

APPENDIX I

ACCOUNTANTS’ REPORT

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

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VERISILICON MICROELECTRONICS (SHANGHAI) CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED. AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of VeriSilicon Microelectronics (Shanghai) Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [I-4] to [I-[●]], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company at December 31, 2023, 2024 and 2025, and 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 of the Group for each of the three years ended December 31, 2025 (the “**Track Record Period**”) and material accounting policies information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [I-4] to [I-[●]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibilities 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 of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ 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 of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

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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 at December 31, 2023, 2024 and 2025, of the Company’s financial position as at 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.

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 16 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[●]

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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, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”) and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“**Underlying Financial Statements**”).

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
	<i>notes</i>	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	2,328,953	2,316,976	3,148,403
Cost of sales		(1,289,294)	(1,392,953)	(2,074,688)
Gross profit		1,039,659	924,023	1,073,715
Other income	8	66,859	61,380	63,997
Other gains and losses	9	(405)	19,586	12,239
Research and development (“R&D”) expenses		(947,223)	(1,247,302)	(1,312,692)
Administrative expenses		(121,771)	(125,381)	(147,006)
Selling and marketing expenses		(114,853)	(119,983)	(127,208)
Other expense		(10,079)	(8,727)	(7,929)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	11	(125,475)	(43,627)	(27,144)
Share of results of associates		(32,757)	(5,686)	113
Finance costs	10	(23,179)	(36,166)	(41,355)
Loss before tax		(269,224)	(581,883)	(513,270)
Income tax expense	12	(27,243)	(18,996)	(14,543)
Loss for the year	13	(296,467)	(600,879)	(527,813)
Other comprehensive (expense) income				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		(569)	(2,118)	1,162
Total comprehensive expense for the year		(297,036)	(602,997)	(526,651)
Loss per share (<i>RMB</i>)	17			
– Basic and diluted		(0.59)	(1.20)	(1.03)

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At December 31,		
	notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property and equipment	18	539,410	751,964	742,205
Right-of-use assets	19	43,887	78,560	74,742
Goodwill	20	179,046	181,673	177,706
Other intangible assets	21	399,805	523,515	597,790
Investments in associates	23	5,057	1,000	1,148
Financial assets at fair value through profit or loss ("FVTPL")	24	199,634	201,123	232,484
Time deposits	26	—	—	20,411
Trade, bills and other receivables and prepayment	27	321,598	253,828	184,937
		1,688,437	1,991,663	2,031,423
CURRENT ASSETS				
Inventories	25	278,623	395,515	497,983
Trade, bills and other receivables and prepayment	27	1,230,080	1,055,933	1,721,933
Contract assets	28	95,979	245,161	353,328
Tax recoverable		24,352	82,375	131,277
Financial assets at FVTPL	24	400,130	112,276	923,813
Restricted bank balances	26	3,527	104,101	1,089
Time deposits	26	—	—	50,287
Cash and cash equivalents	26	685,253	642,835	2,006,425
		2,717,944	2,638,196	5,686,135
CURRENT LIABILITIES				
Trade and other payables	30	360,489	550,630	770,545
Borrowings	31	94,754	311,694	442,886
Lease liabilities	32	20,393	37,351	35,430
Provisions	33	13,434	12,724	12,063
Contract liabilities	34	453,522	606,777	1,258,496
Deferred income	35	4,118	20,584	2,291
Income tax payable		3,286	7,479	4,983
		949,996	1,547,239	2,526,694
NET CURRENT ASSETS		1,767,948	1,090,957	3,159,441
TOTAL ASSETS LESS CURRENT LIABILITIES				
		3,456,385	3,082,620	5,190,864

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		At December 31,		
	<i>notes</i>	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES				
Trade and other payables	30	40,996	83,221	39,393
Borrowings	31	659,611	832,553	1,124,313
Lease liabilities	32	22,266	44,528	39,652
Contract liabilities	34	33,219	—	—
Puttable shares liability	36	—	—	570,000
		756,092	960,302	1,773,358
NET ASSETS		2,700,293	2,122,318	3,417,506
CAPITAL AND RESERVES				
Share capital	38	499,911	500,355	525,858
Treasury shares	38	—	—	(24,836)
Reserves	39	2,200,382	1,621,963	2,916,484
TOTAL EQUITY		2,700,293	2,122,318	3,417,506

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At December 31,		
	notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property and equipment	18	35,111	56,109	63,968
Right-of-use assets	19	14,566	36,688	33,738
Other intangible assets	21	221,833	263,492	399,966
Investments in associates	23	5,057	1,000	1,148
Investments in subsidiaries	23	834,049	835,660	1,441,837
Financial assets at FVTPL		182,739	184,228	193,580
Time deposits	26	—	—	20,411
Trade, bills and other receivables and prepayment	27	98,975	237,679	85,182
		1,392,330	1,614,856	2,239,830
CURRENT ASSETS				
Inventories	25	58,404	196,213	173,680
Trade, bills and other receivables and prepayment	27	1,716,956	1,470,380	2,295,134
Contract assets	28	77,040	191,337	271,402
Tax recoverable		16,012	62,737	109,293
Financial assets at FVTPL		300,043	80,144	891,801
Restricted bank balances	26	—	100,000	2
Time deposits	26	—	—	50,287
Cash and cash equivalents	26	395,773	480,893	867,352
		2,564,228	2,581,704	4,658,951
CURRENT LIABILITIES				
Trade and other payables	30	318,595	577,942	613,103
Borrowings	31	58,366	247,039	366,111
Lease liabilities		10,520	23,677	20,703
Provisions		4,888	4,268	4,154
Contract liabilities	34	174,384	282,961	873,708
Deferred income		1,668	18,184	2,291
		568,421	1,154,071	1,880,070
NET CURRENT ASSETS		1,995,807	1,427,633	2,778,881
TOTAL ASSETS LESS CURRENT LIABILITIES				
		3,388,137	3,042,489	5,018,711

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		At December 31,		
	<i>notes</i>	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES				
Borrowings	31	359,441	597,023	965,588
Derivative liabilities at FVTPL . .	37	–	–	216,798
Lease liabilities		4,002	16,794	13,846
Contract liabilities	34	33,219	–	–
Trade and other payables	30	3,387	6,361	15,434
		400,049	620,178	1,211,666
NET ASSETS		2,988,088	2,422,311	3,807,045
CAPITAL AND RESERVES				
Share capital	38	499,911	500,355	525,858
Treasury shares	38	–	–	(24,836)
Reserves	47	2,488,177	1,921,956	3,306,023
TOTAL EQUITY		2,988,088	2,422,311	3,807,045

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Share premium	Treasury shares	Translation reserve	Share-based payments reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	497,751	3,824,256	–	(48,829)	153,033	(1,518,991)	2,907,220
Loss for the year	–	–	–	–	–	(296,467)	(296,467)
Other comprehensive expense for the year	–	–	–	(569)	–	–	(569)
Total comprehensive expense for the year	–	–	–	(569)	–	(296,467)	(297,036)
Exercise of share-based payment	2,160	159,569	–	–	(78,043)	–	83,686
Recognition of equity-settled share-based payments . . .	–	–	–	–	3,605	–	3,605
Others	–	2,818	–	–	–	–	2,818
At December 31, 2023	499,911	3,986,643	–	(49,398)	78,595	(1,815,458)	2,700,293
Loss for the year	–	–	–	–	–	(600,879)	(600,879)
Other comprehensive expense for the year	–	–	–	(2,118)	–	–	(2,118)
Total comprehensive expense for the year	–	–	–	(2,118)	–	(600,879)	(602,997)
Exercise of share-based payment	444	36,535	–	–	(19,877)	–	17,102
Recognition of equity-settled share-based payments . . .	–	–	–	–	7,290	–	7,290
Others	–	630	–	–	–	–	630
At December 31, 2024	500,355	4,023,808	–	(51,516)	66,008	(2,416,337)	2,122,318
Loss for the year	–	–	–	–	–	(527,813)	(527,813)
Other comprehensive income for the year	–	–	–	1,162	–	–	1,162
Total comprehensive income(expense) for the year	–	–	–	1,162	–	(527,813)	(526,651)
Issue of shares	24,860	1,755,402	–	–	–	–	1,780,262
Exercise of share-based payment	643	54,617	–	–	(30,494)	–	24,766
Recognition of equity-settled share-based payments . . .	–	–	–	–	41,613	–	41,613
Repurchase of shares	–	–	(24,836)	–	–	–	(24,836)
Others	–	34	–	–	–	–	34
At December 31, 2025	525,858	5,833,861	(24,836)	(50,354)	77,127	(2,944,150)	3,417,506

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Loss for the year	(296,467)	(600,879)	(527,813)
Adjustments for:			
Income tax	27,243	18,996	14,543
Finance cost	23,179	36,166	41,355
Interest income	(11,886)	(15,827)	(11,238)
Share of results of associates	32,757	5,686	(113)
Investment income from unlisted financial products at FVTPL	(2,246)	(5,157)	(8,479)
Depreciation of property and equipment	40,412	50,162	62,656
Depreciation of right-of-use assets	36,077	39,621	39,337
Amortization of intangible assets	109,500	150,058	164,357
Net impairment losses under ECL model	125,475	43,627	27,144
Write-down of inventories	3,548	1,747	3,451
Share-based payment expenses	3,605	7,290	41,613
Loss on disposal of property and equipment	90	—	—
Losses (gains) from changes in fair value of FVTPL	20,545	366	(32,898)
Net foreign exchange (gains) losses	(6,849)	(7,831)	8,732
Operating cash flows before movements in working capital	104,983	(275,975)	(177,353)
Decrease (increase) in inventories	140,332	(118,639)	(105,840)
(Increase) decrease in trade, bills and other receivables and prepayment	(45,628)	117,235	(659,100)
Decrease (increase) in contract assets	499	(153,905)	(113,167)
Decrease (increase) in tax recoverable	53,004	(57,947)	(45,350)
(Increase) decrease in restricted cash balances	(30)	(100,574)	3,012
Decrease in provisions	(3,932)	(710)	(661)
(Decrease) increase in trade and other payables	(151,169)	74,253	251,945
(Decrease) increase in contract liabilities	(92,914)	153,255	651,719
Increase (decrease) in deferred income	1,668	16,467	(18,293)
Cash used in operations	6,813	(346,540)	(213,088)
Interest received	(27,222)	(15,277)	(19,836)
Income tax paid	11,886	15,827	11,238
NET CASH USED IN OPERATING ACTIVITIES	(8,523)	(345,990)	(221,686)

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	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	1	1	108
Proceeds from disposal of financial assets at FVTPL	2,246	5,157	7,781
Purchases of financial assets at FVTPL	(730,000)	(1,766,000)	(5,625,000)
Purchases of property and equipment	(42,239)	(41,131)	(61,062)
Purchases of intangible assets	(66,032)	(102,501)	(153,971)
Purchases of equity investments at FVTPL	(13,000)	(3,000)	—
Redemption of financial assets at FVTPL	430,000	1,954,000	4,915,000
Placement of time deposits	—	—	(70,000)
Development expenditure paid	(7,172)	—	(36,035)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(426,196)	46,526	(1,023,179)
FINANCING ACTIVITIES			
Interest paid	(16,752)	(26,529)	(33,077)
Repayments of borrowings	(23,332)	(107,381)	(321,250)
Repayments of lease liabilities	(40,923)	(38,178)	(45,460)
Repayments of trade and other payables	(73,956)	(90,655)	(86,245)
Proceeds from non-controlling interests	—	—	570,000
New bank loans raised	427,900	496,200	742,900
Proceeds from issue of shares	—	—	1,806,857
Proceeds from exercise of share-based payment	83,644	17,100	24,761
Transaction costs attributable to issue of shares	—	(2,426)	(22,757)
Payments on repurchase of shares	—	—	(24,836)
NET CASH FROM FINANCING ACTIVITIES	356,581	248,131	2,610,893
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78,138)	(51,333)	1,366,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	761,884	685,253	642,835
Effect of foreign exchange rate changes	1,507	8,915	(2,438)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	685,253	642,835	2,006,425

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

VeriSilicon Microelectronics (Shanghai) Co., Ltd. (the “**Company**” or “**VeriSilicon Shanghai**”), was incorporated in Shanghai, China on August 21, 2001. The Company’s shares were listed on Shanghai Stock Exchange on August 18, 2020. The Company does not have any ultimate controlling party. The respective address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Document.

The Company engaged in providing Custom Silicon Solution Services and Semiconductor IP licensing service to customers.

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

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards issued by the IASB.

The statutory financial statements of the Company for each of the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with Chinese Accounting Standards for Business Enterprises (“**CASBE**”) issued by the Ministry of Finance of the People’s Republic of China (“**PRC**”) and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRS Accounting Standards issued by International Accounting Standards Board (“**IASB**”), which are effective for the Group’s financial year beginning on January 1, 2025 throughout the Track Record Period.

New and Amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early adopted the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and Measurement of Financial instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature — dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting	Annual Improvements to IFRS Accounting Standards Standards — Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual periods beginning on or after January 1, 2027

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 Presentation of Financial Statements. The new standard introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

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4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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 Track Record 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.

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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group’s interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to contracts with customers is provided in note 6.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term lease and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease.

The lease payments only include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “**lease modifications**”).

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value

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was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. 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 retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income.”

Employee benefits

Retirement benefit costs

Payments to government managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Equity-settled share-based payment transactions

Restricted shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When restricted shares held by the employees are exercised after the vesting date, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the restricted

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shares are forfeited after the vesting date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the right of use assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

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 taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property and equipment assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis or accelerated method over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or

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portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated on a pro-rata basis based on the carrying amount of each asset in the unit of the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so 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 (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 26.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for turnkey services are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs direct labor and materials and an allocation of other costs that relate directly to fulfilling contracts.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instruments improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial assets and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade, bills and other receivables and prepayment, contract assets, restricted bank balances, time deposits and cash and cash equivalents) which are subjected to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL is assessed individually for customers with significant balances and those that are credit-impaired. For the remaining exposures, ECL is measured collectively using a provision matrix, which is estimated based on historical credit loss experience, past default patterns of debtors, the general economic conditions of the industries in which the debtors operate, and an assessment of current conditions at the reporting date, as well as forward-looking forecasts of future economic conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations;
- The debtor’s expected performance and repayment behavior have undergone significant changes;
- The Group’s credit risk management approach for financial instruments has not changed.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) 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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and forward looking information including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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For collective assessment, the Group takes into consideration the following characteristics when formulating the group: credit risk rating, initial recognition date, remaining contract terms and geographical locations.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amounts of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘Other gains and losses’ line item (note 9) as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities or equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, other current liabilities, long term payables and borrowings are subsequently measured at amortized cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes and preferred shares, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability’s credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

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Financial liabilities at amortized cost

Financial liabilities including trade payables and other payables, borrowings and puttable shares liability are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘Other gains and losses’ line item in profit or loss (note 9) as part of net foreign exchange gain/(loss) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

A derivative is presented as a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates 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 the revision affects both current and future periods.

Critical accounting judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Capitalization of research and development expenditure

The Group’s research and development project successfully passed the critical chip verification test in January 2025, demonstrating that the technical conditions required for its development are feasible. Furthermore, all other capitalization criteria under IAS 38 have been met. Consequently, the Group commenced shifting from the research phase to the development phase in January 2025. Development expenditures that were previously recognized in profit or loss will not be subsequently re-recognized as assets.

Control over investee

The Group invested in a subsidiary, Tiansui Xinyuan Technology (Shanghai) Co., Ltd. (“TSXY”) together with third party co-investors in 2025. The Group holds a 40% equity interest in TSXY. Based on the analysis of investment agreement and the articles of association, management has concluded that the Group possesses the power to direct the relevant activities of TSXY, including decisions related to its operating and financial policies. In addition, the Group is entitled to variable returns from its involvement with TSXY and has the ability to affect those returns through its power over TSXY. As a result, the Group controls TSXY and has consolidated the entity in the consolidated financial statements. This conclusion is highly dependent on specific contractual arrangements and governance structures. Any changes to these agreements or arrangements could result in a change in the consolidation scope, which may have a material impact on the consolidated financial statements.

Key sources of estimation uncertainty

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

Revenue recognition from providing Non-Recurring Engineering (“NRE”) design service

The Group entered into various contracts with different customers. To determine the timing of fulfillment of performance obligations, management assesses and analyzes the terms of each contract. For Non-Recurring Engineering (“NRE”) design service contracts, management evaluates whether the Group has the right to payment for performance completed to date throughout the contract period, in order to determine whether the related performance obligations should be satisfied over time or at a point in time.

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The Group recognizes revenue from NRE design services over time based on the extent of progress toward satisfaction of the performance obligation, with the progress determined using an input method that reflects the Group’s efforts to fulfill the obligation. In determining the estimated total costs of a project, management makes judgments based on historical experience and the specific characteristics of the project, estimating the aggregate costs expected to be incurred upon completion. As the project progresses, the Group continuously reviews and updates these estimates. Changes in these estimates may have a significant impact on the measurement of fulfillment progress and, consequently, on the timing and amount of design service revenue recognized.

Impairment of goodwill

In conducting impairment testing of goodwill, the Group determines the recoverable amount of the cash-generating unit (CGU) or group of CGUs that include the goodwill. The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use, which is the present value of the CGU’s estimated future cash flows. To calculate the present value of future cash flows for a CGU or group of CGUs, management must make projections of future cash flows attributable to the CGU and determine an appropriate pre-tax discount rate. The estimation of the recoverable amount of goodwill is highly judgmental and depends on key assumptions made by management, including projected future cash flows and the selection of the discount rate. If actual future cash flows are lower than projected, or if other events or changes in circumstances lead to downward revisions in expected cash flows, the Group may be required to recognize a significant impairment loss on goodwill. Such estimates are inherently uncertain and subject to change, and any material adverse deviation from assumptions could have a material impact on the financial statements.

Estimated useful life and residual balance of property and equipment and intangible assets

The Group determines the useful lives and residual values of its property and equipment and intangible assets based on historical experience with assets of similar nature and function. These estimates are inherently judgmental and require periodic review at each reporting date. For intangible assets, estimates may be significantly influenced by external factors such as technological innovation and competitive pressures arising from intense industry dynamics. If the expected useful life or residual value is determined to be shorter or lower than previously estimated, the Group revises the depreciation or amortization expense prospectively to reflect the updated assumptions. In addition, the Group may accelerate the depreciation or amortization of assets, or dispose of and retire those that have become technologically obsolete. Such revisions ensure that the carrying amounts of both tangible and intangible assets are appropriately aligned with the expected pattern and duration of economic benefits, and that any decline in value is recognized in a timely and accurate manner.

Estimated impairment of long-lived assets

The Group performs impairment testing on long-term non-financial assets whenever there are indicators of impairment. If the impairment test indicates that the recoverable amount of an asset or cash-generating unit is less than its carrying amount, an impairment loss is recognized for the difference. The recoverable amount is determined as the higher of fair value less costs of disposal and value in use. In estimating the value in use, management projects the future cash flows expected to be derived from the asset or cash-generating unit and discounts these cash flows to their present value using an appropriate pre-tax discount rate. When determining fair value less costs of disposal, fair value is based on the price that market participants would receive in an orderly transaction to sell the asset at the measurement date. These estimates and assumptions, particularly future cash flows, discount rates, and fair value measurements, require significant judgment. If the estimated recoverable amount is revised downward in the future, any such decline could result in additional impairment losses and have a material impact on the carrying value of the asset and the Group’s financial statements.

Provision of ECL for trade receivables and contract assets

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

Details on how ECL were measured should be consistent to the internal credit risk management of the Group in note 43.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group’s historical default rates and 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. The information about the ECL and the Group’s trade receivables are disclosed in note 27.

Provision of Inventory

The Group recognizes inventory write-downs when the net realizable value (“NRV”) of inventory is lower than its cost, with the write-down measured as the difference between cost and NRV. The identification of inventory items showing signs of impairment and the subsequent estimation of NRV require significant judgment and assumptions by management. If, upon subsequent review, the estimated NRV is revised and differs from the previous estimate, the adjustment is recognized in profit or loss in the period of the change.

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6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Custom Silicon Solution Services			
– Turnkey service	1,071,416	856,214	1,489,681
– Design service	492,470	724,794	876,558
Semiconductor IP licensing service			
– IP license	655,375	632,859	671,253
– IP royalty	109,692	103,109	110,911
	<u>2,328,953</u>	<u>2,316,976</u>	<u>3,148,403</u>
Timing of revenue recognition			
A point in time	1,836,483	1,592,182	2,271,845
Over time	492,470	724,794	876,558
	<u>2,328,953</u>	<u>2,316,976</u>	<u>3,148,403</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

Information about the Group’s performance obligations and their corresponding revenue recognition policies are summarized as below:

Turnkey Services

The Group sales chip products directly to customers. Such revenue is recognized when control of the goods transferred to the customer, being at the point of specificized shipping terms agreed in the contracts. The credit term granted to customers is specificized in each contract. The transaction price received by the Group is recognized as a contract liability for sales in which revenue has yet been recognized.

Sales-related warranties associated with chip products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

Design Services

The Group provide NRE design services to the customers. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these NRE services based on the percentage of completion. The directors have assessed that the percentage of completion determined as the proportion of the actual cost incurred to total estimated plan cost to complete is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group’s NRE design services contracts include payment schedules which require stage payments over the design process. The Group requires certain customers to provide upfront deposits of total contract sum, when the Group receives a upfront deposit before design commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognized on the specific contract exceeds the amount of the upfront deposit. A contract asset, net of contract liability related to the same contract, is recognized over the period in which the design services are performed representing the Group’s right to consideration for the services performed because the rights are conditioned on the Group’s future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

IP License

The Group grants one-time or multiple licenses to customers to use the Group’s intellectual property. For revenue from IP licensing, the Group have transferred control of usage of IP to the customers when the relevant IP are placed electronically in the Group’s encrypted file transfer protocol servers for downloading by the customers and the keys are sent electronically to the customers, and remains neither continuing managerial involvement nor effective control over the IP uploaded. IP licensing revenue is recognized at that point in time in accordance with the amounts agreed in the relevant contracts or agreements. Payments for IP license are usually agreed in installments in accordance with agreed milestones.

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IP Royalty

The Groups generate revenue from royalty fees at a prescribed rate by customers for the use of the Group’s intellectual property rights to produce and sell products. Such revenue are recognized when the Group obtain the usage or sales reports (typically on a quarterly basis) from the customers and calculated according to the relevant agreements based on the sales or usage of chips incorporating the Group’s IP.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the majority of Group’s contract has an original expected duration of less than one year.

7. OPERATING SEGMENTS

Information reported to the board of directors, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s operating segments under IFRS 8 *Operating Segments* are as follows:

1. Custom Silicon Solution Services
2. Semiconductor IP licensing service
3. Others

Segment revenues and results

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segments:

For the year ended December 31, 2023

	Custom Silicon Solution Services	Semiconductor IP licensing services	Others ⁽ⁱ⁾	Consolidated
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Types of goods or services				
Segment revenue	1,563,887	765,066	9,043	2,337,996
Segment cost included in cost of sales (ii)	(1,199,228)	(82,418)	(10,078)	(1,291,724)
Segment profit	364,659	682,648	(1,035)	1,046,272
Write-down of inventories included in cost of sales				(3,548)
Surcharge and other tax included in cost of sales				(4,101)
Other income				57,816
Other gains and losses				(405)
Finance costs				(23,179)
Impairment losses under ECL model, net of reversal				(125,475)
Selling and marketing expenses				(114,853)
Administrative expenses				(121,771)
R&D expenses				(947,223)
Share of results of associates				(32,757)
Loss before tax				(269,224)

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For the year ended December 31, 2024

	Custom Silicon Solution Services	Semiconductor IP licensing services	Others ⁽ⁱ⁾	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or services				
Segment revenue	1,581,008	735,968	4,910	2,321,886
Segment cost included in cost of sales (ii)	(1,322,501)	(65,096)	(8,727)	(1,396,324)
Segment profit	258,507	670,872	(3,817)	925,562
Write-down of inventories included in cost of sales				(1,747)
Surcharge and other tax included in cost of sales				(3,609)
Other income				56,470
Other gains and losses				19,586
Finance costs				(36,166)
Impairment losses under ECL model, net of reversal				(43,627)
Selling and marketing expenses				(119,983)
Administrative expenses				(125,381)
R&D expenses				(1,247,302)
Share of results of associates				(5,686)
Loss before tax				(581,883)

For the year ended December 31, 2025

	Custom Silicon Solution Services	Semiconductor IP licensing services	Others ⁽ⁱ⁾	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or services				
Segment revenue	2,366,239	782,164	4,042	3,152,445
Segment cost included in cost of sales (ii)	(1,971,339)	(95,509)	(7,929)	(2,074,777)
Segment profit	394,900	686,655	(3,887)	1,077,668
Write-down of inventories included in cost of sales				(3,451)
Surcharge and other tax included in cost of sales				(4,389)
Other income				59,955
Other gains and losses				12,239
Finance costs				(41,355)
Impairment losses under ECL model, net of reversal				(27,144)
Selling and marketing expenses				(127,208)
Administrative expenses				(147,006)
R&D expenses				(1,312,692)
Share of results of associates				113
Loss before tax				(513,270)

Notes:

- (i) Segment revenue in the others primarily comprises rental income which is presented as other income in the financial statements, while segment cost of sales comprises depreciation of the corresponding rental office building which is presented as other expense.

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- (ii) Segment cost for Custom Silicon Solution Services and Semiconductor IP licensing services exclude write-down of inventories and other taxes classified within cost of sales.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 4.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Revenue from major products and services

The Group’s revenue from continuing operations from its major products and services are disclosed in note 6.

Geographical information

The Group’s operations are located on Mainland China (country of domicile) and overseas.

The Group’s revenue from external customers is presented based on the locations of the customers which are detailed below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland*	1,806,726	1,452,768	2,127,438
Outside of Chinese mainland	531,270	869,118	1,025,007
	<u>2,337,996</u>	<u>2,321,886</u>	<u>3,152,445</u>

- * Segment revenue comprises rental income, and such rental income is classified as other income in the financial statements.

The Group’s non-current assets excluding financial assets at FVTPL are presented based on the geographic locations of the Company and the Company’s subsidiaries which are detailed below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland	1,127,124	1,462,820	1,399,065
Outside of Chinese mainland	316,720	315,786	388,311
	<u>1,443,844</u>	<u>1,778,606</u>	<u>1,787,376</u>

Information about major customers

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	535,081	469,231	503,934
Customer B	N/A	N/A	484,913
Customer C	270,160	N/A	N/A
	<u>805,241</u>	<u>469,231</u>	<u>988,847</u>

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8. OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest income from bank deposits	11,886	15,827	11,238
Government grants (i)	36,968	33,725	33,705
Rental income.	9,043	4,910	4,042
Input Value added Tax (“VAT”) additional deduction	8,962	6,918	15,012
	<u>66,859</u>	<u>61,380</u>	<u>63,997</u>

Note:

- (i) During the years ended December 31, 2023, 2024 and 2025, the government grants include subsidies received to reward for the contribution by the subsidiaries to the local economic growth amounting to approximately RMB36,968,000, RMB33,725,000 and RMB33,705,000, respectively. There are no unfulfilled conditions or contingencies relating to these grants and was recognized in the profit or loss upon receipt of these rewards.

The remaining portion of government grants which were recognized in the profit or loss over the useful lives of relevant assets as detailed in Note 35.

9. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Gains) losses from changes in fair value of FVTPL	(20,545)	(366)	32,898
Net foreign exchange gains (losses)	16,481	13,573	(22,518)
Investment income from unlisted financial products at FVTPL	2,246	5,157	8,479
(Losses) gains on disposal of property and equipment	(80)	1	4
Accrual of late tax payment charges	–	–	(7,539)
Others	1,493	1,221	915
	<u>(405)</u>	<u>19,586</u>	<u>12,239</u>

10. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on borrowings	17,114	27,591	34,380
Interest expenses on long term payables for purchase of intangible assets	4,164	5,485	4,476
Interest expenses on lease liabilities	1,901	3,090	2,499
	<u>23,179</u>	<u>36,166</u>	<u>41,355</u>

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11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Impairment losses recognized (reversed) on:			
– Trade receivables	109,405	39,094	21,867
– Bills receivables	(1)	(12)	(5)
– Other receivables	198	(178)	281
– Contract assets	15,873	4,723	5,001
	<u>125,475</u>	<u>43,627</u>	<u>27,144</u>

Details of impairment assessment are set out in note 43.

12. INCOME TAX EXPENSE

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current Tax			
United States (i)	8,720	4,757	4,472
PRC Enterprise Income Tax (“EIT”) (ii)	1,651	386	3,635
Hong Kong (iii)	15,580	13,250	6,312
Others	134	975	398
	<u>26,085</u>	<u>19,368</u>	<u>14,817</u>
Under (over) provision in prior years:			
Hong Kong	1,628	(799)	(302)
PRC EIT	(470)	427	28
	<u>1,158</u>	<u>(372)</u>	<u>(274)</u>
	<u>27,243</u>	<u>18,996</u>	<u>14,543</u>

Notes:

- (i) The Company’s subsidiaries in the United States is subjected to 21% federal tax rate and 8.84% state tax rate. The operations in the United States could be also subject to state and local taxes.
- The Company’s subsidiaries in United States that provide IP licensing service fees to customers outside United States would be subject to a withholding tax range from 4.95% to 20%.
- (ii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Company and certain subsidiaries of the Group have obtained High-tech Enterprise Certificate and qualified as “High-tech enterprise.” The tax rate of the Company is 15% for the Track Record Period.
- Certain subsidiaries of the Company in the PRC are qualified as “Small Low-Profit Enterprise.” The entitled subsidiaries are subjected to a preferential income tax rate as 20% during the Track Record Period.
- Certain subsidiaries of the Company in the PRC are qualified as “Encouraged industry Enterprises in the Western Region.” The entitled subsidiaries are subjected to a preferential income tax rate as 15% during the Track Record Period.
- Certain subsidiaries of the Company in the PRC are qualified as “Encouraged industry Enterprise in Hainan Free Trade Port.” The entitled subsidiaries are subjected to a preferential income tax rate as 15% during the Track Record Period.
- Certain subsidiaries of the Company in the PRC are qualified as “Key industry enterprises in Lingang New Area.” The entitled subsidiaries are subjected to a preferential income tax rate as 15% during the Track Record Period.
- (iii) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit during Track Record Period.

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The Group is operating in certain jurisdictions where the Pillar Two Rules are effective or enacted but not effective. However, as the Group’s consolidated annual revenue is expected to be less than EUR 750 million in at least two of the four fiscal years preceding the tested year, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

Income tax expense for the year can be reconciled to loss before 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 tax	(269,224)	(581,883)	(513,270)
Tax at PRC statutory rate of 15%	(40,384)	(87,282)	(76,991)
Tax effect of expenses not deductible for tax purpose	1,257	1,678	2,889
Tax effect of income not taxable for tax purpose	(997)	(24,543)	(26,372)
Tax effect of share-based compensation expense	(11,723)	133	2,816
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(58,047)	(75,558)	(72,634)
Tax effect of different tax rates of subsidiaries	12,842	(19,107)	20,746
Under (over) provision in prior years	1,158	(372)	(274)
Adjustment on prior year’s tax losses	(21,597)	(4,889)	(15,855)
Tax effect of using deductible temporary differences and tax losses not recognized previously	(26,576)	(8,253)	(1,351)
Tax effect of deductible temporary differences and tax losses not recognized	148,671	224,793	166,788
Withholding Tax	22,639	12,396	14,781
Income tax expense	27,243	18,996	14,543

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Depreciation and amortization			
Depreciation of property and equipment	40,412	50,162	62,656
Depreciation of right-of-use assets	36,077	39,621	39,337
Amortization of other intangible assets	109,500	150,058	164,357
Total depreciation and amortization	185,989	239,841	266,350
Analyzed as:			
– R&D expenses	153,839	201,459	223,809
– Administrative expenses	6,539	6,706	6,452
– Selling and marketing expenses	4,305	4,089	4,122
– Cost of sales	11,228	18,860	24,038
– Other expense	10,078	8,727	7,929
Auditor’s remuneration	4,411	4,253	4,060
Cost of inventories recognized as cost of sales	974,771	1,076,608	1,703,456
Write-down of inventories (included in cost of sales)	3,548	1,747	3,451
Impairment losses under ECL model	125,475	43,627	27,144
Staff costs, including directors’ remuneration:			
Salaries and other benefits	935,874	1,058,798	1,154,511
Social security contributions	186,677	229,151	245,818
Share-based payment expenses (note 40)	3,605	7,290	41,613
Others	24,993	36,492	24,304
Total staff costs	1,151,149	1,331,731	1,466,246
Capitalized in development expenditure	(6,685)	–	(32,819)
	1,144,464	1,331,731	1,433,427

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analyzed as:			
– R&D expenses	715,803	898,365	956,127
– Administrative expenses	82,213	84,596	106,063
– Selling and marketing expenses	79,416	83,652	89,834
– Cost of sales	267,032	265,118	281,403
– Capitalized in development expenditure.	6,685	-	32,819
R&D expenses analyzed as:			
– Staff costs, excluding share-based payment expenses	711,481	893,999	937,624
– Depreciation and amortization	153,839	201,459	223,809
– Communication expenses	20,365	40,149	33,991
– Share-based payment expenses	4,322	4,366	18,503
– Others	57,217	107,329	98,765

14. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS

During the Track Record Period, directors’, supervisors’ and chief executive’s remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

	Director’s Fees	Salaries, allowance and benefits in kind	Contributions to retirement benefit scheme and others	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023					
Executive directors					
Mr. Wayne Wei-Ming Dai (i)	–	5,295	–	(2,193)	3,102
Mr. Wei-Jin Dai	–	4,526	–	(731)	3,795
Ms. Shi Wenqian (ii)	–	2,511	105	(731)	1,885
	–	12,332	105	(3,655)	8,782
Non-executive directors					
Mr. Chen Xiaofei	–	–	–	–	–
Mr. Chen Hong	–	–	–	–	–
Mr. Sun Guodong	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Chen Wuzhao (iii)	150	–	–	–	150
Mr. Li Chen (iii)	150	–	–	–	150
Mr. Wang Zhihua (iii)	150	–	–	–	150
	450	–	–	–	450
Supervisors					
Mr. Wang Zhiwei (v)	–	–	–	–	–
Mr. Zou Fei (v)	–	–	–	–	–
Mr. Shi Wenli (v)	–	1,377	143	–	1,520
	–	1,377	143	–	1,520
	450	13,709	248	(3,655)	10,752

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	Director’s Fees	Salaries, allowance and benefits in kind	Contributions to retirement benefit scheme and others	Share-based payment expenses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended December 31, 2024					
Executive directors					
Mr. Wayne Wei-Ming Dai (i)	–	4,639	–	–	4,639
Mr. Wei-Jin Dai	–	3,194	–	–	3,194
Ms. Shi Wenqian (ii)	–	2,355	145	–	2,500
	–	10,188	145	–	10,333
Non-executive directors					
Mr. Chen Xiaofei	–	–	–	–	–
Mr. Chen Hong	–	–	–	–	–
Mr. Sun Guodong	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Chen Wuzhao (iii)	150	–	–	–	150
Mr. Li Chen (iii)	150	–	–	–	150
Mr. Wang Zhihua (iii)	150	–	–	–	150
	450	–	–	–	450
Supervisors					
Mr. Wang Zhiwei (v)	–	–	–	–	–
Mr. Zou Fei (v)	–	–	–	–	–
Mr. Shi Wenli (v)	–	1,347	145	–	1,492
	–	1,347	145	–	1,492
	–	11,535	290	–	12,275

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	Director’s Fees	Salaries, allowance and benefits in kind	Contributions to retirement benefit scheme and others	Share-based payment expenses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended December 31, 2025					
Executive directors					
Mr. Wayne Wei-Ming Dai (i)	–	4,805	–	5,062	9,867
Mr. Wei-Jin Dai	–	4,856	–	3,164	8,020
Ms. Shi Wenqian (ii)	–	1,926	85	–	2,011
Mr. Wang Yang (iv)	–	2,237	89	1,898	4,224
Ms. Shi Wenli (v)	–	932	73	1,898	2,903
	–	14,756	247	12,022	27,025
Non-executive directors					
Mr. Chen Xiaofei	–	–	–	–	–
Mr. Chen Hong	–	–	–	–	–
Mr. Sun Guodong	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Chen Wuzhao (iii)	87	–	–	–	87
Mr. Li Chen (iii)	87	–	–	–	87
Mr. Wang Zhihua (iii)	87	–	–	–	87
Mr. Huang Sheng (vi)	63	–	–	–	63
Mr. Li Ting Wei (vi)	63	–	–	–	63
Mr. Qian Dahong (vi)	63	–	–	–	63
Mr. Sun Jiangang (vi)	63	–	–	–	63
	513	–	–	–	513
Supervisors					
Mr. Wang Zhiwei (v)	–	–	–	–	–
Mr. Zou Fei (v)	–	–	–	–	–
Ms. Shi Wenli (v)	–	883	73	–	956
	–	883	73	–	956
	513	15,639	320	12,022	28,494

- (i) Mr. Wayne Wei-Ming Dai acts as chief executive of the Company throughout the Track Record Period and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.
- (ii) Ms. Shi Wenqian has been resigned from the executive director of the Company in July 2025.
- (iii) Mr. Chen Wuzhao, Mr. Li Chen and Mr. Wang Zhihua have been resigned from the independent non-executive director of the Company in July 2025.
- (iv) Mr. Wang Yang was appointed as the executive director of the Company in July 2025.
- (v) The board of supervisors was discontinued starting from July 2025, Mr. Wang Zhiwei, Mr. Zou Fei and Ms. Shi Wenli have been resigned from the supervisors of the Company in July 2025. Meanwhile, Ms. Wenli Shi was appointed as the executive director of the Company in July 2025.
- (vi) Mr. Huang Sheng, Mr. Li Ting Wei, Mr. Qian Dahong and Mr. Sun Jiangang were appointed as the independent non-executive directors of the Company in July 2025.

The executive directors’ and chief executive’s emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period.

The non-executive directors’ emoluments shown above were for their services as directors of the Company during the Track Record Period.

During the Track Record Period, there was no arrangement under which a director or the chief executive waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

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15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group for the Track Record Period included two, two and four directors, respectively and details of whose remuneration are set out in note 14 above. Details of the remuneration for the Track Record Period of the remaining individuals are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowance and benefits in kind	9,388	8,817	3,626
Contributions to retirement benefit scheme and others	245	466	146
Share-based payment expenses	2,059	1,096	1,016
	<u>11,692</u>	<u>10,379</u>	<u>4,788</u>

The number of the five highest paid individuals fell within the following bands is as below:

	Year ended December 31,		
	2023	2024	2025
HK\$2,500,001 to HK\$3,000,000	–	1	–
HK\$3,000,001 to HK\$3,500,000	2	1	–
HK\$3,500,001 to HK\$4,000,000	1	1	–
HK\$4,000,001 to HK\$4,500,000	1	–	1
HK\$4,500,001 to HK\$5,000,000	–	1	–
HK\$5,000,001 to HK\$5,500,000	–	1	1
HK\$5,500,001 to HK\$6,000,000	1	–	1
HK\$8,500,001 to HK\$9,000,000	–	–	1
HK\$10,500,001 to HK\$11,000,000	–	–	1
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

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

17. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Year ended December 31,		
	2023	2024	2025
Loss (RMB'000):			
Loss for the year attributable to owners of the Company	<u>296,467</u>	<u>600,879</u>	<u>527,813</u>
Number of shares ('000):			
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>499,088</u>	<u>499,978</u>	<u>514,016</u>

For the years ended December 31, 2023, 2024 and 2025, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share excluded the treasury shares of the Company.

As the Group incurred losses for the years ended December 31, 2023, 2024 and 2025, the potential ordinary shares from exercise of share-based compensation were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the years ended December 31, 2023, 2024 and 2025 is the same as basic loss per share.

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18. PROPERTY AND EQUIPMENT

The Group

	Buildings	Furniture	Equipment	Construction in progress	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At January 1, 2023 . .	471,127	14,993	153,731	–	44,426	684,277
Additions	26	4,423	15,219	20,645	6,387	46,700
Transfers from construction in progress	–	387	–	(17,442)	17,055	–
Disposals	–	(454)	(1,616)	–	(73)	(2,143)
Exchange adjustment .	–	75	150	–	60	285
At December 31, 2023	471,153	19,424	167,484	3,203	67,855	729,119
Additions	205,478	2,330	45,954	6,513	2,423	262,698
Transfers from construction in progress	–	1,580	755	(9,563)	7,228	–
Disposals	–	(240)	(184)	–	(190)	(614)
Exchange adjustment .	–	49	117	–	38	204
At December 31, 2024	676,631	23,143	214,126	153	77,354	991,407
Additions	–	2,770	39,817	9,464	961	53,012
Transfers from construction in progress	–	184	–	(8,828)	8,644	–
Disposals	–	(16)	(523)	–	–	(539)
Exchange adjustment .	–	(92)	(168)	–	(75)	(335)
At December 31, 2025	676,631	25,989	253,252	789	86,884	1,043,545

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	Buildings	Furniture	Equipment	Construction in progress	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ACCUMULATED DEPRECIATION						
At January 1, 2023 . .	5,958	10,538	104,113	–	30,474	151,083
Provided for the year .	11,061	2,080	20,967	–	6,304	40,412
Eliminated on disposals	–	(366)	(1,613)	–	(73)	(2,052)
Exchange adjustment .	–	65	146	–	55	266
At December 31, 2023	17,019	12,317	123,613	–	36,760	189,709
Provided for the year .	14,701	2,755	22,944	–	9,762	50,162
Eliminated on disposals	–	(239)	(184)	–	(190)	(613)
Exchange adjustment .	–	46	101	–	38	185
At December 31, 2024	31,720	14,879	146,474	–	46,370	239,443
Provided for the year .	16,107	3,028	32,830	–	10,691	62,656
Eliminated on disposals	–	(12)	(418)	–	–	(430)
Exchange adjustment .	–	(90)	(164)	–	(75)	(329)
At December 31, 2025	47,827	17,805	178,722	–	56,986	301,340
CARRYING VALUE						
At December 31, 2023	454,134	7,107	43,871	3,203	31,095	539,410
At December 31, 2024	644,911	8,264	67,652	153	30,984	751,964
At December 31, 2025	628,804	8,184	74,530	789	29,898	742,205

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The Company

	<u>Furniture</u>	<u>Equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
At January 1, 2023	5,757	124,257	23,596	153,610
Additions	197	8,491	701	9,389
Disposals	–	(719)	–	(719)
At December 31, 2023	5,954	132,029	24,297	162,280
Additions	59	40,460	942	41,461
Disposals	–	–	–	–
At December 31, 2024	6,013	172,489	25,239	203,741
Additions	562	29,418	3,751	33,731
Disposals	(6)	(372)	–	(378)
At December 31, 2025	6,569	201,535	28,990	237,094
ACCUMULATED DEPRECIATION				
At January 1, 2023	3,832	87,467	16,848	108,147
Provided for the year	714	16,803	2,224	19,741
Eliminated on disposals	–	(719)	–	(719)
At December 31, 2023	4,546	103,551	19,072	127,169
Provided for the year	624	17,664	2,175	20,463
Eliminated on disposals	–	–	–	–
At December 31, 2024	5,170	121,215	21,247	147,632
Provided for the year	549	22,987	2,335	25,871
Eliminated on disposals	(5)	(372)	–	(377)
At December 31, 2025	5,714	143,830	23,582	173,126
CARRYING VALUE				
At December 31, 2023	1,408	28,478	5,225	35,111
At December 31, 2024	843	51,274	3,992	56,109
At December 31, 2025	855	57,705	5,408	63,968

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The above items of property and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	Useful lives (Year)	Estimated residual values
Buildings	20~44	—
Equipment	2~10	—
Furniture	2~5	—
Leasehold improvement	Over the shorter of the term of the lease, or 6 years	—

The Group acquired an office building in Lingang in 2022 for self-use, which was subject to existing lease arrangement. The leasehold land and the building elements are accounted a single component with the building, of these owned properties are presented together as the purchase consideration cannot be allocated reliably.

The Group has pledged owned properties with carrying amounts of RMB443,449,000, RMB634,873,000 and RMB619,413,000 as of December 31, 2023, 2024 and 2025, respectively, to secure general banking facilities granted to the Group.

The Group as lessor

The Group leases out the self-owned offices under operating leases. None of the leases includes variable lease payments. The disaggregation of the offices under operating leases included within the building and the carrying amount of the offices at December 31, 2023, 2024 and 2025 are RMB134,278,000, RMB85,191,000 and RMB37,692,000, respectively.

19. RIGHT-OF-USE ASSETS

The Group

	Leased properties RMB'000	Office equipment RMB'000	Total RMB'000
COST			
At January 1, 2023	88,415	2,138	90,553
Additions	28,877	—	28,877
Disposals	(16,442)	—	(16,442)
Exchange adjustment	190	—	190
At December 31, 2023	101,040	2,138	103,178
Additions	74,559	—	74,559
Disposals	(48,156)	(711)	(48,867)
Exchange adjustment	259	—	259
At December 31, 2024	127,702	1,427	129,129
Additions	34,920	1,016	35,936
Disposals	(29,111)	—	(29,111)
Exchange adjustment	(319)	—	(319)
At December 31, 2025	133,192	2,443	135,635

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	Leased properties	Office equipment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
ACCUMULATED DEPRECIATION			
At January 1, 2023	38,787	806	39,593
Charge for the year	35,532	545	36,077
Eliminated on disposals	(16,366)	–	(16,366)
Exchange adjustment	(13)	–	(13)
At December 31, 2023	57,940	1,351	59,291
Charge for the year	39,192	429	39,621
Eliminated on disposals	(47,752)	(705)	(48,457)
Exchange adjustment	114	–	114
At December 31, 2024	49,494	1,075	50,569
Charge for the year	38,750	587	39,337
Eliminated on disposals	(29,087)	–	(29,087)
Exchange adjustment	74	–	74
At December 31, 2025	59,231	1,662	60,893
CARRYING VALUE			
At December 31, 2023	43,100	787	43,887
At December 31, 2024	78,208	352	78,560
At December 31, 2025	73,961	781	74,742
The Company			
	Leased properties	Office equipment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
COST			
At January 1, 2023	52,037	2,046	54,083
Additions	10,942	–	10,942
Disposals	(12,975)	–	(12,975)
At December 31, 2023	50,004	2,046	52,050
Additions	44,910	–	44,910
Disposals	(33,906)	(711)	(34,617)
At December 31, 2024	61,008	1,335	62,343
Additions	17,641	1,016	18,657
Disposals	(16,143)	–	(16,143)
At December 31, 2025	62,506	2,351	64,857

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	Leased properties <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
ACCUMULATED DEPRECIATION			
At January 1, 2023	27,561	748	28,309
Charge for the year	21,600	515	22,115
Eliminated on disposals	(12,940)	–	(12,940)
At December 31, 2023	36,221	1,263	37,484
Charge for the year	22,080	425	22,505
Eliminated on disposals	(33,629)	(705)	(34,334)
At December 31, 2024	24,672	983	25,655
Charge for the year	21,020	587	21,607
Eliminated on disposals	(16,143)	–	(16,143)
At December 31, 2025	29,549	1,570	31,119
CARRYING VALUE			
At December 31, 2023	13,783	783	14,566
At December 31, 2024	36,336	352	36,688
At December 31, 2025	32,957	781	33,738

The Group

	Year ended December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Expenses relating to short-term leases	2,262	1,578	1,918
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	82	81	90
Total cash outflow for leases	43,267	39,837	47,468

During the Track Record Period, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 10 years during the Tracking Record Periods. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-canceled period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group and the Company regularly entered into short-term leases for certain offices. As at December 31, 2023, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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20. GOODWILL

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At the beginning of year	176,110	179,046	181,673
Exchange adjustments	2,936	2,627	(3,967)
	<u> </u>	<u> </u>	<u> </u>
At the end of year	<u>179,046</u>	<u>181,673</u>	<u>177,706</u>
IMPAIRMENT			
At the beginning and end of year	<u> —</u>	<u> —</u>	<u> —</u>
CARRYING VALUES			
At the beginning of year	<u>176,110</u>	<u>179,046</u>	<u>181,673</u>
	<u> </u>	<u> </u>	<u> </u>
At the end of year	<u>179,046</u>	<u>181,673</u>	<u>177,706</u>

Particulars regarding impairment testing on goodwill are disclosed in note 22.

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21. OTHER INTANGIBLE ASSETS

The Group

	Technology	Third party licenses	Customer relationship	Software	Patent	Trademark	Internal developed technology	Software under installation	Development expenditure	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST										
At January 1, 2023	40,794	114,742	69,579	198,314	119,488	34,544	83,530	3,268	111,929	776,188
Additions	–	41,274	–	58,760	10,181	–	–	–	7,171	117,386
Transfers from development expenditure	–	–	–	–	–	–	119,100	–	(119,100)	–
Disposal	–	–	–	(28,584)	–	–	–	–	–	(28,584)
Exchange adjustment	396	1,064	1,039	128	2,026	473	–	–	–	5,126
At December 31, 2023	41,190	157,080	70,618	228,618	131,695	35,017	202,630	3,268	–	870,116
Additions	–	68,114	–	203,953	–	–	–	–	–	272,067
Transfers from assets under installation	–	–	–	3,268	–	–	–	(3,268)	–	–
Disposal	–	–	–	(121,444)	–	–	–	–	–	(121,444)
Exchange adjustment	354	908	930	102	1,989	424	–	–	–	4,707
At December 31, 2024	41,544	226,102	71,548	314,497	133,684	35,441	202,630	–	–	1,025,446
Additions	–	126,869	–	78,358	–	–	–	–	36,035	241,262
Disposal	–	–	–	(36,357)	–	–	–	–	–	(36,357)
Exchange adjustment	(535)	(1,830)	(1,404)	(183)	(3,003)	(640)	–	–	–	(7,595)
At December 31, 2025	41,009	351,141	70,144	356,315	130,681	34,801	202,630	–	36,035	1,222,756
ACCUMULATED AMORTIZATION										
At January 1, 2023	28,382	98,150	62,711	106,540	69,807	–	20,853	–	–	386,443
Provided for the year	1,574	7,759	1,779	69,393	10,095	–	18,900	–	–	109,500
Eliminated on disposal	–	–	–	(28,584)	–	–	–	–	–	(28,584)
Exchange adjustment	192	456	932	109	1,263	–	–	–	–	2,952
At December 31, 2023	30,148	106,365	65,422	147,458	81,165	–	39,753	–	–	470,311
Provided for the year	1,587	11,746	1,794	88,777	10,650	–	35,504	–	–	150,058
Eliminated on disposal	–	–	–	(121,444)	–	–	–	–	–	(121,444)
Exchange adjustment	207	434	873	92	1,400	–	–	–	–	3,006
At December 31, 2024	31,942	118,545	68,089	114,883	93,215	–	75,257	–	–	501,931
Provided for the year	1,596	17,271	1,145	98,107	10,734	–	35,504	–	–	164,357
Eliminated on disposal	–	–	–	(36,357)	–	–	–	–	–	(36,357)
Exchange adjustment	(348)	(813)	(1,346)	(151)	(2,307)	–	–	–	–	(4,965)
At December 31, 2025	33,190	135,003	67,888	176,482	101,642	–	110,761	–	–	624,966
CARRYING VALUE										
At December 31, 2023	11,042	50,715	5,196	81,160	50,530	35,017	162,877	3,268	–	399,805
At December 31, 2024	9,602	107,557	3,459	199,614	40,469	35,441	127,373	–	–	523,515
At December 31, 2025	7,819	216,138	2,256	179,833	29,039	34,801	91,869	–	36,035	597,790

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The Company

	Third party licenses	Customer relationship	Software	Trademark	Internal developed technology	Software under installation	Development expenditure	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At January 1, 2023	83,285	8,316	116,100	6,632	83,530	3,268	111,929	413,060
Additions	10,519	–	7,957	–	–	–	7,171	25,647
Transfers from development expenditure	–	–	–	–	119,100	–	(119,100)	–
Disposal	–	–	(28,584)	–	–	–	–	(28,584)
At December 31, 2023	93,804	8,316	95,473	6,632	202,630	3,268	–	410,123
Additions	65,263	–	47,946	–	–	–	–	113,209
Transfers from assets under installation	–	–	3,268	–	–	(3,268)	–	–
Disposal	–	–	(48,053)	–	–	–	–	(48,053)
At December 31, 2024	159,067	8,316	98,634	6,632	202,630	–	–	475,279
Additions	106,751	–	70,029	–	–	–	36,035	212,815
Disposal	–	–	(28,560)	–	–	–	–	(28,560)
At December 31, 2025	265,818	8,316	140,103	6,632	202,630	–	36,035	659,534
ACCUMULATED AMORTIZATION								
At January 1, 2023	72,383	8,316	59,409	–	20,853	–	–	160,961
Provided for the year	5,127	–	31,885	–	18,900	–	–	55,912
Eliminated on disposal	–	–	(28,583)	–	–	–	–	(28,583)
At December 31, 2023	77,510	8,316	62,711	–	39,753	–	–	188,290
Provided for the year	7,722	–	28,324	–	35,504	–	–	71,550
Eliminated on disposal	–	–	(48,053)	–	–	–	–	(48,053)
At December 31, 2024	85,232	8,316	42,982	–	75,257	–	–	211,787
Provided for the year	11,897	–	28,941	–	35,504	–	–	76,342
Eliminated on disposal	–	–	(28,561)	–	–	–	–	(28,561)
At December 31, 2025	97,129	8,316	43,362	–	110,761	–	–	259,568
CARRYING VALUE								
At December 31, 2023	16,294	–	32,762	6,632	162,877	3,268	–	221,833
At December 31, 2024	73,835	–	55,652	6,632	127,373	–	–	263,492
At December 31, 2025	168,689	–	96,741	6,632	91,869	–	36,035	399,966

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The above items of intangible assets, other than trademark and construction in progress, have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Technology	15 years
Third party licenses	1-10 years
Customer relationship	12-15 years
Software	1-10 years
Patent	5-20 years
Trademark	Infinite useful life
Internal developed technology	2-5 years
Development Expenditure	In the development

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Impairment testing on other intangible assets with indefinite useful lives

The Group’s other intangible assets with indefinite useful lives mainly consist of trademark. The carrying amounts of the trademark are RMB35,017,000, RMB35,441,000 and RMB34,801,000 as of December 31, 2023, 2024 and 2025, respectively. The recoverable amount of the trademark is assessed individually for impairment on annual basis.

The recoverable amount of the trademark has been determined based on a value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 17%, 18.5% and 18.5% as of the years of 2023, 2024 and 2025. Cash flows beyond the 5-year period are extrapolated using a steady 3%, 2% and 2% growth rates of the year of 2023, 2024 and 2025, respectively.

During the years ended December 31, 2023, 2024 and 2025, management of the Group determines that there is no impairment on other intangible assets with indefinite useful lives.

Impairment testing on goodwill

For the purposes of impairment testing, goodwill set out in notes 20 have been allocated to two individual cash-generating units, Unit Vivante comprising in the Semiconductor IP licensing service segment and Unit Zhonghua comprising in the Custom Silicon Services segment. The carrying amounts of goodwill allocated to these units are as follows:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Unit Vivante	176,065	178,692	174,725
Unit Zhonghua	2,981	2,981	2,981
	<u>179,046</u>	<u>181,673</u>	<u>177,706</u>

The recoverable amount of these two cash-generating units have been determined based on value in use calculations. These calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 17%, 18.5% and 18.5% as of the years of 2023, 2024 and 2025. Cash flows beyond the 5-year period are extrapolated using a steady 2% growth rates of each of the year, respectively. This growth rate is based on the long-term average growth rate for the international electronic equipment market and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows, such as budgeted sales and gross margin. These estimations are based on the historical performance of the cash-generating units and management’s expectations regarding the market development.

During the years ended December 31, 2023, 2024 and 2025, management of the Group determines that there is no impairment on both Unit Vivante and Unit Zhonghua.

The recoverable amount is significantly higher than the carrying amounts of Unit Vivante and Unit Zhonghua. Management believes that any reasonably foreseeable changes in any of these assumptions would not result in impairment of goodwill.

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23. INVESTMENTS IN ASSOCIATES/SUBSIDIARIES

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investment in associates under equity method	56,000	57,000	57,000
Share of post-acquisition losses and other comprehensive income or expenses, net of dividends received	(50,943)	(56,000)	(55,852)
Impairment loss recognized	—	—	—
	<u>5,057</u>	<u>1,000</u>	<u>1,148</u>

Name of associates	Places of registration /operation	Proportion of ownership investments held by the Group			Principal activities
		2023	2024	2025	
Verisyno Microelectronics Co., Ltd.* (“Verisyno”) (i)	PRC	42.00%	42.00%	42.00%	Chip design services and IP Licensing
Shanghai Xinzhan Technology Co., Ltd.* (“Xinzhan”) (ii)	PRC	Not applicable	10.00%	10.00%	Equity investment

Notes:

* English name is for identification purpose only.

- (i) The Group has 42% ownership interest in Verisyno. The Group is able to exercise significant influence over Verisyno because it has the right to appoint two out of the five directors of Verisyno under the articles of association of Verisyno.
- (ii) The Group is able to exercise significant influence over Xinzhan because Xinzhan has dispersed ownership and the Company has the right to appoint one out of the seven directors of Xinzhan under the articles of association of Xinzhan.

Summarized financial information of material associates

Summarized financial information in respect of the Group’s material associates is set out below. The summarized financial information below represents amounts in associates’ financial statements prepared in accordance with China Accounting Standards for Business Enterprises.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Verisyno

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	<u>55,121</u>	<u>18,336</u>	<u>16,452</u>
Non-current assets	<u>16,490</u>	<u>8,945</u>	<u>4,533</u>
Current liabilities	<u>53,157</u>	<u>57,670</u>	<u>77,071</u>
Non-current liabilities	<u>4,461</u>	<u>1,618</u>	<u>932</u>

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	39,919	19,765	37,697
Loss for the year	(71,156)	(47,501)	(25,092)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net assets (liabilities) of Verisyno	13,993	(32,007)	(57,018)
Proportion of the Group’s ownership interest in Verisyno	42%	42%	42%
The Group’s share of net assets of Verisyno	5,877	—*	—*
Other adjustments			
– Unrealized losses from internal transaction	(820)	—*	—*
Carrying amount of Groups’ interest in Verisyno	5,057	—*	—*

*: Given that Verisyno has generated losses exceeding the carrying amount of the investment, the Group has ceased recognizing further equity losses.

The Company

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of investments in subsidiaries	834,049	835,660	1,441,837
Investments in associates	5,057	1,000	1,148
	839,106	836,660	1,442,985

The increase in investments in subsidiaries during 2025 mainly consists of a cash capital contribution of RMB360,000,000 made to TSXY, as well as an additional investment of RMB216,798,000 in TSXY recognized in respect of the put options granted to other shareholders of TSXY, details of which are set out in the note 37.

Other changes in investments in subsidiaries during each periods represent the impact of share-based payment awards granted by the Company to employees of its subsidiaries.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets			
Unlisted financial products (i)	400,130	112,276	923,813
Non-current assets			
Equity investments on unlisted companies (ii)	199,634	201,123	193,581
Equity investments on listed companies (ii).	—	—	38,903
	599,764	313,399	1,156,297

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Notes:

- (i) During the Track Record Period, the Group entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by respective banks in the PRC to invest principally in certain financial assets such as wealth management products and structured deposits. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products linked to the performance of foreign exchange rates and gold prices.
- (ii) The Group’s equity investments on listed and unlisted companies were classified as financial assets at FVTPL.

25. INVENTORIES

The Group

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Work-in-progress	263,883	360,667	462,541
Finished goods	19,343	40,133	42,167
Less: provision for impairment of inventories.	(4,603)	(5,285)	(6,725)
	<u>278,623</u>	<u>395,515</u>	<u>497,983</u>

The Company

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Work-in-progress	53,340	186,680	173,453
Finished goods	5,402	10,319	3,262
Less: provision for impairment of inventories.	(338)	(786)	(3,035)
	<u>58,404</u>	<u>196,213</u>	<u>173,680</u>

26. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND TIME DEPOSITS

Cash and cash equivalents

Cash and cash equivalents held by the Group comprised of bank balances and short term bank deposits with an original maturity of three months or less.

The Group

The Group’s cash and cash equivalents that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
US Dollar (“USD”)	219,335	256,099	14,793
Euro (“EUR”)	156	150	164
Hong Kong Dollar (“HKD”)	733	9,727	29
RMB	<u>129</u>	<u>369</u>	<u>370</u>
Total in RMB	<u>220,353</u>	<u>266,345</u>	<u>15,356</u>

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The Company

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
USD	180,793	231,013	937
Total in RMB	<u>180,793</u>	<u>231,013</u>	<u>937</u>

Restricted bank balances

Restricted bank deposits primarily represent deposits held in designated bank accounts for margin deposit for customs security, Customs import duties deposits, letter of credit and bank deposits in transit.

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Restricted bank deposits	<u>3,527</u>	<u>104,101</u>	<u>1,089</u>

The Company

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Restricted bank deposits	<u>—</u>	<u>100,000</u>	<u>2</u>

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 43.

Time deposits

The Group

The Group did not have any time deposits at December 31, 2023 and 2024. At December 31, 2025, the Group held time deposits of RMB70,698,000.00 with original maturity of more than 3 months which carried effective interest rates ranging from 1.30% to 2.30% per annum, among which RMB50,287,000 will mature within one year as at December 31, 2025.

The Company

The Company did not have any time deposits at December 31, 2023 and 2024. At December 31, 2025, the Company held time deposits of RMB70,698,000.00 with original maturity of more than 3 months which carried effective interest rates ranging from 1.30% to 2.30% per annum, among which RMB50,287,000 will mature within one year at December 31, 2025.

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27. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENT

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
– due from related parties – trade related	15,237	18,714	19,597
– due from third parties	1,167,505	1,278,041	1,470,960
	<u>1,182,742</u>	<u>1,296,755</u>	<u>1,490,557</u>
Less: Impairment loss allowance for trade receivables . .	<u>(161,103)</u>	<u>(201,115)</u>	<u>(221,014)</u>
	<u>1,021,639</u>	<u>1,095,640</u>	<u>1,269,543</u>
Bills receivables			
Bank acceptance bills	41,634	6,075	995
Commercial acceptance bills	21,004	14,195	4,832
	<u>62,638</u>	<u>20,270</u>	<u>5,827</u>
Less: Impairment loss allowance for bills receivables . .	<u>(20)</u>	<u>(7)</u>	<u>(2)</u>
	<u>62,618</u>	<u>20,263</u>	<u>5,825</u>
Other receivables			
Deposits, petty cash and advances	694	843	961
Lease security deposits	11,820	11,934	11,563
Platform technology service guarantee deposit	–	–	10,000
Others	4,471	880	2,131
	<u>16,985</u>	<u>13,657</u>	<u>24,655</u>
Less: Impairment loss allowance for other receivables . .	<u>(899)</u>	<u>(722)</u>	<u>(1,001)</u>
	<u>16,086</u>	<u>12,935</u>	<u>23,654</u>
Prepayment			
Amounts due from related parties - trade related	106,022	14,477	25,637
Prepaid expenses	34,957	76,446	484,785
Prepayment for long-term assets	310,356	90,000	97,426
	<u>451,335</u>	<u>180,923</u>	<u>607,848</u>
Total trade, bills and other receivables and prepayment	<u>1,551,678</u>	<u>1,309,761</u>	<u>1,906,870</u>
Analyzed as:			
Non-current	321,598	253,828	184,937
Current	1,230,080	1,055,933	1,721,933
	<u>1,551,678</u>	<u>1,309,761</u>	<u>1,906,870</u>

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The Company

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
– due from related parties – trade related	15,237	18,714	19,593
– due from related subsidiaries – trade related	774,816	756,064	928,622
– due from third parties	794,109	860,884	1,004,627
	1,584,162	1,635,662	1,952,842
Less: Impairment loss allowance for trade receivables	(65,991)	(100,998)	(110,218)
	1,518,171	1,534,664	1,842,624
Bills receivables			
Bank acceptance bills	41,634	6,075	995
Commercial acceptance bills	21,004	14,195	4,832
	62,638	20,270	5,827
Less: Impairment loss allowance for bills receivables	(20)	(7)	(2)
	62,618	20,263	5,825
Other receivables			
Amounts due from subsidiaries - non-trade related	3,884	209	204
Deposits, petty cash and advances	147	109	319
Lease security deposits	6,138	6,138	5,364
Platform service deposit	–	–	6,000
Others	3,134	–	948
	13,303	6,456	12,835
Less: Impairment loss allowance for other receivables	(459)	(305)	(500)
	12,844	6,151	12,335
Prepayment			
Amounts due from related parties - trade related	106,022	13,110	25,637
Amounts due from subsidiaries - trade related	–	–	422,862
Prepaid expenses	23,136	43,871	63,576
Prepayment for long-term assets	93,140	90,000	7,457
	222,298	146,981	519,532
Total trade, bills and other receivables and prepayment	1,815,931	1,708,059	2,380,316
Analyzed as:			
Non-current	98,975	237,679	85,182
Current	1,716,956	1,470,380	2,295,134
	1,815,931	1,708,059	2,380,316

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The following is an aging analysis of trade receivables, presented based on invoice dates at the end of each reporting period.

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 6 months	910,453	980,217	1,253,671
6 months to 1 year	133,436	13,553	14,625
1 to 2 years	76,850	178,147	23,263
Over 2 years	62,003	124,838	198,998
	<u>1,182,742</u>	<u>1,296,755</u>	<u>1,490,557</u>

As at January 1, 2023, the Group’s trade receivables amounted to RMB1,105,704,000.

The Company

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 6 months	1,439,810	1,442,366	1,832,380
6 months to 1 year	107,277	13,514	10,832
1 to 2 years	29,802	144,895	17,462
Over 2 years	7,273	34,887	92,168
	<u>1,584,162</u>	<u>1,635,662</u>	<u>1,952,842</u>

As at January 1, 2023, the Company’s trade receivables amounted to RMB1,324,084,000.

Details of impairment assessment of trade and other receivables are set out in note 43.

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28. CONTRACT ASSETS

The Group

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	118,214	272,119	385,287
Less: Impairment loss allowance for contract assets . . .	(22,235)	(26,958)	(31,959)
	<u>95,979</u>	<u>245,161</u>	<u>353,328</u>

As at January 1, 2023, the Group’s contract assets amounted to RMB112,353,000.

The Company

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	99,141	217,416	302,985
Less: Impairment loss allowance for contract assets . . .	(22,101)	(26,079)	(31,583)
	<u>77,040</u>	<u>191,337</u>	<u>271,402</u>

As at January 1, 2023, the Company’s contract assets amounted to RMB56,988,000.

The contract assets primarily relate to the Group’s right to consideration for design service completed but not billed according to the payment milestone agreed in the contract. The contract assets are transferred to trade receivables after meet the payment milestone.

29. DEFERRED TAX ASSETS/LIABILITIES

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

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	20,390	20,222	16,313
Deferred tax liabilities	(20,390)	(20,222)	(16,313)
	<u>—</u>	<u>—</u>	<u>—</u>

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The following are the major deferred tax assets/(liabilities) recognized and movements thereon during Tracking Record Periods:

The Group

	Impairments	Tax losses	Accrued expenses	Deferred Income	Right-of-use assets	Lease liabilities	Fair value adjustments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	819	13,807	1,207	964	(2,930)	2,930	(21,262)	4,465	-
Credit (charge) to profit or loss	327	(589)	(737)	930	646	(152)	3,156	(3,581)	-
At December 31, 2023	<u>1,146</u>	<u>13,218</u>	<u>470</u>	<u>1,894</u>	<u>(2,284)</u>	<u>2,778</u>	<u>(18,106)</u>	<u>884</u>	<u>-</u>
(Charge) credit to profit or loss	(161)	390	508	(865)	210	45	(42)	(85)	-
At December 31, 2024	<u>985</u>	<u>13,608</u>	<u>978</u>	<u>1,029</u>	<u>(2,074)</u>	<u>2,823</u>	<u>(18,148)</u>	<u>799</u>	<u>-</u>
(Charge) credit to profit or loss	(202)	(1,396)	(84)	(151)	870	(2,040)	3,039	(36)	-
At December 31, 2025	<u>783</u>	<u>12,212</u>	<u>894</u>	<u>878</u>	<u>(1,204)</u>	<u>783</u>	<u>(15,109)</u>	<u>763</u>	<u>-</u>

The Group has deductible temporary differences of RMB 1,027 million, RMB 1,284 million and RMB 1,244 million at December 31, 2023, 2024 and 2025, respectively. No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The Group has unused tax losses of approximately RMB1,427 million, RMB2,613 million and RMB3,757 million at December 31, 2023, 2024 and 2025, respectively, available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. Unrecognized tax losses with expiry dates as disclosed in the following table:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2025	2,945	2,945	-
2026	36,121	2,188	-
2027	14,606	14,606	2,888
2028	19,796	19,796	3,376
2029	104,531	106,155	106,155
2030	203,310	203,310	213,175
After 2031	1,034,770	2,259,633	3,426,598
Indefinite	10,452	4,203	4,339
	<u>1,426,531</u>	<u>2,612,836</u>	<u>3,756,531</u>

The Company has deductible temporary differences of RMB265 million, RMB339 million and RMB371 million at December 31, 2023, 2024 and 2025, respectively. No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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The Company has unused tax losses of approximately RMB1,157 million, RMB2,126 million and RMB3,013 million at December 31, 2023, 2024 and 2025, respectively, available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. Unrecognized tax losses with expiry dates as disclosed in the following table:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2025.	2,945	2,945	—
2026.	—	—	—
2027.	—	—	—
2028.	—	—	—
2029.	104,531	104,531	104,531
2030.	194,626	194,626	194,626
After 2031	855,200	1,824,331	2,713,771
	1,157,302	2,126,433	3,012,928

30. TRADE AND OTHER PAYABLES

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables			
– due to related parties - trade related	2,074	33,626	24,237
– due to third parties	93,994	129,540	301,634
	96,068	163,166	325,871
Other payables			
– due to related parties - non-trade related	5,164	2,441	1,781
– due to third parties			
Salary and bonus payables	161,153	190,741	200,821
Payables for purchase of intangible assets	83,672	206,056	139,947
Other tax payable	31,120	38,286	55,899
Payables for purchase of property and equipment	5,574	9,925	1,876
Accrued professional expenses	9,541	8,942	12,509
Payable for network services fee	1,452	4,506	12,626
Advances for reimbursable expenses	—	—	47,382
Others	7,741	9,788	11,226
	305,417	470,685	484,067
Total trade and other payables	401,485	633,851	809,938
Analyzed as:			
Non-current	40,996	83,221	39,393
Current	360,489	550,630	770,545
	401,485	633,851	809,938

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The Company

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
– due to related parties - trade related	2,074	33,626	24,236
– due to subsidiaries - trade related	183,206	350,447	245,790
– due to third parties	31,745	38,966	117,083
	217,025	423,039	387,109
Other payables			
– due to related parties - non-trade related	5,164	2,441	798
– due to subsidiaries - non-trade related	19	6	706
– due to third parties, including:			
Salary and bonus payables	61,878	74,674	83,301
Payables for purchase of intangible assets	23,269	61,153	57,649
Other tax payable	4,813	6,180	26,843
Payables for purchase of property and equipment	597	3,934	834
Accrued professional expenses	4,770	4,121	8,675
Payable for network services fee	1,452	4,506	9,228
Advances for reimbursable expenses	–	–	47,382
Others	2,995	4,249	6,012
	104,957	161,264	241,428
Total trade and other payables	321,982	584,303	628,537
Analyzed as:			
Non-current	3,387	6,361	15,434
Current	318,595	577,942	613,103
	321,982	584,303	628,537

All the trade payables are with a maturity period of less than one year which based on the invoice dates at the end of each reporting period.

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31. BORROWINGS

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank loans	754,365	1,144,247	1,567,199
Unsecured	417,807	844,062	1,043,457
Secured and guaranteed	336,558	300,185	523,742
	754,365	1,144,247	1,567,199
Carrying amount repayable as follows*:			
– within one year	94,754	251,436	442,886
– more than one year but not more than two years . .	195,872	378,252	476,077
– more than two year but not more than five years . .	373,655	428,477	306,749
– more than five years	90,084	86,082	341,487
	754,365	1,144,247	1,567,199
Less: Amount due for settlement within one year shown under current liabilities	(94,754)	(251,436)	(442,886)
Amount of borrowings on demand due to the breach of financial covenants (shown under current liabilities).	–	(60,258)	–
Amounts shown under non-current liabilities	659,611	832,553	1,124,313

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As of December 31, 2023, 2024 and 2025, the pledged loans of RMB230,250,000, RMB299,895,000 and RMB235,303,000 were secured by property and equipment. (note 18).

As of December 31, 2025, the pledged loan of RMB288,000,000 was secured by the Group’s shares in TSXY.

In respect of bank borrowings with carrying amount of RMB168,066,000, RMB274,758,000 and RMB522,027,000 as at December 31, 2023, 2024 and 2025, respectively, the Group is required to comply with the following financial covenants which are tested on a frequent basis.

In respect of a bank loan with a carrying amount of RMB60,258,000 as at December 31, 2024, the Group breached certain of the terms of the bank loan, which are primarily related to the debt-equity ratio of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. As at December 31, 2024, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan has been classified as a current liability as at December 31, 2024.

Other than the above, the Group has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank loans balances as non-current.

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The Company

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank loans	417,807	844,062	1,331,699
Unsecured	417,807	844,062	1,043,457
Secured and guaranteed	—	—	288,242
	417,807	844,062	1,331,699
Carrying amount repayable as follows*:			
– within one year	58,366	186,781	366,111
– more than one year but not more than two years	131,221	301,466	411,431
– more than two year but not more than five years	228,220	355,815	294,739
– more than five years	—	—	259,418
	417,807	844,062	1,331,699
Less: Amount due for settlement within one year shown under current liabilities	(58,366)	(186,781)	(366,111)
Amount of borrowings that are prepayable on demand due to the breach of financial covenants (shown under current liabilities)	—	(60,258)	—
Amounts shown under non-current liabilities	359,441	597,023	965,588

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group’s borrowings are as follows:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	199,694	217,102	108,093
Variable-rate borrowings	554,671	927,145	1,459,106
	754,365	1,144,247	1,567,199

The Group’s variable-rate borrowings as at December 31, 2023, 2024 and 2025 were denominated in RMB which carried the floating rate at loan prime rate plus spread of certain percentage agreed in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings are as follows:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Effective interest rate:			
Fixed-rate borrowings	3.40% to 3.65%	2.85% to 3.15%	2.70% to 3.00%
Variable-rate borrowings	3.30% to 3.65%	2.80% to 3.45%	2.34% to 2.90%

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32. LEASE LIABILITIES

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
Within one year	20,393	37,351	35,430
Within a period of more than one year but not exceeding two years	10,443	27,416	20,522
Within a period of more than two years but not exceeding five years	11,823	17,112	15,159
Exceeding five years	—	—	3,971
	42,659	81,879	75,082
Less: Amounts due for settlement within 12 months shown under current liabilities	(20,393)	(37,351)	(35,430)
Amounts due for settlement after 12 months shown under non-current liabilities	22,266	44,528	39,652

The Group’s incremental borrowing rates applied to lease liabilities ranged from 3.65% to 4.75%, 3.65% to 5.39% and 3.50% to 5.39% per annum for the years ended December 31, 2023, 2024 and 2025, respectively.

33. PROVISIONS

The Group

	Litigation	Provision for onerous contract	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	1,538	15,633	17,171
Utilization of provision	—	(3,828)	(3,828)
Exchange adjustment	91	—	91
At December 31, 2023	1,629	11,805	13,434
Utilization of provision	—	(641)	(641)
Exchange adjustment	(69)	—	(69)
At December 31, 2024	1,560	11,164	12,724
Utilization of provision	—	(808)	(808)
Exchange adjustment	147	—	147
At December 31, 2025	1,707	10,356	12,063

The provision for onerous contracts relates to certain NRE contracts with customers under which the unavoidable costs of meeting the obligation exceed the economic benefits to be received due to strategic initiative to strengthen relationships with key customers, drive future business opportunities.

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34. CONTRACT LIABILITIES

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance from customers	486,741	606,777	1,258,496
Analyzed as:			
Non-current	33,219	—	—
Current	453,522	606,777	1,258,496
	<u>486,741</u>	<u>606,777</u>	<u>1,258,496</u>

As at January 1, 2023, contract liabilities of the Group amounted to RMB546,436,000.

The Company

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance from customers	207,603	282,961	873,708
Analyzed as:			
Non-current	33,219	—	—
Current	174,384	282,961	873,708
	<u>207,603</u>	<u>282,961</u>	<u>873,708</u>

As at January 1, 2023, contract liabilities of the Company amounted to RMB264,369,000.

The Group’s contract liabilities mainly consist of advance payment received from customs of design services and IP license. The majority of the contract liabilities was/will be recognized as revenue in the following fiscal year.

35. DEFERRED INCOME

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants related to assets	1,286	2,400	—
Other government grants	2,832	18,184	2,291
	<u>4,118</u>	<u>20,584</u>	<u>2,291</u>

36. PUTTABLE SHARES LIABILITY

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Puttable shares liability (i)	—	—	570,000
	<u>—</u>	<u>—</u>	<u>570,000</u>

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Note:

- (i) On October 10, 2025, the Group established TSXY, in which the Group holds 100% of the equity interest. On December 12, 2025, the Group entered into a capital increase agreement and shareholders’ agreement with third-party investors in relation to TSXY. Following the completion of the capital increase on December 31, 2025, the Group’s ownership interest was diluted to 40%, making it the largest single shareholder of TSXY, while retaining control over the entity. The shareholders agreement stipulates during the period from 12 months to 36 months after the capital increase is completed, the Group have the right to purchase other investors’ shares in TSXY, in accordance with PRC laws and regulations and the requirements of regulatory authorities, through cash payment and/or issue shares and/or convertible bonds at prices and on terms mutually agreed by all the parties either by the Group itself or through designated third party. The shareholders agreement also includes an exit arrangement that on the date 36 months after the capital contribution payment date, the other investors have the right to require the Company, by written notice, to repurchase all or part of their equity interests in TSXY at a price equal to the original investment principal plus a fixed interest rate. As of December 31, 2025, both the Company and the other investors have fully paid in their respective subscribed capital contributions to TSXY. Accordingly, the Company has recognized the capital contributions received from third-party investors as a financial liability measured at amortized cost.

37. DERIVATIVE LIABILITIES AT FVTPL

The Company

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Derivative liabilities at FVTPL (i)	–	–	216,798

- (i) In accordance with the exit arrangements granted to the third-party shareholders of TSXY, as further described in note 36, the Company recognized the put option held by the third-party shareholder as a derivative liability at FVTPL.

38. SHARE CAPITAL AND TREASURY SHARES

Share Capital

Details of movements of authorized and issued share capital of the Company are as follows:

	Number of shares	Share capital RMB’000
Ordinary shares of RMB1.00 each		
Registered, issued and fully paid		
At January 1, 2023	497,750,682	497,751
Exercise of share-based payment (i)	2,160,550	2,160
At December 31, 2023	499,911,232	499,911
Exercise of share-based payment (i)	443,850	444
At December 31, 2024	500,355,082	500,355
Issuance of shares (ii)	24,860,441	24,860
Exercise of share-based payment (i)	642,750	643
At December 31, 2025	525,858,273	525,858

Notes:

- (i) Pursuant to the 2020 Restricted A Share Incentive Plan (“**2020 Plan**”) approved by the Board on December 25, 2020, and the 2022 Restricted Share Incentive Plan (“**2022 Plan**”) approved on January 21, 2022, the Company issued ordinary shares upon exercise of vested restricted share awards. The Company’s share capital increased by RMB2,160,550, RMB443,850 and RMB642,750 in the years ended December 31, 2023, 2024 and 2025, respectively.
- (ii) Pursuant to the approval of private placement by the China Securities Regulatory Commission on March 20, 2025, the Company issued the ordinary shares and share capital was increased by RMB24,860,441.

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Treasury Shares

	Number of shares	Treasury Shares <i>RMB’000</i>
Ordinary shares of RMB1.00 each		
At January 1, 2023, December 31, 2023 and 2024	–	–
Repurchase of shares (iii)	287,000	24,836
	<u>287,000</u>	<u>24,836</u>
At December 31, 2025	287,000	24,836

(iii) On July 22, 2025, the Company repurchase 287,000 of treasury shares for future employee incentive plan.

39. RESERVES

	Share premium <i>RMB’000</i>	Translation reserve <i>RMB’000</i>	Share-based payments reserve <i>RMB’000</i>	Accumulated losses <i>RMB’000</i>	Total <i>RMB’000</i>
At January 1, 2023	3,824,256	(48,829)	153,033	(1,518,991)	2,409,469
Loss for the year	–	–	–	(296,467)	(296,467)
Exchange differences arising on translation to presentation currency	–	(569)	–	–	(569)
Exercise of share-based payment	159,569	–	(78,043)	–	81,526
Recognition of equity-settled share-based payments	–	–	3,605	–	3,605
Others	2,818	–	–	–	2,818
At December 31, 2023	3,986,643	(49,398)	78,595	(1,815,458)	2,200,382
Loss for the year	–	–	–	(600,879)	(600,879)
Exchange differences arising on translation to presentation currency	–	(2,118)	–	–	(2,118)
Exercise of share-based payment	36,535	–	(19,877)	–	16,658
Recognition of equity-settled share-based payments	–	–	7,290	–	7,290
Others	630	–	–	–	630
At December 31, 2024	4,023,808	(51,516)	66,008	(2,416,337)	1,621,963
Loss for the year	–	–	–	(527,813)	(527,813)
Exchange differences arising on translation to presentation currency	–	1,162	–	–	1,162
Issue of shares (i)	1,755,402	–	–	–	1,755,402
Exercise of share-based payment	54,617	–	(30,494)	–	24,123
Recognition of equity-settled share-based payments	–	–	41,613	–	41,613
Others	34	–	–	–	34
At December 31, 2025	5,833,861	(50,354)	77,127	(2,944,150)	2,916,484

Notes:

- (i) Pursuant to the approval of private placement by the China Securities Regulatory Commission on March 20, 2025, the Company issued the ordinary shares and share premium was increased by RMB1,755,402,000.

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40. SHARE-BASED PAYMENT TRANSACTION

Equity-settled share option scheme of the Company

2020 Restricted A Share Incentive Scheme

On December 25, 2020, the Group approved the 2020 Restricted A Share Incentive Scheme, under which 3.082 million restricted shares were provisionally granted to 444 eligible participants at an exercise price of RMB38.53 per share. According to the plan, employees receiving the restricted shares shall vest their awards in three tranches according to the predetermined vesting schedule. The first tranche shall vest from the first trading day after the 24th month from the initial grant date to the last trading day within the 36th month from the initial grant date; the second tranche shall vest from the first trading day after the 36th month from the initial grant date to the last trading day within the 48th month from the initial grant date; and the third tranche shall vest from the first trading day after the 48th month from the initial grant date to the last trading day within the 60th month from the initial grant date.

On August 3, 2021, the grant conditions specified under the 2020 Restricted A Share Incentive Scheme were satisfied. The Group approved the resolution to grant reserved restricted shares to eligible participants, under which 412,000 restricted shares were granted to 62 participants at an exercise price of RMB38.53 per share. According to the plan, employees receiving the restricted shares shall vest their awards in three tranches according to the predetermined vesting schedule. The first tranche shall vest from the first trading day after the 24th month from the initial grant date to the last trading day within the 36th month from the initial grant date; the second tranche shall vest from the first trading day after the 36th month from the initial grant date to the last trading day within the 48th month from the initial grant date; and the third tranche shall vest from the first trading day after the 48th month from the initial grant date to the last trading day within the 60th month from the initial grant date.

On December 20, 2021, the grant conditions specified under the 2020 Restricted A Share Incentive Scheme were satisfied. The Group approved the resolution to grant reserved restricted shares to eligible participants, under which 356,000 restricted shares were provisionally granted to 27 participants at an exercise price of RMB38.53 per share. According to the plan, employees receiving the restricted shares shall vest their awards in three tranches according to the predetermined vesting schedule. The first tranche shall vest from the first trading day after the 24th month from the initial grant date to the last trading day within the 36th month from the initial grant date; the second tranche shall vest from the first trading day after the 36th month from the initial grant date to the last trading day within the 48th month from the initial grant date; and the third tranche shall vest from the first trading day after the 48th month from the initial grant date to the last trading day within the 60th month from the initial grant date.

2022 Restricted A Share Incentive Scheme

On January 20, 2022, the Group approved the 2022 Restricted A Share Incentive Scheme, under which 3.43 million restricted shares were provisionally granted to 1,099 eligible participants at an exercise price of RMB39.00 per share. According to the plan, employees receiving the restricted shares shall vest their awards in three tranches according to the predetermined vesting schedule. The first tranche shall vest from the first trading day after the 12th month from the initial grant date to the last trading day within the 24th month from the initial grant date; the second tranche shall vest from the first trading day after the 24th month from the initial grant date to the last trading day within the 36th month from the initial grant date; and the third tranche shall vest from the first trading day after the 36th month from the initial grant date to the last trading day within the 48th month from the initial grant date.

On October 27, 2022, the grant conditions specified under the 2022 Restricted A Share Incentive Scheme were satisfied. The Group granted 582,500 restricted shares to 34 eligible participants at an exercise price of RMB39.00 per share. According to the plan, employees receiving the reserved portion of the restricted shares shall vest their awards in three tranches according to the predetermined vesting schedule. The first tranche shall vest from the first trading day after the 12th month from the initial grant date to the last trading day within the 24th month from the initial grant date; the second tranche shall vest from the first trading day after the 24th month from the initial grant date to the last trading day within the 36th month from the initial grant date; and the third tranche shall vest from the first trading day after the 36th month from the initial grant date to the last trading day within the 48th month from the initial grant date.

2025 Restricted A Share Incentive Scheme

On November 6, 2025, the Group approved the 2025 Restricted A Share Incentive Scheme, under which 6.4385 million restricted shares were provisionally granted to 1,123 eligible participants at an award price of RMB84.58 per share. According to the plan, employees receiving the restricted shares shall vest their awards in three tranches according to the predetermined vesting schedule. The first tranche shall vest from the first trading day after the 12th month from the initial grant date to the last trading day within the 24th month from the initial grant date; the second tranche shall vest from the first trading day after the 24th month from the initial grant date to the last trading day within the 36th month from the initial grant date; and the third tranche shall vest from the first trading day after the 36th month from the initial grant date to the last trading day within the 48th month from the initial grant date.

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The following restricted shares were outstanding under the Restricted A Share Incentive Scheme during the Track Record Period:

	December 31, 2023	
	Number of Restricted shares	Weighted average vesting price
		<i>RMB</i>
Outstanding at beginning of year	6,776,000	/
Forfeited during the year	(351,950)	38.69
Exercised during the year	(2,160,550)	37.84
Outstanding at the end of the year	4,263,500	/

	December 31, 2024	
	Number of Restricted shares	Weighted average vesting price
		<i>RMB</i>
Outstanding at beginning of year	4,263,500	/
Forfeited during the year	(1,738,250)	38.89
Exercised during the year	(443,850)	44.81
Outstanding at the end of the year	2,081,400	/

	December 31, 2025	
	Number of Restricted shares	Weighted average vesting price
		<i>RMB</i>
Outstanding at beginning of year	2,081,400	/
Granted during the year	6,438,500	84.58
Forfeited during the year	(1,395,150)	40.08
Exercised during the year	(642,750)	47.50
Outstanding at the end of the year	6,482,000	/

The Black-Scholes option pricing model has been used to estimate the fair value of the restricted shares. The variables and assumptions used in computing the fair value of the restricted shares are based on the directors’ of the Company best estimate.

Changes in variables and assumptions may result in changes in the fair value of the restricted shares. The inputs into the model were as follows:

	At the grant dates of			
	2020	2021	2022	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Weighted average price of common stock . . .	76.10	72.00-74.80	52.51-63.65	157.35
Exercise price of common stock	38.53	38.53	39.00	84.58
	56.08%-	56.07%-	50.58%-	53.35%-
Expected volatility rate	57.38%	61.34%	61.32%	56.52%
Expected vesting years	3 years	3 years	3 years	3 years
	2.89%-	2.10%-	1.50%-	1.50%-
Risk-free rate	3.00%	2.75%	2.75%	2.75%

For the years ended December 31, 2023, 2024 and 2025, the Group’s total share-based payment expenses recognized in the consolidated statements of profit or loss and other comprehensive income in relation to restricted shares granted by the Company is RMB3,605,000, RMB7,290,000 and RMB41,613,000, respectively.

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41. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancelable contracts as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of purchase of inventory and other current assets contracted for but not provided in the consolidated financial statements . . .	224,126	64,124	35,000

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities 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 Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowing and lease liabilities disclosed in notes 31 and 32 respectively, net of cash and cash equivalents and equity of the Group, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

43. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Trade, bills and other receivables	1,100,343	1,128,838	1,299,022
Financial assets at FVTPL	599,764	313,399	1,156,297
Cash and cash equivalents	685,253	642,835	2,006,425
Restricted bank balances	3,527	104,101	1,089
Time deposits	—	—	70,698
	<u>2,388,887</u>	<u>2,189,173</u>	<u>4,533,531</u>
Financial liabilities			
Borrowings	754,365	1,144,247	1,567,199
Trade and other payables	209,212	404,824	505,836
Puttable shares liability	—	—	570,000
	<u>963,577</u>	<u>1,549,071</u>	<u>2,643,035</u>

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The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Trade, bills and other receivables	1,593,633	1,561,078	1,860,784
Financial assets at FVTPL	482,782	264,372	1,085,381
Cash and cash equivalents	395,773	480,893	867,352
Restricted bank balances	–	100,000	2
Time deposits	–	–	70,698
	<u>2,472,188</u>	<u>2,406,343</u>	<u>3,884,217</u>
Financial liabilities			
Borrowings	417,807	844,062	1,331,699
Trade and other payables	255,291	503,449	471,011
Derivative liabilities at FVTPL	–	–	216,798
	<u>673,098</u>	<u>1,347,511</u>	<u>2,019,508</u>

b. Financial risk management objectives and policies

The Group’s major financial instruments include Trade bills and other receivables, financial assets at FVTPL, Cash and cash equivalents, Restricted bank balances, Time deposits, Borrowings, Trade and other payables, and Puttable shares liability. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group’s activities expose it primarily to the market risks of currency risk, interest rate risk and other price risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) *Currency risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group’s foreign denominated monetary assets and intra-group balances at the end of each reporting period are as follows:

	Assets			Liabilities		
	As at December 31,			As at December 31,		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	221,233	260,264	20,856	58,860	89,753	52,547
EUR	156	150	164	472	–	889
HKD	733	9,727	29	120	–	57
RMB	129	369	370	–	–	–
	<u>222,251</u>	<u>270,510</u>	<u>21,419</u>	<u>59,452</u>	<u>89,753</u>	<u>53,493</u>

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Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies during the Track Record Period. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in loss after taxation where RMB strengthens 5% against the functional currency of the Group.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
USD	(8,119)	(8,526)	1,585
EUR	16	(8)	36
HKD	(31)	(486)	1

(ii) Interest rate risk

The Group’ interest rate risk primarily is in relation to its floating-rate bank borrowings in note 31. The Group determines the relative proportion of fixed-rate and floating-rate contracts based on prevailing market conditions at the time. As of December 31, 2023, 2024 and 2025, the amount of the Group’s floating-rate borrowings was RMB554,671,000, RMB927,145,000, and RMB1,459,106,000. The Group’s policy is to maintain the current interest rate profile of its borrowings.

The following illustrates assuming all other variables remain constant, the reasonably possible changes in interest rates on loss before tax. A positive number below indicates an effects of after taxation and vice versa.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
0.3% increase in interest rate	1,664	2,781	4,377
0.3% decrease in interest rate	(1,664)	(2,781)	(4,377)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk exposures are primarily attributable to Trade, bills and other receivables, Contract assets, Cash and cash equivalents, Restricted bank balances and Time deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and contract assets

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade and other receivables and contract assets based on individual assessment and provision matrix. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

Trade and other receivables and contract assets that are individually significant and for which there is evidence indicating the debtor is experiencing several financial difficulties are assessed for impairment individually. All other amounts are grouped based on shared credit risk characteristics, including credit risk rating, initial recognition date, remaining contract terms and geographical locations. For the year ended December 31, 2023, 2024 and 2025, impairment of RMB125,278,000, RMB43,817,000 and RMB26,868,000 for trade receivables and contract assets is recognized, respectively.

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The following table shows the Group’s credit risk grading framework in respect of trade receivables and contract assets:

Category	Description	12m or lifetime ECL
R1	Key customers in Mainland China	Lifetime ECL – not credit-impaired
R2	Key customers in United States of American	Lifetime ECL – not credit-impaired
R3	Key customers in Taiwan, China	Lifetime ECL – not credit-impaired
R4	Key customers in European	Lifetime ECL – not credit-impaired
R5	Key customers in East Asia	Lifetime ECL – not credit-impaired
R6	All small and medium-sized customers	Lifetime ECL – credit-impaired
R7	Related parties within the group	Lifetime ECL – not credit-impaired
R8	High risk customers	Lifetime ECL – credit-impaired
Default	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL – credit-impaired

Details of the quantitative disclosures are set out below in this note.

Cash and cash equivalents, restricted bank balances and time deposits

Credit risk on cash and cash equivalents, restricted bank balances and time deposits is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for cash and cash equivalents and restricted bank balances and time deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on cash and cash equivalents and restricted bank balances and time deposits is considered to be insignificant and therefore no loss allowance has been recognized.

Other receivables

For other receivables, the management makes periodic assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL or lifetime ECL.

The following table shows the Group’s credit risk grading framework in respect of other financial assets:

Category	Description	12m or lifetime ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit-impaired

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The tables below detail the credit risk exposures of the Group’s financial assets which are subject to ECL assessment:

<u>December 31, 2023</u>	<u>notes</u>	<u>Internal credit ratings</u>	<u>12m or lifetime ECL</u>	<u>Gross carrying amount</u>
				<i>RMB’000</i>
Trade receivables	27	R1-R5	Lifetime ECL – not credit-impaired	991,596
		R6 and R8	Lifetime ECL – credit-impaired	99,383
		Default	Lifetime ECL – credit-impaired	91,763
Bills receivables	27	Performing	12m ECL	62,638
Other receivables	27	Performing	12m ECL	15,926
		Doubtful	Lifetime ECL – not credit-impaired	1,059
Contract assets	28	R1-R5	Lifetime ECL – not credit-impaired	82,899
		R6 and R8	Lifetime ECL – credit-impaired	30,192
		Default	Lifetime ECL – credit-impaired	5,123
Restricted bank balances . . .	26	Performing	12m ECL	3,527
Cash and cash equivalents . .	26	Performing	12m ECL	685,253
<u>December 31, 2024</u>	<u>notes</u>	<u>Internal credit ratings</u>	<u>12m or lifetime ECL</u>	<u>Gross carrying amount</u>
				<i>RMB’000</i>
Trade receivables	27	R1-R5	Lifetime ECL – not credit-impaired	1,059,344
		R6 and R8	Lifetime ECL – credit-impaired	126,338
		Default	Lifetime ECL – credit-impaired	111,073
Bills receivables	27	Performing	12m ECL	20,270
Other receivables	27	Performing	12m ECL	12,842
		Doubtful	Lifetime ECL – not credit-impaired	815
Contract assets	28	R1-R5	Lifetime ECL – not credit-impaired	236,804
		R6 and R8	Lifetime ECL – credit-impaired	30,192
		Default	Lifetime ECL – credit-impaired	5,123
Restricted bank balances . . .	26	Performing	12m ECL	104,101
Cash and cash equivalents . .	26	Performing	12m ECL	642,835
<u>December 31, 2025</u>	<u>notes</u>	<u>Internal credit ratings</u>	<u>12m or lifetime ECL</u>	<u>Gross carrying amount</u>
				<i>RMB’000</i>
Trade receivables	27	R1-R5	Lifetime ECL – not credit-impaired	1,248,083
		R6 and R8	Lifetime ECL – credit-impaired	141,045
		Default	Lifetime ECL – credit-impaired	101,429
Bills receivables	27	Performing	12m ECL	5,827
Other receivables	27	Performing	12m ECL	23,858
		Doubtful	Lifetime ECL – not credit-impaired	797
Contract assets	28	R1-R5	Lifetime ECL – not credit-impaired	349,972
		R6 and R8	Lifetime ECL – credit-impaired	30,192
		Default	Lifetime ECL – credit-impaired	5,123
Time deposits	26	Performing	12m ECL	70,698
Restricted bank balances . . .	26	Performing	12m ECL	1,089
Cash and cash equivalents . .	26	Performing	12m ECL	2,006,425

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The tables below detail the credit risk exposures of the Company’s financial assets which are subject to ECL assessment:

December 31, 2023	<i>notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				<i>RMB’000</i>
Trade receivables	27	R1-R5, R7	Lifetime ECL – not credit-impaired	1,501,036
		R6 and R8	Lifetime ECL – credit-impaired	70,502
		Default	Lifetime ECL – credit-impaired	12,624
Bills receivables	27	Performing	12m ECL	62,638
Other receivables	27	Performing	12m ECL	13,303
Contract assets	28	R1-R5	Lifetime ECL – not credit-impaired	63,826
		R6 and R8	Lifetime ECL – credit-impaired	30,192
		Default	Lifetime ECL – credit-impaired	5,123
Cash and cash equivalents . .	26	Performing	12m ECL	395,773
December 31, 2024	<i>notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				<i>RMB’000</i>
Trade receivables	27	R1-R5, R7	Lifetime ECL – not credit-impaired	1,513,640
		R6 and R8	Lifetime ECL – credit-impaired	91,246
		Default	Lifetime ECL – credit-impaired	30,776
Bills receivables	27	Performing	12m ECL	20,270
Other receivables	27	Performing	12m ECL	6,456
Contract assets	28	R1-R5	Lifetime ECL – not credit-impaired	182,101
		R6 and R8	Lifetime ECL – credit-impaired	30,192
		Default	Lifetime ECL – credit-impaired	5,123
Restricted bank balances . . .	26	Performing	12m ECL	100,000
Cash and cash equivalents . .	26	Performing	12m ECL	480,893
December 31, 2025	<i>notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				<i>RMB’000</i>
Trade receivables	27	R1-R5, R7	Lifetime ECL – not credit-impaired	1,831,748
		R6 and R8	Lifetime ECL – credit-impaired	99,581
		Default	Lifetime ECL – credit-impaired	21,513
Bills receivables	27	Performing	12m ECL	5,827
Other receivables	27	Performing	12m ECL	12,835
Contract assets	28	R1-R5	Lifetime ECL – not credit-impaired	267,670
		R6 and R8	Lifetime ECL – credit-impaired	30,192
		Default	Lifetime ECL – credit-impaired	5,123
Time deposits	26	Performing	12m ECL	70,698
Restricted bank balances . . .	26	Performing	12m ECL	2
Cash and cash equivalents . .	26	Performing	12m ECL	867,352

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Movements of impairment loss allowance

Movement of impairment loss allowance at lifetime ECL on trade receivables and contract assets for the Track Record Periods:

The Group

	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	13,565	44,045	57,610
Transfer to credit-impaired	(1,433)	1,433	–
Impairment losses recognized	8,569	116,831	125,400
Impairment losses reversed	–	(122)	(122)
Exchange adjustment	3	447	450
At December 31, 2023	20,704	162,634	183,338
Transfer to credit-impaired	(836)	836	–
Impairment losses recognized	12,545	33,145	45,690
Impairment losses reversed	–	(1,873)	(1,873)
Exchange adjustment	2	916	918
At December 31, 2024	32,415	195,658	228,073
Transfer to credit-impaired	(589)	589	–
Impairment losses recognized	8,125	30,472	38,597
Impairment losses reversed	–	(11,729)	(11,729)
Write-off of receivables	–	(421)	(421)
Exchange adjustment	(1)	(1,546)	(1,547)
At December 31, 2025	39,950	213,023	252,973

The Company

	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	9,528	11,713	21,241
Transfer to credit-impaired	(1,110)	1,110	–
Impairment losses recognized.	10,985	55,866	66,851
At December 31, 2023	19,403	68,689	88,092
Transfer to credit-impaired	(805)	805	–
Impairment losses recognized.	11,590	27,628	39,218
Impairment losses reversed	–	(233)	(233)
At December 31, 2024	30,188	96,889	127,077
Transfer to credit-impaired	(309)	309	–
Impairment losses recognized.	6,849	18,329	25,178
Impairment losses reversed	–	(10,454)	(10,454)
At December 31, 2025	36,728	105,073	141,801

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Movement of impairment loss allowance at other receivables for the Track Record Periods:

The Group

	12m ECL	Lifetime ECL (not impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	566	132	698
Impairment losses recognized	296	32	328
Impairment losses reversed	(93)	(37)	(130)
Exchange adjustment	–	3	3
At December 31, 2023	769	130	899
Impairment losses recognized	18	1	19
Impairment losses reversed	(166)	(31)	(197)
Exchange adjustment	–	1	1
At December 31, 2024	621	101	722
Impairment losses recognized	343	2	345
Impairment losses reversed	(14)	(50)	(64)
Exchange adjustment	–	(2)	(2)
At December 31, 2025	950	51	1,001

The Company

	12m ECL	Lifetime ECL (not impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	296	–	296
Impairment losses recognized.	163	–	163
At December 31, 2023	459	–	459
Impairment losses reversed	(154)	–	(154)
At December 31, 2024	305	–	305
Impairment losses recognized.	196	–	196
Impairment losses reversed	(1)	–	(1)
At December 31, 2025	500	–	500

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group’s remaining contractual maturity for its financial liabilities and lease liabilities. The table has 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 table includes both interest and principal cash flows.

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The Group

At December 31, 2023	Weighted average effective interest rate	less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	1.65%	175,620	37,053	—	212,673	209,212
Borrowings	3.11%	118,869	603,842	120,110	842,821	754,365
Lease liabilities	4.06%	20,660	24,520	—	45,180	42,659
		<u>315,149</u>	<u>665,415</u>	<u>120,110</u>	<u>1,100,674</u>	<u>1,006,236</u>

At December 31, 2024	Weighted average effective interest rate	less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	1.54%	334,097	76,944	—	411,041	404,824
Borrowings	2.72%	281,402	840,222	110,361	1,231,985	1,144,247
Lease liabilities	4.01%	38,919	47,002	—	85,921	81,879
		<u>654,418</u>	<u>964,168</u>	<u>110,361</u>	<u>1,728,947</u>	<u>1,630,950</u>

At December 31, 2025	Weighted average effective interest rate	less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . .	2.35%	477,825	39,905	—	517,730	505,836
Borrowings	2.80%	478,395	838,309	388,120	1,704,824	1,567,199
Lease liabilities	3.87%	36,455	37,491	4,287	78,233	75,082
Puttable shares liability . . .	8.00%	—	706,800	—	706,800	570,000
		<u>992,675</u>	<u>1,622,505</u>	<u>392,407</u>	<u>3,007,587</u>	<u>2,718,118</u>

Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market—observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group establishes appropriate valuation techniques and inputs to the models utilized to estimate the fair value of the financial instruments.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation.

Fair values are categorized into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets 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).
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

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Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

(i) *Fair value of financial instruments that are measured at fair value on a recurring basis*

Some of the Group’s and the Company’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group

	Fair value			Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
	As at December 31,					
	2023	2024	2025			
	RMB'000	RMB'000	RMB'000			
Financial asset at FVTPL:						
Listed equity securities	–	–	38,903	Level 1	Market approach Quoted price in stock exchange	None
Investment in financial products issued by banks and other financial institutions	400,130	112,276	923,813	Level 2	Cash flow discounted using the expected return based on observable market inputs.	Expected return rate
Unlisted equity securities . . .	199,634	201,123	193,581	Level 3	Market approach- Market multiples or Back-solved method	Future business scenario's probability, comparable companies' market multiple, comparable companies' market volatility.

The Company

	Fair value			Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
	As at December 31,					
	2023	2024	2025			
	RMB'000	RMB'000	RMB'000			
Financial asset at FVTPL:						
Investment in financial products issued by banks and other financial institutions	300,043	80,144	891,801	Level 2	Cash flow discounted using the expected return based on observable market inputs.	Expected return rate
Unlisted equity securities . . .	182,739	184,228	193,581	Level 3	Market approach- Market multiples or Back-solved method	Future business scenario's probability, comparable companies' market multiple, comparable companies' market volatility.
Financial liabilities at FVTPL:						
Derivative liability	—	—	216,798	Level 3	Black-Scholes Model	Comparable companies' market volatility.

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- (ii) *Reconciliation of Level 3 fair value measurements*
The Group

	At December 31,		
	Financial assets at FVTPL		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	206,927	199,634	201,123
Additions	13,000	–	–
Transfer to level 1	–	–	(16,895)
Fair value changes	(20,293)	1,489	9,353
At the end of the year	199,634	201,123	193,581

The Company

	At December 31,		
	Financial assets at FVTPL		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	190,032	182,739	184,228
Additions	13,000	–	–
Fair value changes	(20,293)	1,489	9,353
At the end of the year	182,739	184,228	193,581

Except for one investment in an unlisted equity security that was reclassified as a listed equity security in 2025, there were no transfers between different levels during the Track Record Periods.

- (iii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

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

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44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Trade and other payables	Lease Liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	349,435	66,067	50,201	465,703
Financing cash flows	404,568	(73,956)	(40,923)	289,689
New leases entered	–	–	31,480	31,480
New liability raised	–	96,785	–	96,785
Interest expenses	17,114	4,164	1,901	23,179
Interest paid	(16,752)	–	–	(16,752)
At December 31, 2023	754,365	93,060	42,659	890,084
Financing cash flows	388,819	(90,655)	(38,178)	259,986
New leases entered	–	–	74,308	74,308
New liability raised	–	160,780	–	160,780
Interest expenses	27,591	5,485	3,090	36,166
Interest paid	(26,529)	–	–	(26,529)
Others	1	–	–	1
At December 31, 2024	1,144,247	168,670	81,879	1,394,796
Financing cash flows	421,650	(86,245)	(45,460)	289,945
New leases entered	–	–	36,164	36,164
New liability raised	–	27,328	–	27,328
Interest expenses	34,380	4,476	2,499	41,355
Interest paid	(33,077)	–	–	(33,077)
Others	(1)	–	–	(1)
At December 31, 2025	1,567,199	114,229	75,082	1,756,510

45. RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The Company’s amounts due from subsidiaries were non-trading in nature, unsecured, interest-bearing and repayable on demand.

The relationship between the Group and related parties are as follow:

Company Name	The relationship with the Group
Wayne Wei-Ming Dai	Chief executive
Verisyno	Associate
GigaDevice Semiconductor Inc. (“Giga”)	A supervisor of the Group serves as a director of Giga
Shengna Technology (Shanghai) Co., Ltd. (“Shengna”)	The president of the Group serves as a director of Shengna; a director of the Group also serves as a director of Shengna
Alphawave IP Inc. (“Alphawave”)	A relative of the President of the Group serves as a director of Alphawave
V-Silicon Semiconductor (Hefei) Co., Ltd. (“V-Silicon”)	A senior executive of the Group serves as a director of V-Silicon
Supremicro Technologies (Zhejiang) Co., Ltd. (“Supremicro”)	A senior executive of the Group serves as a director of Supremicro
Hunan More Than Moore Advanced Semiconductor Co., Ltd. (“MTM”)	A director of the Group indirectly controls MTM
Guangzhou Zen Semiconductor Co., Ltd. (“ZENSEMI”) *	A director of the Group indirectly controls ZENSEMI and serves as its chairman.
Hangzhou Penkan Semiconductor Co., Ltd. (“Pensemi”) *	A senior executive of the Group serves as a director of Pensemi

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Company Name	The relationship with the Group
Shanghai Huali Integrated Circuit Co., Ltd. (“Huali”)	A senior executive of the Group serves as a director of Huali
Shanghai Open Processor Industry Innovation Center (“SOPIC”) *	The president of the Group serves as the chairman of SOPIC.
DreamBig Semiconductor Inc (“DreamBig”)	A relative of the President of the Group previously served as a director of DreamBig
Shanghai Yixin Health Technology Co., Ltd. (“Eheart”) * (i)	A director of the Group previously served as a director of Eheart
HuanYu Zhixing Technology Co., Ltd. (“In-Driving”) * (ii)	A senior executive of the Group previously served as a director of In-Driving

* The English names are for identification purpose only.

- (i) The director of the Group resigned from the related company’s directorship on September 11, 2023.
- (ii) The senior executive of the Group resigned from the related company’s directorship on July 13, 2023.

During the three years ended December 31, 2023, 2024 and 2025, the Group has following transactions and balances with related parties:

Trading Transactions

Revenue

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Verisyno	14,606	267	298
V-Silicon	114	–	–
Supremicro	9,633	7,293	–
DreamBig	44	–	–
ZENSEMI	–	5,525	–
Giga	–	7,425	9,136
Pensemi	–	–	82
Huali	–	–	6,887
	24,397	20,510	16,403

Purchase

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Verisyno	6,094	3,719	29,799
V-Silicon	8,425	–	13,582
Supremicro	–	–	6,450
Shengna	87	–	6
Alphawave	89,552	39,790	63,234
MTM	1,436	18,191	6,643
Pensemi	–	2,567	9,617
SOPIC	–	–	300
Eheart	82	–	–
In-Driving	1,875	–	–
	107,551	64,267	129,631

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Trading Balances

Trade, bills and other receivables and prepayment

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Verisyno	10,735	15,731	15,193
V-Silicon	—	1,367	—
Supremicro	4,502	5,010	4,405
Alphawave	104,482	—	16,690
MTM	—	11,083	8,946
In-Driving	1,540	—	—
	<u>121,259</u>	<u>33,191</u>	<u>45,234</u>

Trade and other payables

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Verisyno	1,662	—	153
V-Silicon	5,164	2,441	70
Supremicro	—	—	645
Alphawave	—	27,384	24,090
MTM	412	6,242	146
Pensemi	—	—	914
	<u>7,238</u>	<u>36,067</u>	<u>26,018</u>

Contract liabilities

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
ZEMSEMI	5,000	5,000	5,000
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The outstanding amounts are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Periods is set out in note 14.

46. PLEDGE OF ASSETS

The Group’s certain investments, borrowings, and business had been secured by the pledge of the Group’s assets and the carrying amounts of the respective assets are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	3,527	104,101	1,089
Property and equipment	443,449	634,873	619,413
	<u>446,976</u>	<u>738,974</u>	<u>620,502</u>

The Group has also pledged its shareholding in TSXY for one of its bank borrowings.

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47. RESERVES OF THE COMPANY

Movement in the Company’s reserves

	Share premium	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	2,294,274	148,834	81,096	2,524,204
Loss for the year	–	–	(123,976)	(123,976)
Exercise of share-based payment	159,569	(78,043)	–	81,526
Recognition of equity-settled share-based payments	–	3,605	–	3,605
Others	2,818	–	–	2,818
At December 31, 2023	2,456,661	74,396	(42,880)	2,488,177
Loss for the year	–	–	(590,799)	(590,799)
Exercise of share-based payment	36,535	(19,877)	–	16,658
Recognition of equity-settled share-based payments	–	7,290	–	7,290
Others	630	–	–	630
At December 31, 2024	2,493,826	61,809	(633,679)	1,921,956
Loss for the year	–	–	(437,105)	(437,105)
Issue of shares	1,755,402	–	–	1,755,402
Exercise of share-based payment	54,617	(30,494)	–	24,123
Recognition of equity-settled share-based payments	–	41,613	–	41,613
Others	34	–	–	34
At December 31, 2025	4,303,879	72,928	(1,070,784)	3,306,023

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the major subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Principal place of operation and incorporation/establishment	Paid up capital			Issued/registered capital	Proportion of ownership interest held by the company As at December 31,			As the date of issuance of the consolidated financial statements	Principal activities
		2023	2024	2025		2023	2024	2025		
VeriSilicon Microelectronics (Beijing) Co., Ltd. (“VeriSilicon Beijing”) (a)	Beijing, Mainland China	RMB4,928,974	RMB4,928,974	RMB4,928,974	RMB4,928,974	100%	100%	100%	[100%]	Research and development
VeriSilicon Microelectronics (Chengdu) Co., Ltd. (“VeriSilicon Chengdu”) (b)	Chengdu, Mainland China	RMB20,000,000	RMB20,000,000	RMB20,000,000	RMB20,000,000	100%	100%	100%	[100%]	Research and development
Vivante (Shanghai) Co., Ltd. (“Vivante Shanghai”) (c)	Shanghai, Mainland China	RMB1,515,180	RMB1,515,180	RMB1,515,180	RMB1,515,180	100%	100%	100%	[100%]	Research and development
VeriSilicon Microelectronics (Nanjing) Co., Ltd. (“VeriSilicon Nanjing”) (d)	Nanjing, Mainland China	RMB30,000,000	RMB30,000,000	RMB40,000,000	RMB100,000,000	100%	100%	100%	[100%]	IP licensing, custom silicon and research and development
VeriSilicon Microelectronics (Hainan) Co., Ltd. (e)	Hainan, Mainland, China	RMB26,000,000	RMB26,000,000	RMB26,000,000	RMB50,000,000	100%	100%	100%	[100%]	Research and development
VeriSilicon Technology (Shanghai) Co., Ltd. (“VeriSilicon Technology”) (f)	Shanghai, Mainland China	RMB500,000,000	RMB500,000,000	RMB500,000,000	RMB500,000,000	100%	100%	100%	[100%]	IP licensing, custom silicon and research and development
VeriSilicon Microelectronics (Guangzhou) Co., Ltd. (“VeriSilicon Guangzhou”) (g)	Guangzhou, Mainland China	Not applicable	Not applicable	–	RMB23,400,000	Not applicable	Not applicable	100%	[100%]	IP licensing, custom silicon and research and development
VeriSilicon Holdings Co., Ltd. (“VeriSilicon Cayman”) (h)	Cayman Island	USD50,000	USD50,000	USD50,000	USD50,000	100%	100%	100%	[100%]	Investment holding
VeriSilicon, Inc. (h)	United States of America	USD22,158,831.57	USD22,158,831.57	USD22,158,831.57	USD22,158,831.57	100%	100%	100%	[100%]	IP licensing, custom silicon and research and development
VeriSilicon (Hong Kong) Limited (“VeriSilicon HK”) (i)	Hong Kong, China	HK\$200,000	HK\$200,000	HK\$200,000	HK\$200,000	100%	100%	100%	[100%]	Custom silicon
Vivante Corporation (h)	United States of America	USD16,997,355.88	USD16,997,355.88	USD16,997,355.88	USD16,997,355.88	100%	100%	100%	[100%]	IP licensing, custom silicon and research and development

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- (a) The statutory financial statements of Verisilicon Beijing established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 北京和智會計師事務所 (普通合夥) for the years ended December 31, 2023 and 2024.
 - (b) The statutory financial statements of Verisilicon Chengdu established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 四川萬方會計師事務所有限公司 for the year ended December 31, 2023 and 2024.
 - (c) The statutory financial statements of Vivante Shanghai established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 上海旭日會計師事務所 (普通合夥) for the year ended December 31, 2023 and 2024.
 - (d) The statutory financial statements of Verisilicon Nanjing established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 南京九泓會計師事務所 (普通合夥) for the year ended December 31, 2023 and 2024.
 - (e) The statutory financial statements of Verisilicon Hainan established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 海南華宇會計師事務所有限公司 for the year ended December 31, 2023 and 2024.
 - (f) The statutory financial statements of Verisilicon Technology established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 上海旭日會計師事務所 (普通合夥) for the year ended December 31, 2023 and 2024.
 - (g) VeriSilicon Guangzhou was established on September 4, 2025, with the Group holding 100% of its shares. Its primary business scope includes design services.
 - (h) There’s no statutory audit requirement for Verisilicon Cayman, VeriSilicon, Inc and Vivante Corporation.
 - (i) The statutory financial statements of VeriSilicon HK established in the HK were prepared in accordance with the relevant accounting principles and regulation in the HK and were audited by SRF Partners & Co for the year ended December 31, 2023 and 2024.
 - (j) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.
 - (k) None of the subsidiaries had issued any debt securities at the end of the year.
 - (l) No statutory financial statements of the Group’s subsidiaries were prepared for the year ended December 31 2025, as the financial statements have not been due.

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49. RETIREMENT BENEFIT SCHEMES

For the years ended December 31, 2023, 2024 and 2025, the total amount provided by the Group to the scheme or plans in the PRC and charged to profit or loss are RMB77,998,000, RMB98,198,000 and RMB106,338,000, respectively.

The employees of the Group’s subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiaries in the PRC are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

50. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group and the Company have been prepared in respect of any period subsequent to December 31, 2025 and up to the date of this report.

51. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2025, the Group subscribed for RMB20,000,000 of additional registered capital of its subsidiary TSXY by way of contributing 2.11% equity interest in Pixelworks Semiconductor (Shanghai) Co., Ltd. (“**Pixelworks Semiconductor**”), and completed the delivery and settlement. Subsequently, in January 2026, TSXY acquired 100% equity interest in Pixelworks Semiconductor at a consideration of RMB950,000,000 and completed the delivery and settlement. The Group indirectly exercises control over Pixelworks Semiconductor and its subsidiaries and has included them in the scope of consolidation.