

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from our Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUZHOU TFC OPTICAL COMMUNICATION CO., LTD., GOLDMAN SACHS (ASIA) L.L.C., MERRILL LYNCH (ASIA PACIFIC) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Suzhou TFC Optical Communication Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in this document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on [REDACTED].

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

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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 financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
REVENUE	5	1,925,578	3,225,918	5,114,531
Cost of sales		(902,433)	(1,408,243)	(2,409,541)
Gross profit		1,023,145	1,817,675	2,704,990
Other income and gains	5	94,022	134,995	143,096
Selling and marketing expenses		(18,196)	(22,986)	(21,285)
Administrative expenses		(80,491)	(131,681)	(130,012)
Research and development expenses		(143,256)	(232,236)	(266,581)
Impairment losses on financial assets, net		(6,124)	(18,348)	(18,636)
Other expenses		(21,291)	(4,244)	(56,425)
Finance costs	7	(545)	(1,558)	(1,181)
Share of profits of an associate		239	367	651
PROFIT BEFORE TAX	6	847,503	1,541,984	2,354,617
Income tax expense	10	(111,108)	(192,225)	(326,200)
PROFIT FOR THE YEAR		736,395	1,349,759	2,028,417
Attributable to:				
Owners of the parent		736,396	1,350,417	2,028,007
Non-controlling interests		(1)	(658)	410
		<u>736,395</u>	<u>1,349,759</u>	<u>2,028,417</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12			
Basic earnings per share (RMB)		0.95	1.74	2.61
Diluted earnings per share (RMB)		0.95	1.74	2.60

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PROFIT FOR THE YEAR	<u>736,395</u>	<u>1,349,759</u>	<u>2,028,417</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>1,026</u>	<u>7,831</u>	<u>7,005</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>1,026</u>	<u>7,831</u>	<u>7,005</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>737,421</u>	<u>1,357,590</u>	<u>2,035,422</u>
Attributable to:			
Owners of the parent	736,137	1,354,896	2,035,160
Non-controlling interests	<u>1,284</u>	<u>2,694</u>	<u>262</u>
	<u>737,421</u>	<u>1,357,590</u>	<u>2,035,422</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2023 RMB’000	2024 RMB’000	2025 RMB’000
NON-CURRENT ASSETS				
Property, plant and equipment	13	651,984	1,077,668	1,366,472
Right-of-use assets	14	44,282	41,119	38,615
Goodwill	15	29,648	29,648	29,648
Other intangible assets	16	9,215	8,971	16,425
Investments in an associate	17	8,287	8,654	9,305
Prepayments, other receivables and other assets	22	88,935	13,312	27,778
Deferred tax assets	19	20,742	32,889	112,653
Total non-current assets		<u>853,093</u>	<u>1,212,261</u>	<u>1,600,896</u>
CURRENT ASSETS				
Inventories	20	255,648	350,132	457,196
Trade and bills receivables	21	464,636	808,091	1,140,666
Prepayments, other receivables and other assets	22	24,546	37,733	43,834
Financial assets at fair value through profit or loss	23	436,196	350,021	210,053
Restricted cash	24	-	-	75,815
Pledged deposits	24	36,401	-	57,100
Cash and cash equivalents	24	1,827,702	1,978,488	2,863,743
Total current assets		<u>3,045,129</u>	<u>3,524,465</u>	<u>4,848,407</u>
CURRENT LIABILITIES				
Trade and bills payables	25	248,605	257,919	352,663
Other payables and accruals	26	115,515	183,902	281,064
Contract liabilities	27	83,708	184,045	160,562
Interest-bearing bank borrowings	28	-	40,021	-
Lease liabilities	14	1,619	1,510	1,660
Tax payable		54,425	59,293	113,062
Total current liabilities		<u>503,872</u>	<u>726,690</u>	<u>909,011</u>
NET CURRENT ASSETS		<u>2,541,257</u>	<u>2,797,775</u>	<u>3,939,396</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,394,350</u>	<u>4,010,036</u>	<u>5,540,292</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14	6,331	4,470	2,809
Deferred income	29	17,982	17,982	23,587
Deferred tax liabilities	19	6,826	1,586	1,217
Total non-current liabilities		<u>31,139</u>	<u>24,038</u>	<u>27,613</u>
Net assets		<u>3,363,211</u>	<u>3,985,998</u>	<u>5,512,679</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	30	394,887	553,972	777,416
Reserves	32	2,797,637	3,425,593	4,728,568
		<u>3,192,524</u>	<u>3,979,565</u>	<u>5,505,984</u>
Non-controlling interests		<u>170,687</u>	<u>6,433</u>	<u>6,695</u>
Total equity		<u>3,363,211</u>	<u>3,985,998</u>	<u>5,512,679</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent							Total equity RMB'000	
	Share capital RMB'000	Share premium* RMB'000	Share-based payment reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Special reserve - safety fund* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000		Non-controlling interests RMB'000
As at 1 January 2023	393,975	1,040,954	5,380	(9,226)	-	129,356	1,065,373	11,203	2,637,015
Profit for the year	-	-	-	-	-	-	736,396	(1)	736,395
Other comprehensive income for the year:									
Exchange differences related to foreign operations	-	-	-	(259)	-	-	-	1,285	1,026
Total comprehensive income for the year	-	-	-	(259)	-	-	736,396	1,284	737,421
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	158,200	158,200
Appropriations to statutory surplus reserve	-	-	-	-	-	53,119	(53,119)	-	-
Profit appropriation to the shareholders	-	-	-	-	-	-	(197,379)	-	(197,379)
Recognition of equity-settled share-based payments	-	-	8,836	-	-	-	-	-	8,836
Transfer of share-based payment reserve upon vesting	912	21,495	(3,289)	-	-	-	-	-	19,118
Appropriation of special reserve	-	-	-	-	7,880	-	(7,880)	-	-
Utilisation of special reserve	-	-	-	-	(1,364)	-	1,364	-	-
As at 31 December 2023	394,887	1,062,449	10,927	(9,485)	6,516	182,475	1,544,755	170,687	3,363,211

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium* RMB'000	Share-based payment reserve** RMB'000	Exchange fluctuation reserve** RMB'000	Special reserve - safety fund** RMB'000	Statutory surplus reserve** RMB'000	Retained profits** RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2024	394,887	1,062,449	10,927	(9,485)	6,516	182,475	1,544,755	3,192,524	170,687	3,363,211
Profit for the year	-	-	-	-	-	-	-	1,350,417	(658)	1,349,759
Other comprehensive income for the year:										
Exchange differences related to foreign operations	-	-	-	4,479	-	-	-	4,479	3,352	7,831
Total comprehensive income for the year	-	-	-	4,479	-	-	-	4,479	2,694	1,357,590
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	70,000	70,000
Transfer from share premium to share capital	158,260	(158,260)	-	-	-	-	-	-	-	-
Appropriations to statutory surplus reserve	-	-	-	-	-	143,916	(143,916)	-	-	-
Profit appropriation to the shareholders	-	-	-	-	-	-	(672,607)	(672,607)	-	(672,607)
Recognition of equity-settled share-based payments	-	-	84,275	-	-	-	-	84,275	-	84,275
Transfer of share-based payment reserve upon vesting	825	19,864	(3,568)	-	-	-	-	17,121	-	17,121
Appropriation of special reserve	-	-	-	-	8,704	-	(8,704)	-	-	-
Utilisation of special reserve	-	-	-	-	(1,809)	-	1,809	-	-	-
Others	-	3,356	-	-	-	-	-	3,356	(236,948)	(233,592)
As at 31 December 2024	553,972	927,409	91,634	(5,006)	13,411	326,391	2,071,754	3,979,565	6,433	3,985,998

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2025

	Attributable to owners of the parent										Total equity RMB'000
	Share capital RMB'000	Share premium* RMB'000	Share-based payment reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Special reserve - safety fund* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000	Other reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
As at 1 January 2025	553,972	927,409	91,634	(5,006)	13,411	326,391	2,071,754	-	3,979,565	6,433	3,985,998
Profit for the year	-	-	-	-	-	-	2,028,007	-	2,028,007	410	2,028,417
Other comprehensive income for the year:											
Exchange differences related to foreign operations	-	-	-	7,153	-	-	-	-	7,153	(148)	7,005
Total comprehensive income for the year	-	-	-	7,153	-	-	2,028,007	-	2,035,160	262	2,035,422
Transfer from share premium to share capital	222,119	(222,119)	-	-	-	-	-	-	-	-	-
Appropriations to statutory surplus reserve	-	-	-	-	-	150,250	(150,250)	-	-	-	-
Profit appropriation to the shareholders	-	-	-	-	-	-	(666,356)	-	(666,356)	-	(666,356)
Recognition of equity-settled share-based payments	-	-	57,369	-	-	-	-	-	57,369	-	57,369
Transfer of share-based payment reserve upon vesting	1,325	85,088	(50,495)	-	-	-	-	-	35,918	-	35,918
Appropriation of special reserve	-	-	-	-	12,082	-	(12,082)	-	-	-	-
Utilisation of special reserve	-	-	-	-	(1,341)	-	1,341	-	-	-	-
Excess tax deduction arising from share price exceeding the grant date price	-	-	-	-	-	-	-	64,328	64,328	-	64,328
As at 31 December 2025	777,416	790,378	98,508	2,147	24,152	476,641	3,272,414	64,328	5,505,984	6,695	5,512,679

* These reserve accounts represent the total consolidated reserves of RMB2,797,637,000, RMB3,425,593,000 and RMB4,728,568,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023 RMB’000	2024 RMB’000	2025 RMB’000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		847,503	1,541,984	2,354,617
Adjustments for:				
Depreciation of property, plant and equipment	13	88,065	120,332	172,595
Depreciation of right-of-use assets	14	3,287	2,758	2,504
Amortisation of other intangible assets	16	618	2,423	2,918
Share-based payment expenses	31	8,836	84,275	57,369
Share of profits of an associate		(239)	(367)	(651)
Impairment losses on financial assets, net	6	6,124	18,348	18,636
Provision for inventories	6	16,554	17,058	32,436
Finance costs	7	545	1,558	1,181
Bank interest income	5	(52,837)	(67,156)	(81,249)
Losses on liquidation of a subsidiary		-	3,144	-
Interest income from financial assets at fair value through profit or loss	5	(15,344)	(10,511)	(7,992)
Fair value gains on financial assets at fair value through profit or loss	5	(1,196)	(21)	(53)
Foreign currency exchange (gains)/losses, net	6	(7,104)	(25,947)	47,523
Losses on disposal of items of property, plant and equipment and other intangible assets	6	20,195	640	8,020
(Gains)/losses on lease modification	6	(820)	49	-
Gains on disposal of foreign currency forward contracts	5	-	-	(1,101)
		<u>914,187</u>	<u>1,688,567</u>	<u>2,606,753</u>
Increase in inventories		(85,757)	(111,542)	(139,500)
Increase in deferred income		-	-	5,605
(Increase)/decrease in pledged deposits		(36,401)	36,401	(57,100)
Increase in restricted cash		-	-	(75,815)
Increase in trade and bills receivables		(84,424)	(386,275)	(377,257)
Increase in prepayments, other receivables and other assets		(15,253)	(13,121)	(6,131)
Increase in other payables and accruals		39,212	77,465	47,483
Increase in trade and bills payables		133,348	8,271	94,636
Increase/(decrease) in contract liabilities		49,515	100,337	(23,483)
Cash generated from operations		<u>914,427</u>	<u>1,400,103</u>	<u>2,075,191</u>
Interest received		52,837	67,156	81,249
Income tax paid		(65,399)	(204,743)	(288,236)
Net cash flows from operating activities		<u>901,865</u>	<u>1,262,516</u>	<u>1,868,204</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December		
		2023 RMB’000	2024 RMB’000	2025 RMB’000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of items of property, plant and equipment		281	91	3,872
Purchases of items of property, plant and equipment and right-of-use assets		(204,019)	(449,296)	(407,299)
Purchases of other intangible assets		(463)	(2,179)	(10,211)
Proceeds upon maturity of financial assets at fair value through profit or loss		2,230,000	3,331,000	3,950,000
Interest received from financial assets at fair value through profit or loss		17,689	8,564	9,114
Purchases of financial assets at fair value through profit or loss		(1,785,000)	(3,246,000)	(3,810,000)
Net cash flows from/(used in) investing activities		258,488	(357,820)	(264,524)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection from non-controlling shareholders		158,200	70,000	-
Proceeds from issue of shares		32,529	17,121	35,918
Dividends paid		(197,379)	(672,607)	(666,356)
Principal portion of lease payments		(2,621)	(1,913)	(1,727)
New bank borrowings		-	40,000	-
Repayment of bank borrowings		-	-	(40,000)
Acquisition of non-controlling interests		-	(233,592)	-
Interest paid		(174)	(1,002)	(965)
Net cash flows used in financing activities		(9,445)	(781,993)	(673,130)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
		1,150,908	122,703	930,550
Cash and cash equivalents at beginning of year		672,610	1,827,702	1,978,488
Effect of foreign exchange rate changes, net		4,184	28,083	(45,295)
Cash and cash equivalents at end of year		1,827,702	1,978,488	2,863,743
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24	1,864,103	1,978,488	2,996,658
Less: Restricted cash	24	-	-	(75,815)
Pledged deposits	24	(36,401)	-	(57,100)
Cash and cash equivalents as stated in the consolidated statements of cash flows and statements of financial position		1,827,702	1,978,488	2,863,743

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2023 RMB’000	2024 RMB’000	2025 RMB’000
NON-CURRENT ASSETS				
Property, plant and equipment	13	165,705	332,159	205,066
Right-of-use assets	14	6,322	6,150	5,979
Goodwill	15	-	2,436	2,436
Other intangible assets	16	752	1,394	10,616
Investments in subsidiaries	18	615,130	989,247	1,006,382
Investments in an associate	17	8,287	8,654	9,305
Prepayments, other receivables and other assets	22	34,634	9,634	7,728
Amounts due from subsidiaries		18,583	-	-
Deferred tax assets	19	8,306	17,267	63,588
Total non-current assets		857,719	1,366,941	1,311,100
CURRENT ASSETS				
Inventories	20	248,004	323,643	419,418
Trade and bills receivables	21	423,748	611,445	708,505
Prepayments, other receivables and other assets	22	15,214	20,220	11,558
Financial assets at fair value through profit or loss	23	416,164	140,011	100,028
Amounts due from subsidiaries		25,336	263,094	312,650
Pledged deposits	24	36,401	-	-
Cash and cash equivalents	24	1,253,652	1,554,287	2,690,862
Total current assets		2,418,519	2,912,700	4,243,021
CURRENT LIABILITIES				
Trade and bills payables	25	216,787	212,744	191,892
Other payables and accruals	26	47,789	66,485	87,113
Contract liabilities	27	83,651	183,348	153,923
Interest-bearing bank borrowings	28	-	40,021	-
Tax payable		32,257	42,543	70,298
Amounts due to subsidiaries		469,298	432,832	772,194
Total current liabilities		849,782	977,973	1,275,420
NET CURRENT ASSETS		1,568,737	1,934,727	2,967,601
TOTAL ASSETS LESS CURRENT LIABILITIES		2,426,456	3,301,668	4,278,701
NON-CURRENT LIABILITIES				
Deferred tax liabilities	19	289	-	-
Total non-current liabilities		289	-	-
Net assets		2,426,167	3,301,668	4,278,701
EQUITY				
Share capital	30	394,887	553,972	777,416
Reserves	32	2,031,280	2,747,696	3,501,285
Total equity		2,426,167	3,301,668	4,278,701

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was registered and established on 20 July 2005, in the People’s Republic of China (“PRC”) as a limited liability company and was restructured into a joint stock limited company on 30 September 2011. The Company’s ordinary shares were listed on the ChiNext Board of the Shenzhen Stock Exchange on 17 February 2015. Its registered address is located at No. 695 Changjiang Road, High-Tech Zone, Suzhou, Jiangsu Province, People’s Republic of China.

During the Relevant Periods, the Company and its subsidiaries were primarily engaged in offering one-stop optical interconnect solutions spanning passive optical components, active optical components and integration services.

As of December 31, 2025, the Company directly or indirectly holds equity interests in its subsidiaries, all of which are limited liability companies, the particulars of the Company’s principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary shares/ registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Jiangxi TFC Technology Co., Ltd. 江西天孚科技有限公司	(a)	PRC/ Chinese mainland/ 8 August 2016	RMB150,000,000	100.00	-	Manufacturing & Sales of Optical Components
TFC Co., Ltd.	(e)	Japan/27 June 2017	JPY375,100,000	100.00	-	Researching and Developing and Manufacturing
Suzhou Tianfu Zhixing Technology Co., Ltd. 蘇州天孚之星科技有限公司	(b)	PRC/ Chinese mainland/ 8 March 2022	RMB601,000,000	100.00	-	Investment holding
TFC Technology (SG) Pte. Ltd.	(c)	Singapore/ 9 June 2023	SGD20,000,000	-	100.00	Wholesale & Consulting
Tianfu International Investment Pte. Ltd.	(c)	Singapore/ 28 June 2022	SGD100,000,000	-	100.00	Investment holding
TFC Technology (Thailand) Co., Ltd.	(d)	Thailand/ 5 August 2022	THB2,000,000,000	-	99.99	Manufacturing & Sales of Optical Components

The English names of all group companies registered in the Chinese mainland, Japan and Thailand represent the best efforts made by the management of the Company to translate the local names of these companies as they do not have official English names.

- (a) The statutory financial statements of these entities for the year ended 31 December 2023 prepared in accordance with China Accounting Standards for Business Enterprises have been audited by Nanchang Zhonghang Certified Public Accountants Co., Ltd. (南昌中行會計師事務所有限責任公司), which is a certified public accounting firm registered in the Chinese mainland. The statutory financial statements for the year ended 31 December 2024 prepared in accordance with China Accounting Standards for Business Enterprises have been audited by Gongzheng Tianye Certified Public Accountants (Special General Partnership) Suzhou Branch (公證天業會計師事務所 (特殊普通合夥) 蘇州分所), which is a certified public accounting firm

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- registered in the Chinese mainland. Up to the date of this report, the statutory financial statements for the year ended 31 December 2025 have not yet to be issued.
- (b) The statutory financial statements of the entity for the year ended 31 December 2023 prepared in accordance with China Accounting Standards for Business Enterprises have been audited by Suzhou Wanlong Yongding Certified Public Accountants Co., Ltd. (蘇州萬隆永鼎會計師事務所有限公司), which is a certified public accounting firm registered in the Chinese mainland. The statutory financial statements for the year ended 31 December 2024 have been audited by Suzhou Office of Gongzheng Tianye Certified Public Accountants (Special General Partnership) (公證天業會計師事務所 (特殊普通合夥) 蘇州分所), a certified public accounting firm registered in the Chinese mainland. Up to the date of this report, the statutory financial statements for the year ended 31 December 2025 have not yet been issued.
 - (c) The statutory financial statements of the entity for the year ended 31 December 2024, prepared in accordance with applicable accounting principles, have been audited by FOZL ASSURANCE PAC (富臻鑒證有限公司). Up to the date of this report, the statutory financial statements for the year ended 31 December 2025 have not yet to be issued.
 - (d) The statutory financial statements of the entity for the years ended 31 December 2023 and 2024, prepared in accordance with applicable accounting principles, have been audited by T.S. International Business Co., Ltd. Up to the date of this report, the statutory financial statements for the year ended 31 December 2025 have not yet to be issued.
 - (e) No audited financial statements have been prepared for these entities for the years ended 2023, 2024 and 2025, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations.

The above notes outline the status of the Company’s principal subsidiaries.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”), which comprise all standards and interpretations approved by the IASB.

All IFRSs effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

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

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group for the Relevant Periods.

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendment	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instrument¹</i>
<i>Amendments to IFRS 9 and IFRS 7</i>	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

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

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

³ No mandatory effective date yet determined but available for adoption

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

The Group has already commenced an assessment of the impact of other new and amended IFRS Accounting Standards, which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and financial position of the Group is expected when these new and amended IFRS Accounting Standards become effective.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

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

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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Business combinations and goodwill

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

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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ACCOUNTANTS’ REPORT

Impairment of non-financial assets (continued)

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

Related parties

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

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

or

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

Property, plant and equipment and depreciation

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

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ACCOUNTANTS’ REPORT

Property, plant and equipment and depreciation (continued)

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

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

Freehold land	Not depreciated
Buildings	4.50%/4.75%
Vehicles	18.00% to 23.75%
Machinery	9.00% to 19.00%
Office equipment	18.00% to 31.67%
Electronic devices	18.00% to 31.67%
Others	20.00% to 50.00%

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

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

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

Intangible assets (other than goodwill)

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

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which is mainly determined by reference to the period during which such assets are expected to bring economic benefits to the Group.

Others

Purchased other intangible asset is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 to 10 years, which is mainly determined by reference to the authorised period of the purchased other intangible asset.

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ACCOUNTANTS’ REPORT

Intangible assets (other than goodwill) (continued)

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Plant and properties	3 to 5 years

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

(b) Lease liabilities

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

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ACCOUNTANTS’ REPORT

Leases (continued)

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and machines that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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Investments and other financial assets (continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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ACCOUNTANTS’ REPORT

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

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

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

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ACCOUNTANTS’ REPORT

Impairment of financial assets (continued)

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

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

The Group’s financial liabilities include trade and bills payables, other payables and interest-bearing bank borrowings.

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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ACCOUNTANTS’ REPORT

Derecognition of financial liabilities (continued)

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

Inventories

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

Cash and cash equivalents

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

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

Special reserve - safety production fund

According to relevant regulations of Chinese mainland, transfer of safety fund at fixed rates based on relevant bases to a specific reserve account is required. The safety fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of safety fund utilised would be transferred from the specific reserve account to retained earnings.

Provisions

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

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

Income tax

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

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

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ACCOUNTANTS' REPORT

Income tax (continued)

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

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

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

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

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

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

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

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

Government grants

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

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ACCOUNTANTS’ REPORT

Government grants (continued)

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

Revenue recognition

Revenue from contracts with customers

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

Sales of products

The Group manufactures and sells optical passive components and optical active components in the market. Revenue from sales of products is recognised at the point in time when control of the products has transferred, generally upon the acceptance of the products by the customers, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed.

For sales from a direct selling model and sales to customers, revenue is recognised at the point in time when control of the products is transferred to the customer, generally on export declaration or acceptance of the delivered products according to the contract.

For sales conducted under a consignment model, revenue is recognised when the customer actually uses or consumes the goods, as this is the point at which control of the goods transfers to the customer, and the Group no longer retains significant risks or rewards associated with the goods.

Provision of integration services

The Group recognises revenue from integration services at a point in time when the relevant services are completed and acknowledged by the customers. Costs incurred for the provision of integration services are recognised as contract fulfilment costs, which are recognised as the cost of sales when recognising revenue.

Other income

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

Contract liabilities

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

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ACCOUNTANTS’ REPORT

Share-based payments

The Company operates restricted A share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of the restricted stock is determined by an external valuer using Black-Scholes Option Pricing Model. Further details of which are given in note 31 to the Historical Financial Information.

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

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

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

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

The diluted effect of outstanding restricted shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance,

APPENDIX I

ACCOUNTANTS’ REPORT

Other employee benefits (continued)

unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

Borrowing costs

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

Dividends

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

Proposed final dividends are disclosed in note 11 to the Historical Financial Information. Interim dividends are multaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

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

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ACCOUNTANTS’ REPORT

Foreign currencies (continued)

The functional currency of overseas subsidiaries are currency other than the RMB. As at the end of each of the reporting period, the assets and liabilities of these subsidiaries are translated into RMB at the exchange rate prevailing at the end of each of the reporting period and its statement of profit or loss is translated into RMB at the exchange rate that approximate to those prevailing at the dates of the transactions.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 19 to the Historical Financial Information.

Estimation uncertainty

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

Share-based payments

Certain employee incentive schemes were in place for the purpose of providing incentives to the Company’s directors and the Group’s employees. The grant date fair value of the share awards of the employee incentive schemes was mainly determined by an external valuer using Black-Scholes Option Pricing Model. Further details are contained in note 31 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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ACCOUNTANTS’ REPORT

Foreign currencies (continued)

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

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

Impairment of non-current assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the Historical Financial Information.

Provision for inventories

The Group’s inventories are stated at the lower of cost and net realisable value. The Group’s provision for its inventories based on estimates of the realisable value with reference to the ageing and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for provision, if appropriate. Further details of the inventories are set out in note 20 to the Historical Financial Information.

Leases—Estimating the incremental borrowing rate

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

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ACCOUNTANTS’ REPORT

4. OPERATING SEGMENT INFORMATION

The board of directors reviews the consolidated results of the Group as a whole when making decisions about resource allocation and assessing the performance of the Group. The board of directors considers that the Group operates in one business segment and the measurement of segment results is based on the profit from operations as presented in the consolidated statements of profit or loss and the consolidated statements of other comprehensive income.

Geographical information

(a) Revenue from external customers

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Overseas markets*	1,592,363	2,473,405	3,838,979
Chinese mainland**	333,215	752,513	1,275,552
Total revenue	1,925,578	3,225,918	5,114,531

* Includes bonded areas of the PRC.

** Excludes bonded areas of the PRC.

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

(b) Non-current assets

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland	794,067	1,029,987	1,082,340
Thailand	29,940	136,593	393,087
Other countries/regions	8,344	12,792	12,816
Total non-current assets	832,351	1,179,372	1,488,243

The non-current asset information of operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

The revenue generated from sales to customers which individually amounted to more than 10% of the Group’s total revenue during each of the Relevant Periods is set out below:

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	1,039,309	2,005,917	3,268,844
Customer E	*	*	601,932
Customer B	215,596	*	*

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

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ACCOUNTANTS’ REPORT

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	1,925,578	3,225,918	5,114,531

Revenue from contracts with customers

(a) Disaggregated revenue information

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Types of goods and services			
Passive optical components	1,175,368	1,563,797	2,064,648
Active optical components	740,929	1,642,191	2,969,556
Others*	9,281	19,930	80,327
Total revenue from contracts with customers	1,925,578	3,225,918	5,114,531

* Includes revenue generated from integration services and sales of surplus raw materials and scrap raw materials.

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Geographical markets			
Overseas markets	1,592,363	2,473,405	3,838,979
Chinese mainland	333,215	752,513	1,275,552
Total	1,925,578	3,225,918	5,114,531

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Timing of revenue recognition			
Transferred at a point in time	1,925,578	3,225,918	5,114,531

(b) Performance obligations

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

Sales of products

The performance obligation is satisfied upon acceptance of the optical components, when control of optical components is transferred and the transaction is completed and payment is generally due within 30 to 90 days after delivery, except for domestic customers, where payment is generally due within 30 to 90 days from invoice date. As for new customers with insufficient creditworthiness or a poor reputation, payment in advance is required.

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ACCOUNTANTS’ REPORT

Provision of integration services

The Group recognises revenue from integration services at a point in time when the relevant services are completed and acknowledged by the customers. Costs incurred for the provision of integration services are recognised as contract fulfilment costs, which are recognised as the cost of sales when recognising revenue.

All amounts of transaction prices allocated to the performance obligations of sales of goods are expected to be recognised as revenue within one year, except for the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December of 2023, 2024 and 2025 as RMB42,206,000, RMB137,423,000 and RMB94,256,000, respectively.

An analysis of other income and gains is as follows:

	<i>Year ended 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Other income			
Bank interest income	52,837	67,156	81,249
Government grants*	14,773	28,039	46,601
Interest income from financial assets at fair value through profit or loss	15,344	10,511	7,992
Additional deduction for value-added tax and refund of service fees for withholding individual income tax	1,675	2,748	4,598
Rental income	7	7	7
Total other income	<u>84,636</u>	<u>108,461</u>	<u>140,447</u>
Gains			
Foreign exchange gains, net	7,104	25,947	-
Fair value gains on financial assets at fair value through profit or loss	1,196	21	53
Gains on disposal of foreign currency forward contracts	-	-	1,101
Gains on lease modification	820	-	-
Gains on disposal of items of property, plant and equipment	164	-	651
Others	102	566	844
Total gains	<u>9,386</u>	<u>26,534</u>	<u>2,649</u>
Total other income and gains	<u><u>94,022</u></u>	<u><u>134,995</u></u>	<u><u>143,096</u></u>

* Various government grants have been received for business supports and awarded to the Group on a discretionary basis. The government grants received without any unfulfilled conditions or contingencies relating have been disclosed as other income.

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ACCOUNTANTS’ REPORT

6. PROFIT BEFORE TAX

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

	Notes	<i>Year ended 31 December</i>		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of sales of goods		902,433	1,408,243	2,409,541
Depreciation of property, plant and equipment*	13	88,065	120,332	172,595
Depreciation of right-of-use assets*	14(a)	3,287	2,758	2,504
Amortisation of other intangible assets*	16	618	2,423	2,918
Research and development expenses		143,256	232,236	266,581
Lease payments not included in the measurement of lease liabilities	14(c)	711	1,543	1,964
Employee benefit expense (including directors’ and chief executive’s remuneration (note 8))*:				
Wages and salaries		260,929	355,749	432,643
Pension scheme contributions and social welfare***		48,872	72,167	91,463
Share-based payment expenses		8,836	84,275	57,369
Total		<u>318,637</u>	<u>318,637</u>	<u>581,475</u>
Impairment losses on financial assets, net		6,124	18,348	18,636
Impairment losses on inventories**	20	16,554	17,058	32,436
(Gains)/losses on lease modification	14(c)	(820)	49	-
Foreign exchange (gains)/losses, net		(7,104)	(25,947)	47,523
Losses on disposal of items of property, plant and equipment and other intangible assets		20,195	640	8,020
Interest income from financial assets at fair value through profit or loss	5	(15,344)	(10,511)	(7,992)
Fair value gains on financial assets at fair value through profit or loss	5	(1,196)	(21)	(53)
Gains on disposal of foreign currency forward contracts	5	-	-	(1,101)
Bank interest income	5	(52,837)	(67,156)	(81,249)

* Cost of sales of goods and research and development costs includes expenses relating to employee benefit, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The impairment losses on inventories for the Relevant Periods are included in the cost of sales disclosed above.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on interest-bearing bank borrowings	174	1,260	965
Interest on lease liabilities	<u>371</u>	<u>298</u>	<u>216</u>
Total	<u>545</u>	<u>1,558</u>	<u>1,181</u>

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8. DIRECTORS’ CHIEF EXECUTIVE’S REMUNERATION

The remuneration paid to directors and chief executive of the Company during the Relevant Periods is as follows:

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Fees	280	288	288
Other emoluments:			
Salaries, allowances and benefits in kind	3,208	3,062	3,686
Performance related bonuses	2,567	3,577	3,878
Share-based payment expenses	628	7,550	2,733
Pension scheme contributions	295	347	371
Subtotal	6,698	14,536	10,668
Total fees and other emoluments	6,978	14,824	10,956

The remuneration disclosed above included the remuneration received by certain directors prior to their appointments as the directors of the Company.

During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the employee incentive scheme of the Company, further details of which are set out in note 31 to the Historical Financial Information. The share-based payments expenses included in the financial statements for the Relevant Periods are included in the above directors’ remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Dr. Geng Huimin	96	144	144
Dr. Lu Lin	8	144	144
Mr. Zhou Zhiping	88	-	-
Mr. Xu Fei	88	-	-
Total	280	288	288

Dr. Geng Huimin was appointed as independent director with effect from December 2020.

Dr. Lu Lin was appointed as independent director with effect from December 2023.

Mr. Zhou Zhiping and Mr. Xu Fei were appointed as independent directors with effect from November 2017 and resigned as a director with effect from December 2023.

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(b) Directors

	<i>Salaries, allowances and benefits in kind</i>	<i>Performance related bonuses</i>	<i>Share-based payment expenses</i>	<i>Pension scheme contributions</i>	<i>Total remuneration</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023					
Directors:					
Mr. Zou Zhinong (i)	839	764	-	60	1,663
Ms. Ou Yang (ii)	719	719	-	60	1,498
Mr. Wang Chih-Hung (iii)	626	410	253	43	1,332
Mr. Zhu Songgen (iv)	48	-	235	7	290
Mr. Zhu Guodong (v)	275	400	-	38	713
Mr. Pan Jiafeng (vi)	356	137	77	44	614
Mr. Ju Yongfu (vii)	345	137	63	43	588
Total	<u>3,208</u>	<u>2,567</u>	<u>628</u>	<u>295</u>	<u>6,698</u>

	<i>Salaries, allowances and benefits in kind</i>	<i>Performance related bonuses</i>	<i>Share-based payment expenses</i>	<i>Pension scheme contributions</i>	<i>Total remuneration</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024					
Directors:					
Mr. Zou Zhinong (i)	970	1,200	-	91	2,261
Ms. Ou Yang (ii)	849	1,150	2,771	91	4,861
Mr. Wang Chih-Hung (iii)	615	637	2,467	74	3,793
Mr. Zhu Songgen (iv)	628	590	2,312	91	3,621
Total	<u>3,062</u>	<u>3,577</u>	<u>7,550</u>	<u>347</u>	<u>14,536</u>

	<i>Salaries, allowances and benefits in kind</i>	<i>Performance related bonuses</i>	<i>Share- based payment expenses</i>	<i>Pension scheme contributions</i>	<i>Total remuneration</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2025					
Directors:					
Mr. Zou Zhinong (i)	969	1,300	-	99	2,368
Ms. Ou Yang (ii)	1,314	1,250	1,004	99	3,667
Mr. Wang Chih-Hung (iii)	756	768	892	74	2,490
Mr. Zhu Songgen (iv)	647	560	837	99	2,143
Total	<u>3,686</u>	<u>3,878</u>	<u>2,733</u>	<u>371</u>	<u>10,668</u>

(i) Mr. Zou Zhinong was appointed as a director and the chairman of the Board with effect from September 2011.

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ACCOUNTANTS’ REPORT

- (ii) Ms. Ou Yang was appointed as a director and general manager of the Company with effect from September 2011.
- (iii) Mr. Wang Chih-Hung was appointed as a director and the Deputy General Manager of the Company with effect from September 2011.
- (iv) Mr. Zhu Songgen was appointed as a director of the Company with effect from December 2023.
- (v) Mr. Zhu Guodong was appointed as a director and the Deputy General Manager of the Company with effect from September 2011 and resigned as a director and the Deputy General Manager with effect from December 2023.
- (vi) Mr. Pan Jiafeng was appointed as a director of the Company with effect from November 2017 and resigned as a director with effect from December 2023.
- (vii) Mr. Ju Yongfu was appointed as a director of the Company with effect from November 2017 and resigned as a director with effect from December 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

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

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	4,747	4,575	6,079
Performance related bonuses	1,601	1,536	2,093
Share-based payment expenses	744	7,588	6,631
Pension scheme contributions	140	182	292
Total	<u>7,232</u>	<u>13,881</u>	<u>15,095</u>

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
HK\$2,000,001 to HK\$2,500,000	2	-	-
HK\$3,500,001 to HK\$4,000,000	1	-	3
HK\$4,500,001 to HK\$5,000,000	-	1	-
HK\$5,000,001 to HK\$5,500,000	-	2	1
Total	<u>3</u>	<u>3</u>	<u>4</u>

10. INCOME TAX

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

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Chinese mainland

The companies incorporated in Chinese mainland are granted the qualification of High and New Technology Enterprise (“HNTe”) and entitled to a preferential corporate income tax rate of 15% during the Relevant Periods, except for certain subsidiaries of the Group in the Chinese mainland set out below.

Suzhou Tianfu Zhixing Technology Co., Ltd. is subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law.

Suzhou TFI Communication Technology Co., Ltd. meets the criteria as small scale and minimal-profit enterprise based on the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC’s State Administration of Taxation. Pursuant to the policy announced by the PRC’s State Administration of Taxation, during the Relevant Periods, the portion of annual taxable income of a Small-Scaled Minimal Profit Corporate which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income, and shall be levied at a reduced tax rate of 20%.

The United States of America

The subsidiaries incorporated in the United States of America are subject to a federal tax rate of 21% and a state tax rate of 8.84%.

Japan

The subsidiary incorporated in Japan is subject to a 23.2% income tax rate.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 8.25% for taxable income not exceeding HKD2,000,000, and 16.5% for taxable income exceeding HKD2,000,000 on any estimated assessable profits arising in Hong Kong during the Relevant Periods.

Singapore

The subsidiaries incorporated in Singapore are subject to a 17% income tax rate during the Relevant Periods.

Thailand

TFC Technology (Thailand) Co., Ltd. incorporated in Thailand is subject to a 20% income tax rate. The three segments of the TFC Technology (Thailand) Co., Ltd. —cables, optoelectronic integration, and SMT—were granted investment incentives by the Board of Investment of Thailand (“BOI”) on 30 May 2023, 23 January 2024, and 1 April 2025, respectively. Under these incentives, the profit of each segment is eligible for corporate income tax exemption for a period of six years, six years, and four years, respectively, up to the amount of the investment from the first year of generating revenue.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Current—Chinese mainland	109,735	204,769	329,444
Current—Elsewhere	10,088	4,843	12,622
Deferred tax credit (note 19)	(8,715)	(17,387)	(15,866)
Total	<u>111,108</u>	<u>192,225</u>	<u>326,200</u>

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A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate is as follows:

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit before tax	847,503	1,541,984	2,354,617
Tax at the statutory tax rate of 25%	211,876	385,496	588,654
Preferential or different tax rates	(82,281)	(154,339)	(233,808)
Adjustments in respect of current tax of previous periods	924	796	1,270
Income not subject to tax	(988)	(2,292)	(98)
Expenses not deductible for tax	2,852	318	298
Additional deduction on research and development expenses (a)	(19,278)	(28,286)	(34,272)
Temporary differences not recognised	7	3,129	6,210
Additional deduction on exercise of restricted shares	(2,004)	(12,597)	(2,054)
Tax credit at the Group’s effective tax rate	<u>111,108</u>	<u>192,225</u>	<u>326,200</u>

(a) Additional deductible allowance was for qualified research and development expenses.

11. DIVIDENDS

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interim—Nil, RMB0.50, RMB0.50 per ordinary share for years ended 31 December 2023, 2024, 2025	-	276,956	388,707
Final—RMB1.00, RMB0.50 and RMB0.70 per ordinary share for years ended 31 December 2023, 2024, 2025	395,651	277,649	544,191
	<u>395,651</u>	<u>554,605</u>	<u>932,898</u>

The interim dividend for the years ended 31 December 2024 and 2025 and final dividend for the years ended 31 December 2023 and 2024 have been declared and paid. The proposed final dividend for the year ended 31 December 2025 is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issue during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at adjusted consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Earnings			
Profit attributable to owners of the parent	<u>736,396</u>	<u>1,350,417</u>	<u>2,028,007</u>
Shares			
Weighted average number of ordinary shares outstanding	773,150	774,852	776,643
Effect of dilution—weighted average number of ordinary shares:			
Share-based payment-restricted shares	<u>52</u>	<u>492</u>	<u>2,208</u>
Total	<u>773,202</u>	<u>775,344</u>	<u>778,851</u>
Earnings per share			
Basic earnings per share (RMB)	0.95	1.74	2.61
Diluted earnings per share (RMB)	<u>0.95</u>	<u>1.74</u>	<u>2.60</u>

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13. PROPERTY, PLANT AND EQUIPMENT

The Group

	<i>Freehold land</i> RMB'000	<i>Buildings</i> RMB'000	<i>Machinery</i> RMB'000	<i>Office equipment</i> RMB'000	<i>Electronic devices</i> RMB'000	<i>Vehicles</i> RMB'000	<i>Others</i> RMB'000	<i>Construction in progress</i> RMB'000	<i>Total</i> RMB'000
31 December 2023									
At 1 January 2023:									
Cost	3,674	352,219	456,185	17,171	108,783	2,928	14,366	12,687	968,013
Accumulated depreciation	-	(63,786)	(209,319)	(10,961)	(58,874)	(2,294)	(9,371)	-	(354,605)
Net carrying amount	<u>3,674</u>	<u>288,433</u>	<u>246,866</u>	<u>6,210</u>	<u>49,909</u>	<u>634</u>	<u>4,995</u>	<u>12,687</u>	<u>613,408</u>
At 1 January 2023, net of accumulated depreciation	3,674	288,433	246,866	6,210	49,909	634	4,995	12,687	613,408
Additions	-	-	71,522	1,610	14,238	523	1,702	57,794	147,389
Transfer	-	22,272	19,750	22	799	-	-	(42,843)	-
Disposals	-	-	(20,108)	(11)	(337)	-	-	-	(20,456)
Depreciation provided during the year	-	(18,820)	(46,891)	(2,279)	(17,557)	(154)	(2,364)	-	(88,065)
Exchange realignment	(155)	(42)	(49)	-	(46)	-	-	-	(292)
At 31 December 2023, net of accumulated depreciation	<u>3,519</u>	<u>291,843</u>	<u>271,090</u>	<u>5,552</u>	<u>47,006</u>	<u>1,003</u>	<u>4,333</u>	<u>27,638</u>	<u>651,984</u>
At 31 December 2023:									
Cost	3,519	374,395	504,517	18,700	119,343	3,437	16,068	27,638	1,067,617
Accumulated depreciation	-	(82,552)	(233,427)	(13,148)	(72,337)	(2,434)	(11,735)	-	(415,633)
Net carrying amount	<u>3,519</u>	<u>291,843</u>	<u>271,090</u>	<u>5,552</u>	<u>47,006</u>	<u>1,003</u>	<u>4,333</u>	<u>27,638</u>	<u>651,984</u>
31 December 2024									
At 1 January 2024:									
Cost	3,519	374,395	504,517	18,700	119,343	3,437	16,068	27,638	1,067,617
Accumulated depreciation	-	(82,552)	(233,427)	(13,148)	(72,337)	(2,434)	(11,735)	-	(415,633)
Net carrying amount	<u>3,519</u>	<u>291,843</u>	<u>271,090</u>	<u>5,552</u>	<u>47,006</u>	<u>1,003</u>	<u>4,333</u>	<u>27,638</u>	<u>651,984</u>
At 1 January 2024, net of accumulated depreciation	3,519	291,843	271,090	5,552	47,006	1,003	4,333	27,638	651,984
Additions	32,474	-	141,225	745	20,716	161	854	348,056	544,231
Transfer	-	50,105	84,019	702	7,415	-	-	(142,241)	-
Disposals	-	-	(235)	-	(495)	-	-	-	(730)
Depreciation provided during the year	-	(19,354)	(76,107)	(1,483)	(20,710)	(270)	(2,408)	-	(120,332)
Exchange realignment	1,289	1,454	579	8	(812)	(3)	-	-	2,515
At 31 December 2024, net of accumulated depreciation	<u>37,282</u>	<u>324,048</u>	<u>420,571</u>	<u>5,524</u>	<u>53,120</u>	<u>891</u>	<u>2,779</u>	<u>233,453</u>	<u>1,077,668</u>
At 31 December 2024:									
Cost	37,282	425,844	726,030	20,158	145,604	3,518	16,922	233,453	1,608,811
Accumulated depreciation	-	(101,796)	(305,459)	(14,634)	(92,484)	(2,627)	(14,143)	-	(531,143)
Net carrying amount	<u>37,282</u>	<u>324,048</u>	<u>420,571</u>	<u>5,524</u>	<u>53,120</u>	<u>891</u>	<u>2,779</u>	<u>233,453</u>	<u>1,077,668</u>

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	<i>Freehold land</i> RMB’000	<i>Buildings</i> RMB’000	<i>Machinery</i> RMB’000	<i>Office equipment</i> RMB’000	<i>Electronic devices</i> RMB’000	<i>Vehicles</i> RMB’000	<i>Others</i> RMB’000	<i>Construction in progress</i> RMB’000	<i>Total</i> RMB’000
31 December 2025									
At 1 January 2025:									
Cost	37,282	425,844	726,030	20,158	145,604	3,518	16,922	233,453	1,608,811
Accumulated depreciation	-	(101,796)	(305,459)	(14,634)	(92,484)	(2,627)	(14,143)	-	(531,143)
Net carrying amount	<u>37,282</u>	<u>324,048</u>	<u>420,571</u>	<u>5,524</u>	<u>53,120</u>	<u>891</u>	<u>2,779</u>	<u>233,453</u>	<u>1,077,668</u>
At 1 January 2025, net of accumulated depreciation	37,282	324,048	420,571	5,524	53,120	891	2,779	233,453	1,077,668
Additions	-	599	1,172	84	3,423	-	10,035	453,276	468,589
Transfer	-	279,633	184,585	3,415	14,338	559	-	(483,777)	(1,247)
Disposals	-	-	(11,728)	-	(206)	(34)	-	-	(11,968)
Depreciation provided during the year	-	(29,339)	(112,187)	(1,652)	(25,861)	(280)	(3,276)	-	(172,595)
Exchange realignment	1,488	4,292	252	28	(66)	9	22	-	6,025
At 31 December 2025, net of accumulated depreciation	<u>38,770</u>	<u>579,233</u>	<u>482,665</u>	<u>7,399</u>	<u>44,748</u>	<u>1,145</u>	<u>9,560</u>	<u>202,952</u>	<u>1,366,472</u>
At 31 December 2025:									
Cost	38,770	710,423	891,321	23,570	161,961	3,744	26,979	202,952	2,059,720
Accumulated depreciation	-	(131,190)	(408,656)	(16,171)	(117,213)	(2,599)	(17,419)	-	(693,248)
Net carrying amount	<u>38,770</u>	<u>579,233</u>	<u>482,665</u>	<u>7,399</u>	<u>44,748</u>	<u>1,145</u>	<u>9,560</u>	<u>202,952</u>	<u>1,366,472</u>

The Company

	<i>Buildings</i> RMB’000	<i>Machinery</i> RMB’000	<i>Office equipment</i> RMB’000	<i>Electronic devices</i> RMB’000	<i>Vehicles</i> RMB’000	<i>Others</i> RMB’000	<i>Construction in progress</i> RMB’000	<i>Total</i> RMB’000
31 December 2023								
At 1 January 2023:								
Cost	56,939	113,596	3,834	34,978	1,256	2,406	2,768	215,777
Accumulated depreciation	(18,594)	(36,035)	(2,302)	(10,891)	(1,149)	(2,008)	-	(70,979)
Net carrying amount	<u>38,345</u>	<u>77,561</u>	<u>1,532</u>	<u>24,087</u>	<u>107</u>	<u>398</u>	<u>2,768</u>	<u>144,798</u>
At 1 January 2023, net of accumulated depreciation	38,345	77,561	1,532	24,087	107	398	2,768	144,798
Additions	-	44,555	436	5,836	515	794	7,556	59,692
Transfer	1,037	2,054	22	671	-	-	(3,784)	-
Disposals	-	(12,220)	-	(532)	-	-	-	(12,752)
Depreciation provided during the year	(2,722)	(14,430)	(547)	(7,901)	(8)	(425)	-	(26,033)
At 31 December 2023, net of accumulated depreciation	<u>36,660</u>	<u>97,520</u>	<u>1,443</u>	<u>22,161</u>	<u>614</u>	<u>767</u>	<u>6,540</u>	<u>165,705</u>
At 31 December 2023:								
Cost	57,975	142,492	4,261	39,975	1,772	3,200	6,540	256,215
Accumulated depreciation	(21,315)	(44,972)	(2,818)	(17,814)	(1,158)	(2,433)	-	(90,510)
Net carrying amount	<u>36,660</u>	<u>97,520</u>	<u>1,443</u>	<u>22,161</u>	<u>614</u>	<u>767</u>	<u>6,540</u>	<u>165,705</u>

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	<i>Buildings</i>	<i>Machinery</i>	<i>Office equipment</i>	<i>Electronic devices</i>	<i>Vehicles</i>	<i>Others</i>	<i>Construction in progress</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2024								
At 1 January 2024:								
Cost	57,975	142,492	4,261	39,975	1,772	3,200	6,540	256,215
Accumulated depreciation	(21,315)	(44,972)	(2,818)	(17,814)	(1,158)	(2,433)	-	(90,510)
Net carrying amount	<u>36,660</u>	<u>97,520</u>	<u>1,443</u>	<u>22,161</u>	<u>614</u>	<u>767</u>	<u>6,540</u>	<u>165,705</u>
At 1 January 2024, net of accumulated depreciation	36,660	97,520	1,443	22,161	614	767	6,540	165,705
Additions	-	125,285	590	5,647	-	854	101,583	233,959
Transfer	-	33,801	590	323	-	-	(34,714)	-
Disposals	-	(2,439)	-	(27)	-	-	-	(2,466)
Depreciation provided during the year	(2,793)	(52,417)	(802)	(8,358)	(98)	(571)	-	(65,039)
At 31 December 2024, net of accumulated depreciation	<u>33,867</u>	<u>201,750</u>	<u>1,821</u>	<u>19,746</u>	<u>516</u>	<u>1,050</u>	<u>73,409</u>	<u>332,159</u>
At 31 December 2024:								
Cost	57,975	295,564	5,441	45,813	1,772	4,054	73,409	484,028
Accumulated depreciation	(24,108)	(93,814)	(3,620)	(26,067)	(1,256)	(3,004)	-	(151,869)
Net carrying amount	<u>33,867</u>	<u>201,750</u>	<u>1,821</u>	<u>19,746</u>	<u>516</u>	<u>1,050</u>	<u>73,409</u>	<u>332,159</u>
31 December 2025								
At 1 January 2025:								
Cost	57,975	295,564	5,441	45,813	1,772	4,054	73,409	484,028
Accumulated depreciation	(24,108)	(93,814)	(3,620)	(26,067)	(1,256)	(3,004)	-	(151,869)
Net carrying amount	<u>33,867</u>	<u>201,750</u>	<u>1,821</u>	<u>19,746</u>	<u>516</u>	<u>1,050</u>	<u>73,409</u>	<u>332,159</u>
At 1 January 2025, net of accumulated depreciation	33,867	201,750	1,821	19,746	516	1,050	73,409	332,159
Additions	-	1,054	-	425	-	8,690	38,491	48,660
Transfer	18	98,476	1,631	3,569	-	-	(103,694)	-
Disposals	-	(116,123)	(17)	(603)	-	-	-	(116,743)
Depreciation provided during the year	(2,794)	(44,501)	(970)	(8,532)	(98)	(2,115)	-	(59,010)
At 31 December 2025, net of accumulated depreciation	<u>31,091</u>	<u>140,656</u>	<u>2,465</u>	<u>14,605</u>	<u>418</u>	<u>7,625</u>	<u>8,206</u>	<u>205,066</u>
At 31 December 2025:								
Cost	57,993	242,039	6,976	48,005	1,772	12,744	111,900	481,429
Accumulated depreciation	(26,902)	(101,383)	(4,511)	(33,400)	(1,354)	(5,119)	(103,694)	(276,363)
Net carrying amount	<u>31,091</u>	<u>140,656</u>	<u>2,465</u>	<u>14,605</u>	<u>418</u>	<u>7,625</u>	<u>8,206</u>	<u>205,066</u>

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land and plant and properties used in its operations. Leases of leasehold land have lease terms as 50 years while plant and properties generally have lease terms between 3 and 5 years.

(a) Right-of-use assets

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

The Group

	<i>Leasehold land</i> RMB’000	<i>Plant and properties</i> RMB’000	<i>Total</i> RMB’000
As at 1 January 2023	37,308	8,392	45,700
Additions	-	8,777	8,777
Lease modification	-	(6,919)	(6,919)
Depreciation charge	(897)	(2,390)	(3,287)
Exchange realignment	-	11	11
As at 31 December 2023 and 1 January 2024	36,411	7,871	44,282
Lease modification	-	(408)	(408)
Depreciation charge	(900)	(1,858)	(2,758)
Exchange realignment	-	3	3
As at 31 December 2024 and 1 January 2025	35,511	5,608	41,119
Depreciation charge	(902)	(1,602)	(2,504)
As at 31 December 2025	34,609	4,006	38,615

The Company

	<i>Leasehold land</i> RMB’000
As at 1 January 2023	-
Additions	6,493
Depreciation charge	(171)
As at 31 December 2023 and 1 January 2024	6,322
Depreciation charge	(172)
As at 31 December 2024 and 1 January 2025	6,150
Depreciation charge	(171)
As at 31 December 2025	5,979

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(b) Lease liabilities

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

The Group

	<i>As at 31 December</i>		
	<i>2023</i> RMB’000	<i>2024</i> RMB’000	<i>2025</i> RMB’000
Carrying amount at the beginning of the year	9,171	7,950	5,980
New leases	8,777	-	-
Accretion of interest recognised during the year	371	298	216
Lease modification	(7,739)	(359)	-
Exchange realignment	(9)	4	-
Payments	(2,621)	(1,913)	(1,727)
Carrying amount at the end of the year	<u>7,950</u>	<u>5,980</u>	<u>4,469</u>
Analysed into:			
Current portion	1,619	1,510	1,660
Non-current portion	<u>6,331</u>	<u>4,470</u>	<u>2,809</u>

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

The Group

	<i>As at 31 December</i>		
	<i>2023</i> RMB’000	<i>2024</i> RMB’000	<i>2025</i> RMB’000
Interest on lease liabilities	371	298	216
Depreciation charge of right-of-use assets	3,287	2,758	2,504
Expenses relating to short-term leases and leases of low-value assets	711	1,543	1,964
(Gains)/losses on lease modification	(820)	49	-
Total amount recognised in profit or loss	<u>3,549</u>	<u>4,648</u>	<u>4,684</u>

15. GOODWILL

The Group

	<i>As at 31 December</i>		
	<i>2023</i> RMB’000	<i>2024</i> RMB’000	<i>2025</i> RMB’000
Cost and carrying amount for:			
Tianfu Optical CGU	5,748	5,748	5,748
Auxora CGU	23,900	23,900	23,900
Total	<u>29,648</u>	<u>29,648</u>	<u>29,648</u>

Goodwill was arisen from the Group’s acquisitions of Suzhou Tianfu Optical Co., Ltd. and Auxora (Shenzhen) Inc. in 2020.

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15. GOODWILL (continued)

Impairment testing of goodwill

During the Relevant Periods, goodwill acquired through business combinations was allocated to the following cash-generating unit for impairment testing:

Tianfu Optical CGU

Key assumptions for value in use calculations

The carrying amounts of Goodwill allocated to the Tianfu Optical CGU as of 31 December 2023, 2024 and 2025 were RMB5,748,000, RMB5,748,000 and RMB5,748,000, respectively. Tianfu Optical CGU includes property, plant and equipment, other intangible assets and goodwill. The recoverable amount of the Tianfu Optical CGU has been determined based on a value in use calculation, using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Assumptions were used in the value in use calculation of the Tianfu Optical CGU at the end of each of the Relevant Periods. The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
Pre-tax discount rate	14.56%	14.30%	14.82%
Revenue annual growth rate—range of the forecast period	0.19% to 1.92%	0.02% to 1.14%	0.09% to 0.98%
Revenue annual growth rate—stable period	0.00%	0.00%	0.00%
EBIT rate—range of the forecast period	35.44% to 42.34%	39.79% to 40.59%	34.44% to 37.19%
EBIT rate—stable period	35.44%	39.79%	34.44%

Annual sales growth rate—The basis is determined with reference to the average sales achieved in the years before the budget year, increased for management’s expectation of the future market.

Pre-tax discount rate—The discount rate used is before tax and reflects specific risks relating to the relevant unit.

EBIT rate—The basis is determined with reference to the average profit growth rate achieved in the prior year, increased for expected efficiency improvements.

During the Relevant Periods, no impairment risk identified regarding to the carrying amounts of goodwill included in the Tianfu Optical CGU, respectively.

The values assigned to the key assumptions on annual income growth rate, and pre-tax discount rate are consistent with external information sources.

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Sensitivity analysis for value in use calculations

For the Tianfu Optical CGU’s cash-generating, the estimated recoverable amounts exceeded its carrying values by RMB154,905,000, RMB164,390,000 and RMB187,948,000 as at 31 December 2023, 2024 and 2025. The management of the Group assessed that the reasonably possible change in any of these assumptions would not cause the carrying amount of the Tianfu Optical CGU’s cash-generating to exceed its recoverable amount as at 31 December 2023, 2024 and 2025.

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Revenue annual growth rate decreased by 3%	153,905	163,290	186,548
EBIT rate decreased by 3%	147,905	156,490	179,748
Pre-tax discount rate increased by 3%	148,905	157,290	180,748

Auxora CGU

Key assumptions for value in use calculations

The carrying amounts of Goodwill allocated to the Auxora (Shenzhen) Inc. CGU as of 31 December 2023, 2024 and 2025 were RMB23,900,000, RMB23,900,000 and RMB23,900,000, respectively. Auxora (Shenzhen) Inc. CGU includes property, plant and equipment, other intangible assets and goodwill. The recoverable amount of the Auxora (Shenzhen) Inc. CGU has been determined based on a value in use calculation, using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Assumptions were used in the value in use calculation of the Auxora (Shenzhen) Inc. CGU at the end of each of the Relevant Periods. The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
Pre-tax discount rate	14.00%	14.53%	15.40%
Revenue annual growth rate—range of the forecast period	0.98% to 5.93%	3.00 % to 4.00%	1.97% to 4.86%
Revenue annual growth rate – stable period	0.00%	0.00%	0.00%
EBIT rate—range of the forecast period	12.24% to 12.41%	9.85% to 11.06%	28.69% to 30.48%
EBIT rate—stable period	12.24%	9.85%	28.69%

Annual sales growth rate — The basis is determined with reference to the average sales achieved in the years before the budget year, increased for management’s expectation of the future market.

Pre-tax discount rate—The discount rate used is before tax and reflects specific risks relating to the relevant unit.

EBIT rate—The basis is determined with reference to the average profit growth rate achieved in the prior year, increased for expected efficiency improvements.

During the Relevant Periods, no impairment risk identified regarding to the carrying amounts of goodwill included in the Auxora (Shenzhen) Inc. CGU, respectively.

The values assigned to the key assumptions on annual income growth rate, and pre-tax discount rate are consistent with external information sources.

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Sensitivity analysis for value in use calculations

For the Auxora CGU’s cash-generating, the estimated recoverable amounts exceeded its carrying values by RMB101,280,000, RMB32,763,000 and RMB427,562,000 as at 31 December 2023, 2024 and 2025. The management of the Group assessed that the reasonably possible change in any of these assumptions would not cause the carrying amount of the Auxora CGU’s cash-generating to exceed its recoverable amount as at 31 December 2023, 2024 and 2025.

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Revenue annual growth rate decreased by 3%	100,280	29,763	424,162
EBIT rate decreased by 3%	94,280	27,763	409,862
Pre-tax discount rate increased by 3%	95,280	28,763	411,662

The Company

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Cost and carrying amount for:			
Tianfu Optical CGU	<u>-</u>	<u>2,436</u>	<u>2,436</u>

16. OTHER INTANGIBLE ASSETS

The Group

	<i>Patents</i>	<i>Others</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	9,099	271	9,370
Additions	-	463	463
Amortisation provided during the year	<u>(1,261)</u>	<u>643</u>	<u>(618)</u>
At 31 December 2023	<u>7,838</u>	<u>1,377</u>	<u>9,215</u>
At 31 December 2023 and at 1 January 2024:			
Cost	12,616	11,791	24,407
Accumulated amortisation	<u>(4,778)</u>	<u>(10,414)</u>	<u>(15,192)</u>
Net carrying amount	<u>7,838</u>	<u>1,377</u>	<u>9,215</u>
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	7,838	1,377	9,215
Additions	-	2,179	2,179
Amortisation provided during the year	<u>(1,262)</u>	<u>(1,161)</u>	<u>(2,423)</u>
At 31 December 2024	<u>6,576</u>	<u>2,395</u>	<u>8,971</u>
At 31 December 2024 and at 1 January 2025:			
Cost	12,616	13,509	26,125
Accumulated amortisation	<u>(6,040)</u>	<u>(11,114)</u>	<u>(17,154)</u>
Net carrying amount	<u>6,576</u>	<u>2,395</u>	<u>8,971</u>

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16. OTHER INTANGIBLE ASSETS (continued)

	<i>Patents</i> RMB’000	<i>Others</i> RMB’000	<i>Total</i> RMB’000
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation	6,576	2,395	8,971
Additions	-	10,372	10,372
Amortisation provided during the year	(1,262)	(1,656)	(2,918)
At 31 December 2025	<u>5,314</u>	<u>11,111</u>	<u>16,425</u>
At 31 December 2025:			
Cost	12,616	23,719	36,335
Accumulated amortisation	(7,302)	(12,608)	(19,910)
Net carrying amount	<u>5,314</u>	<u>11,111</u>	<u>16,425</u>

The Company

	<i>Patents</i> RMB’000	<i>Others</i> RMB’000	<i>Total</i> RMB’000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	-	504	504
Additions	-	463	463
Amortisation provided during the year	-	(215)	(215)
At 31 December 2023	<u>-</u>	<u>752</u>	<u>752</u>
At 31 December 2023 and at 1 January 2024:			
Cost	-	988	988
Accumulated amortisation	-	(236)	(236)
Net carrying amount	<u>-</u>	<u>752</u>	<u>752</u>
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	-	752	752
Additions	990	28	1,018
Amortisation provided during the year	(47)	(329)	(376)
At 31 December 2024	<u>943</u>	<u>451</u>	<u>1,394</u>
At 31 December 2024 and at 1 January 2025:			
Cost	990	1,016	2,006
Accumulated amortisation	(47)	(565)	(612)
Net carrying amount	<u>943</u>	<u>451</u>	<u>1,394</u>
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation	943	451	1,394
Additions	-	10,372	10,372
Amortisation provided during the year	(189)	(961)	(1,150)
At 31 December 2025	<u>754</u>	<u>9,862</u>	<u>10,616</u>
At 31 December 2025:			
Cost	990	11,388	12,378
Accumulated amortisation	(236)	(1,526)	(1,762)
Net carrying amount	<u>754</u>	<u>9,862</u>	<u>10,616</u>

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17. INVESTMENTS IN AN ASSOCIATE

The Group and the Company

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Share of net assets	8,287	8,654	9,305

The Group’s shareholdings in the associate comprise equity shares held by the Company. The Group has significant influence over Wuhan Optics Valley Information Optoelectronics Innovation Center Co., Ltd. (“Wuhan Optics Valley”) as it has the power to participate in the financial and operating policy decisions of the entity by appointing a non-executive director in the board.

The following table illustrates the aggregate financial information of the Group’s associate that is not individually material:

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Share of the profits of an associate for the year	239	367	651
Aggregate carrying amount of the Group’s investments in an associate	8,287	8,654	9,305

18. INVESTMENTS IN SUBSIDIARIES

The Company

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Investments in subsidiaries:			
Investment cost	601,384	945,099	945,099
Share-based payments to subsidiaries	13,746	44,148	61,283
Total	615,130	989,247	1,006,382

The increase in the Company’s investments in subsidiaries in 2024 was mainly due to the Company’s acquisition of 46.67% of the minority interests of Suzhou Tianfu Zhixing Technology Co., Ltd.

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19. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	<i>Impairment of assets</i>	<i>Unrealised profit from intercompany transactions</i>	<i>Share-based payment</i>	<i>Lease liabilities</i>	<i>Losses on disposal of property, plant and equipment</i>	<i>Losses available for offsetting against taxable profit</i>	<i>Excess tax deduction arising from share price exceeding the grant date price</i>	<i>Deferred income</i>	<i>Total</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	6,351	4,583	838	1,220	-	-	-	-	12,992
Deferred tax credited / (charged) to profit or loss during the year	1,674	2,355	801	(118)	3,038	-	-	-	7,750
Gross deferred tax assets at 31 December 2023	8,025	6,938	1,639	1,102	3,038	-	-	-	20,742
Deferred tax credited / (charged) to profit or loss during the year	1,654	(216)	11,935	(205)	-	2,462	-	-	15,630
Gross deferred tax assets at 31 December 2024	9,679	6,722	13,574	897	3,038	2,462	-	-	36,372
Deferred tax credited / (charged) to profit or loss during the year	7,135	554	968	(227)	1,264	4,030	64,329	841	78,894
Gross deferred tax assets at 31 December 2025	<u>16,814</u>	<u>7,276</u>	<u>14,542</u>	<u>670</u>	<u>4,302</u>	<u>6,492</u>	<u>64,329</u>	<u>841</u>	<u>115,266</u>

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Deferred tax liabilities

	<i>Accelerated tax depreciation</i>	<i>Fair value adjustments arising from acquisition of subsidiaries</i>	<i>Gain on change from equity method to cost method of investment accounting</i>	<i>Change in fair value of financial assets at fair value through profit or loss</i>	<i>Right-of-use assets</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	3,365	2,592	372	351	1,111	7,791
Deferred tax charged to profit or loss during the year	<u>(467)</u>	<u>(291)</u>	<u>-</u>	<u>(177)</u>	<u>(30)</u>	<u>(965)</u>
Gross deferred tax liabilities at 31 December 2023	2,898	2,301	372	174	1,081	6,826
Deferred tax charged to profit or loss during the year	<u>(440)</u>	<u>(533)</u>	<u>(372)</u>	<u>(172)</u>	<u>(240)</u>	<u>(1,757)</u>
Gross deferred tax liabilities at 31 December 2024	2,458	1,768	-	2	841	5,069
Deferred tax credited / (charged) to profit or loss during the year	<u>(591)</u>	<u>(417)</u>	<u>-</u>	<u>9</u>	<u>(240)</u>	<u>(1,239)</u>
Gross deferred tax liabilities at 31 December 2025	<u>1,867</u>	<u>1,351</u>	<u>-</u>	<u>11</u>	<u>601</u>	<u>3,830</u>

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

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Net deferred tax assets recognised in the consolidated statement of financial position	20,742	32,889	112,653
Net deferred tax liabilities recognised in the consolidated statement of financial position	6,826	1,586	1,217

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

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Tax losses	-	7,746	42,443
Deductible temporary differences	<u>1,644</u>	<u>10,998</u>	<u>7,551</u>
Total	<u>1,644</u>	<u>18,744</u>	<u>49,994</u>

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The Group has tax losses arising in Thailand of THB38,196,000 (equal to RMB7,746,000) and THB169,536,000 (equal to RMB36,454,000) as at 31 December 2024 and 2025, and arising in Japan of JPY125,031,000 (equal to RMB5,989,000) as at 31 December 2025, respectively, that are eligible to be carried forward for 5 years in Thailand and 10 years in Japan for offsetting against future taxable profits. The management believes that it is not considered probable that taxable profits will be available against which the tax losses can be utilised, accordingly, deferred tax assets have not been recognised in respect of these losses.

The Company

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	<i>Impairment of assets</i>	<i>Share-based payment</i>	<i>Losses on disposal of property, plant and equipment</i>	<i>Excess tax deduction arising from share price exceeding the grant date price</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	3,937	379	-	-	4,316
Deferred tax credited to profit or loss during the year	<u>1,832</u>	<u>522</u>	<u>1,636</u>	<u>-</u>	<u>3,990</u>
Gross deferred tax assets at 31 December 2023	5,769	901	1,636	-	8,306
Deferred tax credited to profit or loss during the year	<u>1,461</u>	<u>7,756</u>	<u>-</u>	<u>-</u>	<u>9,217</u>
Gross deferred tax assets at 31 December 2024	7,230	8,657	1,636	-	17,523
Deferred tax credited to profit or loss during the year	<u>2,493</u>	<u>1,315</u>	<u>362</u>	<u>42,068</u>	<u>46,238</u>
Gross deferred tax assets at 31 December 2025	<u>9,723</u>	<u>9,972</u>	<u>1,998</u>	<u>42,068</u>	<u>63,761</u>

Deferred tax liabilities

	<i>Accelerated tax depreciation</i>	<i>Fair value adjustments arising from acquisition of subsidiaries</i>	<i>Change in fair value of financial assets at fair value through profit or loss</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	147	-	352	499
Deferred tax charged to profit or loss during the year	<u>(33)</u>	<u>-</u>	<u>(177)</u>	<u>(210)</u>
Gross deferred tax liabilities at 31 December 2023	114	-	175	289
Deferred tax credited / (charged) to profit or loss during the year	<u>(42)</u>	<u>182</u>	<u>(173)</u>	<u>(33)</u>
Gross deferred tax liabilities at 31 December 2024	72	182	2	256
Deferred tax credited / (charged) to profit or loss during the year	<u>(43)</u>	<u>(42)</u>	<u>2</u>	<u>(83)</u>
Gross deferred tax liabilities at 31 December 2025	<u>29</u>	<u>140</u>	<u>4</u>	<u>173</u>

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

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Net deferred tax assets recognised in the consolidated statement of financial position	8,306	17,267	63,588
Net deferred tax liabilities recognised in the consolidated statement of financial position	289	-	-

20. INVENTORIES

The Group

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Raw materials	69,884	142,809	195,989
Work in progress	106,065	114,603	179,829
Finished goods	111,764	126,721	138,432
	287,713	384,133	514,250
Provision for inventories	(32,065)	(34,001)	(57,054)
Total	255,648	350,132	457,196

The movements in the provision for inventories are as follows:

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year	27,088	32,065	34,001
Provision for the year, net (note 6)	16,554	17,058	32,436
Amount written off	(11,548)	(15,056)	(8,985)
Exchange realignment	(29)	(66)	(398)
Balance at the end of the year	32,065	34,001	57,054

The Company

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Raw materials	45,683	111,988	146,134
Work in progress	92,578	109,869	154,123
Finished goods	127,603	119,069	147,348
	265,864	340,926	447,605
Provision for inventories	(17,860)	(17,283)	(28,187)
Total	248,004	323,643	419,418

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The movements in the provision for inventories are as follows:

	<i>As at 31 December</i>		
	<i>2023</i> RMB’000	<i>2024</i> RMB’000	<i>2025</i> RMB’000
Balance at the beginning of the year	11,814	17,860	17,283
Provision for the year, net (note 6)	11,741	10,114	16,821
Amount written off	(5,695)	(10,691)	(5,917)
Balance at the end of the year	<u>17,860</u>	<u>17,283</u>	<u>28,187</u>

21. TRADE AND BILLS RECEIVABLES

The Group

	<i>As at 31 December</i>		
	<i>2023</i> RMB’000	<i>2024</i> RMB’000	<i>2025</i> RMB’000
Trade receivables	447,190	817,356	1,181,037
Impairment losses	(22,522)	(41,031)	(59,052)
Net carrying amount	<u>424,668</u>	<u>776,325</u>	<u>1,121,985</u>
Bills receivables at amortised cost	3,744	4,134	1,878
Bills receivables at fair value through other comprehensive income	36,224	27,632	16,803
Net carrying amount	<u>39,968</u>	<u>31,766</u>	<u>18,681</u>
Total	<u>464,636</u>	<u>808,091</u>	<u>1,140,666</u>

The Group provides credit terms to certain customers with satisfied creditworthiness and long-term relationship. The credit period is generally around 30 to 90 days.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the Group’s trade and bills receivables at amortised cost, based on recognition date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	<i>As at 31 December</i>		
	<i>2023</i> RMB’000	<i>2024</i> RMB’000	<i>2025</i> RMB’000
Within 1 year	<u>428,412</u>	<u>780,459</u>	<u>1,123,863</u>

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21. TRADE AND BILLS RECEIVABLES (continued)

The movements in the impairment losses on trade receivables are as follows:

	<i>Year ended 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
At beginning of year	16,049	22,522	41,031
Impairment losses recognised	6,457	18,414	18,608
Amounts written off as uncollectible	-	-	(171)
Exchange realignment	16	95	(416)
At end of year	<u>22,522</u>	<u>41,031</u>	<u>59,052</u>

Bills receivables were mostly issued by reputable banks and with short-term maturity. Accordingly, the identified impairment loss was immaterial as at the end of each of the Relevant Periods.

The Group applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy.

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

	<i>Within 1 year</i>
As at 31 December 2023	
On a collective basis:	
Expected credit loss rate	5%
Gross carrying amount (RMB’000)	447,019
Expected credit losses (RMB’000)	22,351
On an individual basis:	
Expected credit loss rate	100%
Gross carrying amount (RMB’000)	171
Expected credit losses (RMB’000)	171
	<i>Within 1 year</i>
As at 31 December 2024	
On a collective basis:	
Expected credit loss rate	5%
Gross carrying amount (RMB’000)	817,185
Expected credit losses (RMB’000)	40,860
On an individual basis:	
Expected credit loss rate	100%
Gross carrying amount (RMB’000)	171
Expected credit losses (RMB’000)	171

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Within 1 year

As at 31 December 2025

On a collective basis:

Expected credit loss rate	5%
Gross carrying amount (RMB’000)	1,181,037
Expected credit losses (RMB’000)	59,052

The Company

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Trade receivables	405,838	612,073	726,131
Impairment losses	(20,292)	(30,604)	(36,307)
Net carrying amount	385,546	581,469	689,824
Bills receivables at amortised cost	3,349	3,515	1,878
Bills receivables at fair value through other comprehensive income	34,853	26,461	16,803
Net carrying amount	38,202	29,976	18,681
Total	423,748	611,445	708,505

An ageing analysis of the Company’s trade and bills receivables at amortised cost, based on recognition date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Within 1 year	388,895	584,984	691,702

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

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
At beginning of year	14,129	20,292	30,604
Impairment losses recognised	6,163	10,312	5,703
At end of year	20,292	30,604	36,307

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

	<i>Within 1 year</i>
As at 31 December 2023	
On a collective basis:	
Expected credit loss rate	5%
Gross carrying amount (RMB’000)	405,838
Expected credit losses (RMB’000)	20,292
As at 31 December 2024	
On a collective basis:	
Expected credit loss rate	5%
Gross carrying amount (RMB’000)	612,073
Expected credit losses (RMB’000)	30,604
As at 31 December 2025	
On a collective basis:	
Expected credit loss rate	5%
Gross carrying amount (RMB’000)	726,131
Expected credit losses (RMB’000)	36,307

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current portion:			
Other tax recoverable	18,210	25,359	21,372
Prepayments to suppliers	3,877	11,194	20,773
Deposits	2,103	1,071	1,526
Others	914	601	683
	25,104	38,225	44,354
Impairment allowance	(558)	(492)	(520)
Subtotal	24,546	37,733	43,834
Non-current portion:			
Prepayments for property, plant and equipment and right-of-use assets	88,935	13,312	27,778
Total	113,481	51,045	71,612

At the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each of the Relevant Periods.

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The Company

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current portion:			
Other tax recoverable	14,249	15,083	3,780
Prepayments to suppliers	858	5,032	7,701
Deposits	406	415	405
Others	7	-	-
	<u>15,520</u>	<u>20,530</u>	<u>11,886</u>
Impairment allowance	(306)	(310)	(328)
Subtotal	<u>15,214</u>	<u>20,220</u>	<u>11,558</u>
Non-current portion:			
Prepayments for property, plant and equipment	<u>34,634</u>	<u>9,634</u>	<u>7,728</u>
Total	<u><u>49,848</u></u>	<u><u>29,854</u></u>	<u><u>19,286</u></u>

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wealth management products, at fair value	<u>436,196</u>	<u>350,021</u>	<u>210,053</u>

The Company

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wealth management products, at fair value	<u>416,164</u>	<u>140,011</u>	<u>100,028</u>

The wealth management products were issued by banks in Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

The Group

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	1,864,103	1,978,488	2,996,658
Less: Pledged deposits	(36,401)	-	(57,100)
Restricted cash	-	-	(75,815)
Total cash and cash equivalents	1,827,702	1,978,488	2,863,743
	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents			
Denominated in RMB	1,011,029	452,141	238,090
Denominated in USD	812,851	1,515,283	2,622,853
Denominated in JPY	714	7,269	1,557
Denominated in THB	2,843	3,157	818
Denominated in SGD	250	626	375
Denominated in HKD	15	12	50
Total	1,827,702	1,978,488	2,863,743
Pledged deposits			
Denominated in USD	36,401	-	-
Denominated in RMB	-	-	57,100
Total	36,401	-	57,100
Restricted cash			
Denominated in USD	-	-	75,415
Denominated in SGD	-	-	400
Total	-	-	75,815

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The Company

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Cash and bank balances	1,290,053	1,554,287	2,690,862
Less: Pledged deposits	(36,401)	-	-
Total cash and cash equivalents	1,253,652	1,554,287	2,690,862

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents			
Denominated in RMB	567,422	360,694	167,482
Denominated in USD	685,539	1,193,590	2,523,380
Denominated in JPY	691	3	-
Total	1,253,652	1,554,287	2,690,862
Pledged deposits			
Denominated in USD	36,401	-	-

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

As at 31 December 2023, 2024 and 2025, time deposits amounting to RMB36,401,000, nil and RMB57,100,000, respectively, were pledged for the issuance of letter of guarantee, and made for varying periods of between 12 months and 15 months.

As at 31 December 2023, 2024 and 2025, restricted cash amounting to nil, nil and RMB75,815,000, respectively, were restricted due to the expiration of the legal registration documents for bank accounts.

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

25. TRADE AND BILLS PAYABLES

The Group

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Trade payables	173,047	165,660	260,113
Bills payable	75,558	92,259	92,550
Total	248,605	257,919	352,663

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An ageing analysis of the trade and bills payable as at the end of each of the Relevant Periods, based on recognition date, is as follows:

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Within 1 year	246,204	253,411	349,421
Over 1 year	2,401	4,508	3,242
Total	248,605	257,919	352,663

The trade payables are non-interest-bearing and are normally settled in 30 to 90 days upon receipt of the VAT invoice.

The Company

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Trade payables	143,677	121,405	102,648
Bills payable	73,110	91,339	89,244
Total	216,787	212,744	191,892

An ageing analysis of the trade and bills payable as at the end of each of the Relevant Periods, based on recognition date, is as follows:

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Within 1 year	214,623	208,596	188,889
Over 1 year	2,164	4,148	3,003
Total	216,787	212,744	191,892

26. OTHER PAYABLES AND ACCRUALS

The Group

	<i>As at 31 December</i>		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Payroll and welfare payable	60,819	82,723	96,866
Payables for purchase of property, plant and equipment	20,814	56,511	134,182
Other tax payables	11,227	8,436	18,690
Accruals	8,563	9,775	8,260
Others	14,092	26,457	23,066
Total	115,515	183,902	281,064

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The Company

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Payroll and welfare payable	27,167	40,326	44,453
Other tax payables	5,090	1,501	1,769
Payables for purchase of property, plant and equipment	4,510	294	20,284
Accruals	244	130	27
Others	10,778	24,234	20,580
Total	47,789	66,485	87,113

Other payables are non-interest-bearing, unsecured and have repayment on demand.

27. **CONTRACT LIABILITIES**

The Group

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contract liabilities	83,708	184,045	160,562

The Company

	<i>As at 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contract liabilities	83,651	183,348	153,923

Contract liabilities represent advances received from customers for sales of products. The increase in contract liabilities in 2024 was primarily due to the increase in sales orders from customers at the year end with payments in advance.

28. **INTEREST-BEARING BANK BORROWINGS**

The Group and Company

	<i>As at 31 December 2024</i>		
	Effective interest rate	Maturity	RMB’000
Current			
Bank borrowings – unsecured	Loan Prime Rate (“LPR”)-0.15	2025	40,000
Bank borrowings – secured	0.54%	2025	21
Total			40,021

As at 31 December 2024, the Group’s and the Company’s certain bank borrowings were secured by bills receivables of RMB21,000.

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29. DEFERRED INCOME

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government grants	17,982	17,982	23,587
	<u>17,982</u>	<u>17,982</u>	<u>23,587</u>
	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year period	17,982	17,982	17,982
Grants received during the year	-	-	6,200
Amounts released to profit or loss during the year	-	-	(595)
At end of year/period	<u>17,982</u>	<u>17,982</u>	<u>23,587</u>

Government grants received related to assets invested in machinery are credited to deferred income and are recognised as income over the expected useful lives of the relevant assets.

30. SHARE CAPITAL

The Group and the Company

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Issued and fully paid:			
Share capital	<u>394,887</u>	<u>553,972</u>	<u>777,416</u>

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

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	393,975	394,887	553,972
Share premium converted into share capital	-	158,260	222,119
Restricted shares exercised under share incentive plan	<u>912</u>	<u>825</u>	<u>1,325</u>
At the end of the year	<u>394,887</u>	<u>553,972</u>	<u>777,416</u>

During the year ended 31 December 2023, the share capital of the Company was increased with RMB912,000 subscribed by the satisfaction with vesting conditions of the second vesting period of the Company’s 2021 restricted shares incentive plan and 2018 share option incentive plan.

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During the year ended 31 December 2024, the share capital of the Company increased with RMB825,000 subscribed by the satisfaction with vesting conditions of the third vesting period of the Company’s 2021 restricted shares incentive plan.

On 30 May 2024, pursuant to the shareholders’ resolution, the Company’s share premium shall be converted into 4 shares for every 10 shares to all shareholders, with a total of 158,260,480 share premium converted into share capital.

On 9 June 2025, pursuant to the shareholders’ resolution, the Company’s share premium shall be converted into 4 shares for every 10 shares to all shareholders, with a total of 222,118,826 share premium converted into share capital.

In May 2025, the share capital of the Company increased with RMB1,325,000 subscribed by satisfaction with vesting conditions of the first vesting period of the Company’s 2023 restricted shares incentive plan.

31. SHARE-BASED PAYMENTS

Expenses arising from equity-settled share-based payment transactions were as follows:

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Share Incentive Plan	8,836	84,275	57,369

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Selling and marketing expenses	242	2,959	1,370
Administrative expenses	5,569	47,348	30,267
Research and development expenses	3,025	33,968	25,732
Total	8,836	84,275	57,369

To improve the incentive mechanism of the Group, further enhance the work enthusiasm and creativity of the participants thereto, the Group has implemented three share incentive plans in history, the 2018 Share option and restricted share incentive plan (the “2018 Plan”), the 2021 Restricted share incentive plan (the “2021 Plan”), and the 2023 Restricted share incentive plan (the “2023 Plan”).

The 2018 Plan

On 11 September 2018, the Shareholders of the Company approved the 2018 Plan to implement equity incentives for Incentive Recipients. The Company granted a total of 2,100,000 share options to 117 incentive participants for the initial batch with exercise price of RMB19.96 per share option and granted a total of 300,000 share options to 16 incentive participants for the reserved batch with exercise price of RMB39.75 per share option. Pursuant to the 2018 Plan, the initial batch share options granted to participants will be vested in three periods after 24 months from the date of the grant, with each tranche vesting at 12-month intervals, and the maximum percentage of unlocking for each period will be 30%, 30% and 40% and the reserved batch share options granted to participants will be vested in two periods after 24 months from the date of the grant, and the maximum percentage of unlocking for each period will be 50% and 50%, respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

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In accordance with the 2018 plan, the Company also completed the registration of the initial grant of 1,020,000 type 1 restricted shares with a lock-up period to 25 incentive participants in November 2018 at a grant price of RMB9.98 per share. Pursuant to the 2018 Plan, the restricted shares granted to participants will be unlocked in three periods after 36 months from the date of completion of the registration of the grant, with each tranche vesting at 12-month intervals, and the maximum percentage of unlocking for each period will be 30%, 30% and 40%, respectively, according to the Company’s performance appraisal and individual performance appraisal, etc. All the restricted shares granted in 2018 plan have been vested and unlocked before 1 January 2023.

Set out below are details of the movements of the outstanding share options granted during the Relevant Periods:

	<i>Year ended 31 December 2023</i>	
	<i>Exercise price</i>	<i>Number of Option* ‘000</i>
	RMB	
At the beginning of the year (i)	9.93	58
Exercise (ii)	9.43	(58)
At the end of the year	-	-

(i) It represents the effects of adjustments made to the number and exercise price of shares as a result of the share premium conversion into share capital on 25 June 2021 and the effects of adjustments made of exercise price as a result of the final dividend for the years ended 31 December 2018, 2019, 2020, and 2021 in accordance with the requirement of 2018 plan.

(ii) It represents the effects of adjustments made of exercise price as a result of the final dividend for the year ended 31 December 2022 in accordance with the requirement of 2018 plan.

The fair value of share options granted was estimated as at the date of grant, using Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Expected volatility (%)	17.41, 24.84, 28.11
Risk-free interest rate (%)	2.10, 2.75, 2.75
Weighted average share price (RMB per share)	3.50, 5.28, 6.50

The 2021 Plan

On 8 February 2021, the Shareholders of the Company approved the 2021 Plan to implement equity incentives for Incentive Recipients. The Company granted a total of 2,019,000 type 2 restricted shares to 247 incentive participants, with exercise price of RMB40.55 per share. Pursuant to the 2021 Plan, the restricted shares granted to participants will be vested in three periods after 12 months from the date of the grant, with each tranche vesting at 12-month intervals, and the maximum percentage of unlocking for each period will be 40%, 30% and 30%, respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

Movements in the number of restricted shares granted and their exercise prices are as below:

	<i>Year ended 31 December 2023</i>	
	<i>Exercise price</i>	<i>Number of Share Awards* ‘000</i>
	RMB	
At the beginning of the year (i)	21.79	1,911
Forfeited (ii)	21.79	(191)
Exercise (ii)	21.79	(784)
Exercise (iii)	21.29	(70)
At the end of the year	21.29	866

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- (i) It represents the effects of adjustments made to the number and exercise price of shares as a result of the share premium conversion into share capital on 25 June 2021 and the effects of adjustments made of exercise price as a result of the final dividend for the years ended 31 December 2020 and 2021 in accordance with the requirement of 2021 plan.
- (ii) The price of shares is presented before the effects of the 2022 dividend.
- (iii) It represents the effects of adjustments made to the price of shares as a result of the 2022 dividend on 24 August 2023.

	<i>Year ended 31 December 2024</i>	
	<i>Exercise price</i>	<i>Number of Share Awards* ‘000</i>
	RMB	
At the beginning of the year	21.29	866
Exercise (i)	21.29	(764)
Forfeited (i)	21.29	(59)
Adjusted for the share premium conversion into share capital (ii)	-	17
Exercise (ii)	13.99	(60)
At the end of the year	-	-

- (i) The number and exercise price of shares is presented before the effects of the share premium conversion into share capital.
- (ii) It represents the effects of adjustments made to the number and exercise price of shares as a result of the share premium conversion into share capital on 13 May 2024 and the effects of adjustments made of exercise price as a result of the final dividend for the year ended 31 December 2023 and interim dividend for the year ended 31 December 2024 in accordance with the requirement of 2021 plan.

The fair value of restricted shares granted was estimated as at the date of grant, using Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the inputs to the model used:

Expected volatility (%)	23.90, 24.31, 23.89
Risk-free interest rate (%)	2.32, 2.74, 2.79
Weighted average share price (RMB per share)	4.30, 6.54, 8.13

The 2023 Plan

On 22 December 2023, the Shareholders of the Company approved the 2023 Plan to implement equity incentives for Incentive Recipients. The Company granted a total of 2,503,000 type 2 restricted shares to 399 incentive participants, with exercise price of RMB39.66 per share. Pursuant to the 2023 Plan, the restricted shares granted to participants will be vested in three periods after 12 months from the date of the grant, with each tranche vesting at 12-month intervals, and the maximum percentage of unlocking for each period will be 40%, 30% and 30%, respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

Taking into account the impact of the share premium conversion into share capital in 2024 as well as the 2024 interim dividend, the Company also granted 667,800 type 2 restricted shares to 283 incentive participants as reserved portion under the 2023 plan, with exercise price of RMB27.11 per share on 27 November 2024. Pursuant to the 2023 Plan reserve portion, the restricted shares granted to participants will be vested in two periods after 16 months from the date of the grant, with each tranche vesting at 12-month intervals, and the maximum percentage of unlocking for each period will be 50% and 50%, respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

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Movements in the number of restricted shares granted and their exercise prices are as below:

	<i>Year ended 31 December 2023</i>	
	<i>Exercise price</i>	<i>Number of Share Awards* ‘000</i>
	<i>RMB</i>	
At the beginning of the year	-	-
Granted	39.66	2,503
At the end of the year	39.66	2,503

	<i>Year ended 31 December 2024</i>	
	<i>Exercise price</i>	<i>Number of Share Awards* ‘000</i>
	<i>RMB</i>	
At the beginning of the year	39.66	2,503
Granted (i)	27.11	668
Adjusted for the share premium conversion into share capital (i)	-	1,001
At the end of the year	27.11	4,172

- (i) It represents the effects of adjustments made to the number of shares and exercise price as a result of the share premium conversion into share capital on 13 May 2024.

	<i>Year ended 31 December 2025</i>	
	<i>Exercise price</i>	<i>Number of Share Awards* ‘000</i>
	<i>RMB</i>	
At the beginning of the year	27.11	4,172
Exercise (i)	27.11	(1,325)
Forfeited (i)	27.11	(306)
Adjusted for the share premium conversion into share capital (ii)	-	1,024
At the end of the year	18.51	3,565

- (i) The number of shares and exercise price are presented before the effects of the share premium conversion into share capital.
- (ii) It represents the effects of adjustments made to the number of shares as a result of the share premium conversion into share capital on 12 May 2025 and the effects of adjustments made of exercise price as a result of the interim dividend for the year ended 31 December 2025 in accordance with the requirement of 2023 plan.

- (a) The 2023 Plan -First award

The fair value of restricted shares granted was estimated as at the date of grant, using Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.94, 0.93, 0.93
Expected volatility (%)	13.84, 18.53, 18.38
Risk-free interest rate (%)	2.25, 2.29, 2.31
Weighted average share price (RMB per share)	53.36, 53.40, 53.46

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(b) The 2023 Plan -Reservation award

The fair value of restricted shares granted was estimated as at the date of grant, using Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.98, 0.98
Expected volatility (%)	26.41, 22.54
Risk-free interest rate (%)	1.37, 1.37
Weighted average share price (RMB per share)	76.49, 75.86

32. RESERVES

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

(i) Share premium

The share premium of the Group represents the premium in issuing capitals.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

(iii) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 31 to the Historical Financial Information.

(iv) Special reserve - safety production fund

According to relevant PRC regulations, transfer of production and maintenance funds at fixed rates based on relevant bases to a specific reserve account is required. The amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time, the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

(v) Statutory surplus reserve

In accordance with the Company Laws of Chinese mainland and the articles of association of the companies established in the Chinese mainland, the Group’s companies are required to appropriate 10% of its net profits after tax, as determined under China Accounting Standards for Business Enterprises, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

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(vi) Other reserve

The other reserve represents the additional income tax deduction of restricted shares arising from the difference between:

- (1) the amount expected to be deductible before tax in future periods, and
- (2) the cost and expenses related to share-based payments recognised.

This difference arises when the expected future tax-deductible amount exceeds the recognised cost and expenses.

The Company

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

Year ended 31 December 2023

	Share premium RMB’000	Share-based payment reserve RMB’000	Fair value reserve of financial assets at fair value through other comprehensive income RMB’000	Special reserve - safety production fund RMB’000	Statutory surplus reserve RMB’000	Retained profits RMB’000	Total RMB’000
As at 1 January 2023	1,048,961	5,380	368	-	129,356	483,142	1,667,207
Profit for the year	-	-	-	-	-	534,410	534,410
Total comprehensive income for the year	-	-	-	-	-	534,410	534,410
Appropriations to statutory surplus reserve	-	-	-	-	53,119	(53,119)	-
Profit appropriation to the shareholders	-	-	-	-	-	(197,379)	(197,379)
Recognition of equity- settled share-based payments	-	8,836	-	-	-	-	8,836
Transfer of share-based payment reserve upon vesting	21,495	(3,289)	-	-	-	-	18,206
Appropriation of special reserve	-	-	-	3,676	-	(3,676)	-
Utilisation of special reserve	-	-	-	(453)	-	453	-
As at 31 December 2023	<u>1,070,456</u>	<u>10,927</u>	<u>368</u>	<u>3,223</u>	<u>182,475</u>	<u>763,831</u>	<u>2,031,280</u>

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Year ended 31 December 2024

	<i>Share premium</i> RMB'000	<i>Share-based payment reserve</i> RMB'000	<i>Fair value reserve of financial assets at fair value through other comprehensive income</i> RMB'000	<i>Special reserve - safety production fund</i> RMB'000	<i>Statutory surplus reserve</i> RMB'000	<i>Retained profits</i> RMB'000	<i>Total</i> RMB'000
As at 1 January 2024	1,070,456	10,927	368	3,223	182,475	763,831	2,031,280
Profit for the year	-	-	-	-	-	1,443,139	1,443,139
Total comprehensive income for the year	-	-	-	-	-	1,443,139	1,443,139
Transfer from share premium to share capital	(158,260)	-	-	-	-	-	(158,260)
Appropriations to statutory surplus reserve	-	-	-	-	143,916	(143,916)	-
Profit appropriation to the shareholders	-	-	-	-	-	(672,607)	(672,607)
Recognition of equity-settled share-based payments	-	84,275	-	-	-	-	84,275
Transfer of share-based payment reserve upon vesting	19,864	(3,568)	-	-	-	-	16,296
Appropriation of special reserve	-	-	-	4,498	-	(4,498)	-
Utilisation of special reserve	-	-	-	(516)	-	516	-
Others	3,573	-	-	-	-	-	3,573
As at 31 December 2024	<u>935,633</u>	<u>91,634</u>	<u>368</u>	<u>7,205</u>	<u>326,391</u>	<u>1,386,465</u>	<u>2,747,696</u>

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Year ended 31 December 2025

	Share premium RMB'000	Share-based payment reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Special reserve - safety production fund RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Other reserve RMB'000	Total RMB'000
As at 1 January 2025	935,633	91,634	368	7,205	326,391	1,386,465	-	2,747,696
Profit for the year	-	-	-	-	-	1,508,035	-	1,508,035
Total comprehensive income for the year	-	-	-	-	-	1,508,035	-	1,508,035
Transfer from share premium to share capital	(222,119)	-	-	-	-	-	-	(222,119)
Appropriations to statutory surplus reserve	-	-	-	-	150,250	(150,250)	-	-
Profit appropriation to the shareholders	-	-	-	-	-	(666,357)	-	(666,357)
Recognition of equity- settled share-based payments	-	57,369	-	-	-	-	-	57,369
Transfer of share-based payment reserve upon vesting	85,088	(50,495)	-	-	-	-	-	34,593
Appropriation of special reserve	-	-	-	5,859	-	(5,859)	-	-
Utilisation of special reserve	-	-	-	(320)	-	320	-	-
Excess tax deduction arising from share price exceeding the grant date price	-	-	-	-	-	-	42,068	42,068
As at 31 December 2025	<u>798,602</u>	<u>98,508</u>	<u>368</u>	<u>12,744</u>	<u>476,641</u>	<u>2,072,354</u>	<u>42,068</u>	<u>3,501,285</u>

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33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets of RMB8,777,000, nil and nil and non-cash additions to lease liabilities of RMB8,777,000, nil and nil respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

	<i>Interest-bearing bank borrowings</i>	<i>Lease liabilities</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000
At 1 January 2023	-	9,171	9,171
Changes from financing cash flows	(174)	(2,621)	(2,795)
New leases (note 14)	-	8,777	8,777
Interest expense (note 7)	174	371	545
Lease modification (note 14)	-	(7,739)	(7,739)
Exchange realignment (note 14)	-	(9)	(9)
At 31 December 2023	-	7,950	7,950
Changes from financing cash flows	38,761	(1,913)	36,848
Interest expense (note 7)	1,260	298	1,558
Lease modification (note 14)	-	(359)	(359)
Exchange realignment (note 14)	-	4	4
At 31 December 2024	40,021	5,980	46,001
Changes from financing cash flows	(40,965)	(1,727)	(42,692)
Derecognition of bills receivable	(21)	-	(21)
Interest expense (note 7)	965	216	1,181
At 31 December 2025	-	4,469	4,469

(c) Total cash outflow for leases

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

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within operating activities	711	1,543	1,964
Within financing activities	2,621	1,913	1,727
Total	3,332	3,456	3,691

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting year:

	<i>Year ended 31 December</i>		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Property, plant and equipment	197,696	53,766	1,176,068

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35. PLEDGE OF ASSETS

Details of the Group’s assets pledged as collateral for the issuance of letter of guarantee, are included in note 24 to the Historical Financial Information.

36. CONTINGENT LIABILITIES

As of the end of each of the Relevant Periods, the Group did not have any material contingent liabilities.

37. RELATED PARTY TRANSACTIONS

The directors are of the view that the following company is related party that had material transactions with the Group during the Relevant Periods:

Name of related parties	Relationship with the Group
Suzhou Tianfu Renhe Investment Management Co., Ltd.	One of controlling Shareholder
Mr. Zou Zhinong and Ms. Ou Yang	Executive directors of the Company

(a) Transactions with related parties:

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Rental income from related parties			
Suzhou Tianfu Renhe Investment Management Co., Ltd.	<u>7</u>	<u>7</u>	<u>7</u>

All these transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(b) Compensation of key management personnel of the Group

	<i>Year ended 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	6,703	6,547	5,715
Performance related bonuses	4,056	5,308	5,353
Share-based payment expenses	1,084	12,115	4,789
Pension scheme contributions	<u>586</u>	<u>733</u>	<u>559</u>
Total	<u>12,429</u>	<u>24,703</u>	<u>16,416</u>

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

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38. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

As at 31 December 2023

Financial assets

	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at amortised cost</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	-	428,412	36,224	464,636
Financial assets included in prepayments, other receivables and other assets	-	2,459	-	2,459
Financial assets at fair value through profit or loss	436,196	-	-	436,196
Pledged deposits	-	36,401	-	36,401
Cash and cash equivalents	-	1,827,702	-	1,827,702
Total	<u>436,196</u>	<u>2,294,974</u>	<u>36,224</u>	<u>2,767,394</u>

Financial liabilities

	<i>Financial liabilities at amortised cost</i>
	RMB’000
Trade and bills payables	248,605
Financial liabilities included in other payables and accruals	43,469
Total	<u>292,074</u>

As at 31 December 2024

Financial assets

	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at amortised cost</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	-	780,459	27,632	808,091
Financial assets included in prepayments, other receivables and other assets	-	1,180	-	1,180
Financial assets at fair value through profit or loss	350,021	-	-	350,021
Cash and cash equivalents	-	1,978,488	-	1,978,488
Total	<u>350,021</u>	<u>2,760,127</u>	<u>27,632</u>	<u>3,137,780</u>

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Financial liabilities

	<i>Financial liabilities at amortised cost</i>
	RMB’000
Trade and bills payables	257,919
Financial liabilities included in other payables and accruals	92,743
Interest-bearing bank borrowings	40,021
Total	390,683

As at 31 December 2025

Financial assets

	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at amortised cost</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	-	1,123,863	16,803	1,140,666
Financial assets included in prepayments, other receivables and other assets	-	1,689	-	1,689
Financial assets at fair value through profit or loss	210,053	-	-	210,053
Restricted cash	-	75,815	-	75,815
Pledged deposits	-	57,100	-	57,100
Cash and cash equivalents	-	2,863,743	-	2,863,743
Total	210,053	4,122,210	16,803	4,349,066

Financial liabilities

	<i>Financial liabilities at amortised cost</i>
	RMB’000
Trade and bills payables	352,663
Financial liabilities included in other payables and accruals	165,508
Total	518,171

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit and loss, trade and bills payables and financial liabilities included in other payables and accruals, and short-term interest bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager

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reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks in Chinese mainland. The Group has estimated the fair values of these wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks at the end of the Relevant Periods.

The fair values of bills receivables at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The changes in fair values as a result of the Group for bills receivables at fair value through other comprehensive income as at 31 December 2023, 2024 and 2025 were assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	<i>Quoted</i>	<i>Significant</i>	<i>Significant</i>	
	<i>prices in</i>	<i>observable</i>	<i>unobservable</i>	
	<i>active</i>	<i>inputs</i>	<i>unobservable</i>	
<i>markets</i>	<i>Level 2</i>	<i>Level 3</i>		
<i>Level 1</i>				
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss	-	436,196	-	436,196
Bills receivables at fair value through other comprehensive income	-	36,224	-	36,224
Total	-	472,420	-	472,420

As at 31 December 2024

	Fair value measurement using			Total
	<i>Quoted</i>	<i>Significant</i>	<i>Significant</i>	
	<i>prices in</i>	<i>observable</i>	<i>unobservable</i>	
	<i>active</i>	<i>inputs</i>	<i>unobservable</i>	
<i>markets</i>	<i>Level 2</i>	<i>Level 3</i>		
<i>Level 1</i>				
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss	-	350,021	-	350,021
Bills receivables at fair value through other comprehensive income	-	27,632	-	27,632
Total	-	377,653	-	377,653

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As at 31 December 2025

	Fair value measurement using			Total
	<i>Quoted prices in active markets Level 1</i>	<i>Significant</i>		
		<i>observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>	
Financial assets at fair value through profit or loss	-	210,053	-	210,053
Bills receivables at fair value through other comprehensive income	-	16,803	-	16,803
Total	-	226,856	-	226,856

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s debt obligations with a floating interest rate. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts.

If the interest rate of bank borrowings had increased/decreased by 100 basis points and all other variables were held constant, the Group’s profit before tax (through the impact on floating rate borrowings) would have decreased/increased by approximately RMB307,000 for the year ended 31 December 2024.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchase by operating units in currencies other than the units’ functional currencies.

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The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax:

	<i>Increase/ (decrease) in basis points</i>	<i>Increase/ (decrease) in profit before tax</i>
	%	RMB’000
Year ended 31 December 2023		
If the RMB weakens against the USD	5	46,403
If the RMB strengthens against the USD	(5)	(46,403)
Year ended 31 December 2024		
If the RMB weakens against the USD	5	92,465
If the RMB strengthens against the USD	(5)	(92,465)
Year ended 31 December 2025		
If the RMB weakens against the USD	5	125,413
If the RMB strengthens against the USD	(5)	(125,413)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

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

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Simplified approach</i>	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	-	-	-	450,934	450,934
Financial assets included in prepayments, other receivables and other assets					
- Normal**	3,017	-	-	-	3,017
Pledged deposits					
- Not yet past due	36,401	-	-	-	36,401
Cash and cash equivalents					
- Not yet past due	1,827,702	-	-	-	1,827,702
Total	<u>1,867,120</u>	<u>-</u>	<u>-</u>	<u>450,934</u>	<u>2,318,054</u>

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As at 31 December 2024

	12-month	Lifetime ECLs			Total
	ECLs	Simplified			
	Stage 1	Stage 2	Stage 3	approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	-	-	-	821,490	821,490
Financial assets included in prepayments, other receivables and other assets					
- Normal**	1,672	-	-	-	1,672
Cash and cash equivalents					
- Not yet past due	1,978,488	-	-	-	1,978,488
Total	1,980,160	-	-	821,490	2,801,650

As at 31 December 2025

	12-month	Lifetime ECLs			Total
	ECLs	Simplified			
	Stage 1	Stage 2	Stage 3	approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	-	-	-	1,182,915	1,182,915
Financial assets included in prepayments, other receivables and other assets					
- Normal**	2,209	-	-	-	2,209
Restricted cash					
- Not yet past due	75,815	-	-	-	75,815
Pledged deposits					
- Not yet past due	57,100	-	-	-	57,100
Cash and cash equivalents					
- Not yet past due	2,863,743	-	-	-	2,863,743
Total	2,998,867	-	-	1,182,915	4,181,782

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 50.14 %, 41.65% and 35.00% of the Group’s trade and bills receivables were due from the Group’s largest customer, 78.54%, 86.08% and 88.86% of the Group’s trade and bills receivables were due from five largest customers, respectively.

Liquidity risk

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

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The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities.

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

	<i>Within 1 year or on demand</i>	<i>1 to 2 years</i>	<i>2 to 3 years</i>	<i>Over 3 years</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023					
Lease liabilities	1,917	1,999	1,900	2,896	8,712
Trade and bills payables	248,605	-	-	-	248,605
Financial liabilities included in other payables and accruals	43,469	-	-	-	43,469
Total	293,991	1,999	1,900	2,896	300,786

	<i>Within 1 year or on demand</i>	<i>1 to 2 years</i>	<i>2 to 3 years</i>	<i>Over 3 years</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2024					
Interest-bearing bank borrowings	40,986	-	-	-	40,986
Lease liabilities	1,727	1,810	1,900	995	6,432
Trade and bills payables	257,919	-	-	-	257,919
Financial liabilities included in other payables and accruals	92,743	-	-	-	92,743
Total	393,376	1,810	1,900	995	398,081

	<i>Within 1 year or on demand</i>	<i>1 to 2 years</i>	<i>2 to 3 years</i>	<i>Total</i>
	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2025				
Lease liabilities	1,810	1,900	995	4,705
Trade and bills payables	352,663	-	-	352,663
Financial liabilities included in other payables and accruals	165,508	-	-	165,508
Total	519,981	1,900	995	522,876

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new capitals.

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The Group monitors capital using a liability to asset ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The asset-liability ratios as at the end of the Relevant Periods are as follows:

	<i>As at 31 December</i>		
	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total liabilities	<u>535,011</u>	<u>750,728</u>	<u>936,624</u>
Total assets	<u>3,898,222</u>	<u>4,736,726</u>	<u>6,449,303</u>
Liability to asset ratios	<u>13.72%</u>	<u>15.85%</u>	<u>14.52%</u>

41. EVENTS AFTER THE RELEVANT PERIODS

Following the Relevant Periods, the Board of the Company proposed a final dividend for the year ended 31 December 2025 and the details of the 2025 final dividend proposed are described in note 11 to the Historical Financial Information. Additionally, the Company proposed a share premium conversion plan, pursuant to which the Company will convert RMB311 million of share premium into share capital by issuing 310,966,356 new ordinary shares to existing shareholders at a ratio of 4 shares for every 10 shares held. The Board of the Company also proposed to declare the interim dividend for the year ended 31 December 2026 based on the total number of shares outstanding at that time and will not exceed the net profit for the current period.

The proposed final dividend for the year ended 31 December 2025, share premium conversion plan and interim dividend for the year ended 31 December 2026 are subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

42. SUBSEQUENT FINANCIAL STATEMENTS

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