

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages [●] to [●], received from the Company’s reporting accountants, BDO 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 Joint Sponsors pursuant to the requirements of 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.

[Letterhead of BDO Limited]

**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS OF ALKAIDSEMI (SHANGHAI) TECHNOLOGIES CORPORATION*
瑤芯微(上海)電子科技股份有限公司 AND HUATAI FINANCIAL HOLDINGS (HONG KONG)
LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED**

INTRODUCTION

We report on the historical financial information of Alkaidsemi (Shanghai) Technologies Corporation* 瑤芯微(上海)電子科技股份有限公司 (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages [●] to [●], which comprises the consolidated statements of financial position as of December 31, 2023, 2024 and 2025 and the statements of financial position of the Company as of December 31, 2023, 2024 and 2025, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTOR’S 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 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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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’ judgment, 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as of December 31, 2023, 2024 and 2025, the Company’s financial position as of December 31, 2023, 2024 and 2025, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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

ADJUSTMENTS

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

DIVIDENDS

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

[BDO Limited]

Certified Public Accountants

[●]

Practising Certificate no. [●]

Hong Kong

[●]

* *For identification purpose only*

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the Underlying Financial Statements in accordance with the basis of preparation set out in Note 2 and principal accounting policies set out in Note 4.

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 AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
	Notes			
Revenue	7	432,734	383,166	541,473
Cost of sales		<u>(395,956)</u>	<u>(370,316)</u>	<u>(527,202)</u>
Gross profit		36,778	12,850	14,271
Other income and other gains or loss, net	8	7,580	11,049	2,020
Selling and distribution expenses		(30,504)	(30,536)	(34,650)
Research and development expenses		(68,475)	(59,175)	(72,121)
Administrative expenses		(46,059)	(49,365)	(49,130)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Reversal of impairment/(impairment loss) on financial assets, net	10	<u>(4,491)</u>	<u>1,536</u>	<u>(1,231)</u>
Loss from operations		(105,171)	(113,641)	(152,884)
Finance income	9	747	3,335	3,827
Finance costs	9	<u>(449)</u>	<u>(527)</u>	<u>(1,245)</u>
Finance costs, net		298	2,808	2,582
Changes in the carrying amount of redemption liabilities	31	<u>(46,535)</u>	<u>(73,098)</u>	<u>(56,579)</u>
Loss before income tax	10	(151,408)	(183,931)	(206,881)
Income tax (expense)/credit	11	<u>44</u>	<u>17</u>	<u>(4)</u>
Loss for the year		<u><u>(151,364)</u></u>	<u><u>(183,914)</u></u>	<u><u>(206,885)</u></u>

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		Year ended December 31,		
		2023	2024	2025
	Notes	RMB’000	RMB’000	RMB’000
Other comprehensive income				
Item that will not be reclassified to profit or loss:				
— Changes in fair value of financial assets at fair value through other comprehensive income (“FVOCI”), net of tax				
		<u>750</u>	<u>15,920</u>	<u>8,900</u>
Other comprehensive income for the year, net of tax				
		<u>750</u>	<u>15,920</u>	<u>8,900</u>
Total comprehensive income for the year				
		<u>(150,614)</u>	<u>(167,994)</u>	<u>(197,985)</u>
Loss for the year attributable to:				
Owners of the Company				
		<u>(151,364)</u>	<u>(183,914)</u>	<u>(206,885)</u>
		<u>(151,364)</u>	<u>(183,914)</u>	<u>(206,885)</u>
Total comprehensive income for the year attributable to:				
Owners of the Company				
		<u>(150,614)</u>	<u>(167,994)</u>	<u>(197,985)</u>
		<u>(150,614)</u>	<u>(167,994)</u>	<u>(197,985)</u>
Loss per share (RMB) attributable to owners of the Company				
Basic and diluted				
	13	<u>(11.4)</u>	<u>(13.5)</u>	<u>(14.3)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,		
		2023	2024	2025
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	17,342	18,981	15,542
Intangible assets	17	3,818	1,672	3,904
Right-of-use assets	18(a)	8,635	6,215	12,887
Equity instrument designated at FVOCI	19	2,750	18,670	27,570
Prepayments for property, plant and equipment	24	<u>2,088</u>	<u>1,077</u>	<u>2,787</u>
Total non-current assets		<u>34,633</u>	<u>46,615</u>	<u>62,690</u>
Current assets				
Inventories	21	165,660	188,630	178,999
Trade receivables	22	141,541	103,725	129,424
Bills receivables	23	14,634	78,255	88,644
Prepayments, deposits and other receivables	24	16,975	40,481	58,188
Tax recoverable		23	23	23
Cash and cash equivalents	25	<u>280,402</u>	<u>340,359</u>	<u>329,409</u>
Total current assets		<u>619,235</u>	<u>751,473</u>	<u>784,687</u>
Current liabilities				
Trade payables	26	69,251	102,177	194,819
Other payables and accruals	27	17,522	14,004	17,428
Contract liabilities	28	1,597	1,687	626
Borrowings	29	–	46,103	74,095
Lease liabilities	18(b)	4,705	4,073	4,022
Refund liabilities from right of return	30	8,991	9,464	10,026
Redemption liabilities	31	<u>691,764</u>	<u>914,862</u>	<u>–</u>
Total current liabilities		<u>793,830</u>	<u>1,092,370</u>	<u>301,016</u>
Net current (liabilities)/assets		<u>(174,595)</u>	<u>(340,897)</u>	<u>483,671</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(139,962)</u>	<u>(294,282)</u>	<u>546,361</u>

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		As of December 31,		
		2023	2024	2025
	Notes	RMB’000	RMB’000	RMB’000
Non-current liabilities				
Lease liabilities	18(b)	3,439	1,337	8,781
Deferred income	32	239	3,444	3,330
Deferred tax liabilities	20	<u>23</u>	<u>6</u>	<u>—</u>
Total non-current liabilities		<u>3,701</u>	<u>4,787</u>	<u>12,111</u>
Net (liabilities)/assets		<u>(143,663)</u>	<u>(299,069)</u>	<u>534,250</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	34	16,284	16,852	17,042
Reserves	35	<u>(159,947)</u>	<u>(315,921)</u>	<u>517,208</u>
TOTAL (DEFICIT)/EQUITY		<u>(143,663)</u>	<u>(299,069)</u>	<u>534,250</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As of December 31,		
		2023	2024	2025
	Notes	RMB’000	RMB’000	RMB’000
ASSETS AND LIABILITIES				
Non-current assets				
Investments in subsidiaries	16	3,000	3,000	4,000
Property, plant and equipment	15	13,660	16,468	14,269
Intangible assets	17	3,818	1,672	3,904
Right-of-use assets	18(a)	8,604	6,185	12,527
Equity instrument designated at FVOCI	19	2,750	18,670	27,570
Prepayments for property, plant and equipment	24	<u>2,088</u>	<u>1,077</u>	<u>2,659</u>
Total non-current assets		<u>33,920</u>	<u>47,072</u>	<u>64,929</u>
Current assets				
Inventories	21	165,660	188,630	178,999
Trade receivables	22	141,541	103,706	129,424
Bills receivables	23	14,634	78,255	88,644
Prepayments, deposits and other receivables	24	16,773	40,305	57,965
Cash and cash equivalents	25	<u>272,047</u>	<u>327,883</u>	<u>320,353</u>
Total current assets		<u>610,655</u>	<u>738,779</u>	<u>775,385</u>
Current liabilities				
Trade payables	26	69,251	102,177	194,819
Other payables and accruals	27	16,732	12,876	16,539
Amount due to a subsidiary	36	–	–	5,618
Contract liabilities	28	1,597	1,687	626
Borrowings	29	–	46,103	74,095
Lease liabilities	18(b)	4,705	4,073	3,913
Refund liabilities from right of return	30	8,991	9,464	10,026
Redemption liabilities	31	<u>691,764</u>	<u>914,862</u>	<u>–</u>
Total current liabilities		<u>793,040</u>	<u>1,091,242</u>	<u>305,636</u>
Net current (liabilities)/assets		<u>(182,385)</u>	<u>(352,463)</u>	<u>469,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(148,465)</u>	<u>(305,391)</u>	<u>534,678</u>

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		As of December 31,		
		2023	2024	2025
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current liabilities				
Lease liabilities	18(b)	3,439	1,337	8,574
Deferred income	32	<u>239</u>	<u>3,444</u>	<u>3,330</u>
Total non-current liabilities		<u>3,678</u>	<u>4,781</u>	<u>11,904</u>
Net (liabilities)/assets		<u>(152,143)</u>	<u>(310,172)</u>	<u>522,774</u>
EQUITY				
Share capital	34	16,284	16,852	17,042
Reserves	35	<u>(168,427)</u>	<u>(327,024)</u>	<u>505,732</u>
TOTAL (DEFICIT)/EQUITY		<u>(152,143)</u>	<u>(310,172)</u>	<u>522,774</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total deficit
	Share capital	Share premium*	Capital reserve*	FVOCI reserve*	Other reserve*	Accumulated losses*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 34)	(Note 35(a))	(Note 35(b))	(Note 35(c))	(Note 35(d))	(Note 35(e))	
Balance at January 1, 2023	4,867	359,133	184,276	–	(351,000)	(211,134)	(13,858)
Loss for the year	–	–	–	–	–	(151,364)	(151,364)
Changes in fair value of financial assets of FVOCI, net of tax	–	–	–	750	–	–	750
Total comprehensive income for the year	–	–	–	750	–	(151,364)	(150,614)
Equity-settled shared-based transactions (Note 33)	–	–	20,809	–	–	–	20,809
Capital injection from shareholders (Note 34)	1,284	265,716	–	–	–	–	267,000
Transfer of share premium (Note 34)	10,133	(10,133)	–	–	–	–	–
Recognition of redemption liabilities (Note 31)	–	–	–	–	(267,000)	–	(267,000)
Balance at December 31, 2023 and January 1, 2024	<u>16,284</u>	<u>614,716</u>	<u>205,085</u>	<u>750</u>	<u>(618,000)</u>	<u>(362,498)</u>	<u>(143,663)</u>

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	Attributable to owners of the Company						Total
	Share capital RMB'000 (Note 34)	Share premium* RMB'000 (Note 35(a))	Capital reserve* RMB'000 (Note 35(b))	FVOCI reserve* RMB'000 (Note 35(c))	Other reserve* RMB'000 (Note 35(d))	Accumulated losses* RMB'000 (Note 35(e))	(deficit)/ equity RMB'000
Balance at January 1, 2024	16,284	614,716	205,085	750	(618,000)	(362,498)	(143,663)
Loss for the year	–	–	–	–	–	(183,914)	(183,914)
Changes in fair value of financial assets of FVOCI, net of tax	–	–	–	15,920	–	–	15,920
Total comprehensive income for the year	–	–	–	15,920	–	(183,914)	(167,994)
Equity-settled shared-based transactions (Note 33)	–	–	12,588	–	–	–	12,588
Capital injection from shareholders (Note 34)	568	149,432	–	–	–	–	150,000
Recognition of redemption liabilities (Note 31)	–	–	–	–	(150,000)	–	(150,000)
Balance at December 31, 2024 and January 1, 2025	16,852	764,148	217,673	16,670	(768,000)	(546,412)	(299,069)
Loss for the year	–	–	–	–	–	(206,885)	(206,885)
Changes in fair value of financial assets of FVOCI, net of tax	–	–	–	8,900	–	–	8,900
Total comprehensive income for the year	–	–	–	8,900	–	(206,885)	(197,985)
Equity-settled shared-based transactions (Note 33)	–	–	9,863	–	–	–	9,863
Issue of ordinary shares (Note 34)	190	49,810	–	–	–	–	50,000
Derecognition of redemption liabilities (Note 31)	–	–	–	–	971,441	–	971,441
Balance at December 31, 2025	<u>17,042</u>	<u>813,958</u>	<u>227,536</u>	<u>25,570</u>	<u>203,441</u>	<u>(753,297)</u>	<u>534,250</u>

* These reserve accounts comprise the consolidated reserves as of December 31, 2023 and 2024, and 2025 in the consolidated statements of financial position.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from operating activities				
Loss before income tax		(151,408)	(183,931)	(206,881)
Adjustments for:				
Depreciation on property, plant and equipment	15	4,255	5,601	6,880
Amortization of intangible assets	17	2,460	2,615	1,719
Depreciation on right-of-use assets	18(a)	5,250	5,428	5,113
Net gain on lease termination		–	–	(376)
Gain on disposal of property, plant and equipment		–	(73)	(63)
(Reversal of impairment loss) on financial assets/impairment loss		4,491	(1,536)	1,231
Provision for/(reversal of) impairment of obsolete inventories		26,089	(5,454)	32,641
Bank interest income	8	(2,298)	(963)	(1,229)
Change in fair value of financial assets at fair value through profits or loss (“FVTPL”)	9	(747)	(3,335)	(3,827)
Finance costs	9	449	527	1,245
Changes in the carrying amount of redemption liabilities	31	46,535	73,098	56,579
Equity-settled share-based payment		<u>20,809</u>	<u>12,588</u>	<u>9,863</u>
Operating loss before working capital changes		(44,115)	(95,435)	(97,105)
Increase in inventories		(71,644)	(17,515)	(23,010)
(Increase)/decrease in trade receivables		(86,778)	39,349	(26,860)
Increase in prepayments, deposits and other receivables		(3,411)	(22,493)	(19,486)
Increase/(decrease) in trade payables		(52,183)	32,926	92,642
Increase/(decrease) in other payables and accruals		891	(3,518)	3,424
Increase in bill receivables		(107)	(63,621)	(10,389)
Increase in refund liabilities from right of return		6,920	473	562
Increase/(decrease) in deferred income		239	3,205	(114)
Increase/(decrease) in contract liabilities		<u>(3,051)</u>	<u>90</u>	<u>(1,061)</u>
Cash used in operations		(253,239)	(126,539)	(81,397)
Interest received	8	2,298	963	1,229
Income tax (paid)/refund		<u>27</u>	<u>–</u>	<u>(11)</u>
Net cash used in operating activities		<u>(250,914)</u>	<u>(125,576)</u>	<u>(80,179)</u>

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		Year ended December 31,		
		2023	2024	2025
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Purchase of property, plant and equipment	15	(13,133)	(7,347)	(3,602)
Purchase of intangible assets	17	(1,238)	(469)	(3,951)
Proceeds on disposal of financial assets at financial assets at FVTPL		520,747	908,335	678,947
Purchase of financial assets at FVTPL		(520,000)	(905,000)	(675,120)
Proceeds on disposal of property, plant and equipment.		–	180	224
Purchase of financial asset at FVOCI		<u>(2,000)</u>	<u>–</u>	<u>–</u>
Net cash used in investing activities		<u><u>(15,624)</u></u>	<u><u>(4,301)</u></u>	<u><u>(3,502)</u></u>
Cash flows from financing activities	37			
Proceeds from issues of shares with redemption rights		267,000	150,000	–
Issue of share capital		–	–	50,000
Proceeds from borrowings		–	46,103	74,095
Repayment of borrowings		–	–	(46,103)
Repayment of lease liabilities		(5,234)	(5,742)	(4,016)
Interest paid	9	<u>(449)</u>	<u>(527)</u>	<u>(1,245)</u>
Net cash generated from financing activities		<u><u>261,317</u></u>	<u><u>189,834</u></u>	<u><u>72,731</u></u>
Net increase/(decrease) in cash and cash equivalents		(5,221)	59,957	(10,950)
Cash and cash equivalents at the beginning of the year		<u>285,623</u>	<u>280,402</u>	<u>340,359</u>
Cash and cash equivalents at the end of the year		<u><u>280,402</u></u>	<u><u>340,359</u></u>	<u><u>329,409</u></u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the People’s Republic of China (the “PRC”) on August 26, 2019. The registered office address and principal place of business of the Company is located at No. 11, Lane 999, Dangui Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC. The ultimate controlling party is Dr. Guo Liangliang.

During the Track Record Period, the Group, are principally engaged in design, research and development and trading of various types of semiconductor products.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiaries	Note	Date and place of incorporation/ establishment	Place of operation	Issued/paid up capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Xian Alkaidsemi Technology Co., Ltd.* 西安瑤芯微電子科技有限公司	I	2020–11–16, the PRC	The PRC	RMB1,000,000	100.00%	–	Integrated circuit chip design and services in PRC
Alkaid Semiconductor (Huzhou) Co., Ltd.* 瑤芯半導體(湖州)有限公司	I	2020–07–29, the PRC	The PRC	RMB3,000,000	100.00%	–	Integrated circuit design and sale of semiconductor discrete devices in PRC

- (1) All companies comprising the Group have adopted December 31 as their financial year-end date.

The financial statements of these entities for the year ended December 31, 2023 prepared in accordance with PRC Generally Accepted Accounting Principles was audited by Shanghai Huarui Certified Public Accountants Co., Ltd.

The financial statements of these entities for the year ended December 31, 2024 prepared in accordance with PRC Generally Accepted Accounting Principles was audited by Zhonghua Certified Public Accountants LLP.

The financial statements of these entities for the year ended December 31, 2025 prepared in accordance with PRC Generally Accepted Accounting Principles will be audited by Zhonghua Certified Public Accountants LLP.

- * The English translation of terms or names in Chinese which are marked with “*” is for identification purposes only. In the event of any inconsistency, the Chinese terms or names shall prevail.

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2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 with conform with IFRS Accounting Standards, which includes, all standards and interpretations approved by the International Accounting Standards Board. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

For the purpose of preparing the Historical Financial Information, all relevant standards, amendments and interpretations to the IFRS Accounting Standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period, unless otherwise stated.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 below.

2.2 Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis, except for revaluation of certain financial assets at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

2.3 Functional and presentation currency

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company.

3. NEW OR REVISED IFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new or revised IFRS Accounting standards, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²

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

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

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IFRS Accounting standards

The Group considers that these new or revised IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes.

The application of IFRS 18 is not expected to have a material impact on the financial position and performance of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The new requirements are expected to impact the Group’s presentation of the statement of profit or loss and disclosures of the Group’s financial performance.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) comprising the Group for the Track Record Period.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group transactions, balances and unrealized gains on transactions have been eliminated in full on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Group.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee; (ii) exposure, or rights, to variable returns from the investee; and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company’s statements of financial position, an investment in a subsidiary is stated at cost less impairment loss, if any.

4.3 Revenue and other income recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Contracts for the sales of goods may provide customers with rights of return and the rights of return give rise to variable consideration. For contracts which provide a customer with the right to return the goods within a specified period, the Group uses its accumulated historical experience to estimate the sales return using the expected value method because this method best predicts the amount of variable consideration to which the Group will be entitled. Revenue is recognized for sales which are considered highly probable that a significant reversal in the cumulative revenue recognized will not occur. The requirement of IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. Returned inventory assets (and the corresponding adjustment to cost of sales) is also recognized for the right to recover goods from a customer.

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

(i) Sales of goods

Revenue is recognized when the Group transfers the control over the chip products to customers (i.e. goods accepted by customers) or satisfies the performance obligation in the contract.

(ii) Contract liabilities

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

(iii) Government grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants related to assets shall be recognized as deferred income in the consolidated statements of financial position and recorded in other income and other gains or losses, net in a reasonable and systematic manner within the service life of the relevant assets. Government grants related to income, those to be used as compensation for future expenses or losses shall be recognized as deferred income and shall be recorded in other income in the period in which the relevant expenses or losses are recognized; other government grants shall be recorded in other income and other gains or losses, net directly.

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4.4 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 4.8). The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognized as an expense in profit or loss in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

Special equipment	3–6 years
Motor vehicles	3–4 years
Furniture, fixtures and office equipment	3 years
Computer and electronic equipment	3–5 years
Leasehold improvements	short of useful lives or lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

4.5 Intangible assets and research and development expenses

(i) *Intangible assets*

Intangible assets acquired separately are initially recognized at cost. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses (see Note 4.8). Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses (see Note 4.8).

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

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

Patents	10 years
Software	1–5 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(ii) *Research and development expenses*

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized as intangible assets only if the expenditure can meet the following recognition requirements:

- (a) demonstration of technical feasibilities of the prospective product internal use or sale;
- (b) sufficient technical, financial and other resources are available for completion;
- (c) there is intention to complete the intangible asset and use or sell it;

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- (d) the Group’s ability to use or sell the intangible asset is demonstrated;
- (e) the intangible asset will generate probable economic benefits through internal use or sale; and
- (f) the expenditure attributable to the intangible asset can be reliably measured.

Otherwise, it is recognized in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Capitalized development expenditure is amortized over the periods the Group expects to benefit from using or selling the products developed.

4.6 Leases

All leases are required to be capitalized in the consolidated statements of financial position/statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalize leases which are short-term leases. The Group has elected not to recognize right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(i) *Accounting as a lessee*

Right-of-use asset

The right-of-use asset is recognized at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognized at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the lessee’s incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

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4.7 Inventories

Inventories are assets which are held for sale in the ordinary course of business, in process of production for such sale or in the form of material or supplies to be consumed in the production process or in the provision of services.

Inventories are carried at the lower of cost and net realizable value as follows:

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

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

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4.8 Impairment of assets (other than financial assets)

At the end of reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment;
- Right-of-use assets;
- Intangible assets;
- Investment in subsidiaries; and
- Prepayments for property, plant and equipment.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. Cash Generating Unit (“CGU”)). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. In respect of assets other than goodwill, reversal of an impairment loss is recognized in profit or loss immediately. An impairment loss in respect of goodwill is not reversed.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 4.10(ii)).

4.10 Financial instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss (“FVTPL”) are recognized immediately in profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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(b) *Equity investment*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investment at FVOCI is measured at fair value. Dividend incomes are recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. All other equity investments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

(ii) *Impairment loss on financial assets*

The Group recognizes loss allowances for expected credit loss (“ECL”) on trade receivables, debt instruments at FVOCI and financial assets measured at amortized cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after each reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix with appropriate groupings or individually assessed for credit impaired debtors. Provision matrix are based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at each reporting date, including time value of money where appropriate.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realizing security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- a breach of contract, such as a default or past due event.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in “FVOCI reserve”.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortized cost are initially measured at fair value, net of directly attributable costs incurred.

(a) Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade payables, other payables and accruals, and refund liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

(b) Borrowings

Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after each reporting period.

(c) Redemption liabilities

A contract that contains an obligation to repurchase the Company’s own equity instruments for cash gives rise to a financial liability for the present value of the redemption amount, even if the Company’s obligations to purchase is conditional on the counterparty exercising a right to redeem. The Company undertakes such redemption obligations as certain preferred rights are granted to the investors in the Company’s financing process, such redemption liabilities is initially measured at the present value of the redemption amount and subsequently measured at amortized cost with interest expense being included in change in the carrying amounts of redemption liabilities.

The Group derecognizes redemption liabilities when, and only when, the redemption obligations are discharged, cancelled or expired. The carrying amount of the redemption liabilities derecognized is then credited into equity.

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(iv) *Effective interest method*

Effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognizes a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.11 Foreign currency translation

Transactions entered into by the group entities in currencies other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

4.12 Income tax

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognized in profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity in which case the taxes are also recognized in other comprehensive income or when they relate to items recognized directly in equity in which case the taxes are also recognized directly in equity.

4.13 Employee benefits

(i) *Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the “**Scheme**”), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(ii) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of each annual reporting period in which the employees render the related service. Short-term employee benefits are recognized in the period when the employees render the related service.

(iii) *Housing funds, medical insurances and other social insurances*

The 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 period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iv) *Termination benefits*

Termination benefits are recognized on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

(v) *Share-based payments*

Shareholders of the Company provides share-based compensation benefits to employees via its restricted share incentive schemes. Information relating to the schemes is set out in Note 33.

Employees (including directors) of the Group receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the restricted shares and share options at the grant date. The fair value of restricted shares granted is recognized as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the restricted shares model, taking into account the terms and conditions upon which the restricted shares were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of restricted shares, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of restricted shares that will ultimately vest.

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Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total estimated fair value of the restricted shares is expensed over the vesting period, taking into account the probability that the restricted shares will vest. During the vesting period, the number of restricted shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve.

On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of equity-settled share-based payments award that vest with a corresponding adjustment to the capital reserve.

4.14 Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgments and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

(i) Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at cost less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes and deferred taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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The Group would recognize deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management’s judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognized in respect of these accumulated tax losses and other deductible temporary differences based on the fact that the future taxable profits would be uncertain.

(iii) Fair value measurement of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group engaged independent valuer to determine the inputs used in the fair value measurements. For details of the key assumptions used and the impact of changes to these assumptions, see Note 43.

(iv) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Special consideration is given to estimate the selling price of those technically obsolete and/or slow-moving inventory items.

Management reassesses these estimations at the end of each reporting period to ensure inventory is measured at the lower of cost and net realizable value.

(v) Provision of ECL for financial assets at amortized cost

The Group calculates ECL for trade receivables under IFRS 9. The provision rates are based on the Group’s historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Details of the key assumptions and inputs used are set out in Note 42(a). Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

6. SEGMENT REPORTING

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group’s chief operating decision maker for the purpose of resources allocation and performance assessment. The internal financial reports primarily focus on the sales performance of chip products. No additional discrete financial information is provided beyond the consolidated results and overall financial position of the Group. Accordingly, disclosures are limited to entity-wide information, including major customers and geographic information.

(i) Geographical information

The following table sets out information about the geographical location of the Group’s revenue from external customers. All of its non-current assets and capital expenditure were located/incurred in PRC. The geographical location of customers is based on the location at which the goods were sold were provided.

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The PRC	432,734	383,162	541,464
Overseas	—	4	9
	<u>432,734</u>	<u>383,166</u>	<u>541,473</u>

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(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue for each reporting period during the Track Record Period is set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer I	50,357	N/A*	N/A*
Customer J	68,584	N/A*	N/A*
Customer E	N/A*	44,308	N/A*
Customer B	N/A*	N/A*	113,246

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

7. REVENUE

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

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers within the scope of IFRS 15:			
Disaggregated by major products lines			
Power devices			
— Si power devices	368,737	262,108	335,074
— SiC power devices	<u>15,254</u>	<u>21,231</u>	<u>117,735</u>
	<u>383,991</u>	<u>283,339</u>	<u>452,809</u>
Audio ICs			
— MEMS	48,454	98,168	87,230
— Signal chain ICs	<u>289</u>	<u>1,659</u>	<u>1,434</u>
	<u>48,743</u>	<u>99,827</u>	<u>88,664</u>
Total	<u><u>432,734</u></u>	<u><u>383,166</u></u>	<u><u>541,473</u></u>
	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Timing of revenue recognition under IFRS 15			
At a point in time	<u>432,734</u>	<u>383,166</u>	<u>541,473</u>
	<u><u>432,734</u></u>	<u><u>383,166</u></u>	<u><u>541,473</u></u>

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for chip products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of chip products that had an original expected duration of one year or less.

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The following table provides information about trade receivables and contract liabilities from contracts with customers.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables (<i>Note 22</i>)	141,541	103,725	129,424
Contract liabilities (<i>Note 28</i>)	<u>1,597</u>	<u>1,687</u>	<u>626</u>

8. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank interest income	2,298	963	1,229
Government grants (<i>Note (a)</i>)	5,209	9,669	201
Net gain on lease termination	–	–	376
Gain on disposal of property, plant and equipment	–	73	63
Net foreign exchange gain/(loss)	(19)	13	1
Others	<u>92</u>	<u>331</u>	<u>150</u>
	<u>7,580</u>	<u>11,049</u>	<u>2,020</u>

Note:

- (a) Government grants represented the financial support received from local government as an incentive for business development, subsidies received from the government for the encouragement of research and development projects and there are no unfulfilled conditions attached to the government grants.

9. FINANCE INCOME/(COSTS), NET

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finance income:			
Change in fair value of financial assets at FVTPL	747	3,335	3,827
Finance costs:			
Discounting of acceptance bills	–	(229)	(926)
Interest expense on lease liabilities	<u>(449)</u>	<u>(298)</u>	<u>(319)</u>
	<u>(449)</u>	<u>(527)</u>	<u>(1,245)</u>
	<u>298</u>	<u>2,808</u>	<u>2,582</u>

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10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Auditors’ remuneration	516	661	140
Depreciation of property, plant and equipment (<i>Note 15</i>)	4,255	5,601	6,880
Amortization of intangible assets (<i>Note 17</i>)	2,460	2,615	1,719
Depreciation of right-of-use assets (<i>Note 18(a)</i>)	5,250	5,428	5,113
Cost of inventories sold included in cost of sales (<i>Note 21</i>)	366,862	351,864	483,505
Provision/reversal of impairment of obsolete inventories, net, included in cost of sales	26,089	(5,454)	32,641
Professional fee	3,049	1,211	3,171
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Short-term lease expenses	1,115	21	66
Employee costs (including directors’ emoluments (<i>Note 14</i>)):			
— Salaries, wages and other benefits	56,640	66,978	70,937
— Equity-settled share-based payment (<i>Note 33</i>)	20,809	12,588	9,863
— Contributions to defined contribution retirement plan	4,687	6,137	6,650
	<u>82,136</u>	<u>85,703</u>	<u>87,450</u>
(Reversal of impairment)/impairment loss on financial assets, net (<i>Note 42(a)</i>):			
— Trade receivables	4,501	(1,533)	1,162
— Deposits and other receivables	(10)	(3)	69
	<u>4,491</u>	<u>(1,536)</u>	<u>1,231</u>

11. INCOME TAX (EXPENSE)/CREDIT

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax in respect of prior periods	27	—	(10)
Deferred tax (<i>Note 20</i>)	<u>17</u>	<u>17</u>	<u>6</u>
	<u>44</u>	<u>17</u>	<u>(4)</u>

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

PRC corporate income tax

The Company’s subsidiaries established and operated in the PRC are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (“EIT Law”). Pursuant to the EIT Law, the Company’s subsidiaries established in the PRC are generally subject to EIT at the statutory rate of 25% during the Track Record Period, except for: (a) the Company which is registered as a High and New-Tech enterprises pursuant to the PRC tax resolutions and entitled to a preferential tax rate of 15%; (b) certain subsidiaries obtain the tax deduction in accordance with income tax preferential policy for small and micro enterprises and individual business, pursuant to the PRC tax regulations and entitled to a preferential tax rate of 20% for the years ended December 31, 2023, 2024 and 2025.

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The income tax expense/(credit) for the Track Record Period can be reconciled to the loss before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss before income tax	(151,408)	(183,931)	(206,881)
Tax calculated at applicable tax rate of 15%	(22,711)	(27,590)	(31,032)
Effect of different tax rates applicable to subsidiaries	804	424	254
Effect of adjustment to income tax of prior periods	(27)	–	10
Effect of expenses that are not deductible for tax purposes	7,235	11,269	8,136
Effect of deductible temporary differences or deductible losses unrecognized in the current period	8,098	4,341	6,680
Preferential tax deduction for research and development expenses	(8,517)	(7,933)	(10,509)
Unutilized losses for the current year that are carried forward to subsequent periods	15,179	19,523	26,463
Others	(17)	(17)	(6)
Income tax expense/(credit)	<u>44</u>	<u>17</u>	<u>(4)</u>

12. DIVIDENDS

No dividend has been paid or declared by the Company during the Track Record Period.

13. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share during the Track Record Period is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss attributable to the owners of the Company	(151,364)	(183,914)	(206,885)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	13,326	13,595	14,504
Basic loss per share (RMB per share)	<u>(11.4)</u>	<u>(13.5)</u>	<u>(14.3)</u>

The weighted average number of ordinary shares for the purpose of calculation of basic loss per share has been determined on the assumption that the conversion to a joint stock company as set out in Note 34 has been effective on January 1, 2023.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended December 31, 2023, 2024 and 2025, the computation of diluted loss per share does not assume the conversion or exercise of the ordinary shares with redemption rights (Note 31), restricted shares and share options (Note 33) as their assumed exercise would result in a decrease in loss per share, therefore, the diluted loss per share is the same as basic loss per share.

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14. DIRECTORS’ EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors’ emoluments

Details of directors’ remuneration during the Track Record Period are as follows:

	Directors’ Fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Discretionary bonuses RMB’000	Retirement Scheme contributions RMB’000	Equity-settled share-based payments RMB’000	Total RMB’000
Year ended December 31, 2023						
<i>Executive directors</i>						
Dr. Guo Liangliang	–	982	188	68	–	1,238
Mr. Wang Qingsong (Note (iii))	–	742	78	68	–	888
Mr. Lu Xiaobao	–	–	–	–	–	–
	<u>–</u>	<u>1,724</u>	<u>266</u>	<u>136</u>	<u>–</u>	<u>2,126</u>
<i>Supervisor</i>						
Ms. Ma Lingyun (Note (ii))	–	262	56	39	136	493
	<u>–</u>	<u>262</u>	<u>56</u>	<u>39</u>	<u>136</u>	<u>493</u>
Year ended December 31, 2024						
<i>Executive directors</i>						
Dr. Guo Liangliang	–	982	140	71	–	1,193
Mr. Wang Qingsong (Note (iii))	–	618	46	58	–	722
Mr. Li Xin (Note (i))	–	230	36	18	–	284
Mr. Li Weigang (Note (iv))	–	231	18	18	–	267
Mr. Chen Kaiyu (Note (v))	–	269	21	18	–	308
Mr. Lu Xiaobao	–	–	–	–	–	–
	<u>–</u>	<u>2,330</u>	<u>261</u>	<u>183</u>	<u>–</u>	<u>2,774</u>
<i>Supervisors</i>						
Ms. Ma Lingyun (Note (ii))	–	242	28	47	–	317
Mr. Li Jia (Note (vi))	–	194	25	18	–	237
Mr. Wang Yiming (Note (vii))	–	178	31	11	145	365
Mr. Xu Tao (Note (viii))	–	128	24	18	49	219
	<u>–</u>	<u>742</u>	<u>108</u>	<u>94</u>	<u>194</u>	<u>1,138</u>

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	Directors’ Fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Discretionary bonuses RMB’000	Retirement Scheme contributions RMB’000	Equity-settled share-based payments RMB’000	Total RMB’000
Year ended December 31, 2025						
<i>Executive directors</i>						
Dr. Guo Liangliang	–	982	453	71	–	1,506
Mr. Li Xin (<i>Note (i)</i>)	–	922	564	71	–	1,557
Mr. Li Weigang (<i>Note (iv)</i>)	–	925	585	71	–	1,581
Mr. Chen Kaiyu (<i>Note (v)</i>)	–	1,079	219	71	–	1,369
Mr. Lu Xiaobao	–	–	–	–	–	–
Mr. Wang Yiming (<i>Note (vii)</i>)	–	280	34	15	125	454
	<u>–</u>	<u>4,188</u>	<u>1,855</u>	<u>299</u>	<u>125</u>	<u>6,467</u>
<i>Independent non-executive directors</i>						
Mr. Han Jun (<i>Note (ix)</i>)	–	–	–	–	–	–
Ms. Wu Minyan (<i>Note (x)</i>)	–	–	–	–	–	–
Mr. Li Hui (<i>Note (xi)</i>)	–	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Supervisors</i>						
Mr. Li Jia (<i>Note (vi)</i>)	–	578	109	53	–	740
Mr. Wang Yiming (<i>Note (vii)</i>)	–	609	109	33	358	1,109
Mr. Xu Tao (<i>Note (viii)</i>)	–	416	117	53	110	696
	<u>–</u>	<u>1,603</u>	<u>335</u>	<u>139</u>	<u>468</u>	<u>2,545</u>

Notes:

- (i) Mr. Li Xin was appointed as an executive director of the Company on October 29, 2024.
- (ii) Ms. Ma Lingyun resigned as a supervisor of the Company on October 29, 2024.
- (iii) Mr. Wang Qingsong resigned as an executive director of the Company on October 29, 2024.
- (iv) Mr. Li Weigang was appointed as an executive director of the Company on October 29, 2024.
- (v) Mr. Chen Kaiyu was appointed as an executive director of the Company on October 29, 2024.
- (vi) Mr. Li Jia was appointed as a supervisor of the Company on October 29, 2024.
- (vii) Mr. Wang Yiming was appointed as a supervisor of the Company on October 29, 2024 and was appointed as an executive director of the Company on September 10, 2025.
- (viii) Mr. Xu Tao was appointed as a supervisor of the Company on October 29, 2024.
- (ix) Mr. Han Jun was appointed as an independent non-executive director of the Company on September 10, 2025.
- (x) Mr. Wu Minyan was appointed as an independent non-executive director of the Company on September 10, 2025.
- (xi) Mr. Li Hui was appointed as an independent non-executive director of the Company on September 10, 2025.

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(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, included of nil, nil and 1 director of the Group for the years ended December 31, 2023, 2024 and 2025, whose emoluments are disclosed above. The emoluments of the remaining 5, 5 and 4 individuals for each of the years ended December 31, 2023, 2024 and 2025 respectively, whose emoluments are analyzed below:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries	3,399	3,632	3,566
Allowances and benefits in kind	375	347	291
Discretionary bonuses	1,097	1,309	1,148
Retirement Scheme contributions	340	325	279
Equity-settled share-based payments	12,084	5,840	4,351
	<u>17,295</u>	<u>11,453</u>	<u>9,635</u>

The number of the highest paid non-director individuals fell within the following emolument bands:

	Year ended December 31,		
	2023	2024	2025
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
Nil to HK\$1,000,000	–	–	–
HK\$1,000,001–HK\$1,500,000	–	–	–
HK\$1,500,001–HK\$2,000,000	–	2	1
HK\$2,000,001–HK\$2,500,000	1	1	1
HK\$2,500,001–HK\$3,000,000	1	–	1
HK\$3,000,001–HK\$3,500,000	1	2	–
HK\$3,500,001–HK\$4,000,000	–	–	1
HK\$4,000,001–HK\$4,500,000	1	–	–
HK\$4,500,001–HK\$5,000,000	–	–	–
HK\$5,000,001–HK\$5,500,000	1	–	–
Over HK\$5,500,001	–	–	–
	<u>5</u>	<u>5</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the Track Record Period.

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15. PROPERTY, PLANT AND EQUIPMENT

<i>The Group</i>	Special equipment <i>RMB’000</i>	Motor vehicles <i>RMB’000</i>	Furniture, fixture and office equipment <i>RMB’000</i>	Computer and electronic equipment <i>RMB’000</i>	Leasehold improvements <i>RMB’000</i>	Total <i>RMB’000</i>
Cost						
At January 1, 2023	7,287	1,111	23	471	1,373	10,265
Additions	<u>6,649</u>	<u>537</u>	<u>21</u>	<u>1,268</u>	<u>4,658</u>	<u>13,133</u>
At December 31, 2023 and January 1, 2024	13,936	1,648	44	1,739	6,031	23,398
Additions	5,531	1,102	–	430	284	7,347
Disposals	<u>–</u>	<u>(373)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(373)</u>
At December 31, 2024 and January 1, 2025	19,467	2,377	44	2,169	6,315	30,372
Additions	1,908	408	–	715	571	3,602
Disposals	<u>–</u>	<u>(378)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(378)</u>
At December 31, 2025	<u>21,375</u>	<u>2,407</u>	<u>44</u>	<u>2,884</u>	<u>6,886</u>	<u>33,596</u>
Accumulated depreciation						
At January 1, 2023	1,254	311	8	43	185	1,801
Charge for the year	<u>1,789</u>	<u>330</u>	<u>11</u>	<u>258</u>	<u>1,867</u>	<u>4,255</u>
At December 31, 2023 and January 1, 2024	3,043	641	19	301	2,052	6,056
Charge for the year	3,009	467	12	515	1,598	5,601
Disposals	<u>–</u>	<u>(266)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(266)</u>
At December 31, 2024 and January 1, 2025	6,052	842	31	816	3,650	11,391
Charge for the year	3,879	549	8	678	1,766	6,880
Disposal	<u>–</u>	<u>(217)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(217)</u>
At December 31, 2025	<u>9,931</u>	<u>1,174</u>	<u>39</u>	<u>1,494</u>	<u>5,416</u>	<u>18,054</u>
Net carrying amount						
At December 31, 2023	<u>10,893</u>	<u>1,007</u>	<u>25</u>	<u>1,438</u>	<u>3,979</u>	<u>17,342</u>
At December 31, 2024	<u>13,415</u>	<u>1,535</u>	<u>13</u>	<u>1,353</u>	<u>2,665</u>	<u>18,981</u>
At December 31, 2025	<u>11,444</u>	<u>1,233</u>	<u>5</u>	<u>1,390</u>	<u>1,470</u>	<u>15,542</u>

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There is impairment indication for the non-financial assets of the Group at the end of each reporting period during the Track Record Period resulting from the unfavourable operating performance of the Group during the Track Record Period. Therefore, the management has performed impairment assessment for the non-financial assets, which mainly consist of property, plant and equipment (“**PPE**”), right-of-use (“**ROU**”) assets and intangible assets.

The recoverable amounts of these assets were determined based on fair value less costs of disposal (“**FVLCD**”). The Group adopted market approach and depreciated replacement cost (“**DRC**”) approach to assess the fair value of PPE. For the PPE assets with available market quotes as at December 31, 2023, 2024 and 2025, FVLCD was based on market approach which referenced the comparable market quotes adjusted by their functional and economic obsolescence as at December 31, 2023, 2024 and 2025. For the PPE assets without available market prices as at December 31, 2023, 2024 and 2025, DRC referenced their original acquisition costs with adjustments on their remaining use life. This approach assumes that the value of an asset is equivalent to the cost of acquiring or constructing a new asset of similar utility.

The Group assess the lessee’s incremental borrowing rates (“**LIBRs**”) of the leases and fair value of the ROU assets as at December 31, 2023, 2024 and 2025. The Group estimated the LIBRs based on four variables, being (i) reference rate, (ii) credit spread, (iii) secured yield adjustment, and (iv) illiquidity premium.

The Group adopted market approach and DRC approach to assess the fair value of intangible assets. For the intangible assets with available market quotes as at December 31, 2023, 2024 and 2025, DRC was based on market approach which referenced the comparable market quotes with adjustments on their remaining use life. For the intangible assets without available market prices as at December 31, 2023, 2024 and 2025, DRC referenced their original acquisition costs with adjustments on their remaining use life.

Based on the result of the assessment, the recoverable amounts of non-financial assets exceed the respective carrying amounts of non-financial assets as at December 31, 2023 and no impairment loss has been provided for the non-financial assets of the Group for the year ended December 31, 2023. As at December 31, 2024 and 2025, the recoverable amounts of non-financial assets slightly lower than the carrying amounts of non-financial assets and thus as the impact has considered immaterial impairment loss has not been provided for the non-financial assets of the Group for the year ended December 31, 2024 and 2025.

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<i>The Company</i>	Special equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixture and office equipment <i>RMB'000</i>	Computer and electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
At January 1, 2023	2,494	547	23	133	1,194	4,391
Additions	<u>6,649</u>	<u>537</u>	<u>21</u>	<u>1,268</u>	<u>4,658</u>	<u>13,133</u>
At December 31, 2023 and January 1, 2024	9,143	1,084	44	1,401	5,852	17,524
Additions	5,531	1,102	–	430	284	7,347
Disposals	<u>–</u>	<u>(373)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(373)</u>
At December 31, 2024 and January 1, 2025	14,674	1,813	44	1,831	6,136	24,498
Additions	1,908	408	–	715	571	3,602
Disposals	<u>–</u>	<u>(378)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(378)</u>
At December 31, 2025	<u>16,582</u>	<u>1,843</u>	<u>44</u>	<u>2,546</u>	<u>6,707</u>	<u>27,722</u>
Accumulated depreciation						
At January 1, 2023	432	177	8	–	161	778
Charge for the year	<u>882</u>	<u>197</u>	<u>11</u>	<u>190</u>	<u>1,806</u>	<u>3,086</u>
At December 31, 2023 and January 1, 2024	1,314	374	19	190	1,967	3,864
Charge for the year	2,102	332	12	447	1,539	4,432
Disposals	<u>–</u>	<u>(266)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(266)</u>
At December 31, 2024 and January 1, 2025	3,416	440	31	637	3,506	8,030
Charge for the year	2,877	415	8	609	1,731	5,640
Disposals	<u>–</u>	<u>(217)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(217)</u>
At December 31, 2025	<u>6,293</u>	<u>638</u>	<u>39</u>	<u>1,246</u>	<u>5,237</u>	<u>13,453</u>
Net carrying amount						
At December 31, 2023	<u>7,829</u>	<u>710</u>	<u>25</u>	<u>1,211</u>	<u>3,885</u>	<u>13,660</u>
At December 31, 2024	<u>11,258</u>	<u>1,373</u>	<u>13</u>	<u>1,194</u>	<u>2,630</u>	<u>16,468</u>
At December 31, 2025	<u>10,289</u>	<u>1,205</u>	<u>5</u>	<u>1,300</u>	<u>1,470</u>	<u>14,269</u>

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16. INVESTMENTS IN SUBSIDIARIES

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	<u>3,000</u>	<u>3,000</u>	<u>4,000</u>

The particulars of the directly and indirectly held subsidiaries of the Company are set out in Note 1.

17. INTANGIBLE ASSETS

The Group and Company

	Patent	Software	Total
	RMB'000	RMB'000	RMB'000
Cost			
At January 1, 2023	111	6,178	6,289
Additions	<u>–</u>	<u>1,238</u>	<u>1,238</u>
At December 31, 2023 and January 1, 2024	111	7,416	7,527
Additions	<u>–</u>	<u>469</u>	<u>469</u>
At December 31, 2024 and January 1, 2025	111	7,885	7,996
Additions	<u>–</u>	<u>3,951</u>	<u>3,951</u>
At December 31, 2025	<u>111</u>	<u>11,836</u>	<u>11,947</u>
Accumulated amortization			
At January 1, 2023	19	1,230	1,249
Charge for the year	<u>11</u>	<u>2,449</u>	<u>2,460</u>
At December 31, 2023 and January 1, 2024	30	3,679	3,709
Charge for the year	<u>11</u>	<u>2,604</u>	<u>2,615</u>
At December 31, 2024 and January 1, 2025	41	6,283	6,324
Charge for the year	<u>11</u>	<u>1,708</u>	<u>1,719</u>
At December 31, 2025	<u>52</u>	<u>7,991</u>	<u>8,043</u>
Net carrying amount			
At December 31, 2023	<u>81</u>	<u>3,737</u>	<u>3,818</u>
At December 31, 2024	<u>70</u>	<u>1,602</u>	<u>1,672</u>
At December 31, 2025	<u>59</u>	<u>3,845</u>	<u>3,904</u>

All of the Group’s and Company’s patent and software were acquired from third parties.

For the impairment assessment of intangible assets, please refer to Note 15 for more details.

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18. LEASES

(a) Right-of-use assets

As of December 31, 2023, 2024 and 2025, the Group leases 7, 7 and 6 properties in the districts from which it operates, respectively. The leases have initial period of non-cancellable leases between 2 and 5 years as at December 31, 2023, 2024 and 2025, respectively.

The carrying amounts of the Group’s right-of-use assets and the movements during the Track Record Period are as follows:

<i>The Group</i>	Leased properties RMB’000
At January 1, 2023	13,355
Additions	530
Depreciation	<u>(5,250)</u>
At December 31, 2023 and January 1, 2024	8,635
Additions	3,008
Depreciation	<u>(5,428)</u>
At December 31, 2024 and January 1, 2025	6,215
Additions	13,682
Depreciation	(5,113)
Lease termination	<u>(1,897)</u>
At December 31, 2025	<u><u>12,887</u></u>
<i>The Company</i>	Leased properties RMB’000
At January 1, 2023	13,334
Additions	345
Depreciation	<u>(5,075)</u>
At December 31, 2023 and January 1, 2024	8,604
Additions	2,826
Depreciation	<u>(5,245)</u>
At December 31, 2024 and January 1, 2025	6,185
Additions	13,150
Depreciation	(4,911)
Lease termination	<u>(1,897)</u>
At December 31, 2025	<u><u>12,527</u></u>

For the impairment assessment of right-of-use assets, please refer to Note 15 for more details.

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(b) Lease liabilities

The Group lease properties to operate its business. These leases are typically made for fixed terms between 2 and 5 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The carrying amounts of the Group’s and the Company’s lease liabilities and the movements during the Track Record Period are as follows:

The Group

	Lease liabilities in relation to leased properties RMB’000		
At January 1, 2023			12,848
Recognition of lease liabilities			530
Lease payments during the year			(5,683)
Interest expense during the year			449
			<u> </u>
At December 31, 2023 and January 1, 2024			8,144
Recognition of lease liabilities			3,008
Lease payments during the year			(6,040)
Interest expense during the year			298
			<u> </u>
At December 31, 2024 and January 1, 2025			5,410
Recognition of lease liabilities			13,682
Lease payments during the year			(4,335)
Interest expense during the year			319
Lease termination			(2,273)
			<u> </u>
At December 31, 2025			<u> </u> <u> </u>
	As of December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current	4,705	4,073	4,022
Non-current	<u>3,439</u>	<u>1,337</u>	<u>8,781</u>
	<u>8,144</u>	<u>5,410</u>	<u>12,803</u>

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The Company

	Lease liabilities in relation to leased properties RMB'000		
At January 1, 2023			12,848
Recognition of lease liabilities			345
Lease payments during the year			(5,496)
Interest expense during the year			<u>447</u>
At December 31, 2023 and January 1, 2024			8,144
Recognition of lease liabilities			2,826
Lease payments during the year			(5,857)
Interest expense during the year			<u>297</u>
At December 31, 2024 and January 1, 2025			5,410
Recognition of lease liabilities			13,150
Lease payments during the year			(4,115)
Interest expense during the year			315
Lease termination			<u>(2,273)</u>
At December 31, 2025			<u><u>12,487</u></u>
	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	4,705	4,073	3,913
Non-current	<u>3,439</u>	<u>1,337</u>	<u>8,574</u>
	<u><u>8,144</u></u>	<u><u>5,410</u></u>	<u><u>12,487</u></u>

The Group also lease properties with term of less than one year. These leases are short-term and the Group has elected not to recognize right-of-use assets and lease liabilities for these leases. Present value of future lease payments of the leases is analyzed as follows:

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The future lease payments of the Group’s and the Company’s leases (excluding short-term leases) were scheduled to repay as follows:

The Group

	Minimum lease payments <i>RMB’000</i>	Future interest expenses <i>RMB’000</i>	Present value <i>RMB’000</i>
As of December 31, 2023			
— within 1 year	4,950	(245)	4,705
— 1 to 2 years, inclusive	3,251	(60)	3,191
— 2 to 5 years, inclusive	253	(5)	248
— over 5 years	—	—	—
	<u>8,454</u>	<u>(310)</u>	<u>8,144</u>
As of December 31, 2024			
— within 1 year	4,191	(118)	4,073
— 1 to 2 years, inclusive	1,144	(30)	1,114
— 2 to 5 years, inclusive	223	—	223
— over 5 years	—	—	—
	<u>5,558</u>	<u>(148)</u>	<u>5,410</u>
As of December 31, 2025			
— within 1 year	4,383	(361)	4,022
— 1 to 2 years, inclusive	3,786	(222)	3,564
— 2 to 5 years, inclusive	5,221	(162)	5,059
— over 5 years	158	—	158
	<u>13,548</u>	<u>(745)</u>	<u>12,803</u>

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The Company

	Minimum lease payments <i>RMB’000</i>	Future interest expenses <i>RMB’000</i>	Present value <i>RMB’000</i>
As of December 31, 2023			
— within 1 year	4,950	(245)	4,705
— 1 to 2 years, inclusive	3,251	(60)	3,191
— 2 to 5 years, inclusive	253	(5)	248
— over 5 years	—	—	—
	<u>8,454</u>	<u>(310)</u>	<u>8,144</u>
As of December 31, 2024			
— within 1 year	4,191	(118)	4,073
— 1 to 2 years, inclusive	1,144	(30)	1,114
— 2 to 5 years, inclusive	223	—	223
— over 5 years	—	—	—
	<u>5,558</u>	<u>(148)</u>	<u>5,410</u>
As of December 31, 2025			
— within 1 year	4,265	(352)	3,913
— 1 to 2 years, inclusive	3,656	(217)	3,439
— 2 to 5 years, inclusive	5,138	(161)	4,977
— over 5 years	158	—	158
	<u>13,217</u>	<u>(730)</u>	<u>12,487</u>

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19. FINANCIAL ASSETS AT FVOCI

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets			
Equity instrument designated at FVOCI			
— Unlisted equity investments (<i>Note (a)</i>)	2,750	18,670	27,570

Note:

- (a) Financial assets measured at FVOCI include the Group’s strategic equity investments not held for trading. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these strategic investments.

20. DEFERRED TAX

The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

The Group

	Accelerated depreciation of property, plant and equipment RMB'000
At January 1, 2023	40
Credit to profit or loss	(17)
At December 31, 2023 and January 1, 2024	23
Credit to profit or loss	(17)
At December 31, 2024 and January 1, 2025	6
Credit to profit or loss	(6)
At December 31, 2025	—

As of December 31, 2023, 2024 and 2025, the Group had unused tax losses of approximately RMB125,390,000, RMB299,150,000 and RMB423,574,000 respectively, available to offset against future profit. No deferred tax asset has been recognized in respect of those tax losses due to the unpredictability of future profit streams.

As of December 31, 2023, 2024 and 2025, deferred tax asset has not been recognized for the deductible temporary differences of approximately RMB53,987,000, RMB28,940,000 and RMB44,533,000 respectively.

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The following is the analysis of the deferred tax balances for the financial reporting purposes:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax liabilities	23	6	—
	<u>23</u>	<u>6</u>	<u>—</u>

21. INVENTORIES

- (i) Inventories in the consolidated statements of financial position comprise:

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	170,171	189,889	218,799
Outsourced processing materials	18,982	15,093	9,434
Returned inventory asset	7,658	9,345	9,104
Less: inventory write-down	<u>(31,151)</u>	<u>(25,697)</u>	<u>(58,338)</u>
	<u>165,660</u>	<u>188,630</u>	<u>178,999</u>

- (ii) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	366,862	351,864	483,505
Provision for impairment of obsolete inventories	29,436	22,473	48,390
Reversal of write-down of inventories	<u>(3,347)</u>	<u>(27,927)</u>	<u>(15,749)</u>
	<u>392,951</u>	<u>346,410</u>	<u>516,146</u>

Net realizable value of inventories is estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling production of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

The reversal of write-down of inventories made in prior year arose due to an increase in the estimated net realizable value of certain products as a result of a change in consumer preferences.

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22. TRADE RECEIVABLES

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	148,991	109,642	136,236
Less: impairment loss allowance	<u>(7,450)</u>	<u>(5,917)</u>	<u>(6,812)</u>
	<u>141,541</u>	<u>103,725</u>	<u>129,424</u>

An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the invoice dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	141,541	101,405	129,424
1 to 2 years	<u>–</u>	<u>2,320</u>	<u>–</u>
	<u>141,541</u>	<u>103,725</u>	<u>129,424</u>

An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the due dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Not past due	70,262	86,479	118,684
Within 1 year	<u>71,279</u>	<u>17,246</u>	<u>10,740</u>
	<u>141,541</u>	<u>103,725</u>	<u>129,424</u>

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	148,991	109,623	136,236
Less: impairment loss allowance	<u>(7,450)</u>	<u>(5,917)</u>	<u>(6,812)</u>
	<u>141,541</u>	<u>103,706</u>	<u>129,424</u>

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An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the invoice dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	141,541	101,386	129,424
1 to 2 years	—	2,320	—
	<u>141,541</u>	<u>103,706</u>	<u>129,424</u>

An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the due dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Not past due	70,262	86,479	118,684
Within 1 year	<u>71,279</u>	<u>17,227</u>	<u>10,740</u>
	<u>141,541</u>	<u>103,706</u>	<u>129,424</u>

The Group and the Company recognized impairment loss based on the accounting policy stated in Note 4.10(ii). Trade receivables are generally due within 1 year from the date of billing. Further details on the Group’s credit policy and credit risk analysis arising from trade receivables are set out in Note 42(a).

23. BILLS RECEIVABLES

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivables, measures at FVOCI	<u>14,634</u>	<u>78,255</u>	<u>88,644</u>

An aging analysis of bills receivables, as of the end of reporting period, based on the invoice dates and due dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	14,634	78,255	88,644
Over 1 year	—	—	—
	<u>14,634</u>	<u>78,255</u>	<u>88,644</u>

As of December 31, 2023, 2024 and 2025, the Group does not endorsed bill receivables to its suppliers and banks.

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As of December 31, 2023, 2024, and 2025, the Group discounted undue bills receivables with recourse of nil, RMB46,103,000, and RMB74,095,000 respectively to banks to discount at a discount rate negotiated with the banks and does not derecognize these bills receivables in their entirety from consolidated statements of financial position as the Group’s management considered that the risk and rewards of ownership of these undue bills have not been substantially transferred. The Group’s continuous involvement in these undue bills receivables is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills.

Bills discounted to banks with full recourse	As of 31 December,	
	2024	2025
	RMB’000	RMB’000
Carrying amount of transferred assets	46,103	74,095
Carrying amount of associated liabilities	(46,103)	(74,095)
Net position	<u>–</u>	<u>–</u>

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current portion			
Deposits	1,847	1,783	3,075
Deferred Input VAT	14,124	21,895	22,831
VAT carry forward	304	427	605
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments	792	16,465	23,872
Less: impairment loss allowance	(92)	(89)	(158)
	<u>16,975</u>	<u>40,481</u>	<u>58,188</u>
Non-current portion			
Prepayments for property, plant and equipment	<u>2,088</u>	<u>1,077</u>	<u>2,787</u>

The Company

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current portion			
Deposits	1,788	1,724	2,989
Deferred Input VAT	14,124	21,895	22,831
VAT carry forward	158	307	477
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments	792	16,465	23,858
Less: impairment loss allowance	(89)	(86)	(153)
	<u>16,773</u>	<u>40,305</u>	<u>57,965</u>
Non-current portion			
Prepayments for property, plant and equipment	<u>2,088</u>	<u>1,077</u>	<u>2,659</u>

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25. CASH AND CASH EQUIVALENTS

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>280,402</u>	<u>340,359</u>	<u>329,409</u>

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>272,047</u>	<u>327,883</u>	<u>320,353</u>

Note:

- (i) Restricted cash

As of December 31, 2025, the cash and cash equivalents disclosed in the statement of financial position and the consolidated statement of cash flows include restricted bank balance of RMB117,710,000 which were frozen in connection with the Group’s subscription of wealth management products from creditworthy commercial banks in the PRC. These restricted bank balance are not available for the Group’s general use until the wealth management products are successfully subscribed in early January 2026.

26. TRADE PAYABLES

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	<u>69,251</u>	<u>102,177</u>	<u>194,819</u>

A credit period of up to 3 months, if applicable, from the date of billing is generally granted by the Group’s trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group’s trade payables as at the end of reporting period is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	69,248	102,176	194,818
1–2 years	–	–	–
2–3 years	1	–	–
Over 3 years	<u>2</u>	<u>1</u>	<u>1</u>
	<u>69,251</u>	<u>102,177</u>	<u>194,819</u>

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27. OTHER PAYABLES AND ACCRUALS

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Staff costs and welfare accruals	12,109	12,037	11,449
Accruals	4,869	1,215	3,329
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	544	752	636
	<u>17,522</u>	<u>14,004</u>	<u>17,428</u>

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Staff costs and welfare accruals	11,320	11,111	10,882
Accruals	4,869	1,215	3,328
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	543	550	315
	<u>16,732</u>	<u>12,876</u>	<u>16,539</u>

28. CONTRACT LIABILITIES

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayment received from customers	<u>1,597</u>	<u>1,687</u>	<u>626</u>

Movements in contract liabilities

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	4,648	1,597	1,687
Net increase in contract liabilities during the year	1,597	1,687	626
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	<u>(4,648)</u>	<u>(1,597)</u>	<u>(1,687)</u>
At the end of the year	<u>1,597</u>	<u>1,687</u>	<u>626</u>

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29. BORROWINGS

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Discounting of acceptance bill	<u>–</u>	<u>46,103</u>	<u>74,095</u>

As of December 31, 2024, and 2025, the Group discounted undue bills receivables with recourse of RMB46,103,000, and RMB74,095,000 respectively to banks to discount at a discount rate negotiated with the banks ranged from 1.3% to 2.0% for the year ended December 31, 2024, and from 1.2% to 1.9% for the year ended December 31, 2025. The discounting of acceptance bills is not secured. The Group’s management considered that the risk and rewards of ownership of these undue bills have not been substantially transferred and classify it as short-term borrowings from banks until these undue bills settled within one year.

30. REFUND LIABILITIES FROM RIGHT OF RETURN

The Group and Company

	RMB'000
At January 1, 2023	2,071
Provision in the year	<u>6,920</u>
At December 31, 2023 and January 1, 2024	8,991
Provision in the year	<u>473</u>
At December 31, 2024 and January 1, 2025	9,464
Provision in the year	<u>562</u>
At December 31, 2025	<u>10,026</u>

The Group uses its accumulated historical experience to estimate the sales return using the expected value method to best predict the amount of variable consideration to which the Group will be entitled. The payment is typically due within 30–60 days.

31. REDEMPTION LIABILITIES

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Redemption liabilities	<u>691,764</u>	<u>914,862</u>	<u>–</u>

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The movements of the redemption liabilities during the Track Record Period are set out as below:

	Redemption liabilities RMB’000
At January 1, 2023	378,229
Issue of ordinary shares with redemption right in financing	267,000
Changes in the carrying amount of redemption liabilities	<u>46,535</u>
At December 31, 2023 and January 1, 2024	691,764
Issue of ordinary shares with redemption right in financing	150,000
Changes in the carrying amount of redemption liabilities	<u>73,098</u>
At December 31, 2024 and January 1, 2025	914,862
Changes in the carrying amount of redemption liabilities	56,579
Derecognition of redemption liabilities	<u>(971,441)</u>
At December 31, 2025	<u><u>–</u></u>

The Company and several [REDACTED] investors entered into a series of investment agreements during the Track Record Period.

In May 2023, the Company entered into capital contribution agreement with series [REDACTED] investors, pursuant to which total capital of RMB410,959 was contributed into the Company at a total consideration of RMB80 million. The consideration was fully settled as of July 11, 2023.

In September 2023, the Company entered into capital contribution agreement with series [REDACTED] investors, pursuant to which total capital of RMB873,288 was contributed into the Company at a total consideration of RMB187 million. The consideration was fully settled as of November 6, 2023.

In April 2024, the Company entered into capital contribution agreement with series [REDACTED] investors, pursuant to which total capital of RMB568,055 was contributed into the Company at a total consideration of RMB150 million. The consideration was fully settled as of May 23, 2024.

On December 5, 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date were converted into approximately 16,852,000 ordinary shares at RMB1.0 each.

Several [REDACTED] Investors had been granted certain special rights, including redemption rights, co-sale rights, liquidation preferences, information rights, inspection rights, veto rights, rights of first refusal, pre-emptive rights, anti-dilution rights, tag-along rights and director appointment rights in a separate investment agreement. The key terms of redemption rights are summarized as follows:

The [REDACTED] Investors have right to require the Company to redeem their investments if:

- (a) there is a serious split within the founding team, or due to reasons attributable to the founding team the founding team is unable to reach consensus on any major business decision for more than 3 months, or
- (b) a serious split occurs within the founding team resulting in any member of the founding team leaving the Company (except where the departure of such founding team member has been agreed by the current investor), or
- (c) the Company still has not completed the [REDACTED] materials work by 31 December 2027, then the current investor shall have the right to issue a written notice to the Company (the “Repurchase Obligor”), requiring the Repurchase Obligor to repurchase all or part of the shares of the Company held by the current investor at the repurchase price.

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The redemption price is the sum of 100% of the issue price, a simple interest of ten percent (10%) per annum calculated on a 365 day per year basis from the issue date through the date on which the redemption price has been paid in full, and any declared but unpaid dividends.

Pursuant to the termination agreements dated August 31, 2025 and September 15, 2025 entered into between, among others, the Company, several [REDACTED] investors and the controlling shareholders of the Company, (i) the repurchase rights granted to the [REDACTED] investors under the shareholders’ agreements have been terminated prior to the first submission of the [REDACTED] to the Stock Exchange for the purpose of the [REDACTED].

Presentation and classification

The redemption rights granted to the investors constitute as the Company’s obligations to repurchase its own equity instruments. These obligations were recognised as redemption liabilities which are initially measured at fair value (representing the present value of the expected cash flows for settling the related obligations if these rights are exercised by the [REDACTED] investors) and subsequently measured at amortised cost. Interests from the redemption liabilities are charged in profit or loss.

32. DEFERRED INCOME

The Group and Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants	239	3,444	3,330

Government grants related to assets and industrial development were obtained by the Group for the purpose of purchasing long-term assets associated with research and development activities and business development.

33. SHARE INCENTIVE SCHEME

In recognition of the contributions of co-founders of the Company, directors, senior management and employees of the Company (the “**Participants**”) and to incentivize them to further promote the Company’s development, Shanghai Ruishixin Information Technology Partnership (Limited Partnership) (“**Ruishixin**”), Shanghai Xiujun Information Technology Partnership (Limited Partnership) (“**Shanghai Xiujun**”), Shanghai Yanding Information Technology Partnership (Limited Partnership) (“**Shanghai Yanding**”) and Shanghai Yuhengxin Information Technology Partnership (Limited Partnership) (“**Shanghai Yuhengxin**”) were established as a limited partnership as employee shareholding platform to hold underlying incentive shares. The source of the underlying incentive shares (share of the Company) shall be ordinary shares of the Company held by Ruishixin, Shanghai Xiujun, Shanghai Yanding, Shanghai Yuhengxin. After the shares transfer is completed, the participants of share incentive scheme will indirectly hold the shareholding of the Company through employee shareholding platform. Each of Ruishixin, Shanghai Xiujun and Shanghai Yanding is governed by the 2021 Share Incentive Scheme, while Shanghai Yuhengxin is governed by the 2025 Share Incentive Scheme.

2021 Share Incentive Scheme — Restricted Shares

The 2021 Share Incentive Scheme was adopted on November 26, 2021 for the purpose of rewarding and motivating, among the Participants with the shares of the Company.

On November 29, 2021, the Company granted 348,997 restricted shares to the 3 qualified employees and the exercise price was RMB10.83 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years and 5 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 100% or 20%, 20%, 20%, 20% and 20% of the restricted shares will be vested respectively.

On November 1, 2022, the Company granted 57,899 restricted shares to 14 qualified employees and the exercise price was ranged from RMB1 to RMB18.06 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years and 5 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 20%, 20%, 20%, 20% and 20% of the restricted shares will be vested respectively.

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On December 15, 2022, the Company granted 2,977 restricted shares to 3 qualified employees and the exercise price was ranged from RMB10.83 to RMB18.05 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years and 5 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 20%, 20%, 20%, 20% and 20% of the restricted shares will be vested respectively.

On September 1, 2023, the Company granted 113,731 restricted shares to 19 qualified employees and the exercise price was ranged from RMB3.51 to RMB23.44 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years and 5 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 20%, 20%, 20%, 20% and 20% of the restricted shares will be vested respectively.

On December 25, 2023, the Company granted 49,500 restricted shares to 3 qualified employees and the exercise price was ranged from RMB56.23 to RMB56.25 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years, 5 years and 6 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 16.7%, 16.7%, 16.7%, 16.7%, 16.7% and 16.5% of the restricted shares will be vested respectively.

On March 1, 2024, the Company granted 22,197 restricted shares to 7 qualified employees and the exercise price was ranged from RMB3.51 to RMB23.43 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years, 5 years and 6 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 16.7%, 16.7%, 16.7%, 16.7%, 16.7% and 16.5% of the restricted shares will be vested respectively.

2025 Share Incentive Scheme — Restricted Shares

The 2025 Share Incentive Scheme was adopted on July 21, 2025 for the purpose of strengthening the sense of responsibility and mission among the Participants, promote stable growth, and support the Company’s long-term strategic goals.

On July 21, 2025, the Company granted 96,875 restricted shares to 11 qualified employees and the exercise price was ranged from RMB3.51 to RMB56.25 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, 4 years, 5 years and 6 years from the grant date. According to the Group’s performance appraisal and individual performance appraisal, 16.7%, 16.7%, 16.7%, 16.7%, 16.7% and 16.5% of the restricted shares will be vested respectively.

The number of restricted shares granted to the Group’s incentive participants is summarized as follows:

	Number of restricted shares granted (thousand)
Outstanding as of January 1, 2023	67
Granted during the year	163
Vested during the year	<u>(14)</u>
Outstanding as of December 31, 2023 and January 1, 2024	216
Granted during the year	22
Vested during the year	<u>(45)</u>
Outstanding as of December 31, 2024 and January 1, 2025	193
Granted during the year	97
Forfeited during the year	(7)
Vested during the year	<u>(41)</u>
Outstanding as of December 31, 2025	<u><u>242</u></u>

2021 Share Incentive Scheme — Shares Options

The 2021 Share Incentive Scheme was adopted on November 26, 2021 for the purpose of rewarding and motivating, among the Participants with the shares of the Company.

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On November 26, 2021, the Company granted 246,710 share options to 14 incentive participants on the grant date. This scheme is equity-settled share-based payments with exercise price of range from RMB1 to RMB10.83 per share. Under this scheme, the share options are vested based on the performance conditions.

The share options shall be subject to different vesting service periods from the vesting commencement date and different performance appraisal: i) 40% of granted options are vested on the first anniversary from the vesting commencement; ii) 60% of granted options are vested on the second anniversary from the vesting commencement date.

The number of share options granted to the Group’s incentive participants is summarized as follows:

	Number of share option granted (thousand)
At January 1, 2023, December 31, 2023, December 31, 2024 and December 31, 2025	148

The estimated fair value of the underlying incentive shares awarded on the grant date was determined by using market approach with reference to financial ratios of comparable entities. Changes in variables and assumptions may result in changes in the fair values of the share awards.

Under the share incentive scheme, share-based payment of RMB20,809,000, RMB12,588,000 and RMB9,864,000 was recognized in the consolidated statements of profit or loss and other comprehensive income, with a corresponding credit to the equity, for the years ended December 31, 2023, 2024 and 2025, respectively.

The total expenses arising from share-based payments during the Track Record Period are recorded as part of employee benefit expenses as set out in Note 10.

34. SHARE CAPITAL

The Group and Company

All shares issued by the Company are fully paid domestic shares. The par value is RMB1.00. The Company’s number of shares issued and their nominal value are as follows:

	Number of shares '000	Share capital RMB'000
Authorized, issued and fully paid:		
As of January 1, 2023, December 31, 2023 and 1 January 2024	—	—
Effect of converting the Company into a joint stock company (<i>Note a</i>)	16,852	16,852
As of December 31, 2024 and January 1, 2025	16,852	16,852
Issue of ordinary shares (<i>Note e</i>)	190	190
As of December 31, 2025	17,042	17,042

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**Paid-in
share capital**
RMB’000

Issued and fully paid:

As of January 1, 2023	4,867
Injection from shareholders (<i>Note b</i>)	1,284
Transfer of share premium (<i>Note c</i>)	<u>10,133</u>

As of December 31, 2023 and January 1, 2024	16,284
Capital injection from shareholders (<i>Note d</i>)	568
Effect of converting the Company into a joint stock company (<i>Note a</i>)	<u>(16,852)</u>

As of December 31, 2024, January 1, 2025 and December 31, 2025	<u><u>–</u></u>
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Note:

- (a) On December 5, 2024, the Company was converted into a joint stock company with limited liability, converting the total registered capital of RMB16,852,000 into 16,852,000 shares with a nominal value of RMB1.0 each, which were subscribed by all the then shareholders in proportion to their respective equity interest in the Company before the conversion.
- (b) In May 2023, the Company and investors entered into a capital increase agreement, pursuant to which Yibin Lvneng Equity Investment Partnership (Limited Partnership), Gongqingcheng Haiyao Venture Capital Partnership (Limited Partnership) and Ningbo Meishan Bonded Port Area Thriving Capital Partnership (Limited Partnership) agreed to subscribe a total of RMB410,959 registered capital of the Company for an aggregate consideration of RMB80,000,000.

In September 2023, the Company and investors entered into a registered capital increase agreement, pursuant to which the new investors agreed to subscribe an aggregate of RMB873,288 registered capital of the Company at a total consideration of RMB187,000,000.

From May 2023 to September 2023, capital totaling RMB267,000,000 was injected into the Company by investors with approximately RMB1,284,000 and RMB265,716,000 credited to the Company’s share capital and share premium, respectively.

- (c) In January 2023, the registered capital of the Company was increased from approximately RMB4.9 million to RMB15.0 million. The additional registered capital of approximately RMB10.1 million was converted from the Company’s share premium to share capital and the percentage of equity interest of each shareholder in the Company remained the same.
- (d) In April 2024, the Company and investors entered into a registered capital increase agreement, pursuant to which Everest No.79 (Shenzhen) Private Venture Capital Fund Partnership (Limited Partnership), Everest No.80 (Shenzhen) Venture Capital Center (Limited Partnership), Everest No.81 (Shenzhen) Private Venture Capital Fund Partnership (Limited Partnership), Everest No.82 (Shenzhen) Private Venture Capital Fund Partnership (Limited Partnership) and Everest No.83 (Shenzhen) Private Venture Capital Fund Partnership (Limited Partnership) agreed to subscribe an aggregate of RMB568,055 registered capital of the Company at a total consideration of RMB150.0 million. Capital totaling RMB150,000,000 was injected into the Company by investors with approximately RMB568,000 and RMB149,432,000 credited to the Company’s share capital and share premium, respectively.
- (e) In August 2025, Shanghai Lumi Tracing Julian Hard Technology Venture Capital Partnership (Limited Partnership (“**Shanghai Lumi Tracing**”)) and all 44 of the Company’s shareholders entered into a capital increase agreement, pursuant to which Shanghai Lumi Tracing agreed to subscribe 189,352 ordinary shares of the Company at a total consideration of RMB50.0 million. Capital totaling RMB50,000,000 was injected into the Company by investors with approximately RMB189,000 and RMB49,811,000 credited to the Company’s share capital and share premium, respectively.

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ACCOUNTANTS’ REPORT

35. RESERVES

The amounts of the Group’s reserves and the movements therein for the years ended December 31, 2023, 2024 and 2025 are presented in the consolidated statements of changes in equity of this report.

Summary to the Company’s reserve is as follows:

	Share premium* RMB'000 (Note (a))	Capital reserve* RMB'000 (Note (b))	FVOCI reserve* RMB'000 (Note (c))	Other reserve* RMB'000 (Note (d))	Accumulated losses* RMB'000 (Note (e))	Total deficit RMB'000
Balance at January 1, 2023	359,133	184,276	–	(351,000)	(224,673)	(32,264)
Loss for the year	–	–	–	–	(146,304)	(146,304)
Changes in fair value of financial assets of FVOCI, net of tax	–	–	750	–	–	750
Total comprehensive income for the year	–	–	750	–	(146,304)	(145,554)
Equity-settled shared-based transactions (Note 33)	–	20,808	–	–	–	20,808
Capital injection from shareholders	265,716	–	–	–	–	265,716
Transfer of share premium	(10,133)	–	–	–	–	(10,133)
Recognition of redemption liabilities (Note 31)	–	–	–	(267,000)	–	(267,000)
Balance at December 31, 2023	<u>614,716</u>	<u>205,084</u>	<u>750</u>	<u>(618,000)</u>	<u>(370,977)</u>	<u>(168,427)</u>

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	Share premium* RMB’000 (Note (a))	Capital reserve* RMB’000 (Note (b))	FVOCI reserve* RMB’000 (Note (c))	Other reserve* RMB’000 (Note (d))	Accumulated losses* RMB’000 (Note (e))	Total (deficit)/ equity RMB’000
Balance at January 1, 2024	614,716	205,084	750	(618,000)	(370,977)	(168,427)
Loss for the year	–	–	–	–	(186,537)	(186,537)
Changes in fair value of financial assets of FVOCI, net of tax	–	–	15,920	–	–	15,920
Total comprehensive income for the year	–	–	15,920	–	(186,537)	(170,617)
Equity-settled shared-based transactions (Note 33)	–	12,588	–	–	–	12,588
Capital injection from shareholders	149,432	–	–	–	–	149,432
Recognition of redemption liabilities (Note 31)	–	–	–	(150,000)	–	(150,000)
Balance at December 31, 2024 and January 1, 2025	764,148	217,672	16,670	(768,000)	(557,514)	(327,024)
Loss for the year	–	–	–	–	(207,258)	(207,258)
Changes in fair value of financial assets of FVOCI, net of tax	–	–	8,900	–	–	8,900
Total comprehensive income for the year	–	–	8,900	–	(207,258)	(198,358)
Equity-settled shared-based transactions (Note 33)	–	9,863	–	–	–	9,863
Issue of ordinary shares	49,810	–	–	–	–	49,810
Derecognition of redemption liabilities (Note 31)	–	–	–	971,441	–	971,441
Balance at December 31, 2025	<u>813,958</u>	<u>227,535</u>	<u>25,570</u>	<u>203,441</u>	<u>(764,772)</u>	<u>505,732</u>

* These reserve accounts comprise the reserves as of December 31, 2023, 2024 and 2025 in the Company’s statements of financial position.

(a) Share premium

Share premium represents the excess of issuing price over the nominal values of paid-in capital and ordinary shares, after deducting [REDACTED] and [REDACTED] pursuant to [REDACTED] that have been charged to equity, if any.

(b) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unvested restricted shares and share options granted to employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 4.13(v).

(c) FVOCI reserve

FVOCI reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of reporting period.

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(d) **Other reserve**

Other reserve comprises the recognition and derecognition of the redemption liabilities as set out in Note 31.

(e) **Accumulated losses**

Cumulative net gains and losses recognized in profit or loss.

36. AMOUNT DUE TO A SUBSIDIARY

As of December 31, 2023, 2024 and 2025, the balances are unsecured, interest-free and repayable on demand.

37. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below shows the details changes in the Group’s liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows from financing activities.

	Interest payable included in other payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i> <i>(Note 18(b))</i>	Borrowings <i>RMB'000</i> <i>(Note 29)</i>	Redemption liabilities <i>RMB'000</i> <i>(Note 31)</i>	Total <i>RMB'000</i>
At January 1, 2023	–	12,848	–	378,229	391,077
Changes from financing cash flows:					
Repayment	–	(5,234)	–	–	(5,234)
Interest paid	–	(449)	–	–	(449)
Proceeds from shares issued with redemption rights	–	–	–	267,000	267,000
Total changes from financing cash flows	–	(5,683)	–	267,000	261,317
Other changes:					
Interest expenses	–	449	–	–	449
Recognition of lease liabilities	–	530	–	–	530
Changes in the carrying amount of redemption liabilities	–	–	–	46,535	46,535
Total other changes	–	979	–	46,555	47,514

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	Interest payable included in other payable RMB'000	Lease liabilities RMB'000 (Note 18(b))	Borrowings RMB'000 (Note 29)	Redemption liabilities RMB'000 (Note 31)	Total RMB'000
At December 31, 2023 and January 1, 2024	–	8,144	–	691,764	699,908
Changes from financing cash flows:					
Repayment	–	(5,742)	–	–	(5,742)
Interest paid	(229)	(298)	–	–	(527)
Proceeds from borrowings	–	–	46,103	–	46,103
Proceeds from shares issued with redemption rights	–	–	–	150,000	150,000
Total changes from financing cash flows	(229)	(6,040)	46,103	150,000	189,834
Other changes:					
Interest expenses	229	298	–	–	527
Recognition of lease liabilities	–	3,008	–	–	3,008
Changes in the carrying amount of redemption liabilities	–	–	–	73,098	73,098
Total other changes	229	3,306	–	73,098	76,633
At December 31, 2024 and January 1, 2025	–	5,410	46,103	914,862	966,375
Changes from financing cash flows:					
Repayment	–	(4,016)	–	–	(4,016)
Interest paid	(926)	(319)	–	–	(1,245)
Proceeds from borrowings	–	–	74,095	–	74,095
Repayment of borrowings	–	–	(46,103)	–	(46,103)
Total changes from financing cash flows	(926)	(4,335)	27,992	–	22,731
Other changes:					
Interest expenses	926	319	–	–	1,245
Lease termination	–	(2,273)	–	–	(2,273)
Recognition of lease liabilities	–	13,682	–	–	13,682
Derecognition of redemption liabilities	–	–	–	(971,441)	(971,441)
Changes in the carrying amount of redemption liabilities	–	–	–	56,579	56,579
Total other changes	926	11,728	–	(914,862)	(902,208)
At December 31, 2025	–	12,803	74,095	–	86,898

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38. CAPITAL COMMITMENTS

The Group

As of December 31, 2023, 2024 and 2025, the Group had no material outstanding capital commitments.

The Company

As of December 31, 2023, 2024 and 2025, the Company had no material outstanding capital commitments.

39. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the Track Record Period represented the directors’ emoluments as disclosed in Note 14(a) to the Historical Financial Information.

40. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital deficiency as of December 31, 2023 and 2024 amounted to approximately RMB143,663,000 and RMB299,069,000 respectively, and the amount of capital as at December 31, 2025 amounted to approximately RMB534,250,000, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Group

The following table shows the carrying amounts of financial assets and liabilities of the Group:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost	423,698	445,778	461,750
Financial assets at FVOCI	<u>17,384</u>	<u>96,925</u>	<u>116,214</u>
Financial liabilities			
Financial liabilities measured at amortized cost	<u>795,128</u>	<u>1,091,268</u>	<u>306,853</u>

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The Company

The following table shows the carrying amounts of financial assets and liabilities of the Company:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost	415,287	433,227	452,613
Financial assets at FVOCI	<u>17,384</u>	<u>96,925</u>	<u>116,214</u>
Financial liabilities			
Financial liabilities measured at amortized cost	<u>794,418</u>	<u>1,090,557</u>	<u>311,674</u>

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group’s financial instruments in the normal course of the Group’s business are interest rate risk, credit risk, liquidity risk and foreign currency risk. These risks are limited by the Group’s financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group’s credit risk is primarily attributable to its trade receivables, deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, deposits and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer’s past history of making payments when due and current ability to pay and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As of December 31, 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 24.8%, 17.6% and 33.5% of the Group’s trade receivables were due from the Group’s largest debtor respectively and 57.6%, 54.0% and 60.4% of the Group’s trade receivables were due from the Group’s five largest debtors respectively.

(i) Trade receivables

The Group

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

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The following table provides information about the Group and the Company’s exposure to credit risk and ECLs for trade receivables as at the end of each reporting period:

	Not past due	Within 1 year	Total
At December 31, 2023			
Expected loss rate (%)	5.0	5.0	5.0
Gross carrying amount (RMB’000)	73,960	75,031	148,991
Loss allowance (RMB’000)	<u>3,698</u>	<u>3,752</u>	<u>7,450</u>
At December 31, 2024			
Expected loss rate (%)	5.0	7.3	5.4
Gross carrying amount (RMB’000)	91,031	18,611	109,642
Loss allowance (RMB’000)	<u>4,552</u>	<u>1,365</u>	<u>5,917</u>
At December 31, 2025			
Expected loss rate (%)	5.0	5.0	5.0
Gross carrying amount (RMB’000)	124,930	11,306	136,236
Loss allowance (RMB’000)	<u>6,246</u>	<u>566</u>	<u>6,812</u>

The management determined the ECL rates for portfolio of trade receivables with reference to past-due status of such balances by estimating their default rates taking into account historical information and forward-looking information.

As at the end of each reporting period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. The management of the Group reviewed the portfolio of customers contributing the trade receivables balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. Furthermore, the Group assessed these customers’ financial condition, past settlement history, business relationship with the Group and other factors such as current market conditions and industry information, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period. Accordingly, the same ECL rates were adopted for the same past-due time band throughout Track Record Period.

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

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	3,172	7,450	5,917
Provision for loss allowance	4,501	1	1,163
Reversal of impairment	–	(1,534)	(1)
Write-off	<u>(223)</u>	<u>–</u>	<u>(267)</u>
At the end of the year	<u>7,450</u>	<u>5,917</u>	<u>6,812</u>

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	Not past due	Within 1 year	Total
At December 31, 2023			
Expected loss rate (%)	5.0	5.0	5.0
Gross carrying amount (RMB'000)	73,960	75,031	148,991
Loss allowance (RMB'000)	<u>3,698</u>	<u>3,752</u>	<u>7,450</u>
At December 31, 2024			
Expected loss rate (%)	5.0	7.3	5.4
Gross carrying amount (RMB'000)	91,031	18,592	109,623
Loss allowance (RMB'000)	<u>4,552</u>	<u>1,365</u>	<u>5,917</u>
At December 31, 2025			
Expected loss rate (%)	5.0	5.0	5.0
Gross carrying amount (RMB'000)	124,930	11,306	136,236
Loss allowance (RMB'000)	<u>6,246</u>	<u>566</u>	<u>6,812</u>
Year ended December 31,			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	3,172	7,450	5,917
Provision for loss allowance	4,501	1	1,162
Reversal of impairment	–	(1,534)	–
Write-off	<u>(223)</u>	<u>–</u>	<u>(267)</u>
At the end of the year	<u>7,450</u>	<u>5,917</u>	<u>6,812</u>

(ii) *Deposits and other receivables*

In respect of deposits and other receivables, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of reporting period, all deposits and other receivables are measured at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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The following table provides information about the Group and the Company’s exposure to credit risk and ECLs for deposits and other receivables:

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gross carrying amount — Deposits	<u>1,847</u>	<u>1,783</u>	<u>3,075</u>
Loss allowance — Deposits	<u>92</u>	<u>89</u>	<u>158</u>

Movements in the loss allowance account for impairment of deposits and other receivables during the Track Record Period are as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	102	92	89
(Reversal of)/provision for loss allowance	<u>(10)</u>	<u>(3)</u>	<u>69</u>
At the end of the year	<u>92</u>	<u>89</u>	<u>158</u>

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gross carrying amount — Deposits	<u>1,788</u>	<u>1,724</u>	<u>2,989</u>
Loss allowance — Deposits	<u>89</u>	<u>86</u>	<u>153</u>

Movements in the loss allowance account for impairment of deposits and other receivables during the Track Record Period are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	99	89	86
(Reversal of)/provision for loss allowance	<u>(10)</u>	<u>(3)</u>	<u>67</u>
At the end of the year	<u>89</u>	<u>86</u>	<u>153</u>

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(iii) Cash and cash equivalents

In respect of the Group’s and the Company’s cash and cash equivalents, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

The following tables detail the Group’s and the Company’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of reporting period.

The Group

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2023						
Trade payables	69,251	69,251	69,251	–	–	–
Other payables and accruals	16,978	16,978	16,978	–	–	–
Refund liabilities from right of return	8,991	8,991	8,991	–	–	–
Lease liabilities	8,144	8,454	4,950	3,251	253	–
Redemption liabilities	691,764	691,764	691,764	–	–	–
	<u>795,128</u>	<u>795,438</u>	<u>791,934</u>	<u>3,251</u>	<u>253</u>	<u>–</u>
	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2024						
Trade payables	102,177	102,177	102,177	–	–	–
Other payables and accruals	13,252	13,252	13,252	–	–	–
Refund liabilities from right of return	9,464	9,464	9,464	–	–	–
Borrowings	46,103	46,103	46,103	–	–	–
Lease liabilities	5,410	5,558	4,191	1,144	223	–
Redemption liabilities	914,862	914,862	914,862	–	–	–
	<u>1,091,268</u>	<u>1,091,416</u>	<u>1,090,049</u>	<u>1,144</u>	<u>223</u>	<u>–</u>

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	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2025						
Trade payables	194,819	194,819	194,819	–	–	–
Other payables and accruals	15,110	15,110	15,110	–	–	–
Refund liabilities from right of return	10,026	10,026	10,026	–	–	–
Borrowings	74,095	74,095	74,095	–	–	–
Lease liabilities	12,803	13,548	4,383	3,786	5,221	158
	<u>306,853</u>	<u>307,598</u>	<u>298,433</u>	<u>3,786</u>	<u>5,221</u>	<u>158</u>

The Company

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2023						
Trade payables	69,251	69,251	69,251	–	–	–
Other payables and accruals	16,268	16,268	16,268	–	–	–
Refund liabilities from right of return	8,991	8,991	8,991	–	–	–
Lease liabilities	8,144	8,454	4,950	3,251	253	–
Redemption liabilities	691,764	691,764	691,764	–	–	–
	<u>794,418</u>	<u>794,728</u>	<u>791,224</u>	<u>3,251</u>	<u>253</u>	<u>–</u>

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2024						
Trade payables	102,177	102,177	102,177	–	–	–
Other payables and accruals	12,541	12,541	12,541	–	–	–
Refund liabilities from right of return	9,464	9,464	9,464	–	–	–
Borrowings	46,103	46,103	46,103	–	–	–
Lease liabilities	5,410	5,558	4,191	1,144	223	–
Redemption liabilities	914,862	914,862	914,862	–	–	–
	<u>1,090,557</u>	<u>1,090,705</u>	<u>1,089,338</u>	<u>1,144</u>	<u>223</u>	<u>–</u>

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	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2025						
Trade payables	194,819	194,819	194,819	–	–	–
Other payables and accruals	14,629	14,629	14,629	–	–	–
Refund liabilities from right of return	10,026	10,026	10,026	–	–	–
Borrowings	74,095	74,095	74,095	–	–	–
Lease liabilities	12,487	13,217	4,265	3,656	5,138	158
Amounts due to subsidiaries	<u>5,618</u>	<u>5,618</u>	<u>5,618</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>311,674</u>	<u>312,404</u>	<u>303,452</u>	<u>3,656</u>	<u>5,138</u>	<u>158</u>

(c) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk to the Group is minimal as most of the Group’s transactions are carried out in functional currency of the respective entities.

All subsidiaries of the Company operate in PRC and business of subsidiaries is mainly in PRC. The Group is not exposed to currency risk primarily through financial assets and financial liabilities that are denominated in a currency other than the functional currency of the several subsidiaries of the Company to which they relate.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

The Group’s exposure to interest rate risk is insignificant as all borrowings carry fixed interest rates and the Group does not have other significant interest-bearing assets or liabilities. Accordingly, no sensitivity analysis for interest rate risk is presented.

43. FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortized cost recognized in the Historical Financial Information approximate to their fair values at each reporting period end.

Fair value measurements recognized in the consolidated statements of financial position.

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The Group’s financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the inputs are observable and the significance of the inputs to the fair value measurement in its entirety.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

	Year ended December 31,		Equity instrument designated at FVOCI
	Bill receivables at FVOCI RMB’000	Financial assets at FVTPL RMB’000	FVOCI RMB’000
At January 1, 2023	14,527	–	–
Addition	14,634	520,000	2,000
Disposal	(14,527)	(520,747)	–
Fair value gain	–	747	750
At December 31, 2023 and January 1, 2024	14,634	–	2,750
Addition	78,255	905,000	2,000
Disposal	(14,634)	(908,335)	–
Fair value gain	–	3,335	15,920
At December 31, 2024 and January 1, 2025	78,255	–	18,670
Addition	88,644	675,120	–
Disposal	(78,255)	(678,947)	–
Fair value gain	–	3,827	8,900
At December 31, 2025	<u>88,644</u>	<u>–</u>	<u>27,570</u>

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- (i) Fair value of the Group’s financial assets that are measured at fair value on a recurring basis

	Fair value at December 31,			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2024	2025				
Equity investments at FVOCI:							
Unlisted equity investments	2,750	18,670	27,570	Level 3	Market multiples with an adjustment of discount for lack of marketability	Discount for lack of Marketability	The higher the discount for lack of marketability, the lower the valuation. If the discount for lack of marketability had increased/decreased by 10% with all other variables held constant, the fair value at the years ended December 31, 2023, 2024 and 2025 would have decreased/increased by RMB730,000, RMB850,000 and RMB1,160,000 respectively
					Latest transaction prices/consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation
Bill receivables at FVOCI	14,634	78,255	88,644	Level 3	Discounted cash flows — Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying Assets	N/A	N/A

44. CONTINGENCIES

As of December 31, 2023, 2024 and 2025, there were no significant contingencies items for the Group and the Company.

45. EVENTS AFTER THE END OF THE TRACK RECORD PERIOD

There is no significant non-adjusting event after the Track Record Period.

46. SUBSEQUENT FINANCIAL STATEMENTS

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