jiajia.	–	367	367
	140	2,480	2,620
Year ended 31 December 2024			
<i>Executive directors</i>			
Mr. Wang Xuegen	–	736	736
Mr. Wang Liguu (<i>note a</i>).	–	663	663
<i>Independent non-executive directors</i>			
Mr. Min Changzheng	71	–	71
Mr. Wang Xiaohu	71	–	71
<i>Supervisors</i>			
Mr. Huang Haifeng	–	193	193
Mr. Li Weixi	–	196	196
Ms. Wang Liping	–	124	124
<i>Chief executives</i>			
Mr. Hu Youwen	–	289	289
Ms. Ji Jiajia (<i>note b</i>)	–	379	379
Mr. Xu Jian (<i>note c</i>)	–	202	202
	142	2,782	2,924

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	Fees	Salaries, allowances, discretionary bonuses, benefits in kind and retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2025			
<i>Executive directors</i>			
Mr. Wang Xuegen	–	1,167	1,167
Mr. Wang Liguu (<i>note a</i>).	–	1,082	1,082
<i>Independent non-executive directors</i>			
Mr. Min Changzheng	88	–	88
Mr. Wang Xiaohu	88	–	88
Ms. Yu Haiyan (<i>note e</i>).	–	–	–
<i>Supervisors</i>			
Mr. Huang Haifeng	–	235	235
Mr. Li Weixi (<i>note d</i>).	–	221	221
Ms. Wang Liping (<i>note d</i>).	–	142	142
<i>Chief executives</i>			
Mr. Hu Youwen (<i>note f</i>)	–	649	649
Ms. Ji Jiajia (<i>note b</i>)	–	660	660
Mr. Xu Jian	–	304	304
	<u>176</u>	<u>4,460</u>	<u>4,636</u>

Notes:

- (a) Mr Wang Liguu served as the executive director and general manager during the years ended 31 December 2023, 2024 and 2025.
- (b) Ms. Ji Jiajia resigned as a chief executive in March 2024 and was reappointed in March 2025.
- (c) Mr. Xu Jian was appointed as a chief executive in March 2024.
- (d) Mr. Li Weixi and Ms. Wang Liping resigned as supervisors in June 2025.
- (e) Ms. Yu Haiyan was appointed as an independent non-executive director in December 2025.
- (f) Mr. Hu Youwen was appointed as an executive director in December 2025, and has served as the executive director and chief executive thereafter.

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2023, 2024 and 2025 included 2 executive directors, 2 executive directors, and 2 executive directors and 1 chief executive, respectively. Details of those directors and chief executives’ remuneration are set out in note 10 above. Details of the remuneration for the Track Record Period of the highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances, discretionary bonuses, benefits in kind and retirement scheme contributions	2,222	2,184	1,646

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Nil – HK\$1,000,000	3	3	2
HK\$1,000,001 – HK\$1,500,000	–	–	–
Total	3	3	2

12. INCOME TAX EXPENSES

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.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% on the taxable income.

Preferential tax treatment is available to the Company and certain subsidiary since they are certified as High and New Technology Enterprises, and the Company and certain subsidiary are subject to a preferential income tax rate of 15% from 1 January 2023 to the year ended 31 December 2025.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current tax charge.	16,156	14,669	14,016
Deferred tax charge (note 26).	6,026	112	310
Total tax charge for the year	22,182	14,781	14,326

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A reconciliation of the income tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before tax	140,236	138,092	139,040
Tax at the statutory tax rate of 15%	21,035	20,714	20,856
Tax effect of different tax rates for specific provinces or enacted by local authority.	136	1,233	1,518
Tax effect of expenses not deductible for tax purpose	385	561	740
Tax effect of tax rate changes on opening deferred tax	(1,192)	–	–
Tax effect of utilising tax losses for which a deferred tax asset was not previously recognised	–	(2,490)	(3,281)
Tax effect of unrecognised deductible temporary differences or tax losses during the year	7,444	–	–
Tax effect of super deduction for research and development expenses (note)	(5,626)	(5,237)	(5,507)
Tax charge at the Group’s effective tax rate	22,182	14,781	14,326

Note:

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engaged in research and development (“R&D”) activities are entitled to claim an additional tax deduction amounting to 75% of the qualified R&D expenses incurred in determining its tax assessable profits for that year. Starting from January 2021, the additional deduction ratio increased to 100% for manufacturing industry. Starting from 1 October 2022, the additional deduction ratio was increased to 100% for other industries.

13. DIVIDEND

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Final dividends	–	–	76,022

Note:

The final dividends of RMB5.00 per 10 shares (tax inclusive) in respect of the year ended 31 December 2024 were approved in 2024 Annual General Meeting of the Company on 21 April 2025. The Group had not recognised this as a liability as at 31 December 2024 but reflected as an appropriation of retained profits for the year ended 31 December 2024 during the year ended 31 December 2025. The final dividends were paid on 16 May 2025.

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14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each year of the Track Record Period, excluding treasury shares as these shares are not considered outstanding for earnings per share calculation purposes.

The following reflects the earnings and share data used in the basic and diluted earnings per share computation:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Earnings			
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation . . .	118,054	123,311	124,714
	<u>118,054</u>	<u>123,311</u>	<u>124,714</u>
	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Shares			
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation (thousand shares)	116,395	118,978	152,045
	<u>116,395</u>	<u>118,978</u>	<u>152,045</u>
Basic (RMB per share)	1.01	1.04	0.82
	<u>1.01</u>	<u>1.04</u>	<u>0.82</u>
Diluted (RMB per share)	1.01	1.04	0.82
	<u>1.01</u>	<u>1.04</u>	<u>0.82</u>

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Transportation equipment	Office equipment and others	Construction in progress	Freehold land	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023							
Cost	217,499	344,559	9,057	9,548	21,578	–	602,241
Accumulated depreciation	(19,579)	(125,955)	(4,587)	(6,040)	–	–	(156,161)
Net carrying amount	<u>197,920</u>	<u>218,604</u>	<u>4,470</u>	<u>3,508</u>	<u>21,578</u>	<u>–</u>	<u>446,080</u>
Year ended 31 December 2023							
Opening net carrying amount	197,920	218,604	4,470	3,508	21,578	–	446,080
Additions	–	14,981	697	523	5,258	–	21,459
Disposals	–	(127)	–	–	–	–	(127)
Depreciation provided during the year (note 8)	(7,097)	(31,567)	(1,257)	(985)	–	–	(40,906)
Transfer from construction in progress	17,764	8,612	–	–	(26,376)	–	–
Closing net carrying amount	<u>208,587</u>	<u>210,503</u>	<u>3,910</u>	<u>3,046</u>	<u>460</u>	<u>–</u>	<u>426,506</u>

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	Buildings	Machinery	Transportation equipment	Office equipment and others	Construction in progress	Freehold land	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023 and 1 January 2024							
Cost	235,263	366,700	9,754	10,071	460	–	622,248
Accumulated depreciation	(26,676)	(156,197)	(5,844)	(7,025)	–	–	(195,742)
Net carrying amount	208,587	210,503	3,910	3,046	460	–	426,506
Year ended 31 December 2024							
Opening net carrying amount	208,587	210,503	3,910	3,046	460	–	426,506
Additions	–	8,140	560	362	1,994	–	11,056
Disposals	–	(1,152)	(893)	(111)	–	–	(2,156)
Depreciation provided during the year (note 8)	(7,693)	(29,199)	(1,275)	(985)	–	–	(39,152)
Transfer from construction in progress	–	985	–	–	(985)	–	–
Closing net carrying amount	200,894	189,277	2,302	2,312	1,469	–	396,254
As at 31 December 2024 and 1 January 2025							
Cost	235,263	363,560	8,900	8,328	1,469	–	617,520
Accumulated depreciation	(34,369)	(174,283)	(6,598)	(6,016)	–	–	(221,266)
Net carrying amount	200,894	189,277	2,302	2,312	1,469	–	396,254
Year ended 31 December 2025							
Opening net carrying amount	200,894	189,277	2,302	2,312	1,469	–	396,254
Additions	–	77,561	1,405	1,280	42,697	20,948	143,891
Disposals	–	(1,709)	(27)	(64)	–	–	(1,800)
Depreciation provided during the period (note 8)	(7,711)	(31,152)	(1,036)	(1,021)	–	–	(40,920)
Transfer from investment properties	243	–	–	–	–	–	243
Transfer from construction in progress	688	1,469	–	–	(2,157)	–	–
Closing net carrying amount	194,114	235,446	2,644	2,507	42,009	20,948	497,668
As at 31 December 2025							
Cost	236,421	434,339	10,144	9,460	42,009	20,948	753,321
Accumulated depreciation	(42,307)	(198,893)	(7,500)	(6,953)	–	–	(255,653)
Net carrying amount	194,114	235,446	2,644	2,507	42,009	20,948	497,668

As at 31 December 2023, 2024 and 2025, the Group’s property, plant and equipment with carrying values of approximately RMB204,208,000, RMB221,018,000 and RMB193,551,000 respectively, were pledged for borrowings (note 30).

Depreciation of the Group’s property, plant and equipment has been recognised as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales	35,792	34,015	35,933
Research and development expenses	3,157	3,153	3,262
Administrative expense	1,957	1,984	1,711
Selling and marketing expenses	–	–	14
Total	40,906	39,152	40,920

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The Company

	Buildings	Machinery	Transportation equipment	Office equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023					
Cost	20,573	62,215	5,898	3,662	92,348
Accumulated depreciation	(5,060)	(43,474)	(3,158)	(2,637)	(54,329)
Net carrying amount	15,513	18,741	2,740	1,025	38,019
Year ended 31 December 2023					
Opening net carrying amount	15,513	18,741	2,740	1,025	38,019
Additions.	–	835	516	28	1,379
Disposals.	–	(125)	–	–	(125)
Depreciation provided during the year	(687)	(4,620)	(920)	(250)	(6,477)
Closing net carrying amount.	14,826	14,831	2,336	803	32,796
As at 31 December 2023 and 1 January 2024					
Cost	20,573	62,802	6,414	3,690	93,479
Accumulated depreciation	(5,747)	(47,971)	(4,078)	(2,887)	(60,683)
Net carrying amount	14,826	14,831	2,336	803	32,796
Year ended 31 December 2024					
Opening net carrying amount	14,826	14,831	2,336	803	32,796
Additions.	–	2,072	–	43	2,115
Disposals.	–	(215)	–	(4)	(219)
Depreciation provided during the year	(995)	(3,210)	(951)	(215)	(5,371)
Closing net carrying amount.	13,831	13,478	1,385	627	29,321
As at 31 December 2024 and 1 January 2025					
Cost	20,573	62,797	6,414	3,693	93,477
Accumulated depreciation	(6,742)	(49,319)	(5,029)	(3,066)	(64,156)
Net carrying amount	13,831	13,478	1,385	627	29,321
Year ended 31 December 2025					
Opening net carrying amount	13,831	13,478	1,385	627	29,321
Additions.	–	1,925	–	228	2,153
Transfer from investment properties	243	–	–	–	243
Depreciation provided during the period . . .	(1,005)	(2,861)	(605)	(223)	(4,694)
Closing net carrying amount.	13,069	12,542	780	632	27,023
As at 31 December 2025					
Cost	21,043	64,722	6,414	3,922	96,101
Accumulated depreciation	(7,974)	(52,180)	(5,634)	(3,290)	(69,078)
Net carrying amount	13,069	12,542	780	632	27,023

As at 31 December 2023, 2024 and 2025, the Company’s property, plant and equipment with carrying values of approximately RMB10,159,000, RMB13,200,000 and RMB12,506,000 respectively, were pledged for borrowings (note 30).

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16. LEASES

The Group

(a) *Right-of-use assets*

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

	Prepaid land use rights
	<i>RMB'000</i>
As at 1 January 2023	17,936
Depreciation charge (<i>note 8</i>)	(450)
As at 31 December 2023.	17,486
As at 1 January 2024	17,486
Depreciation charge (<i>note 8</i>)	(450)
As at 31 December 2024.	17,036
As at 1 January 2025	17,036
Transfer from investment properties.	59
Depreciation charge (<i>note 8</i>)	(451)
As at 31 December 2025.	16,644

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

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	96	80	81
Depreciation charge of right-of-use assets	450	450	451
	546	530	532

As at 31 December 2023, 2024 and 2025, the Group’s right-of-use assets with carrying values of approximately RMB17,486,000, RMB17,036,000 and RMB16,644,000 respectively, were pledged for borrowings (note 30).

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ACCOUNTANTS’ REPORT

The Company

(a) *Right-of-use assets*

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

	Prepaid land use rights
	<i>RMB’000</i>
As at 1 January 2023	3,380
Depreciation charge	(131)
As at 31 December 2023.	3,249
As at 1 January 2024	3,249
Depreciation charge	(131)
As at 31 December 2024.	3,118
As at 1 January 2025	3,118
Transfer from investment properties.	59
Depreciation charge	(133)
As at 31 December 2025.	3,044

As at 31 December 2023, 2024 and 2025, the Company’s right-of-use assets with carrying values of approximately RMB3,249,000, RMB3,118,000 and RMB3,044,000 respectively, were pledged for borrowings (note 30).

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ACCOUNTANTS’ REPORT

17. INTANGIBLE ASSETS

The Group

	Software
	<i>RMB'000</i>
As at 1 January 2023	
Cost	4,371
Accumulated amortisation.	(2,717)
Net carrying amount	<u>1,654</u>
Year ended 31 December 2023	
Opening net carrying amount	1,654
Additions	230
Amortisation (<i>note 8</i>)	(878)
Closing net carrying amount	<u>1,006</u>
As at 31 December 2023 and 1 January 2024	
Cost	4,601
Accumulated amortisation.	(3,595)
Net carrying amount	<u>1,006</u>
Year ended 31 December 2024	
Opening net carrying amount	1,006
Amortisation (<i>note 8</i>)	(600)
Closing net carrying amount	<u>406</u>
As at 31 December 2024 and 1 January 2025	
Cost	4,601
Accumulated amortisation.	(4,195)
Net carrying amount	<u>406</u>
Year ended 31 December 2025	
Opening net carrying amount	406
Amortisation (<i>note 8</i>)	(376)
Closing net carrying amount	<u>30</u>
As at 31 December 2025	
Cost	4,601
Accumulated amortisation.	(4,571)
Net carrying amount	<u>30</u>

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The Company

	Software
	<i>RMB’000</i>
As at 1 January 2023	
Cost	455
Accumulated amortisation.	(373)
Net carrying amount	82
Year ended 31 December 2023	
Opening net carrying amount	82
Amortisation	(65)
Closing net carrying amount	17
As at 31 December 2023 and 1 January 2024	
Cost	455
Accumulated amortisation.	(438)
Net carrying amount	17
Year ended 31 December 2024	
Opening net carrying amount	17
Amortisation	(17)
Closing net carrying amount	–
As at 31 December 2024 and 1 January 2025	
Cost	455
Accumulated amortisation.	(455)
Net carrying amount	–
Year ended 31 December 2025	
Opening net carrying amount	–
Amortisation	–
Closing net carrying amount	–
As at 31 December 2024 and 1 January 2025	
Cost	455
Accumulated amortisation.	(455)
Net carrying amount	–

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18. INVESTMENT PROPERTIES

The Group

	Buildings	Land use rights	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023			
Cost	77,064	14,199	91,263
Accumulated depreciation	(14,232)	(3,171)	(17,403)
Net carrying amount	62,832	11,028	73,860
Year ended 31 December 2023	62,832	11,028	73,860
Depreciation provided during the year (<i>note 8</i>)	(3,651)	(420)	(4,071)
Closing net carrying amount	59,181	10,608	69,789
As at 31 December 2023 and 1 January 2024			
Cost	77,064	14,199	91,263
Accumulated depreciation	(17,883)	(3,591)	(21,474)
Net carrying amount	59,181	10,608	69,789
Year ended 31 December 2024	59,181	10,608	69,789
Depreciation provided during the year (<i>note 8</i>)	(3,652)	(420)	(4,072)
Closing net carrying amount	55,529	10,188	65,717
As at 31 December 2024 and 1 January 2025			
Cost	77,064	14,199	91,263
Accumulated depreciation	(21,535)	(4,011)	(25,546)
Net carrying amount	55,529	10,188	65,717
Year ended 31 December 2025	55,529	10,188	65,717
Depreciation provided during the period(<i>note 8</i>)	(3,643)	(419)	(4,062)
Transfer to property, plant and equipment . .	(243)	–	(243)
Transfer to right-of-use assets	–	(59)	(59)
Closing net carrying amount	51,643	9,710	61,353
At 31 December 2025			
Cost	76,594	14,107	90,701
Accumulated depreciation	(24,951)	(4,397)	(29,348)
Net carrying amount	51,643	9,710	61,353

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The Group leases out land and buildings under operating leases with rentals payable monthly. During the Track Record Period, the leases typically run for an initial period of 1 to 10 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee’s option to purchase the property at the end of lease term.

As at 31 December 2023, 2024 and 2025, the Group’s investment properties with carrying values of approximately RMB69,789,000, RMB65,717,000 and RMB20,349,000 respectively, were pledged for borrowings (note 30).

Fair values of the Group’s investment properties as at the end of each of the Track Record Period are as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investment properties.	263,352	206,074	141,870

As at 31 December 2023, 2024 and 2025, all investment properties of the Group are located in the PRC. The fair values of investment properties as at 31 December 2023, 2024 and 2025 are determined based on the valuation carried out by an independent professionally qualified valuer. The fair value of investment properties at the end of each of the Track Record Period is measured on a recurring basis and categorised as Level 3 fair value measurement. The fair value of investment properties is determined by the directors at the end of each reporting period using market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available. There has been no change from the valuation techniques used in the prior year.

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ACCOUNTANTS’ REPORT

The Company

	Buildings	Land use rights	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 1 January 2023			
Cost	31,380	8,877	40,257
Accumulated depreciation	(13,259)	(2,657)	(15,916)
Net carrying amount	<u>18,121</u>	<u>6,220</u>	<u>24,341</u>
Year ended 31 December 2023	18,121	6,220	24,341
Depreciation provided during the year	<u>(1,506)</u>	<u>(242)</u>	<u>(1,748)</u>
Closing net carrying amount	<u>16,615</u>	<u>5,978</u>	<u>22,593</u>
As at 31 December 2023 and 1 January 2024			
Cost	31,380	8,877	40,257
Accumulated depreciation	(14,765)	(2,899)	(17,664)
Net carrying amount	<u>16,615</u>	<u>5,978</u>	<u>22,593</u>
Year ended 31 December 2024	16,615	5,978	22,593
Depreciation provided during the year	<u>(1,507)</u>	<u>(241)</u>	<u>(1,748)</u>
Closing net carrying amount	<u>15,108</u>	<u>5,737</u>	<u>20,845</u>
As at 31 December 2024 and 1 January 2025			
Cost	31,380	8,877	40,257
Accumulated depreciation	(16,272)	(3,140)	(19,412)
Net carrying amount	<u>15,108</u>	<u>5,737</u>	<u>20,845</u>
Year ended 31 December 2025	15,108	5,737	20,845
Transfer to property, plant and equipment . .	(243)	–	(243)
Transfer to right-of-use assets	–	(59)	(59)
Depreciation provided during the period . . .	<u>(1,497)</u>	<u>(240)</u>	<u>(1,737)</u>
Closing net carrying amount	<u>13,368</u>	<u>5,438</u>	<u>18,806</u>
At 31 December 2025			
Cost	30,910	8,784	39,694
Accumulated depreciation	<u>(17,542)</u>	<u>(3,346)</u>	<u>(20,888)</u>
Net carrying amount	<u>13,368</u>	<u>5,438</u>	<u>18,806</u>

As at 31 December 2023, 2024 and 2025, the Company’s investment properties with carrying values of approximately RMB22,593,000, RMB20,845,000 and RMB18,806,000 respectively, were pledged for borrowings (note 30).

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19. GOODWILL

Cost at 1 January 2023	6,731
Accumulated impairment	–
Net carrying amount	6,731
Cost at 1 January 2023, net of accumulated impairment.	6,731
Impairment during the year	–
Cost and net carrying amount at 31 December 2023	6,731
Cost at 31 December 2023	6,731
Accumulated impairment	–
Net carrying amount	6,731
Cost at 1 January 2024, net of accumulated impairment.	6,731
Impairment during the year	–
Cost and net carrying amount at 31 December 2024	6,731
Cost at 31 December 2024	6,731
Accumulated impairment	–
Net carrying amount	6,731
Cost at 1 January 2025, net of accumulated impairment.	6,731
Impairment during the year	–
Cost and net carrying amount at 31 December 2025	6,731
Cost at 31 December 2025	6,731
Accumulated impairment	–
Net carrying amount	6,731

Impairment testing of goodwill

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

- Kunshan Guangqian Electronics Co., Ltd. (昆山廣謙電子有限公司) cash-generating unit

The recoverable amount of RMB574,895,000, RMB630,618,000 and RMB1,200,214,000 as at 31 December 2023, 2024 and 2025 has been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The revenue growth rate used to extrapolate the cash flows beyond the five-year period is 0%.

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2023, 2024 and 2025. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Compound revenue growth rate.	3.08%-9.3%	2.92%-5.06%	1.47%-22.18%
Budgeted gross margins	9.28%-10.77%	10.48%-12.20%	11.34%-13.92%
Pre-tax discount rate	12.41%	12.41%	13.64%

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Compound revenue growth rate – The compound revenue growth rate is for the five-year period and is estimated based on the historical sales data and market outlook perceived by management.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to materially exceed the recoverable amount.

20. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	92,404	103,317	186,740
Work in progress	18,649	27,173	26,346
Finished goods	51,019	50,295	58,450
Goods in transit	1,330	3,032	10,622
Provision for inventories, net	(8,446)	(10,025)	(8,499)
Net carrying amount	154,956	173,792	273,659

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	30,475	31,489	43,634
Work in progress	2,539	2,867	2,250
Finished goods	8,125	8,946	9,217
Goods in transit	2,447	2,773	3,995
Provision for inventories, net	(2,538)	(1,875)	(1,119)
Net carrying amount	41,048	44,200	57,977

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21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	451,479	464,360	480,320
Bills receivables	31,776	13,297	13,629
Less: allowance for impairment	(22,259)	(21,722)	(22,221)
Total	<u>460,996</u>	<u>455,935</u>	<u>471,728</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

The credit period granted to the customers is generally within 90-120 days during the Track Record Period.

As at 31 December 2023, certain bills receivables of the Group with an aggregate amount of RMB5,000,000 were pledged as security for issuance of bills payable.

An ageing analysis of the trade receivables of the Group as at the end of each of the Track Record Period (based on the invoice date and net of allowance of impairment) is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	428,018	442,572	457,937
1-2 years	280	66	162
2-3 years	922	–	–
	<u>429,220</u>	<u>442,638</u>	<u>458,099</u>

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year.	21,006	22,259	21,722
Impairment recognised/(reversed), net.	1,987	(265)	499
Amount written off as uncollectible	(734)	(272)	–
At the end of the year	<u>22,259</u>	<u>21,722</u>	<u>22,221</u>

Detailed information about the impairment of trade receivables and the Group’s exposure to credit risk is disclosed in note 39.

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Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in the PRC (the “**Derecognised Bills**”) with a carrying amount in aggregate of RMB44,082,000, RMB79,367,000, RMB91,236,000 at 31 December 2023, 2024 and 2025, respectively. The Derecognised Bills had a maturity of within six months at the end of each of the Track Record Period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “**Continuing Involvement**”). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables-subidiaries	162,506	153,202	145,432
Trade receivables-third parties	170	185	5
Bills receivables	3,382	868	1,288
Less: allowance for impairment	(5,309)	(5,319)	(5,099)
Total	160,749	148,936	141,626

An ageing analysis of the trade receivables of the Company as at the end of each year of the Track Record Period (based on the invoice date and net of allowance for impairment) is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year.	157,331	148,068	140,276
1-2 years	31	–	62
2-3 years	5	–	–
	157,367	148,068	140,338

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

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year.	5,632	5,309	5,319
Impairment recognised/(reversed), net.	(267)	10	(220)
Amount written off as uncollectible . .	(56)	–	–
At the end of the year	5,309	5,319	5,099

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22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Prepayments for property, plant and equipment	820	3,021	5,440
Prepayments for plant renovation, decoration and supporting facilities	10,050	8,458	12,018
Prepaid [REDACTED] expenses.	4,105	–	3,249
Others	2,618	1,774	1,307
	<u>17,593</u>	<u>13,253</u>	<u>22,014</u>
Current			
Prepayments for materials	2,462	4,941	8,487
Value-added-tax recoverable	2,963	915	12,661
Security deposits	1,189	1,137	1,583
Others	390	380	474
Less: allowance for impairment	(36)	(34)	(47)
	<u>6,968</u>	<u>7,339</u>	<u>23,158</u>
Total	<u>24,561</u>	<u>20,592</u>	<u>45,172</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year.	53	36	34
Impairment recognised/(reversed), net.	(17)	(2)	13
At the end of the year	<u>36</u>	<u>34</u>	<u>47</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Prepayments for property, plant and equipment	543	875	1,752
Prepaid [REDACTED] expenses	4,105	–	3,249
	<u>4,648</u>	<u>875</u>	<u>5,001</u>
Current			
Receivables from subsidiaries (<i>note</i>)	268,372	262,948	246,035
Prepayments for materials	1,312	1,299	1,119
Security deposits	1,019	1,117	1,117
Less: allowance for impairment	(31)	(34)	(34)
	<u>270,672</u>	<u>265,330</u>	<u>248,237</u>
Total	<u>275,320</u>	<u>266,205</u>	<u>253,238</u>

Note:

Receivables from subsidiaries are non-trade in nature, unsecured and recoverable on demand.

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

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year.	46	31	34
Impairment recognised/(reversed), net	(15)	3	–
At the end of the year.	<u>31</u>	<u>34</u>	<u>34</u>

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23. FINANCIAL ASSETS AT FVTPL

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Structured deposits (<i>note a</i>)	–	–	30,301
Certificate of deposit (<i>note b</i>)	–	–	141,765
Total	–	–	172,066

Notes:

- (a) Structured deposits are managed by licensed financial institutions in the PRC to invest principally in certain financial assets. They were classified as financial assets at FVTPL as their contractual cash flows are not SPPI.
- (b) The transferable certificates of deposit held by the Group, which bear fixed returns, are classified as financial assets measured at FVTPL by the management as the business model for managing these financial assets is not for collecting contractual cash flows or for collecting contractual cash flows and selling the financial assets.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Certificate of deposit	–	–	40,196
Total	–	–	40,196

24. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	44,833	44,833	347,838

Particulars of the major subsidiaries as at the end of each year of the Track Record Period and the date of this report are set out in note 1 to the Historical Financial Information.

25. RECEIVABLE FINANCING

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank acceptance bills.	24,404	406	3,493
Electronic debt certificates of trade receivables	–	–	1,601
Total	24,404	406	5,094

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26. DEFERRED TAX ASSETS

The Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred taxes relate to the same authority.

The movements in deferred tax assets for the years ended 31 December 2023, 2024 and 2025, where there is no any applicable offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses	Deferred income	Impairment of financial assets	Allowance for asset impairment	Unrealised profit on intercompany transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	6,932	2,768	3,163	1,524	451	14,838
Credited/(charged) to profit or loss	(6,932)	(185)	1,324	(203)	(30)	(6,026)
As at 31 December 2023 and 1 January 2024	–	2,583	4,487	1,321	421	8,812
Credited/(charged) to profit or loss	–	(186)	(279)	344	9	(112)
As at 31 December 2024 and 1 January 2025	–	2,397	4,208	1,665	430	8,700
Credited/(charged) to profit or loss	–	(198)	106	(355)	137	(310)
As at 31 December 2025	–	2,199	4,314	1,310	567	8,390

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses not recognised	49,627	39,669	26,556

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

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The Company

Deferred tax assets

	Impairment of financial assets	Allowance for asset impairment	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	852	560	1,412
Charged to profit or loss	(51)	(179)	(230)
As at 31 December 2023 and 1 January 2024	801	381	1,182
Credited/(charged) to profit or loss	2	(100)	(98)
As at 31 December 2024 and 1 January 2025	803	281	1,084
Charged to profit or loss	(33)	(113)	(146)
As at 31 December 2025	770	168	938

27. CASH AND BANK BALANCES AND RESTRICTED CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	48,667	405,893	165,781
Restricted cash (<i>note</i>)	135,036	125,454	125,966
Total	183,703	531,347	291,747
Denominated in:			
RMB	179,052	510,453	231,016
USD	4,651	20,894	44,566
THB	–	–	16,165
Total	183,703	531,347	291,747

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated their fair values.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	31,217	367,303	86,886
Restricted cash (<i>note</i>)	90,098	100,022	85,481
Total	121,315	467,325	172,367
Denominated in:			
RMB	116,868	447,552	129,440
USD	4,447	19,773	42,927
Total	121,315	467,325	172,367

Note:

Restricted cash mainly include guarantee deposits for issuance of bank acceptance notes.

28 TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables			
– that are not part of supplier finance arrangement (“SFA”)	264,912	241,030	323,597
– that are part of SFA	–	2,000	–
Bills payables	193,831	138,516	202,791
Total	458,743	381,546	526,388

The credit period granted by suppliers is generally within 120 days. An ageing analysis of the trade payables as at the end of each year of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	262,615	242,094	322,848
1-2 years	2,020	361	161
2-3 years	8	323	101
Over 3 years	269	252	487
	264,912	243,030	323,597

Supplier Finance Arrangement (“SFA”)

The Group introduces third party supply chain information service platforms to provide services to its suppliers holding the Group’s electronic debt certificates. The Group’s payment obligations under the electronic debt certificates are unconditional and irrevocable, and unaffected by any commercial disputes between the parties involved in the transfer of the electronic debt certificates. The Group shall not claim set-off or raise any defense against the payment obligations. According to the business rules, the Group shall transfer the amounts stated in the electronic debt certificates on the payment date. The electronic debt certificates are transferable.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables-subsidaries	58,899	20,645	97,939
Trade payables-third parties	52,018	48,725	71,540
Bills payables	92,541	100,890	99,438
Total	203,458	170,260	268,917

An ageing analysis of the trade payables as at the end of each year of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	110,321	68,758	168,897
1 to 2 years	366	133	99
2 to 3 years	6	250	65
Over 3 years	224	229	418
	110,917	69,370	169,479

As at the end of each year of the Track Record Period, no matured bills payables were unpaid.

29. OTHER PAYABLES AND ACCRUALS AND DEFERRED INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Deferred income (<i>note</i>).	17,223	15,983	14,663
Current			
Payables for acquisitions of property, plant and equipment.	22,911	12,631	72,650
Employee benefits payable	13,325	14,764	16,555
Other tax payables	3,045	3,666	3,404
Deposits.	1,020	1,020	1,020
Others	7,949	8,390	7,376
	48,250	40,471	101,005

Note:

It mainly represents the receipt of government grants for constructions of certain equipment, which has been recognised as a non-current liability on the consolidated statements of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current			
Payables for acquisitions of property, plant and equipment.	240	304	726
Employee benefits payable	3,352	3,619	4,037
Other tax payables	1,641	887	903
Others	2,089	1,493	2,594
Total	<u>7,322</u>	<u>6,303</u>	<u>8,260</u>

30. BORROWINGS

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current			
Secured and unguaranteed borrowings (noted a)	69,045	44,025	34,024
Unsecured and guaranteed borrowings (note b)	121,520	56,952	45,030
Secured and guaranteed borrowings (noted c)	108,100	79,069	40,016
Unsecured and unguaranteed borrowings	–	29,926	10,009
Total	<u>298,665</u>	<u>209,972</u>	<u>129,079</u>

As at 31 December 2023, 2024 and 2025, the borrowings bear effective interest rates with range of from 3.0% to 5.15%, 2.8% to 3.45%, and 1.95% to 2.6% per annum, respectively.

Notes:

(a) For the years ended 31 December 2023, 2024 and 2025, short-term bank borrowings of RMB69,045,000, RMB44,025,000 and RMB34,024,000, respectively, were pledged by property, plant and equipment, prepaid land use rights and investment properties.

(b) For the years ended 31 December 2023 and 2024, the Group obtained bank loans that are guaranteed by the Company and its subsidiaries and executive director, Mr. Wang Xuegen and Ms. Wang Chunying.

For the year ended 31 December 2025, the Group obtained bank loans that are solely guaranteed by the Company and its subsidiaries.

(c) For the years ended 31 December 2023 and 2024, short-term bank borrowings of RMB108,100,000 and RMB79,069,000 were pledged by property, plant and equipment, prepaid land use rights and investment properties and guaranteed by the Company and its subsidiaries and executive director, Mr. Wang Xuegen and Ms. Wang Chunying.

For the year ended 31 December 2025, short-term bank borrowings of RMB40,016,000 were pledged by property, plant and equipment, prepaid land use rights and investment properties and solely guaranteed by the Company and its subsidiaries.

(d) The carrying amount of the pledged assets was RMB291,483,000, RMB303,771,000, and RMB230,544,000, as at 31 December 2023, 2024 and 2025 respectively.

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The Group’s borrowings were repayable as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed as:			
– Within 1 year	298,665	209,972	129,079

During the Track Record Period, the Group did not violate any financial covenants under the borrowing agreements.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current			
Secured and unguaranteed borrowings (note a)	54,031	44,025	34,024
Unsecured and guaranteed borrowings (note b)	45,043	20,018	20,014
Unsecured and unguaranteed borrowings . . .	–	10,008	10,008
Total	99,074	74,051	64,046

Notes:

- (a) For the years ended December 31 2023, 2024 and 2025, the Company obtained bank loans that are secured by property, plant and equipment, prepaid land use rights and investment property. The carrying amount of the pledged asset was RMB36,001,000, RMB37,263,000, and RMB34,356,000 as at 31 December 2023, 2024 and 2025, respectively.
- (b) For the years ended 31 December 2023 and 2024, the Company obtained bank loans that are guaranteed by its subsidiaries and the executive director, Mr. Wang Xuegen and Ms. Wang Chunying.

For the year ended 31 December 2025, the Company obtained bank loans that are solely guaranteed by its subsidiaries.

The Company’s borrowings were repayable as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed as:			
– Within 1 year	99,074	74,051	64,046

31. SHARE CAPITAL

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Issued and fully paid:			
Share capital	116,395	152,045	152,045

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The changes in the Company’s authorised, issued and fully paid share capital are as follows:

	Number of shares	Share capital
	’000	RMB’000
Ordinary shares of RMB1 each		
As at 1 January 2023, 31 December 2023 and		
1 January 2024	116,395	116,395
Issue of shares	35,650	35,650
As at 31 December 2024, 1 January 2025 and		
31 December 2025	152,045	152,045

On 19 November 2024, the Company’s A shares were listed on the Beijing Stock Exchange under the stock code 920060. In connection with the A share listing, the Company issued an aggregate of 35,650,000 A shares at an offer price of RMB11.16 per share, raising net proceeds of RMB366,036,000.

32. RESERVES

The Group

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

The Company

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	154,802	8,417	79,239	242,458
Profit for the year	–	–	34,316	34,316
Appropriation of statutory reserve . .	–	3,432	(3,432)	–
As at 31 December 2023	154,802	11,849	110,123	276,774

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2024	154,802	11,849	110,123	276,774
Profit for the year	–	–	30,147	30,147
Issue of shares	316,262	–	–	316,262
Appropriation of statutory reserve . .	–	3,015	(3,015)	–
As at 31 December 2024	471,064	14,864	137,255	623,183

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2025	471,064	14,864	137,255	623,183
Profit for the year	–	–	22,599	22,599
Dividends declared (note 13).	–	–	(76,022)	(76,022)
Appropriation of statutory reserve . .	–	2,260	(2,260)	–
As at 31 December 2025	471,064	17,124	81,572	569,760

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33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank borrowings	Dividends payable	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 1 January 2023	322,835	–	322,835
Financing cash flows:			
– Proceeds from borrowings	410,404	–	410,404
– Repayment of borrowings	(433,500)	–	(433,500)
– Interest paid	(13,470)	–	(13,470)
Non-cash changes:			
– Interest accrued during the year	13,171	–	13,171
– Others	(775)	–	(775)
As at 31 December 2023 and 1 January 2024	<u>298,665</u>	<u>–</u>	<u>298,665</u>
Financing cash flows:			
– Proceeds from borrowings	246,780	–	246,780
– Repayment of borrowings	(335,380)	–	(335,380)
– Interest paid	(8,989)	–	(8,989)
Non-cash changes:			
– Interest accrued during the year	8,896	–	8,896
As at 31 December 2024 and 1 January 2025	<u>209,972</u>	<u>–</u>	<u>209,972</u>
Financing cash flows:			
– Proceeds from borrowings	238,000	–	238,000
– Repayment of borrowings	(318,780)	–	(318,780)
– Interest paid	(4,757)	–	(4,757)
– Dividend paid to owners of the Company	–	(76,022)	(76,022)
Non-cash changes:			
– Interest accrued during the period	4,644	–	4,644
– Dividends declared	–	76,022	76,022
As at 31 December 2025	<u>129,079</u>	<u>–</u>	<u>129,079</u>

34. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

Remuneration paid and payable for key management personnel includes the directors and the chief executives of the Group as disclosed in note 10.

Save as disclosed above, there was no material transactions or balances with related parties during the Track Record Period.

35. COMMITMENTS

At the end of each reporting period, commitments contracted but not provided for in the Historical Financial Information were as follows:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contracted, but not provided for			
– Property, plant and equipment	<u>2,672</u>	<u>3,693</u>	<u>66,193</u>

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36. CONTINGENT LIABILITIES

The Group are involved in a pending litigation in which the Group is the defendant in a claim alleging unauthorized use of certain software. The plaintiff seeks, among other remedies, damages of approximately RMB1.5 million. The Group disputes the allegations and has filed a defense. The proceedings are ongoing and no judgment has been rendered. Based on the information currently available and advice from legal advisers, the Group does not consider the litigation to be material and does not expect it to have any material adverse effect on the business, financial position or results of operations.

As at 31 December 2023, 2024 and 2025, the Group did not have any material contingent liabilities.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Track Record Period were as follows:

As at 31 December 2023

Financial assets

	Financial assets at FVTOCI	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	–	460,996	460,996
Financial assets included in prepayments, other receivables and other assets	–	1,153	1,153
Receivable financing	24,404	–	24,404
Cash and bank balances and restricted cash	–	183,703	183,703
Total	<u>24,404</u>	<u>645,852</u>	<u>670,256</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	458,743
Financial liabilities included in other payables and accruals	31,880
Borrowings	<u>298,665</u>
Total	<u>789,288</u>

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As at 31 December 2024

Financial assets

	Financial assets at FVTOCI	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	455,935	455,935
Financial assets included in prepayments, other receivables and other assets	–	1,103	1,103
Receivable financing	406	–	406
Cash and bank balances and restricted cash	–	531,347	531,347
Total	406	988,385	988,791

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	381,546
Financial liabilities included in other payables and accruals	22,041
Borrowings	209,972
Total	613,559

As at 31 December 2025

Financial assets

	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	–	471,728	471,728
Financial assets included in prepayments, other receivables and other assets	–	–	1,536	1,536
Structured deposits and certificate of deposit	172,066	–	–	172,066
Receivable financing	–	5,094	–	5,094
Cash and bank balances and restricted cash	–	–	291,747	291,747
Total	172,066	5,094	765,011	942,171

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Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	526,388
Financial liabilities included in other payables and accruals	81,406
Borrowings	129,079
Total	736,513

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	As at 31 December 2023	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTOCI				
Receivable financing.	24,404	–	24,404	–

	Fair value measurement using			
	As at 31 December 2024	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTOCI				
Receivable financing.	406	–	406	–

	Fair value measurement using			
	As at 31 December 2025	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Structured deposits.	30,301	–	30,301	–
Certificate of deposit	141,765	–	141,765	–
Financial assets at FVTOCI				
Receivable financing.	5,094	–	3,493	1,601
Total	177,160	–	175,559	1,601

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Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique.

Assets subject to Level 2 of structured deposits, certificate of deposit and bank acceptance bills are determined with reference to quoted value from banks and financial institutions based on expected return with reference to underlying investment as a key input.

Electronic debt certificates of trade receivables are categorised into Level 3 of the fair value hierarchy, which are based on that their fair values approximate the face values of the bills.

The Group mainly uses discounted cash flow model with inputted interest rate, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of the electronic debt certificates of trade receivables classified as Level 3 financial assets.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and bank balances and restricted cash, structured deposits and certificate of deposits and borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables, receivable financing, financial assets included in prepayments, other receivables and other assets, trade and bills payables, and financial liabilities included in other payables and accruals which arise directly from its operations.

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

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables and cash and bank balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entities to which the transactions relate. The foreign currencies giving rise to this risk is primarily USD.

Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of the Group’s subsidiaries. To ensure the currency risk exposure of the Group is kept to an acceptable level and seeks to minimise the gap between assets and liabilities in the same currency.

Sensitivity analysis

The following table details the Group’s sensitivity to a 10% increase and decrease in RMB against USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the end of each year for the Track Record Period for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit before income tax where RMB strengthen 10% against USD. For a 10% weakening of RMB against USD, there would be an equal and opposite impact on the profit before income tax and the amounts below would be positive.

	As at 31 December		
	2023	2024	2025
USD	(12,176)	(14,444)	(15,803)

Other change in foreign exchange rates have no significant impact on foreign currency risk.

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Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s short-term borrowings with a floating interest rate.

The following tables list out the interest rate profiles of the Group’s floating rate instruments as at 31 December 2023, 2024 and 2025:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Floating rate instruments			
– Borrowings	–	–	10,007

If interest rates of floating rate instruments had been 50 basis points higher/lower with all other variables held constant, profit before income tax would be lower/higher approximately RMB500,000 for the year ended 31 December 2025.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group’s exposure to credit risk mainly arises from the risk of default by counterparties. The maximum exposure to credit risk is equal to the carrying amounts of these instruments.

Cash and bank balances and restricted cash

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions. While cash and bank balances and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2023, 2024 and 2025.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade and bills receivables

To manage the risk arising from trade receivables, the Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group has applied the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for all trade receivables. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is assessed individually or based on provision matrix, as appropriate, and the expected loss rates are based on the common credit risk characteristics as well as the corresponding historical credit losses.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales and probability of default of counter parties on an ongoing basis throughout each year for the Track Record Period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (“GDP”) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

A default on trade receivables is when the counterparty fails to make contractual payments when they fall due. Trade receivables are written off when there is no reasonable expectation of recovery.

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On that basis, the ECL allowance as at 31 December 2023, 2024 and 2025 was determined as follows for trade receivables:

	Trade receivables		
	Gross carrying amount	ECL allowance	Expected loss rate
	RMB’000	RMB’000	%
As at 31 December 2023			
Assessed based on grouping.	443,978	14,758	3.32
Assessed individually.	7,501	7,501	100.00
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2024			
Assessed based on grouping.	457,088	14,450	3.16
Assessed individually.	7,272	7,272	100.00
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2025			
Assessed based on grouping.	473,048	14,949	3.16
Assessed individually.	7,272	7,272	100.00
	<u> </u>	<u> </u>	<u> </u>

Financial assets included in prepayments, other receivables and other assets

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. To assess whether there is a significant increase in credit risk in other receivables and other assets, the Group compares the risk of a default occurring on the financial assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Based on historical experiences and consideration of forward-looking information, other receivables from related parties were settled within 12 months after upon maturity hence the ECL is minimal.

For other receivables and other assets, the management of the Group makes individual assessment on the recoverability of other receivables and other assets based on historical settlement records, past experience, creditability of counterparties and also quantitative and qualitative information that is reasonable, supportive and forward-looking information that is available without undue cost or effort. The management of the Group assessed the credit risk in the Group’s outstanding balance of other receivables and other assets is immaterial.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings. The Group’s policy is that all the borrowings should be approved by the management of the group.

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The tables below summarise the maturity profile of the Group’s financial liabilities at the end of each year of Track Record Period based on contractual undiscounted payments:

As at 31 December 2023

	Less than 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Borrowings	304,734	–	–	304,734
Trade and bills payables	458,743	–	–	458,743
Financial liabilities included in other payables and accruals	31,880	–	–	31,880
	<u>795,357</u>	<u>–</u>	<u>–</u>	<u>795,357</u>

As at 31 December 2024

	Less than 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Borrowings	213,764	–	–	213,764
Trade and bills payables	381,546	–	–	381,546
Financial liabilities included in other payables and accruals	22,041	–	–	22,041
	<u>617,315</u>	<u>–</u>	<u>–</u>	<u>617,315</u>

As at 31 December 2025

	Less than 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Borrowings	131,224	–	–	131,224
Trade and bills payables	526,388	–	–	526,388
Financial liabilities included in other payables and accruals	81,046	–	–	81,046
	<u>738,658</u>	<u>–</u>	<u>–</u>	<u>738,658</u>

Price risk

The Group is exposed to price risk in respect of financial assets at FVTPL, which mainly include investments in structured deposits and certificate of deposit. The Group is not exposed to commodity price risk.

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group monitors capital using the liability-to-asset ratio, which is total liabilities divided by total assets. The liability-to-asset ratios as at the end of each of the Track Record Period were as follows:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total assets	1,380,004	1,678,344	1,851,212
Total liabilities.	828,173	651,290	775,132
Liability-to-asset ratio	60.01%	38.81%	41.87%

In order to achieve this overall objective, the Group’s capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately demand repayments of borrowings. There have been no breaches of the financial covenants of any borrowings during the Track Record Period.

40. EVENT AFTER THE END OF THE REPORTING PERIOD

The Group has no significant event subsequent to 31 December 2025.

III SUBSEQUENT FINANCIAL STATEMENTS

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