
APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company’s independent reporting accountants, Forvis Mazars CPA Limited, Certified Public Accountants, Hong Kong.



INDEPENDENT REPORTING ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION OF HGTECH COMPANY LIMITED

The Directors

HGTECH Company Limited

CITIC Securities (Hong Kong) Limited

Introduction

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

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

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Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

Opinion

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

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

Adjustments

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

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared by entities now comprising the Group in respect of the Track Record Period.

Preparation or audit of financial statements

No audited financial statements have been prepared in accordance with IFRS Accounting Standards or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2025.

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Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, [REDACTED]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”) and were audited by Forvis Mazars CPA Limited, *Certified Public Accountants, Hong Kong*, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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 INCOME STATEMENTS

	<i>Note</i>	Years ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	5	10,309,733	11,709,175	14,354,761
Cost of sales		<u>(7,989,206)</u>	<u>(9,186,329)</u>	<u>(11,308,666)</u>
Gross profit		2,320,527	2,522,846	3,046,095
Other income	6	443,499	544,396	543,406
Other gains (losses), net	7	30,536	47,824	(26,721)
Selling and distribution expenses		(482,515)	(539,876)	(559,911)
Administrative expenses		(477,630)	(324,262)	(440,799)
Research and development expenses		(761,263)	(877,583)	(884,591)
Finance costs	8	(93,376)	(76,226)	(79,825)
Share of results of associates	18	<u>130,881</u>	<u>(40)</u>	<u>20,769</u>
Profit before taxation	9	1,110,659	1,297,079	1,618,423
Income tax expense	12	<u>(107,372)</u>	<u>(93,994)</u>	<u>(163,955)</u>
Profit for the year		<u>1,003,287</u>	<u>1,203,085</u>	<u>1,454,468</u>
Profit attributable to:				
Owners of the Company		1,007,475	1,220,749	1,470,795
Non-controlling interests	36	<u>(4,188)</u>	<u>(17,664)</u>	<u>(16,327)</u>
		<u>1,003,287</u>	<u>1,203,085</u>	<u>1,454,468</u>
Earnings per share (“EPS”) for profit attributable to owners of the Company				
Basic (in RMB per share)	13	<u>1.00</u>	<u>1.21</u>	<u>1.47</u>
Diluted (in RMB per share)	13	<u>1.00</u>	<u>1.21</u>	<u>1.47</u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
	Note			
Profit for the year		<u>1,003,287</u>	<u>1,203,085</u>	<u>1,454,468</u>
Other comprehensive income				
for the year:				
<i>Items that may be reclassified</i>				
<i>subsequently to profit or loss:</i>				
— Share of other comprehensive				
income of associates, net of				
related income tax	18	(204)	212	1
— Exchange differences arising on				
translation of foreign operations .		<u>208</u>	<u>635</u>	<u>(748)</u>
Other comprehensive income				
for the year		<u>4</u>	<u>847</u>	<u>(747)</u>
Total comprehensive income				
for the year		<u><u>1,003,291</u></u>	<u><u>1,203,932</u></u>	<u><u>1,453,721</u></u>
Total comprehensive income				
attributable to:				
Owners of the Company		1,007,370	1,221,581	1,470,056
Non-controlling interests	36	<u>(4,079)</u>	<u>(17,649)</u>	<u>(16,335)</u>
		<u><u>1,003,291</u></u>	<u><u>1,203,932</u></u>	<u><u>1,453,721</u></u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	At December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	15	2,092,239	2,509,762	3,150,386
Right-of-use assets	16	239,201	250,683	285,515
Intangible assets	17	204,581	283,581	444,617
Interests in associates	18	562,885	520,652	644,545
Goodwill	40(a)	—	496	—
Financial assets at FVPL	19	25,003	167,683	168,227
Equity instruments at FVOCI	20	5,300	5,300	5,300
Time deposits with maturity over one year	21	1,000,000	1,546,111	2,616,220
Prepayments	22	27,606	141,953	240,100
Contract assets	22	1,069	—	91
Deferred tax assets	24	167,350	189,840	214,311
		<u>4,325,234</u>	<u>5,616,061</u>	<u>7,769,312</u>
Current assets				
Inventories	25	1,909,120	2,621,346	3,581,242
Trade and other receivables	22	4,575,384	5,867,153	5,505,539
Bills receivables at FVOCI	23	527,926	496,623	660,066
Contract assets	22	592,122	570,518	703,191
Financial assets at FVPL	19	125,466	106,904	135,084
Restricted bank deposits	21	182,076	119,569	222,309
Time deposits with maturity over three months but within one year	21	1,060,214	1,037,370	—
Bank balances and cash	21	4,214,182	4,382,584	4,336,068
Income tax recoverable		<u>3,368</u>	<u>6,202</u>	<u>6,044</u>
		<u>13,189,858</u>	<u>15,208,269</u>	<u>15,149,543</u>

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		At December 31,		
		2023	2024	2025
	Note	RMB’000	RMB’000	RMB’000
Current liabilities				
Trade and bills payables	26	4,249,545	5,609,623	6,262,372
Other payables and accruals	27	511,232	709,236	449,791
Financial liabilities at FVPL		352	625	—
Interest-bearing borrowings	28	199,835	1,493,614	1,805,354
Note payables	29	—	—	1,004,579
Lease liabilities	30	12,664	22,412	20,724
Contract liabilities	27	448,003	359,550	489,430
Income tax payable		64,969	40,616	87,755
		<u>5,486,600</u>	<u>8,235,676</u>	<u>10,120,005</u>
Net current assets		<u>7,703,258</u>	<u>6,972,593</u>	<u>5,029,538</u>
Total assets less current liabilities		<u>12,028,492</u>	<u>12,588,654</u>	<u>12,798,850</u>
Non-current liabilities				
Interest-bearing borrowings	28	2,514,024	1,985,249	1,188,086
Lease liabilities	30	12,754	13,970	59,081
Provisions	31	23,783	26,593	40,509
Deferred tax liabilities	24	52,112	45,786	53,198
Deferred income	32	195,887	239,348	320,862
		<u>2,798,560</u>	<u>2,310,946</u>	<u>1,661,736</u>
NET ASSETS		<u>9,229,932</u>	<u>10,277,708</u>	<u>11,137,114</u>
Capital and reserves				
Share capital	33	1,005,503	1,005,503	1,005,503
Reserves	34	<u>8,121,003</u>	<u>9,171,996</u>	<u>10,051,677</u>
Equity attributable to owners of the Company				
Non-controlling interests	36	<u>103,426</u>	<u>100,209</u>	<u>79,934</u>
TOTAL EQUITY		<u>9,229,932</u>	<u>10,277,708</u>	<u>11,137,114</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	At December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Investment in subsidiaries	37	3,795,004	3,815,174	4,010,174
Property, plant and equipment	15	208,970	187,918	226,369
Intangible assets	17	3,672	21,477	22,456
Time deposits with maturity over one year	21	1,000,000	1,546,111	2,616,220
Loans to a subsidiary	38	74,000	12,000	12,000
Deferred tax assets	24	37,170	37,846	35,859
		<u>5,118,816</u>	<u>5,620,526</u>	<u>6,923,078</u>
Current assets				
Inventories	25	14,413	13,542	14,630
Trade and other receivables	22	1,386,583	1,484,922	1,898,210
Contract assets	22	105,681	98,158	77,763
Loans to a subsidiary	38	12,000	62,000	—
Time deposits with maturity over three months but within one year	21	1,060,214	1,037,370	—
Bank balances and cash	21	895,129	999,634	1,984,980
		<u>3,474,020</u>	<u>3,695,626</u>	<u>3,975,583</u>
Current liabilities				
Trade and bills payables	26	361,725	457,617	529,556
Other payables and accruals	27	2,074,396	2,735,980	3,716,545
Interest-bearing borrowings	28	44,800	893,919	932,213
Note payables	29	—	—	1,004,579
Contract liabilities	27	52,639	17,156	21,866
		<u>2,533,560</u>	<u>4,104,672</u>	<u>6,204,759</u>
Net current assets (liabilities)		<u>940,460</u>	<u>(409,046)</u>	<u>(2,229,176)</u>
Total assets less current liabilities		<u>6,059,276</u>	<u>5,211,480</u>	<u>4,693,902</u>

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		At December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
	Note			
Non-current liabilities				
Interest-bearing borrowings	28	1,891,000	951,733	507,181
Deferred income	32	<u>52,433</u>	<u>23,186</u>	<u>361</u>
		<u>1,943,433</u>	<u>974,919</u>	<u>507,542</u>
NET ASSETS		<u><u>4,115,843</u></u>	<u><u>4,236,561</u></u>	<u><u>4,186,360</u></u>
Capital and reserves				
Share capital	33	1,005,503	1,005,503	1,005,503
Reserves	34	<u>3,110,340</u>	<u>3,231,058</u>	<u>3,180,857</u>
TOTAL EQUITY		<u><u>4,115,843</u></u>	<u><u>4,236,561</u></u>	<u><u>4,186,360</u></u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Reserves									
	Share capital	Capital reserve	Statutory reserve	Share based payments reserve	Exchange reserve	Other reserves	Accumulated profits	Total reserves	Non-controlling interest	Total equity
	RMB'000 (Note 33)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000 (Note 36)	RMB'000
At January 1, 2023	1,005,503	2,667,075	148,337	32,765	12,096	8	4,340,366	7,200,647	104,926	8,311,076
Profit for the year	—	—	—	—	—	—	1,007,475	1,007,475	(4,188)	1,003,287
Other comprehensive income										
Share of other comprehensive income of associates, net of related income tax . . .	—	—	—	—	—	(204)	—	(204)	—	(204)
Exchange differences arising on translation of foreign operations	—	—	—	—	99	—	—	99	109	208
	—	—	—	—	99	(204)	—	(105)	109	4
Total comprehensive income for the year	—	—	—	—	99	(204)	1,007,475	1,007,370	(4,079)	1,003,291
Transactions with owners:										
Contributions and distributions										
Dividend declared (Note 14) .	—	—	—	—	—	—	(100,550)	(100,550)	—	(100,550)
Acquisition of non-controlling interests	—	(7,189)	—	—	—	—	—	(7,189)	2,579	(4,610)
Share-based compensation expenses (Note 35)	—	—	—	20,694	—	—	—	20,694	—	20,694
Share of other reserves of associates	—	17	—	—	—	—	—	17	—	17
Others	—	—	—	—	—	—	14	14	—	14
Total transactions with owners	—	(7,172)	—	20,694	—	—	(100,536)	(87,014)	2,579	(84,435)
At December 31, 2023	1,005,503	2,659,903	148,337	53,459	12,195	(196)	5,247,305	8,121,003	103,426	9,229,932

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	Attributable to owners of the Company										
	Reserves									Non- controlling interest	Total equity
	Share capital	Capital reserve	Statutory reserve	Share based payments reserve	Exchange reserve	Other reserves	Accumulated profits	Total reserves			
RMB'000 (Note 33)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000 (Note 36)	RMB'000	
At January 1, 2024	1,005,503	2,659,903	148,337	53,459	12,195	(196)	5,247,305	8,121,003	103,426	9,229,932	
Profit for the year	—	—	—	—	—	—	1,220,749	1,220,749	(17,664)	1,203,085	
Other comprehensive income .											
Share of other comprehensive income of associates, net of related income tax . . .	—	—	—	—	—	212	—	212	—	212	
Exchange differences arising on translation of foreign operations	—	—	—	—	620	—	—	620	15	635	
	—	—	—	—	620	212	—	832	15	847	
Total comprehensive income for the year	—	—	—	—	620	212	1,220,749	1,221,581	(17,649)	1,203,932	
Transactions with owners: .											
Contributions and distributions											
Appropriation of statutory reserve	—	—	25,504	—	—	—	(25,504)	—	—	—	
Dividend declared (Note 14) .	—	—	—	—	—	—	(150,825)	(150,825)	—	(150,825)	
Contribution from non- controlling interests	—	—	—	—	—	—	—	—	111	111	
Acquisition of subsidiaries (Note 40(a))	—	—	—	—	—	—	—	—	269	269	
Deemed contribution from non-controlling interest as a result of business combination under common control (Note 40(b))	—	(14,052)	—	—	—	—	—	(14,052)	14,052	—	
Release of capital reserve upon disposal of investments in associates .	—	(14,682)	—	—	—	—	—	(14,682)	—	(14,682)	
Share-based compensation expenses (Note 35)	—	—	—	8,622	—	—	—	8,622	—	8,622	
Share of other reserves of associates	—	349	—	—	—	—	—	349	—	349	
Total transactions with owners	—	(28,385)	25,504	8,622	—	—	(176,329)	(170,588)	14,432	(156,156)	
At December 31, 2024	1,005,503	2,631,518	173,841	62,081	12,815	16	6,291,725	9,171,996	100,209	10,277,708	

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	Attributable to owners of the Company										
	Share capital	Treasury shares	Capital reserve	Statutory reserve	Share based payments reserve	Exchange reserve	Other reserves	Accumulated profits	Total reserves	Non-controlling interest	Total equity
	RMB'000 (Note 33)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000 (Note 36)	RMB'000
At January 1, 2025	1,005,503	—	2,631,518	173,841	62,081	12,815	16	6,291,725	9,171,996	100,209	10,277,708
Profit for the year	—	—	—	—	—	—	—	1,470,795	1,470,795	(16,327)	1,454,468
Other comprehensive income											
Share of other comprehensive income of associates, net of related income tax	—	—	—	—	—	—	1	—	1	—	1
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(740)	—	—	(740)	(8)	(748)
	—	—	—	—	—	(740)	1	—	(739)	(8)	(747)
Total comprehensive income for the year	—	—	—	—	—	(740)	1	1,470,795	1,470,056	(16,335)	1,453,721
Transactions with owners:											
Contributions and distributions											
Appropriation of statutory reserve	—	—	—	54,591	—	—	—	(54,591)	—	—	—
Dividend declared (Note 14)	—	—	—	—	—	—	—	(201,100)	(201,100)	—	(201,100)
Share repurchased (Note 34)	—	(395,014)	—	—	—	—	—	—	(395,014)	—	(395,014)
Disposal of non-wholly owned subsidiary	—	—	—	—	—	—	—	—	—	(3,940)	(3,940)
Share of other reserves of associates	—	—	5,739	—	—	—	—	—	5,739	—	5,739
Total transactions with owners	—	(395,014)	5,739	54,591	—	—	—	(255,691)	(590,375)	(3,940)	(594,315)
At December 31, 2025	1,005,503	(395,014)	2,637,257	228,432	62,081	12,075	17	7,506,829	10,051,677	79,934	11,137,114

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years ended December 31,		
		2023	2024	2025
	Note	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES				
Profit before taxation		1,110,659	1,297,079	1,618,423
Adjustments for:				
Finance costs	8	93,376	76,226	79,825
Depreciation of property, plant and equipment	9	162,054	198,287	283,703
Depreciation of right-of-use assets	9	22,110	26,711	28,634
Amortization of intangible assets	9	56,565	53,749	70,974
Interest income	6	(194,743)	(157,363)	(115,557)
Loss (Gain) on disposal of property, plant and equipment	7	334	(732)	(17,712)
(Gain) Loss on early termination of leases	7	(753)	(601)	393
Gain on disposal of right-of-use assets — land use rights	7	—	(3,515)	—
Provision for impairment of inventories, net	7	28,703	50,518	80,506
Provision for (Reversal of) impairment loss on trade and other receivables, net	7	47,188	5,852	(21,084)
(Reversal of) Provision for impairment loss on contract assets, net	7	(12,041)	336	(736)
Net fair value change of financial assets at FVPL	7	(79,619)	(40,667)	(28,059)
Gain on disposal of financial assets at FVPL	7	(18,841)	(14,910)	(483)
Net fair value change of financial liabilities at FVPL	7	352	273	—
Provision for impairment loss on property plant and equipment, net . .	7	—	535	400
Provision for impairment loss on intangible assets, net	7	—	—	1,581
Provision for impairment loss on goodwill	7	—	—	496
Loss (Gain) on disposal of interests in associates	7	1,409	(18,038)	(17)
Gain on disposal of interests in subsidiaries	7	—	(25,928)	(1,588)
Provision for warranty provision	31	77,713	64,459	106,300
Other income from government grants .		(28,560)	(70,151)	(36,840)
Share-based compensation expenses . . .	35	20,694	8,622	—
Share of results of associates		(130,881)	40	(20,769)
Operating cash flows before changes in working capital		1,155,719	1,450,782	2,028,390

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	<i>Note</i>	Years ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Changes in working capital:				
Inventories		481,041	(752,115)	(1,029,955)
Trade and other receivables		(232,502)	(1,325,781)	373,698
Bills receivables at FVOCI		(76,829)	(67,140)	(356,065)
Contract assets		223,347	22,337	(132,028)
Prepayments		2,198	1,174	(3,490)
Restricted bank deposits		(35,724)	62,507	(102,740)
Trade and other payables		63,716	1,629,682	531,031
Contract liabilities		(27,791)	(88,453)	129,880
Provision for warranty		(53,930)	(61,649)	(92,384)
Deferred income		2,277	88,741	23,420
Cash generated from operations		1,501,522	960,085	1,369,757
Income tax paid		(137,679)	(148,844)	(134,660)
Net cash from operating activities		1,363,843	811,241	1,235,097
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		14,691	76,404	83,143
Proceeds from disposal of intangible assets		—	642	—
Proceeds from disposal of right-of-use assets — land use rights		—	18,352	—
Net cash paid for acquisition of subsidiaries	40(a)	—	(354)	—
Proceeds from disposal of subsidiaries	41	—	86,902	(575)
Dividend received from associates	18	185,153	31,123	35,399
Dividend received from financial assets at FVPL		197	1,211	3,528
Payment for investment in associates		—	(63,347)	(156,681)
Proceeds from disposal of financial assets of FVPL		95,890	34,404	4,657
Proceeds from disposal of interests in associates		70,369	70,746	23,796
Purchases of financial assets at FVPL		(25,003)	(94,800)	(8,992)
Purchases of right-of-use assets — land use rights		(102,904)	(18,930)	—
Placement of time deposits		—	(1,583,481)	(1,070,109)
Receipts of time deposits upon its maturity		—	1,060,214	1,037,370
Receipt of government grants		6,909	35,618	98,369
Refund of government grants		—	(10,760)	(3,435)
Purchases of property, plants and equipment		(345,376)	(727,099)	(998,437)
Payment for deposits paid for acquisition of property, plant and equipment		—	(149,816)	(104,438)
Addition of intangible assets		(35,879)	(85,643)	(164,166)
Interest received		194,743	157,363	115,557
Net cash from (used in) investing activities		58,790	(1,161,251)	(1,105,014)

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		Years ended December 31,		
		2023	2024	2025
	Note	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES				
Lease payments	39(b)	(18,384)	(24,134)	(22,627)
Interest paid		(90,923)	(71,260)	(71,377)
Proceeds from issue of note payables . . .	29	—	—	1,000,000
Payment for acquisition of non-controlling interests		(3,500)	(1,000)	—
New interest-bearing borrowings raised . .	39(b)	1,788,543	1,117,751	1,398,854
Repayment of interest-bearing borrowings	39(b)	(2,023,146)	(352,747)	(1,884,277)
Dividends paid to equity shareholders of the Company	14	(100,550)	(150,825)	(201,100)
Repurchase of shares	34	—	—	(395,014)
Net cash (used in) from financing activities		(447,960)	517,785	(175,541)
Net increase (decrease) in cash and cash equivalents		974,673	167,775	(45,458)
Cash and cash equivalents at the beginning of the reporting period		3,239,256	4,214,182	4,382,584
Effect of foreign exchange rate changes . .		253	627	(1,058)
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		4,214,182	4,382,584	4,336,068

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

HGTECH Company Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) as a limited liability company on July 28, 1999. The Company’s ordinary shares issued with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (“A Shares”) on the Main Board of Shenzhen Stock Exchange on June 8, 2000. The address of the Company’s registered office and principal place of business in the PRC is situated at 3/F, Building 4, No. 66 Weilai 2nd Road, East Lake High-Tech Development Zone, Wuhan, Hubei, the PRC.

The Company and its subsidiaries (together the “Group”) are primarily engaged in optical interconnect business, intelligent sensing business, intelligent manufacturing business and production and sales of laser holographic films. The ultimate controlling party is Wuhan State-owned Assets Supervision and Administration Commission (武漢市人民政府國有資產監督管理委員會).

At the date of this report, the particulars of the Company’s principal subsidiaries, which are private limited liability companies, of which the Company has direct/indirect interests are as follows:

Name of subsidiary	Place of business and date of incorporation	Registered and paid up capital	Attributable equity interests held by the Company			At the date of this report	Principal activities
			At December 31,				
			2023	2024	2025		
Directly held by the Company 武漢華工激光工程有限責任公司 Wuhan Huagong Laser Engineering Co., Ltd.* (notes a and b)	The PRC, March 17, 1997	RMB1,000,000,000/ RMB1,000,000,000	100%	100%	100%	100%	Research and development, manufacturing, technical servicing, wholesale and retail of laser processing technologies and equipment
武漢華工正源光子技術有限公司 Wuhan HGGenuine Optics Tech Co., Ltd.* (notes a and c)	The PRC, December 9, 2002	RMB1,000,000,000/ RMB1,000,000,000	100%	100%	100%	100%	Research and development, manufacturing and sales of core components and modules for optical communications
武漢華工賽百數據系統有限公司 Wuhan HGCyber Data System Co., Ltd. (notes a and c)	The PRC, April 17, 2000	RMB105,263,158/ RMB105,263,158	100%	100%	100%	100%	Industrial manufacturing
武漢華工國際發展有限公司 Wuhan Huagong International Development Co., Ltd.* (notes a and c)	The PRC, January 16, 2004	RMB70,000,000/ RMB70,000,000	100%	100%	100%	100%	Import and export operations
孝感華工高理電子有限公司 Xiaogan Huagong Gaoli Electronics Co., Ltd.* (“Xiaogan Huagong”) (notes a and c)	The PRC, September 27, 2008	RMB1,000,000,000/ RMB1,000,000,000	100%	100%	100%	100%	Research and development, manufacturing and sales of sensors and thermal management systems

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Name of subsidiary	Place of business and date of incorporation	Registered and paid up capital	Attributable equity interests held by the Company			At the date of this report	Principal activities
			At December 31,				
			2023	2024	2025		
Indirectly held by the Company 華工法利萊切焊系統工程有限公司 Huagong Farley Cutting and Welding System Engineering Co., Ltd.* (notes a and b)	The PRC, September 2, 2008	RMB400,000,000/ RMB134,000,000	100%	100%	100%	100%	Research and development, manufacturing and sales of high-power laser equipment and the provision of integrated intelligent manufacturing solutions, encompassing automated production lines and smart factory systems
華工正源智能終端(孝感)有限公司 HGGenuine Intelligent Terminal (Xiaogan) Co., Ltd.* (notes a and c)	The PRC, December 18, 2015	RMB20,000,000/ RMB20,000,000	100%	100%	100%	100%	Research and development, manufacturing and sales of communication equipment and Internet of Things (IoT) equipment
武漢華工正源終端有限公司 Wuhan HGGenuine Terminal Co., Ltd.* (notes a and c)	The PRC, May 5, 2022	RMB300,000,000/ RMB298,189,377	100%	100%	100%	100%	Research and development, manufacturing and sales of communication equipment and intelligent in-vehicle devices
武漢華工圖像技術開發有限公司 Wuhan HGIImage Technology Development Co., Ltd.* (notes a and c)	The PRC, April 5, 2007	RMB219,797,700/ RMB219,797,700	100%	100%	100%	100%	Industrial manufacturing
湖北瑞創信達光電有限公司 Hubei Ruichuang Xinda Optoelectronics Co., Ltd. (notes c and d)	The PRC, December 18, 2015	RMB133,376,223/ RMB133,376,223	42.69%	52.37% (Note 40(b))	52.37%	52.37%	Development, manufacturing and sales of optical communication products under connection business unit

Notes:

- (a) The statutory financial statements of these entities for the year ended December 31, 2023 prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Zhongshen Zhonghuan Certified Public Accountants LLP, a certified public accounting firm registered in the PRC. And the statutory financial statements of these entities for the year ended December 31, 2024 prepared in accordance with the PRC GAAP were audited by WUYIGE Certified Public Accountants LLP (“WUYIGE”), a certified public accounting firm registered in the PRC.
- (b) The statutory financial statements of these entities for the year ended December 31, 2025 have been issued and prepared in accordance with the PRC GAAP were audited by WUYIGE as of the date of this report.
- (c) The statutory financial statements of these entities for the year ended December 31, 2025 have not yet been issued as of the date of this report.

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- (d) The statutory financial statement of the entity for the year ended December 31, 2023 prepared in accordance with the PRC GAAP was audited by 北京中天恒會計師事務所(特殊普通合伙)湖北分所, a certified public accounting firm registered in the PRC. And the statutory financial statement of the entity for the year ended December 31, 2024 prepared in accordance with the PRC GAAP was audited by WUYIGE.
 - (e) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Track Record Period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- * *English translation is for identification purpose only.*

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Hong Kong Listing Rules”).

All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

A summary of the material accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

3. MATERIAL ACCOUNTING POLICIES

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost, except for financial assets at fair value through profit or loss (“FVPL”), equity instruments or bills receivables at fair value through other comprehensive income (“FVOCI”) and financial liabilities at FVPL, as explained in the material accounting policies set out below.

Basis of consolidation

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. 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.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

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Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group’s ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognized in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

For the assessment of the Group’s control over and the allocation of results and residual interests on a non-wholly owned subsidiary, the Group considers the rights and obligations among the equity holders of that subsidiary with reference to the paid-up capital or registered capital in accordance with the equity holders’ agreement (if any), the articles and the applicable laws and regulations.

Business combinations

(a) Acquisition method of accounting

The acquisition method is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which qualify as business combination under common control which are accounted for using merger accounting.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are principally recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets and liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a gain on bargain purchase.

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Non-controlling interests are initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

(b) *Merger accounting for business combination involving business under common control*

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognized in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which it is incurred. The consolidated income statements and consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognized as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company’s statements of financial position, investments in subsidiaries are stated at cost less impairment loss (if any). The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

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

The Group’s investment in associates is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group’s share of the investee’s net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognizing its share of

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further losses when the Group’s share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long-term interests that, in substance, form part of the Group’s net investment in the investee.

Goodwill

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree (if applicable) and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognized as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if applicable) and the fair value of the acquirer’s previously held interest in the acquiree, if any, after reassessment, is recognized immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognized in profit or loss or other comprehensive income, as appropriate.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and 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. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	5–40 years
Machineries	5–15 years
Motor vehicles	5–10 years
Other equipment	3–10 years
Leasehold improvements	Shorter of 3 to 10 years or remaining lease term

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

Intangible assets

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

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The estimated useful lives for intangible assets are as follows:

Patent related technologies	5 to 10 years
Non-patent related technologies	5 to 10 years
Intellectual properties	5 to 10 years
Software	3 to 10 years

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognized when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis, except for financial assets at FVPL and equity instruments at FVOCI which are accounted for on the settlement date basis.

A financial asset is derecognized when and only when (i) the Group’s contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognized at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortized cost; (ii) debt investment measured at FVOCI (“Mandatory FVOCI”); (iii) equity investment measured at FVOCI (“Designated FVOCI”); or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortization process are recognized in profit or loss.

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The Group’s financial assets at amortized cost include trade and other receivables, bills receivables, time deposits, restricted bank deposits and bank balances and cash.

Mandatory FVOCI

A financial asset is measured at Mandatory FVOCI if both of the following conditions are met and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognized in profit or loss. Other gains or losses are recognized in other comprehensive income until the financial asset is derecognized. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

The Group’s financial assets at Mandatory FVOCI include bills receivables at FVOCI.

Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognized in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group’s financial assets at Designated FVOCI include equity instruments at FVOCI.

Financial assets at FVPL

These investments include financial assets that are not measured at amortized cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which IFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognized in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

The Group’s financial assets mandatorily measured at FVPL include listed and unlisted equity investments in Chinese Mainland of the PRC.

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Financial liabilities

Recognition and derecognition

Financial liabilities are recognized when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognized when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, canceled or expired.

Classification and measurement

Financial liabilities are initially recognized at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at FVPL, interest-bearing borrowings and note payables. All financial liabilities, except for financial liabilities at FVPL, are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which IFRS 3 applies. They are carried at fair value, with any resultant gain and loss (excluding interest expenses) recognized in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

A financial liability is classified as held for trading if it is:

- (i) incurred principally for the purpose of repurchasing it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial liabilities are designated at initial recognition as at FVPL only if:

- (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases;
- (ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- (iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

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Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognized as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated).

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with IFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit losses (“ECL”) model under IFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Impairment of financial assets

The Group recognizes loss allowances for ECL on financial assets that are measured at amortized cost, bills receivables at FVOCI to which the impairment requirements apply in accordance with IFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information;
- (ii) nature of instruments;
- (iii) nature of collateral (if any);
- (iv) industry of debtors;
- (v) geographical location of debtors; and
- (vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument’s credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognized as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

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Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

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

- the debtor’s failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor’s ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognizes a loss allowance based on lifetime ECL at each reporting date and 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.

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Credit-impaired financial asset

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group’s procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognized in profit or loss.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is from 1) optical interconnects business, 2) intelligent sensing business, 3) intelligent manufacturing business, and 4) production and sales of laser holographic film.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

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- (b) the Group’s promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- (b) the Group’s performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from 1) optical interconnects business, 2) intelligent sensing business, 3) intelligent manufacturing business and 4) production and sales of laser holographic films, are recognized at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Revenue from other sources

Rental income under operating leases is recognized when the assets are let out and on the straight-line basis over the lease term. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognized as income on the straight-line basis over the lease term. Other variable lease payments are recognized as income in the period in which the event or condition that triggers those payments occurs.

Dividend income from financial assets is recognized when the Group’s rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Interest income

Interest income from financial assets is recognized using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortized cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group’s right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

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For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group has an unconditional right to an amount of consideration from the customer which are largely in line with the timing of revenue recognition and no significant contract assets are recognized.

Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated. The Company’s and its subsidiaries’ functional currency is RMB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency (“foreign operations”) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognized as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognized in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognized;
- on the partial disposal of the Group’s interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognized in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount of exchange differences recognized in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated completion cost.

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

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Impairment of other assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets and right-of-use assets and the Company’s investments in subsidiaries may be impaired or impairment loss previously recognized no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are 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 capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Dividends

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Share capital

H Shares (as defined in Note 33) and A Shares (as defined in Note 1) are classified as equity.

Where any group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s owners until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s owners.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate unless there is no future service or other conditions attached to the grants which would be recognized in the profit or loss when they are approved by and the cash are received from the relevant authorities. Where the grant relates to an asset, the fair value is recognized as a reduction from the carrying amount of the relevant assets and is released to profit or loss over the expected useful life of the relevant assets.

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Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying assets) as follows:

Leased properties	Over the lease term
Leased land	30 to 50 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

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

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;
- (b) the Group determines the lease term of the modified contract;
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognizing any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group as lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

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Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognized as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in Chinese Mainland of the PRC, the employees of the Group’s entities established in Chinese Mainland of the PRC are required to participate in defined contribution retirement plans organized by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Share-based payment transactions

Equity-settled transactions

The Group’s employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of restricted stock granted to employees is recognized as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using an appropriate valuation model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions (“vesting date”). During the vesting period, the number of restricted stock that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognized in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

When the restricted stock are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to accumulated profits.

Where the terms of an equity-settled award are modified, an additional expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the canceled award, and designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described above. Share-based payment transactions in which the Company grants restricted stock to subsidiaries’ employees are accounted for as an increase in value of investment in subsidiaries in the Company’s statement of financial position which is eliminated on consolidation.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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 in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that 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 is not recognized.

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilized.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person’s family is related to the Group if 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 the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (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 holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person’s children and spouse or domestic partner;
- (b) children of that person’s spouse or domestic partner; and
- (c) dependants of that person or that person’s spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

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Share repurchase

The payment and transaction costs incurred on the repurchase of the Group’s own equity instruments are accounted for as a deduction from equity. Other than share-based payments, the issuance (including refinancing), repurchase, sale or cancellation of the Group’s own equity instruments shall be treated as changes in equity.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Group’s most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group’s various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognized in the period of revision and future periods, in case the revision also affects future periods.

(i) *Key sources of estimation uncertainty*

Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The management of the Group determines the estimated useful lives of the Group’s property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The depreciation and amortization expenses for future periods are adjusted if there are significant changes from previous estimates.

Impairment of non-financial assets

The management of the Group determines whether the Group’s property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit and loss.

Allowance for inventories

The Group’s management reviews the condition of inventories periodically and where applicable, makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period based on management’s estimation of the net realizable value, considering the latest market prices and current market conditions.

Loss allowance for ECL

The Group’s management estimates the loss allowance for financial assets at amortized cost including trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group’s historical

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information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

Fair value estimation

The Group’s unlisted financial instruments have been valued based on the latest management accounts, market research data and valuation reports. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

Income tax

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses and deductible temporary differences can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognized in profit or loss in the period in which such estimate is changed.

(ii) Critical judgements made in applying accounting policies

Classification of leases — as lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date which involves the overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. As part of the assessment, the Group considers all the relevant factors including the contractual terms and the circumstances of the contractual parties to determine the substance of the transaction.

Identification of leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the requirements of IFRS 16 and all the relevant facts and circumstances. In particular, the Group assesses whether the contract involves the use of an identified asset by applying the concept of substantive substitution right. Also, the Group assesses whether the Group or the customer has the right to direct the use of the identified asset with reference to determination of which party has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where such decisions are predetermined, the right to operate the asset or the incorporation of such decisions by means of designing the asset are considered.

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Future changes in IFRS Accounting Standards

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the Track Record Period, which the Group has not early adopted.

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

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

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

(3) The effective date to be determined

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 *Presentation of Financial Statements*. The new IFRS 18 introduces new key requirements to present specified categories and defined subtotals in the statement of comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and enhance requirements for grouping (aggregation and disaggregation) of information to be disclosed in the primary financial statements and information disclosed in the notes to the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated income statements, the consolidated statements of comprehensive income and consolidated statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group’s consolidated results and positions.

Except as described above, the management of the Group does not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the Group’s consolidated financial results or positions.

4. SEGMENT INFORMATION

The directors of the Company have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group’s internal financial reporting, the directors of the Company consider that there are four operating segments of the Group including 1) intelligent manufacturing business, 2) optical interconnect business, 3) intelligent sensing business, and 4) laser holographic film production and sales.

In addition, the directors of the Company consider that the Group’s place of domicile is Chinese Mainland of the PRC, where the central management and control is located.

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment.

Revenue and results are allocated to the reportable segments with reference to revenue and results generated by those segments and the expenses incurred by those segments except for revenue and results of a centralized team in handling certain sales administrative function, certain unallocated interest income, selling and distribution expenses, finance costs, depreciation and amortization, impairment loss on financial assets and share of result of associates. Inter-segment sales are priced with reference to prices charged to external parties for similar products or services. Other than inter-segment sales, assistance provided by one segment to another is not measured.

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For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain intangible assets, certain investments in associates, certain financial assets at FVPL, certain equity instruments at FVOCI, certain trade and other receivables, certain prepayment and certain deferred tax assets, certain inventories, certain trade and other receivables, certain financial assets at FVPL and certain bank balances and cash; and
- all liabilities are allocated to operating segments other than certain trade and bills payables, certain other payables and accruals, financial liabilities at FVPL, certain interest-bearing borrowings, certain contract liabilities, certain income tax payables and certain deferred tax liabilities.
- Except for the revenue, results, assets and liabilities that were allocated to the four identified operating segments, all other unallocated revenue, results, assets, liabilities and intra-group elimination were grouped under “Corporate Function and Group Elimination” as set out below.

Year ended December 31, 2023

	Optical Interconnect Business	Intelligent Sensing Business	Intelligent Manufacturing Business	Laser Holographic Film Production and Sales	Corporate Function and Group Elimination	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue	3,211,924	3,248,285	3,190,204	500,896	158,424	10,309,733
Segment results and profit before taxation	111,629	538,966	308,551	86,663	64,850	1,110,659

Year ended December 31, 2024

	Optical Interconnect Business	Intelligent Sensing Business	Intelligent Manufacturing Business	Laser Holographic Film Production and Sales	Corporate Function and Group Elimination	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue	3,974,818	3,668,191	3,491,679	427,157	147,330	11,709,175
Segment results and profit before taxation	27,430	606,521	661,684	3,535	(2,091)	1,297,079

Year ended December 31, 2025

	Optical Interconnect Business	Intelligent Sensing Business	Intelligent Manufacturing Business	Laser Holographic Film Production and Sales	Corporate Function and Group Elimination	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue	6,096,823	4,026,872	3,635,911	463,927	131,228	14,354,761
Segment results and profit before taxation	478,942	673,814	942,577	27,281	(504,191)	1,618,423

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An analysis of the Group’s assets and liabilities, and other segment information by operating segments is set out below:

As at December 31, 2023

	Optical Interconnect Business	Intelligent Sensing Business	Intelligent Manufacturing Business	Laser Holographic Film Production and Sales	Corporate Function and Group Elimination	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Total assets	4,292,780	3,944,038	14,151,850	1,181,450	(6,055,026)	17,515,092
Total liabilities	2,262,307	1,775,407	7,076,973	249,789	(3,079,316)	8,285,160
Additional segment information:						
Additions in property, plant and equipment	70,412	224,480	72,874	18,243	127	386,136
Additions in right-of-use assets	102,485	—	3,704	1,749	—	107,938
Additions in intangible assets	15,901	1,531	19,045	12,737	—	49,214
Depreciation of property, plant and equipment	63,047	43,548	48,426	27,262	108	182,391
Depreciation of right-of-use assets	12,376	633	5,236	4,045	(78)	22,212
Amortization of intangible assets	26,965	2,579	23,974	3,060	(13)	56,565
Provision for (Reversal of) impairment loss on trade and other receivables, net	(2,416)	10,624	37,564	823	593	47,188
Reversal of impairment loss on contract assets, net	—	—	(12,041)	—	—	(12,041)
Gain (Loss) on disposal of property, plant and equipment	(224)	(88)	300	(236)	(86)	(334)
Gain on early termination of leases	546	—	—	207	—	753
Provision for impairment of inventories	3,436	4,787	16,475	4,005	—	28,703
Interest income	61,875	27,601	107,017	10,907	(12,657)	194,743
Interest expenses	42,884	5,163	68,986	1,276	(24,933)	93,376
Share of results in associates	—	—	553	1	130,327	130,881

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As at December 31, 2024

	Optical Interconnect Business	Intelligent Sensing Business	Intelligent Manufacturing Business	Laser Holographic Film Production and Sales	Corporate Function and Group Elimination	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Total assets	5,870,611	4,878,894	16,114,145	1,143,336	(7,182,656)	20,824,330
Total liabilities	3,773,421	2,164,876	8,551,341	209,334	(4,152,350)	10,546,622
Additional segment information:						
Additions in property, plant and equipment	420,567	98,597	140,893	66,650	392	727,099
Additions in right-of-use assets . .	11,977	14,427	18,930	5,044	—	50,378
Modification of right-of-use assets	6,080	—	—	2,544	—	8,624
Additions in intangible assets . .	74,718	397	39,581	23,480	—	138,176
Depreciation of property, plant and equipment	85,985	52,856	49,212	28,220	(1,647)	214,626
Depreciation of right-of-use assets	13,349	4,640	5,517	3,288	(62)	26,732
Amortization of intangible assets .	33,476	2,635	18,971	3,466	(14)	58,534
(Reversal of) Provision for impairment loss on trade and other receivables, net	11,332	3,288	(7,368)	(1,445)	45	5,852
Provision for impairment loss on contract assets, net	—	—	336	—	—	336
Gain (Loss) on disposal of property, plant and equipment	(189)	303	710	(105)	13	732
Gain on early termination of leases	399	—	—	202	—	601
Gain on disposal of right of use assets — land use rights	—	—	3,394	121	—	3,515
Provision for (Reversal of) impairment of inventories	20,929	11,641	19,097	(1,149)	—	50,518
Interest income	28,155	28,720	105,596	9,331	(14,439)	157,363
Interest expenses	28,973	5,689	65,826	326	(24,588)	76,226
Share of results in associates . . .	1,886	—	2,538	1	(4,465)	(40)

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As at December 31, 2025

	Optical Interconnect Business	Intelligent Sensing Business	Intelligent Manufacturing Business	Laser Holographic Film Production and Sales	Corporate Function and Group Elimination	Consolidated
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Total assets	6,774,576	5,117,883	18,384,695	1,185,115	(8,543,414)	22,918,855
Total liabilities	4,436,862	2,055,565	10,511,633	250,509	(5,472,828)	11,781,741
Additional segment information:						
Additions in property, plant and equipment	711,189	103,418	115,657	67,504	669	998,437
Additions in right-of-use assets . .	39,796	—	24,405	1,135	—	65,336
Additions in intangible assets . .	117,393	50,957	42,999	24,272	—	235,621
Depreciation of property, plant and equipment	143,155	62,946	59,548	35,989	(769)	300,869
Depreciation of right-of-use assets	14,248	5,665	6,507	3,344	(45)	29,719
Amortization of intangible assets .	46,291	2,462	19,542	4,744	(30)	73,009
Provision for (Reversal of) impairment loss on trade and other receivables, net	(14,673)	2,277	(13,188)	3,791	709	(21,084)
Reversal of impairment loss on contract assets, net	—	—	(734)	(2)	—	(736)
Gain (Loss) on disposal of property, plant and equipment	(11,258)	(3,368)	20,092	446	11,800	17,712
Gain (Loss) on early termination of leases	(394)	—	1	—	—	(393)
Provision for impairment of inventories	53,500	6,227	16,063	4,716	—	80,506
Interest income	14,478	21,640	93,256	6,653	(20,470)	115,557
Interest expenses	29,117	5,628	72,241	187	(27,348)	79,825
Share of results in associates . .	—	—	(977)	—	21,746	20,769

Geographical information

The Group’s operations mainly are located in Chinese Mainland of the PRC (place of domicile), Europe, North America and Southeast Asia. Information about the Group’s revenue from external customers is presented based on the incorporation location of external customers. Information about the Group’s non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		
	For the years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland of the PRC (place of domicile)	9,209,563	10,327,714	12,344,516
Europe	370,432	519,080	373,262
North America	63,189	162,570	393,358
Southeast Asia	137,549	199,083	640,714
Other jurisdictions	529,000	500,728	602,911
	10,309,733	11,709,175	14,354,761

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	Non-current assets		
	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland of the PRC (place of domicile)	2,525,623	2,981,203	3,769,719
Other jurisdictions	10,398	63,319	110,799
	<u>2,536,021</u>	<u>3,044,522</u>	<u>3,880,518</u>

Note: Non-current assets excluded interests in associates, financial assets at FVPL, equity instruments at FVOCI, time deposits with maturity over one year, prepayments, contract assets and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding reporting periods contributing over 10% of the total revenue of the Group are as follows:

	For the years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A (<i>Note</i>)	<u>1,758,027</u>	<u>1,798,601</u>	<u>2,241,399</u>

Note: The revenue contributed by Customer A is arising from intelligent manufacturing business, optical interconnect business and intelligent sensing business.

5. REVENUE

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers within IFRS 15			
Sales of:			
Optical interconnect	3,211,924	3,974,818	6,096,823
Intelligent sensing	3,248,285	3,668,191	4,026,872
Intelligent manufacturing	3,190,204	3,491,679	3,635,911
Laser holographic film series products	<u>500,896</u>	<u>427,157</u>	<u>463,927</u>
	10,151,309	11,561,845	14,223,533
Revenue from other sources			
Others (<i>Note</i>)	<u>158,424</u>	<u>147,330</u>	<u>131,228</u>
Total revenue	<u>10,309,733</u>	<u>11,709,175</u>	<u>14,354,761</u>
Timing of revenue recognition — revenue from contracts with customers within IFRS 15			
A point in time	<u>10,151,309</u>	<u>11,561,845</u>	<u>14,223,533</u>

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Note: Included in “Others” were the lease income from operating lease for the Track Record Period of RMB31,124,000, RMB24,153,000 and RMB20,393,000 respectively.

Below is a maturity analysis of undiscounted lease payments to be received subject to an operating lease.

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Year 1	10,510	5,986	2,619
Year 2	7,382	1,946	1,865
Year 3	5,980	1,077	1,351
Year 4	953	718	9
Year 5	802	22	9
	<u>25,627</u>	<u>9,749</u>	<u>5,853</u>

6. OTHER INCOME

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest income	194,743	157,363	115,557
Government grants (<i>Note i</i>)	182,953	291,862	335,030
Additional deduction of VAT (<i>Note ii</i>)	60,426	82,625	86,128
Others	<u>5,377</u>	<u>12,546</u>	<u>6,691</u>
	<u>443,499</u>	<u>544,396</u>	<u>543,406</u>

Notes:

- (i) Government grants represent various form of subsidies granted to the Group by the local government authorities in Chinese Mainland of the PRC in respect of its product enhancement and development, compensation of research and development expenses and financial support to local business enterprises for the purpose of encouraging business development in Chinese Mainland of the PRC.
- (ii) Based on the certain laws and regulations effective for the period from January 1, 2023 to December 31, 2027, certain high-tech subsidiaries are allowed to deduct an additional 5% of their current deductible input tax from their payable value-added tax and certain advanced industrial machine tools enterprises are allowed to deduct an additional 15% of their current deductible input tax from their payable VAT.

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7. OTHER GAINS (LOSSES), NET

	<i>Note</i>	Years ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
(Loss) Gain on disposal of investment in associates		(1,409)	18,038	17
Gain on disposal of investment in subsidiaries		—	25,928	1,588
Dividend received from financial assets at FVPL		197	1,211	3,528
Net fair value change of financial assets at FVPL		79,619	40,667	28,059
Gain on disposal of financial assets at FVPL		18,841	14,910	483
Net fair value change of financial liabilities at FVPL		(352)	(273)	—
Provision for impairment of inventories, net		(28,703)	(50,518)	(80,506)
Provision for impairment loss on property plant and equipment, net	15	—	(535)	(400)
Provision for impairment loss on intangible assets, net	17	—	—	(1,581)
Provision for impairment loss on goodwill		—	—	(496)
(Provision for) Reversal of impairment loss on trade and other receivables, net	43	(47,188)	(5,852)	21,084
Reversal of (Provision for) impairment loss on contract assets, net	22	12,041	(336)	736
(Loss) Gain on disposal of property, plant and equipment		(334)	732	17,712
Gain (Loss) on early termination of leases	16	753	601	(393)
Gain on disposal of right-of-use assets — land use rights	16	—	3,515	—
Fines and penalty expenses		(3,161)	(3,331)	(2,110)
Exchange gain (loss), net		3,093	3,434	(15,863)
Others		(2,861)	(367)	1,421
		<u>30,536</u>	<u>47,824</u>	<u>(26,721)</u>

8. FINANCE COSTS

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on interest-bearing borrowings	90,923	71,260	71,377
Interest on lease liabilities	1,991	1,578	1,592
Interest on note payables	—	—	4,579
Interest on discounting bills receivables	462	3,388	2,277
	<u>93,376</u>	<u>76,226</u>	<u>79,825</u>

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9. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Staff costs (including directors’ remuneration) (Note (i) and (ii))			
Salaries, allowances, discretionary bonus and other benefits in kind	1,441,711	1,413,119	1,448,231
Contributions to defined contribution plans	76,820	91,512	99,301
	<u>1,518,531</u>	<u>1,504,631</u>	<u>1,547,532</u>
Other items			
Auditor’s remuneration	1,200	1,200	1,200
Cost of inventories (Note (iii))	7,858,524	9,060,012	11,217,162
	<u>7,859,724</u>	<u>9,061,212</u>	<u>11,218,362</u>
Depreciation of property, plant and equipment (charged to “cost of sales”, “selling and distribution expenses”, “administrative expenses” and “research and development expenses”, as appropriate)	162,054	198,287	283,703
Add: Amounts capitalized	20,337	16,339	17,166
	<u>182,391</u>	<u>214,626</u>	<u>300,869</u>
Depreciation of right-of-use assets (charged to “cost of sales”, “selling and distribution expenses”, “administrative expenses” and “research and development expenses”)	22,110	26,711	28,634
Add: Amounts capitalized	102	21	1,085
	<u>22,212</u>	<u>26,732</u>	<u>29,719</u>
Amortization of intangible assets (charged to “cost of sales”, “administrative expenses” and “research and development expenses”)	56,565	53,749	70,974
Add: Amounts capitalized	—	4,785	2,035
	<u>56,565</u>	<u>58,534</u>	<u>73,009</u>
Expenses recognized under short-term leases and low value leases (charged to “selling and distribution expenses” and “administrative expenses”)	25,862	35,910	45,419
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Research and development expenses (Note (iv))	761,263	877,583	884,591
	<u>761,263</u>	<u>877,583</u>	<u>884,591</u>

Notes:

- (i) Share-based payment expenses of approximately RMB20,694,000, RMB8,622,000 and nil for the years ended December 31, 2023, 2024 and 2025, respectively, were excluded from the staff costs as disclosed in Notes 9, 10, 11 and 42(b) to the Historical Financial Information.
- (ii) During the year ended 31 December 2024, staff costs included in administrative expenses were reclassified to selling and distribution expenses, and research and development expenses in the amounts of approximately RMB30,594,000 and RMB62,153,000, respectively, to reflect the cumulative allocation of the special bonus to the staff in the respective departments for prior reporting periods.

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- (iii) Cost of inventories included approximately RMB501,225,000, RMB657,922,000 and RMB797,928,000, relating to the aggregated amount of certain staff costs, amortization and depreciation expense which were included in the respective amounts as disclosed above during the Track Record Period.
- (iv) During the Track Record Period, the Group carried out several research and development projects for (i) enhancement of the existing products quality and production efficiency and (ii) development of new products (together, the “Research and Development Activities”). Having considered the enhancement to the existing products’ quality and production efficiency cannot be clearly quantified and the technical feasibility for the completion of new projects are uncontrollable, the costs incurred in the Research and Development Activities are recognized in the profit or loss as expenses during the Track Record Period.

10. DIRECTORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for their services provided to the Group during the Track Record Periods for their employment as directors or employees of the Group during the Track Record Period are set out below.

Year ended December 31, 2023

	Directors’ fee	Salaries, allowance and other benefits in kind	Discretionary bonus	Contribution to defined contribution plan	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>Executive directors</i>					
Mr. Ma Xinqiang 馬新強	—	3,576	—	112	3,688
Mr. Liu Hanshu 劉含樹	—	2,521	—	100	2,621
Mr. Xiong Wen 熊文	—	2,628	—	55	2,683
Sub-total	—	8,725	—	267	8,992
<i>Non-executive directors</i>					
Ms. Ai Jiao 艾嬌	—	—	—	—	—
Mr. Zhu Songqing 朱松青 (Note i)	—	—	—	—	—
Mr. Tang Jun 湯俊 (Note i)	—	—	—	—	—
Sub-total	—	—	—	—	—
<i>Independent non-executive directors</i>					
Ms. Le Rui 樂瑞 (Note ii)	72	—	—	—	72
Mr. Du Guoliang 杜國良	72	—	—	—	72
Mr. Hu Lijun 胡立君 (Note ii)	72	—	—	—	72
Sub-total	216	—	—	—	216
<i>Supervisors</i>					
Mr. Zhang Jiguang 張繼廣	—	—	—	—	—
Ms. Ding Xiaojuan 丁小娟	—	—	—	—	—
Ms. Lu Ping 魯萍	—	423	—	29	452
Ms. Wang Ruohong 汪若紅	—	408	—	24	432
Mr. Tang Bingfan 湯秉凡	—	288	—	35	323
Sub-total	—	1,119	—	88	1,207
	216	9,844	—	355	10,415

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Year ended December 31, 2024

	Directors’ fee	Salaries, allowance and other benefits in kind	Discretionary bonus	Contribution to defined contribution plan	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>Executive directors</i>					
Mr. Ma Xinqiang 馬新強	—	3,218	—	105	3,323
Mr. Liu Hanshu 劉含樹	—	2,269	—	93	2,362
Mr. Xiong Wen 熊文	—	2,317	—	55	2,372
Sub-total	—	7,804	—	253	8,057
<i>Non-executive directors</i>					
Ms. Ai Jiao 艾嬌	—	—	—	—	—
Mr. Zhu Songqing 朱松青 (Note i)	—	—	—	—	—
Mr. Tang Jun 湯俊 (Note i)	—	—	—	—	—
Mr. Wu Tao 吳濤 (Note iii and v)	—	—	—	—	—
Ms. Huang Xinhua 黃新華 (Note iii)	—	—	—	—	—
Sub-total	—	—	—	—	—
<i>Independent non-executive directors</i>					
Ms. Le Rui 樂瑞 (Note ii)	24	—	—	—	24
Mr. Du Guoliang 杜國良	72	—	—	—	72
Mr. Hu Lijun 胡立君 (Note ii)	24	—	—	—	24
Mr. Xiong Xinhua 熊新華 (Note iv)	48	—	—	—	48
Mr. Zhan Xiaoping 占小平 (Note iv)	48	—	—	—	48
Sub-total	216	—	—	—	216
<i>Supervisors</i>					
Mr. Zhang Jiguang 張繼廣	—	—	—	—	—
Ms. Ding Xiaojuan 丁小娟	—	—	—	—	—
Ms. Lu Ping 魯萍	—	590	—	30	620
Ms. Wang Ruohong 汪若紅	—	563	—	24	587
Mr. Tang Bingfan 湯秉凡	—	319	—	38	357
Sub-total	—	1,472	—	92	1,564
	216	9,276	—	345	9,837

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Year ended December 31, 2025

	Directors’ fee	Salaries, allowance and other benefits in kind	Discretionary bonus	Contribution to defined contribution plan	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>Executive directors</i>					
Mr. Ma Xinqiang 馬新強	—	3,218	—	62	3,280
Mr. Liu Hanshu 劉含樹	—	2,269	—	99	2,368
Mr. Xiong Wen 熊文	—	2,317	—	56	2,373
Sub-total	—	7,804	—	217	8,021
<i>Non-executive directors</i>					
Ms. Ai Jiao 艾嬌	—	—	—	—	—
Mr. Wu Tao 吳濤 (Note iii and v)	—	—	—	—	—
Ms. Huang Xinhua 黃新華 (Note iii)	—	—	—	—	—
Ms. Wang Ruohong 汪若紅 (Note vi)	—	12	—	1	13
Sub-total	—	12	—	1	13
<i>Independent non-executive directors</i>					
Mr. Du Guoliang 杜國良	72	—	—	—	72
Mr. Xiong Xinhua 熊新華 (Note iv)	72	—	—	—	72
Mr. Zhan Xiaoping 占小平 (Note iv)	72	—	—	—	72
Sub-total	216	—	—	—	216
<i>Supervisors</i>					
Mr. Zhang Jiguang 張繼廣	—	—	—	—	—
Ms. Ding Xiaojuan 丁小娟	—	—	—	—	—
Ms. Lu Ping 魯萍	—	597	—	30	627
Ms. Wang Ruohong 汪若紅 (Note vi)	—	621	—	24	645
Mr. Tang Bingfan 湯秉凡	—	328	—	33	361
Sub-total	—	1,546	—	87	1,633
	216	9,362	—	305	9,883

Notes:

- (i) Mr. Zhu Songqing 朱松青 and Mr. Tang Jun 湯俊 resigned as non-executive director on May 7, 2024.
- (ii) Ms. Le Rui 樂瑞 and Mr. Hu Lijun 胡立君 resigned as independent non-executive director on May 7, 2024.
- (iii) Mr. Wu Tao 吳濤 and Ms. Huang Xinhua 黃新華, were appointed as non-executive director on May 7, 2024.

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- (iv) Mr. Xiong Xinhua 熊新華 and Mr. Zhan Xiaoping 占小平 were appointed as independent non-executive director on May 7, 2024.
- (v) Mr. Wu Tao 吳濤 resigned as non-executive director on December 22, 2025.
- (vi) Ms. Wang Ruohong 汪若紅 resigned as supervisor and was appointed as non-executive director and employee representative director on December 22, 2025 upon the abolishment of the supervisory committee of the Company as set out below.

Pursuant to the latest laws and regulations of the China Securities Regulatory Commission, shareholders of the Company passed a resolution at the general meeting held in December 2025 to abolish the supervisory committee of the Company effective immediately. After the abolishment of the supervisory committee, the supervisors continue to be employees of the Group, the amounts did not reflect their emolument after the abolishment.

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

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group for the years ended December 31, 2023, 2024 and 2025 included nil, one, and one director of the Company respectively. Details of their emoluments are included in Note 10 above.

The emoluments of the remaining five, four and four highest paid individuals for the years ended December 31, 2023, 2024 and 2025 are set out as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances, discretionary bonus and other benefits in kind	42,052	15,948	20,484
Contributions to defined contribution plans	253	240	156
	<u>42,305</u>	<u>16,188</u>	<u>20,640</u>

The number of these non-director individual whose emoluments fell within the following emoluments band is as follows:

	Years ended December 31,		
	2023	2024	2025
	Number of individuals	Number of individuals	Number of individuals
HK\$2,500,001 to HK\$3,000,000	—	1	1
HK\$3,000,001 to HK\$3,500,000	—	2	1
HK\$5,000,001 to HK\$5,500,000	1	—	—
HK\$6,500,001 to HK\$7,000,000	1	—	—
HK\$7,500,001 to HK\$8,000,000	1	—	1
HK\$8,500,001 to HK\$9,000,000	1	1	1
HK\$18,500,001 to HK\$19,000,000	1	—	—
	<u>5</u>	<u>4</u>	<u>4</u>

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During the Track Record Period, no remuneration was paid by the Group to any of these highest paid non-director individual as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individual waived or agreed to waive any emoluments during the Track Record Period.

12. INCOME TAX EXPENSE

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current tax			
PRC Enterprise Income Tax (“EIT”)			
Current period	154,928	110,909	184,219
(Over) Under provision for prior periods	(1,415)	11,901	(2,263)
	153,513	122,810	181,956
Deferred taxation			
Changes in temporary differences (<i>Note 24</i>)	(46,141)	(28,816)	(18,001)
Total income tax expense for the year	<u>107,372</u>	<u>93,994</u>	<u>163,955</u>

Chinese Mainland

The group entities established in Chinese Mainland of the PRC are subject to PRC EIT at a statutory rate of 25% during the Track Record Period except for the following:

The Company was accredited as High and New Technology Enterprises (“HNTE”) in 2022 and was entitled to a preferential tax rate of 15% during the Track Record Period. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Certain of the Group’s subsidiaries established in Chinese Mainland of the PRC are accredited as HNTE and were therefore entitled to a preferential income tax rate of 15% during the Track Record Period. Such qualifications are subject to review by the relevant tax authority in Chinese Mainland of the PRC for every three years.

Certain subsidiaries were qualified as small and micro enterprises and were eligible to calculate their taxable income at a reduced rate of 25% and pay corporate income tax at a 20% tax rate during the years end December 31, 2023, 2024 and 2025, respectively.

The additional deduction for qualified research and development expenses mainly represents an additional 120% tax deduction on eligible research and development expenses for those not yet capitalized as intangible assets and 220% tax deduction on eligible research and development expenses for those have been capitalized as intangible assets incurred by certain subsidiaries during the years ended December 31, 2023, 2024 and 2025.

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period. However, one subsidiary of the Group which is qualifying corporation can elect for the two-tiered Profits Tax rates regime. Under the two-tiered Profits Tax rate regime, the first HK\$2,000,000 of assessable profits of the qualifying Group entity established in Hong Kong are taxed at 8.25% and the remaining profits are taxed at 16.5%.

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Corporate income tax in other jurisdictions

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. The income tax rates of the subsidiaries in Australia, the United States of America, South Korea, Vietnam, Thailand, and Hungary are 25%, 15%–39%, 9%–24%, 20%, 20% and 9%, respectively.

Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules (“Pillar Two Rules”) for a new global minimum tax reform applicable to large multinational enterprises. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to the income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules (“Pillar Two income taxes”).

Certain jurisdictions in which the Group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on January 1, 2024.

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective/enacted but not effective. However, as the Group’s estimated effective tax rates of all the jurisdictions in which 1) the group entities operates are higher than 15%, after taking into account certain adjustments under the Pillar Two Rules based on management’s best estimate or 2) the group entities with effective tax rate lower than 15% are in the non-material constituents which the safe harbor provisions apply or 3) the group entities did not earn any taxable income for the Track Record Period, the management of the Group has not made relevant disclosures of qualitative and quantitative information about the Group’s exposure to the Pillar Two income taxes.

Reconciliation of income tax expense

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before taxation	1,110,659	1,297,079	1,618,423
Income tax at applicable tax rate of 15%	166,599	194,562	242,763
Effect of different tax rates of subsidiaries operating in other jurisdictions	18,600	6,508	1,768
Non-deductible expenses	14,469	14,093	10,555
Tax exempt revenue	(14,382)	(3,636)	(2,847)
Utilization of previously unrecognized deductible temporary difference	—	(47,612)	(32)
Unrecognized deductible temporary difference and tax losses	37,671	42,179	36,780
Utilization of previously unrecognized tax losses	(19,037)	(2,983)	(5,615)
Tax effect on super deduction of research and development costs . .	(95,499)	(116,765)	(116,561)
Changes in opening deferred tax liabilities resulting from change in applicable tax rate	1,424	(2,814)	129
Income tax at concessionary rate	(1,058)	(1,439)	(722)
(Over) Under provision in prior periods	(1,415)	11,901	(2,263)
Income tax expense for the year	107,372	93,994	163,955

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13. EARNINGS PER SHARE

(a) Basic EPS

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) each year/period during the Track Record Period.

The following table illustrates the earnings and share information used in the calculation of basic EPS:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit attributable to owners of the Company used in calculating basic EPS (RMB’000)	1,007,475	1,220,749	1,470,795
Weighted average number of ordinary shares in issue (thousand shares)	1,005,503	1,005,503	998,969
Basic EPS (RMB)	<u>1.00</u>	<u>1.21</u>	<u>1.47</u>

(b) Diluted EPS

There were no potential dilutive ordinary shares during the Track Record Period. Hence, diluted EPS is the same as basic EPS.

14. DIVIDENDS

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Final dividends in respect of previous year	<u>100,550</u>	<u>150,825</u>	<u>201,100</u>

The final dividends of RMB1 per 10 shares (tax inclusive) in respect of the year ended December 31, 2022 were approved in 2022 Annual General Meeting of the Company on March 22, 2023. The final dividends of approximately RMB100,550,000 were paid on May 16, 2023.

The final dividends of RMB1.5 per 10 shares (tax inclusive) in respect of the year ended December 31, 2023 were approved in 2023 Annual General Meeting of the Company on April 18, 2024. The final dividends of approximately RMB150,825,000 were paid on June 12, 2024.

The final dividends of RMB2.02 per 10 shares (tax inclusive) in respect of the year ended December 31, 2024 were approved in 2024 Annual General Meeting of the Company on May 9, 2025. The final dividends of approximately RMB201,100,000 were paid on June 20, 2025.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group:

	Buildings	Machineries	Motor vehicles	Other equipment	Leasehold improvement	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Reconciliation of carrying amount — year ended December 31, 2023							
At January 1, 2023	1,121,337	575,022	7,487	106,814	52,093	40,797	1,903,550
Additions	10,608	148,751	2,579	55,848	3,189	165,161	386,136
Transfers	121,545	17,156	—	4,047	4,453	(147,201)	—
Depreciation	(34,263)	(97,011)	(1,593)	(29,209)	(20,315)	—	(182,391)
Disposals	—	(12,051)	(903)	(2,071)	—	—	(15,025)
Exchange difference	—	(31)	—	—	—	—	(31)
At December 31, 2023	1,219,227	631,836	7,570	135,429	39,420	58,757	2,092,239
Reconciliation of carrying amount — year ended December 31, 2024							
At January 1, 2024	1,219,227	631,836	7,570	135,429	39,420	58,757	2,092,239
Additions	6,522	403,093	11,175	43,216	17,271	245,822	727,099
Transfers	85,179	3,808	—	1,188	46,026	(136,201)	—
Additions — business combination	—	—	12	104	70	—	186
Depreciation	(37,774)	(107,596)	(2,183)	(33,527)	(33,546)	—	(214,626)
Disposals	(51,226)	(34,042)	(7,775)	(1,565)	—	—	(94,608)
Exchange difference	—	34	—	(27)	—	—	7
Impairment	—	(346)	—	(189)	—	—	(535)
At December 31, 2024	1,221,928	896,787	8,799	144,629	69,241	168,378	2,509,762
Reconciliation of carrying amount — year ended December 31, 2025							
At January 1, 2025	1,221,928	896,787	8,799	144,629	69,241	168,378	2,509,762
Additions	5,466	482,275	6,179	38,823	26,233	439,461	998,437
Transfers	263,563	17,559	—	958	67,202	(349,282)	—
Depreciation	(40,679)	(159,084)	(2,257)	(40,005)	(58,844)	—	(300,869)
Disposals	(10,428)	(20,048)	(691)	(9,524)	(3,780)	(12,021)	(56,492)
Exchange difference	(12)	(28)	(28)	16	—	—	(52)
Impairment	—	(400)	—	—	—	—	(400)
At December 31, 2025	1,439,838	1,217,061	12,002	134,897	100,052	246,536	3,150,386
At December 31, 2023							
Cost	1,583,598	1,441,626	31,824	302,556	39,420	58,757	3,457,781
Accumulated depreciation and impairment	(364,371)	(809,790)	(24,254)	(167,127)	—	—	(1,365,542)
Net carrying amount	1,219,227	631,836	7,570	135,429	39,420	58,757	2,092,239
At December 31, 2024							
Cost	1,619,588	1,796,892	31,825	327,709	69,241	168,378	4,013,633
Accumulated depreciation and impairment	(397,660)	(900,105)	(23,026)	(183,080)	—	—	(1,503,871)
Net carrying amount	1,221,928	896,787	8,799	144,629	69,241	168,378	2,509,762
At December 31, 2025							
Cost	1,860,165	2,175,366	30,315	341,890	100,052	246,536	4,754,324
Accumulated depreciation and impairment	(420,327)	(958,305)	(18,313)	(206,993)	—	—	(1,603,938)
Net carrying amount	1,439,838	1,217,061	12,002	134,897	100,052	246,536	3,150,386

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The Company:

	<u>Buildings</u>	<u>Machineries</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>Leasehold improvement</u>	<u>Construction in progress</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Reconciliation of carrying amount — year ended December 31, 2023							
At January 1, 2023	191,227	208	175	2,012	1,045	—	194,667
Additions	—	11,131	—	3,293	131	7,646	22,201
Depreciation	(6,862)	(10)	(31)	(728)	(267)	—	(7,898)
At December 31, 2023	<u>184,365</u>	<u>11,329</u>	<u>144</u>	<u>4,577</u>	<u>909</u>	<u>7,646</u>	<u>208,970</u>
Reconciliation of carrying amount — year ended December 31, 2024							
At January 1, 2024	184,365	11,329	144	4,577	909	7,646	208,970
Additions	—	86,770	—	5,827	229	4,555	97,381
Transfers	12,201	—	—	—	—	(12,201)	—
Depreciation	(6,814)	(953)	(31)	(1,387)	(300)	—	(9,485)
Disposals	(12,290)	(96,174)	—	(484)	—	—	(108,948)
At December 31, 2024	<u>177,462</u>	<u>972</u>	<u>113</u>	<u>8,533</u>	<u>838</u>	<u>—</u>	<u>187,918</u>
Reconciliation of carrying amount — year ended December 31, 2025							
At January 1, 2025	177,462	972	113	8,533	838	—	187,918
Additions	460	40,496	270	9,036	673	—	50,935
Depreciation	(6,802)	(72)	—	(2,370)	(499)	—	(9,743)
Disposals	(1,550)	(1,098)	(41)	(52)	—	—	(2,741)
At December 31, 2025	<u>169,570</u>	<u>40,298</u>	<u>342</u>	<u>15,147</u>	<u>1,012</u>	<u>—</u>	<u>226,369</u>
At December 31, 2023							
Cost	258,888	15,281	2,253	10,599	1,390	7,646	296,057
Accumulated depreciation and impairment	(74,523)	(3,952)	(2,109)	(6,022)	(481)	—	(87,087)
Net carrying amount	<u>184,365</u>	<u>11,329</u>	<u>144</u>	<u>4,577</u>	<u>909</u>	<u>7,646</u>	<u>208,970</u>
At December 31, 2024							
Cost	246,392	4,938	2,253	15,909	1,619	—	271,111
Accumulated depreciation and impairment	(68,930)	(3,966)	(2,140)	(7,376)	(781)	—	(83,193)
Net carrying amount	<u>177,462</u>	<u>972</u>	<u>113</u>	<u>8,533</u>	<u>838</u>	<u>—</u>	<u>187,918</u>
At December 31, 2025							
Cost	243,153	44,332	1,709	24,893	2,292	—	316,379
Accumulated depreciation and impairment	(73,583)	(4,034)	(1,367)	(9,746)	(1,280)	—	(90,010)
Net carrying amount	<u>169,570</u>	<u>40,298</u>	<u>342</u>	<u>15,147</u>	<u>1,012</u>	<u>—</u>	<u>226,369</u>

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16. RIGHT-OF-USE ASSETS

The Group leases various factories, warehouses, offices for its daily operations. Lease terms range from 1 to 10 years, with an option to renew the lease when all terms are renegotiated. For land use rights, the lease terms ranges from 30 to 50 years.

The Group’s right-of-use assets in respect of land use rights and leased buildings represent the prepaid operating lease payment of leasehold lands located in the PRC and leases of factories, warehouses and offices. Lease terms are negotiated on an individual basis and contain similar terms and conditions. The lease agreements do not impose any covenants. None of the leases includes variable lease payments.

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

The Group:

	<u>Leased buildings</u>	<u>Land use rights</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Reconciliation of carrying amount — year ended			
December 31, 2023			
At January 1, 2023	56,505	115,469	171,974
Additions	5,034	102,904	107,938
Depreciation	(18,796)	(3,416)	(22,212)
Early termination	<u>(18,499)</u>	<u>—</u>	<u>(18,499)</u>
At December 31, 2023	<u>24,244</u>	<u>214,957</u>	<u>239,201</u>
Reconciliation of carrying amount — year ended			
December 31, 2024			
At January 1, 2024	24,244	214,957	239,201
Additions	31,448	18,930	50,378
Modification	8,624	—	8,624
Depreciation	(21,841)	(4,891)	(26,732)
Disposals	—	(14,837)	(14,837)
Early termination	<u>(5,951)</u>	<u>—</u>	<u>(5,951)</u>
At December 31, 2024	<u>36,524</u>	<u>214,159</u>	<u>250,683</u>
Reconciliation of carrying amount — year ended			
December 31, 2025			
At January 1, 2025	36,524	214,159	250,683
Additions	65,336	—	65,336
Depreciation	(24,702)	(5,017)	(29,719)
Exchange difference	486	—	486
Early termination	<u>(1,271)</u>	<u>—</u>	<u>(1,271)</u>
At December 31, 2025	<u>76,373</u>	<u>209,142</u>	<u>285,515</u>

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	<u>Leased buildings</u>	<u>Land use rights</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000
At December 31, 2023			
Cost	57,398	244,843	302,241
Accumulated depreciation	<u>(33,154)</u>	<u>(29,886)</u>	<u>(63,040)</u>
Net carrying amount	<u>24,244</u>	<u>214,957</u>	<u>239,201</u>
At December 31, 2024			
Cost	68,220	246,482	314,702
Accumulated depreciation	<u>(31,696)</u>	<u>(32,323)</u>	<u>(64,019)</u>
Net carrying amount	<u>36,524</u>	<u>214,159</u>	<u>250,683</u>
At December 31, 2025			
Cost	120,223	246,482	366,705
Accumulated depreciation	<u>(43,850)</u>	<u>(37,340)</u>	<u>(81,190)</u>
Net carrying amount	<u>76,373</u>	<u>209,142</u>	<u>285,515</u>

The amounts recognized in profit or loss of the Group in relation to leases are as follows:

	<u>Years ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	RMB’000	RMB’000	RMB’000
Interest on lease liabilities	1,991	1,578	1,592
Depreciation of right-of-use assets	22,110	26,711	28,634
(Gain) Loss on early termination of leases	(753)	(601)	393
Expenses relating to short-term leases and low value leases	25,862	35,910	45,419
Gain on disposal of land use rights — right-of-use assets	<u>—</u>	<u>(3,515)</u>	<u>—</u>
Expenses recognized in profit or loss	<u>49,210</u>	<u>60,083</u>	<u>76,038</u>

Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessors, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

Commitments under leases

At December 31, 2023, 2024 and 2025, the Group was not committed to lease contracts in relation to leased buildings and land use rights that have not yet commenced.

At December 31, 2023, 2024 and 2025, the Group was committed to approximately RMB2,131,000, RMB1,958,000 and RMB1,822,000 respectively for short-term leases.

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17. INTANGIBLE ASSETS

The Group:

	Development costs RMB’000	Patent related technologies RMB’000	Non-patent related technologies RMB’000	Intellectual properties RMB’000	Software RMB’000	Total RMB’000
Reconciliation of carrying amount						
— year ended December 31, 2023						
At January 1, 2023	46,544	29,602	113,764	229	21,793	211,932
Additions	44,193	—	427	—	4,594	49,214
Transfers	(57,626)	21,979	32,541	—	3,106	—
Amortization	—	(4,116)	(45,067)	(229)	(7,153)	(56,565)
At December 31, 2023	<u>33,111</u>	<u>47,465</u>	<u>101,665</u>	<u>—</u>	<u>22,340</u>	<u>204,581</u>
Reconciliation of carrying amount						
— year ended December 31, 2024						
At January 1, 2024	33,111	47,465	101,665	—	22,340	204,581
Additions	115,475	—	—	—	22,701	138,176
Transfers	(58,490)	29,290	29,044	—	156	—
Amortization	—	(6,173)	(43,583)	—	(8,778)	(58,534)
Disposals	—	—	—	—	(642)	(642)
At December 31, 2024	<u>90,096</u>	<u>70,582</u>	<u>87,126</u>	<u>—</u>	<u>35,777</u>	<u>283,581</u>
Reconciliation of carrying amount						
— year ended December 31, 2025						
At January 1, 2025	90,096	70,582	87,126	—	35,777	283,581
Additions	207,072	—	—	—	28,549	235,621
Transfers	(130,044)	36,700	86,711	—	6,633	—
Amortization	—	(9,219)	(53,231)	—	(10,559)	(73,009)
Exchange difference	—	—	—	—	5	5
Impairment	—	—	(1,581)	—	—	(1,581)
At December 31, 2025	<u>167,124</u>	<u>98,063</u>	<u>119,025</u>	<u>—</u>	<u>60,405</u>	<u>444,617</u>
At December 31, 2023						
Cost	33,111	57,976	515,742	486	48,099	655,414
Accumulated amortization and impairment	—	(10,511)	(414,077)	(486)	(25,759)	(450,833)
Net carrying amount	<u>33,111</u>	<u>47,465</u>	<u>101,665</u>	<u>—</u>	<u>22,340</u>	<u>204,581</u>
At December 31, 2024						
Cost	90,096	87,266	544,786	486	70,099	792,733
Accumulated amortization and impairment	—	(16,684)	(457,660)	(486)	(34,322)	(509,152)
Net carrying amount	<u>90,096</u>	<u>70,582</u>	<u>87,126</u>	<u>—</u>	<u>35,777</u>	<u>283,581</u>
At December 31, 2025						
Cost	167,124	123,966	631,498	486	105,281	1,028,355
Accumulated amortization and impairment	—	(25,903)	(512,473)	(486)	(44,876)	(583,738)
Net carrying amount	<u>167,124</u>	<u>98,063</u>	<u>119,025</u>	<u>—</u>	<u>60,405</u>	<u>444,617</u>

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The Company:

	Development costs	Non-patent related technologies	Software	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Reconciliation of carrying amount				
— year ended December 31, 2023				
At January 1, 2023	—	—	1,653	1,653
Additions	—	—	2,565	2,565
Amortization	—	—	(546)	(546)
At December 31, 2023	—	—	3,672	3,672
Reconciliation of carrying amount				
— year ended December 31, 2024				
At January 1, 2024	—	—	3,672	3,672
Additions	9,202	—	10,513	19,715
Transfers	(9,202)	9,202	—	—
Amortization	—	(258)	(1,369)	(1,627)
Disposals	—	—	(283)	(283)
At December 31, 2024	—	8,944	12,533	21,477
Reconciliation of carrying amount				
— year ended December 31, 2025				
At January 1, 2025	—	8,944	12,533	21,477
Additions	—	—	6,711	6,711
Amortization	—	(1,869)	(3,155)	(5,024)
Disposals	—	—	(708)	(708)
At December 31, 2025	—	7,075	15,381	22,456
At December 31, 2023				
Cost	—	—	5,559	5,559
Accumulated amortization	—	—	(1,887)	(1,887)
Net carrying amount	—	—	3,672	3,672
At December 31, 2024				
Cost	—	9,202	15,788	24,990
Accumulated amortization	—	(258)	(3,255)	(3,513)
Net carrying amount	—	8,944	12,533	21,477
At December 31, 2025				
Cost	—	9,202	21,791	30,993
Accumulated amortization	—	(2,127)	(6,410)	(8,537)
Net carrying amount	—	7,075	15,381	22,456

Development costs represent costs incurred at the development phase of various projects on laser and equipment series products, optoelectronic equipment products and laser anti-counterfeiting series products, which are capitalized and, if available for use, amortized under the straight-line method over 5–10 years. This asset is tested for impairment where an indicator of impairment appears and, if not yet available for use, tested annually.

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18. INTERESTS IN ASSOCIATES

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Unlisted shares, at cost	335,502	390,841	467,841
Share of net assets	713,871	647,243	450,934
Dividend received	(486,309)	(517,432)	(274,230)
Impairment loss recognized	(179)	—	—
	<u>562,885</u>	<u>520,652</u>	<u>644,545</u>

Details of the principal associates of the Group at the end of the Track Record Period are as follows:

Name of associate	Place and date of establishment	Registered capital	Paid-up capital	Proportion of ownership interests held by the Company						Principal activities
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
				2023	2023	2024	2024	2025	2025	
武漢華工創業投資有限責任公司 Wuhan Huagong Venture Capital Co., Ltd.* (“Huagong Venture”)	Chinese Mainland of the PRC, September 11, 2000	RMB136,600,000	RMB136,600,000	—	32.5%	—	32.5%	—	32.5%	Capital investment and fund management
武漢東湖華科創業投資中心 (有限合夥) Wuhan East Lake Branch Venture Investment Centre (Limited Partnership)* (“Wuhan East Lake”)	Chinese Mainland of the PRC, December 22, 2014	N/A	RMB184,230,000	—	55.44% (Notes 1 and 2)	—	55.44% (Notes 1 and 2)	—	(Note 3)	Non-securities equity investment activities and related consulting services

* English translation is for identification purpose only.

For the not individually material associates, the proportion of ownership interests held by the Group is ranging from 6.135% to 49%, and their principal activities are engaged in 1) investment holdings; 2) counseling research and development of artificial intelligence digital technology; and 3) production and sales of optical communication semi-conductors, laser precision equipment and laser holographic films.

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

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Financial information of individually material associates

Summarized financial information of each of the principal associates of the Group is set out below, which represents amounts shown in the associates’ financial statements prepared in accordance with IFRS Accounting Standards and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustment.

	Huagong Venture		
	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross amount			
Current assets	548,354	508,228	473,279
Non-current assets	246,106	271,279	293,747
Current liabilities	(37,672)	(38,971)	(46,575)
Non-current liabilities	(66,345)	(63,181)	(67,560)
Non-controlling interest	(98,998)	(65,813)	(65,085)
Equity	591,445	611,542	587,806
Reconciliation			
Gross amount of equity	591,445	611,542	587,806
Group’s ownership interests	32.5%	32.5%	32.5%
Group’s voting rights	22.2%	22.2%	22.2%
Add: Goodwill recognized during acquisition	192,220	198,751	191,015
	8,333	8,333	8,333
The Group’s share of equity and carrying amount of interests	200,553	207,084	199,348
	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross amount			
Revenue	51,239	60,059	51,122
Profit for the year	15,100	5,666	26,360
Other comprehensive expense	—	—	(84)
Total comprehensive income	15,100	5,666	26,276
Dividends received from the associate	—	—	16,248
The Group’s share of results	24,833	6,531	8,540
The Group’s share of other comprehensive income	—	—	(27)
The Group’s share of total comprehensive income	24,833	6,531	8,513

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	Wuhan East Lake	
	At December 31,	
	2023	2024
	RMB’000	RMB’000
Gross amount		
Current assets	131,910	54,306
Current liabilities	—	(7,846)
Equity	131,910	46,460
Reconciliation		
Gross amount of equity	131,910	46,460
Group’s ownership interests (<i>Note 1</i>)	55.4%	55.4%
Group’s voting rights (<i>Note 2</i>)	20%	20%
The Group’s share of equity and carrying amount of interests	58,501	20,605

	Wuhan East Lake		
	Years ended December 31,		From
	2023	2024	January 1,
	RMB’000	RMB’000	2025 to
			November 26,
			2025 (Date of
			cessation of
			business)
			RMB’000
			(<i>Note 3</i>)
Gross amount			
Revenue	—	—	—
Profit (Loss)	199,918	(31,789)	(1,485)
Other comprehensive income	—	—	—
Total comprehensive income (expense)	199,918	(31,789)	(1,485)
Dividends received from the associate	185,153	23,798	12,771
The Group’s share of results	84,639	(14,098)	(7,835)
The Group’s share of other comprehensive income	—	—	—
The Group’s share of total comprehensive income	84,639	(14,098)	(7,835)

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Notes:

1. Upon the establishment of Wuhan East Lake, all the investors had agreed to share the results of Wuhan East Lake in the following way, the results would be shared in proportion to their capital contribution up to recovering all paid-up capital invested, then the 20% of the results would be shared by the fund manager who is the managing partner and the remaining 80% of the results will be shared among the remaining investors according to their respective paid-up capital contributions.
2. According to the shareholders’ agreement, the Group has only one vote out of five votes in investment committee and all the investment decisions must be passed with over two third votes or above, therefore, the directors of the Company consider that the Group only has significant influence over Wuhan East Lake and Wuhan East Lake is therefore classified as an associate of the Group.
3. In the prior years, the Group held a 55.4% interest in Wuhan East Lake and accounted for the investment as an associate. In November 2025, the board of Wuhan East Lake agreed and approved to dissolve Wuhan East Lake voluntarily. This transaction has resulted in the recognition of a gain of approximately RMB1,000 in profit or loss during the year ended December 31, 2025.

Aggregate information of associates that are not individually material

	Years ended/at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group’s share of results	21,409	7,527	20,064
The Group’s share of other comprehensive income	(204)	212	28
The Group’s share of total comprehensive income	<u>21,205</u>	<u>7,739</u>	<u>20,092</u>
Aggregate carrying amount of the Group’s interests in these associates	<u>303,831</u>	<u>292,963</u>	<u>445,197</u>
Aggregate amount of dividends received from these associates	<u>—</u>	<u>7,325</u>	<u>6,380</u>

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19. FINANCIAL ASSETS AT FVPL

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Mandatorily measured at FVPL			
Equity investments listed in Chinese Mainland of the PRC	18,935	372	438
Equity investments unlisted in Chinese Mainland of the PRC	131,534	274,215	302,873
	<u>150,469</u>	<u>274,587</u>	<u>303,311</u>
Analyzed by:			
Non-current portion	25,003	167,683	168,227
Current portion	125,466	106,904	135,084
	<u>150,469</u>	<u>274,587</u>	<u>303,311</u>

20. EQUITY INSTRUMENTS AT FVOCI

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Unlisted:			
Equity investments in Chinese Mainland of the PRC	<u>5,300</u>	<u>5,300</u>	<u>5,300</u>

At the date of initial recognition or initial application of IFRS 9, the Group irrevocably designated certain investments in equity securities as Designated FVOCI because these equity securities represent investments that the Group intends to hold for long-term for strategic purposes.

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21. TIME DEPOSITS WITH MATURITY OVER ONE YEAR/THREE MONTHS BUT WITHIN ONE YEAR, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Time deposits	<u>1,000,000</u>	<u>1,546,111</u>	<u>2,616,220</u>
Current portion:			
Restricted bank deposits	182,076	119,569	222,309
Time deposits	1,060,214	1,037,370	—
Bank balances and cash	<u>4,214,182</u>	<u>4,382,584</u>	<u>4,336,068</u>
	<u>5,456,472</u>	<u>5,539,523</u>	<u>4,558,377</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Time deposits	<u>1,000,000</u>	<u>1,546,111</u>	<u>2,616,220</u>
Current portion:			
Time deposits	1,060,214	1,037,370	—
Bank balances and cash	<u>895,129</u>	<u>999,634</u>	<u>1,984,980</u>
	<u>1,955,343</u>	<u>2,037,004</u>	<u>1,984,980</u>

Time deposits earn interest at fixed rates of ranging from 2.65% to 4.20% per annum and with maturity term ranging from three months to three years.

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. The term of the bank deposit is within one year, depending on the cash management of the Group. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

RMB, Vietnamese dong (“VND”) and Thai Baht (“THB”) are not freely convertible into other currencies, however, upon compliance of certain foreign currency exchange control regulations, the Group is permitted to exchange RMB, VND and THB for other currencies through banks authorized for foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in RMB, United States dollar (“USD”), Euro (“EUR”), THB, Australian dollar (“AUD”), VND and Korean Republic Won (“KRW”). The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash of approximately RMB182,076,000, RMB119,569,000 and RMB222,309,000 at December 31, 2023, 2024 and 2025, respectively was mainly reserved for bank acceptance guarantees in accordance with relevant regulations issued by Ministry of Commerce of the PRC, performance bonds requested by the customers and outstanding litigations.

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22. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Deposits paid for acquisition of property, plant and equipment	14,042	131,563	226,220
Prepayments for project investment	11,434	9,434	9,434
Other prepayments	2,130	956	4,446
	<u>27,606</u>	<u>141,953</u>	<u>240,100</u>
Contract assets — retention receivables	1,091	—	130
Less: loss allowance	<u>(22)</u>	<u>—</u>	<u>(39)</u>
	<u>1,069</u>	<u>—</u>	<u>91</u>
	<u>28,675</u>	<u>141,953</u>	<u>240,191</u>
Current portion:			
Trade receivables			
— from third parties	4,130,948	5,295,411	4,702,877
— from related companies	10,611	16,956	9,622
Less: loss allowance	<u>(383,984)</u>	<u>(387,294)</u>	<u>(349,217)</u>
	<u>3,757,575</u>	<u>4,925,073</u>	<u>4,363,282</u>
Bills receivables			
— commercial acceptance bills discounted to banks for short term loans	38,185	—	150,000
— commercial acceptance bills	63,621	80,578	7,059
— bank acceptance bills	65,745	95,287	75,777
Less: loss allowance	<u>(335)</u>	<u>(450)</u>	<u>(1,782)</u>
	<u>167,216</u>	<u>175,415</u>	<u>231,054</u>
Other receivables and prepayments			
Deposits paid to suppliers	488,982	499,176	447,528
Other deposits and receivables	30,136	35,386	39,941
Consideration receivables	11,291	—	—
Other prepayments	49,964	31,227	103,500
Cash advances to staff	39,900	35,455	42,893
Government grant receivables	6,000	1,295	17,786
Amounts due from related parties	4,559	3,818	—
Receivables relating to litigations	32,819	32,819	32,819
VAT recoverable	49,227	189,613	287,933
Other tax receivables	1,662	210	200
Less: loss allowance	<u>(63,947)</u>	<u>(62,334)</u>	<u>(61,397)</u>
	<u>650,593</u>	<u>766,665</u>	<u>911,203</u>
	<u>4,575,384</u>	<u>5,867,153</u>	<u>5,505,539</u>
Contract assets			
— from third parties	605,471	573,441	705,753
— from related companies	1,659	12,443	12,029
Less: loss allowance	<u>(15,008)</u>	<u>(15,366)</u>	<u>(14,591)</u>
	<u>592,122</u>	<u>570,518</u>	<u>703,191</u>

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During the Track Record Period, the Group discounted commercial acceptance bills receivables to banks in exchange for bank loan with recourse in the ordinary course of business. The Group continues to recognize the full carrying amount of commercial acceptance bills receivables and has recognized the cash received as bank borrowings and included in Note 28. At December 31, 2023, 2024 and 2025, the carrying amounts of discounted commercial acceptance bills receivables were approximately RMB38,185,000, nil, and RMB150,000,000, respectively and the carrying amounts of the associated liabilities were approximately RMB38,185,000, nil, and RMB150,000,000, respectively.

During the Track Record Period, the Group endorsed certain commercial acceptance bills receivables accepted by financial institutes or issued by corporates in Chinese Mainland of the PRC (the “Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The Group will derecognize the Endorsed Bills together with the associated trade payables settled when the Endorsed Bills were fully settled by their original issuers. At December 31, 2023, 2024 and 2025, the carrying amounts of Endorsed Bills were approximately RMB51,463,000, RMB35,733,000 and RMB72,229,000, respectively and the carrying amounts of the associated liabilities were approximately RMB51,463,000, RMB35,733,000 and RMB72,229,000, respectively. Details of the Endorsed Bills are disclosed in Note 47 to the Historical Financial Information.

The Company:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Trade receivables			
— from third parties	207,188	322,874	302,198
— from subsidiaries	—	7,050	128
Less: loss allowance	(4,359)	(8,584)	(8,208)
	<u>202,829</u>	<u>321,340</u>	<u>294,118</u>
Bills receivables			
— bank acceptance bills	23,159	41,199	32,587
Less: loss allowance	—	—	(185)
	<u>23,159</u>	<u>41,199</u>	<u>32,402</u>
Other receivables and prepayments			
Deposits paid to suppliers	2,385	3,443	2,556
Other deposits and receivables	2,014	2,623	24,173
Other prepayments	45,598	8,337	11,496
Amounts due from subsidiaries (Note)	1,107,169	1,108,946	1,524,616
Amounts due from related companies (Note)	118	118	—
Receivables relating to litigations	32,819	32,819	32,819
VAT receivables	3,620	—	6,067
Other tax receivables	798	—	4,349
Less: loss allowance	(33,926)	(33,903)	(34,386)
	<u>1,160,595</u>	<u>1,122,383</u>	<u>1,571,690</u>
	<u>1,386,583</u>	<u>1,484,922</u>	<u>1,898,210</u>
Contract assets			
— from third parties	109,626	103,397	80,578
Less: loss allowance	(3,945)	(5,239)	(2,815)
	<u>105,681</u>	<u>98,158</u>	<u>77,763</u>

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Note: Amounts due from related companies/subsidiaries as at December 31, 2023, 2024 and 2025 were unsecured, interest-free and repayable on demand.

Trade receivables

As at January 1, 2023, trade receivables from contracts with customers of the Group and the Company amounted to approximately RMB3,677,558,000 and RMB105,383,000, respectively.

The Group and the Company normally grant credit period of up to 6 months to its customers.

The aging analysis of trade receivables (net of loss allowance) based on invoice date as at December 31, 2023, 2024 and 2025 is as follows:

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	3,421,623	4,522,764	3,898,286
1 to 2 years	270,704	329,436	374,037
2 to 3 years	49,678	57,965	65,657
Over 3 years	15,570	14,908	25,302
	<u>3,757,575</u>	<u>4,925,073</u>	<u>4,363,282</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	196,222	253,990	230,218
1 to 2 years	6,497	67,350	61,341
2 to 3 years	110	—	2,559
	<u>202,829</u>	<u>321,340</u>	<u>294,118</u>

At December 31, 2023, 2024 and 2025, no trade receivables and other receivables that are expected to be recovered after more than 12 months.

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The aging analysis of trade receivables (net of loss allowance) based on due date as at December 31, 2023, 2024 and 2025 is as follows:

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Neither past due nor impaired	2,663,582	3,626,327	3,101,384
Past due but not impaired:			
Within 1 year	1,035,257	1,225,873	1,170,939
1–2 years	48,655	57,965	65,657
2–3 years	6,333	10,929	21,873
Over 3 years	3,748	3,979	3,429
	<u>3,757,575</u>	<u>4,925,073</u>	<u>4,363,282</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Neither past due nor impaired	71,230	253,990	230,218
Past due but not impaired:			
Within 1 year	124,992	65,140	57,406
1–2 years	6,497	2,210	5,171
2–3 years	110	—	1,323
	<u>202,829</u>	<u>321,340</u>	<u>294,118</u>

Information about the Group’s and the Company’s exposure to credit risks and loss allowance for trade and other receivables are set out in Note 43.

The Group and the Company do not hold any collateral over these balances.

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Contract assets

As at January 1, 2023, contract assets of the Group and the Company, net of loss allowance, amounted to approximately RMB810,779,000 and RMB128,792,000, respectively.

The movements of contract assets within IFRS 15 during the Track Record Period are as follows:

The Group:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the reporting period	837,849	608,221	585,884
Additions	3,057,284	3,424,300	3,799,842
Transfers	(3,286,912)	(3,446,637)	(3,667,814)
At the end of the reporting period	<u>608,221</u>	<u>585,884</u>	<u>717,912</u>

There were increase in the overall contract activities and customer base of the Group for the years ended December 31, 2023 and 2024 and 2025 and the ongoing contracts at the end of the reporting period, thereby increasing the amount arising from the recognition of revenue.

The contract assets that are expected to be recovered after more than 12 months are approximately RMB291,894,000, RMB339,914,000, and RMB323,669,000 at December 31, 2023, 2024 and 2025, respectively.

For the years ended December 31, 2023 and 2025, reversal of impairment loss of approximately RMB12,041,000 and RMB736,000, respectively are recognized in profit or loss. For the year ended December 31, 2024, impairment loss of approximately RMB336,000 is recognized in profit or loss.

The Company:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the reporting period	131,661	109,626	103,397
Additions	49,342	48,266	63,249
Transfers	(71,377)	(54,495)	(86,068)
At the end of the reporting period	<u>109,626</u>	<u>103,397</u>	<u>80,578</u>

The decrease in balances were due to the decrease in overall revenue during the Track Record Period, resulting in decrease in contract assets. The contract assets that are expected to be recovered after more than 12 months are approximately RMB49,927,000, RMB41,932,000 and RMB53,109,000 at December 31, 2023, 2024 and 2025, respectively.

For the years ended December 31, 2023 and 2024, impairment loss of approximately RMB1,076,000 and RMB1,294,000, respectively are recognized in profit or loss. For the year ended December 31, 2025, reversal of impairment loss of approximately RMB2,424,000 is recognized in profit or loss.

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23. BILLS RECEIVABLES AT FVOCI

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivables at FVOCI	527,926	496,623	660,066

Under IFRS 9, certain bank acceptance bills which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the bank acceptance bills due for payment were classified as “Bills receivables at FVOCI”. At the end of the reporting period, all these bank acceptance bills are with a maturity period of less than one year.

The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

Details of impairment assessment are set out in Note 43.

24. DEFERRED TAXATION

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

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

The Group:

	Years ended/at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deferred tax assets	167,350	189,840	214,311
Deferred tax liabilities	(52,112)	(45,786)	(53,198)
	115,238	144,054	161,113
At the beginning of the reporting period	69,097	115,238	144,054
Recognized from disposal of subsidiaries	—	—	(942)
Recognized in profit or loss	46,141	28,816	18,001
At the end of the reporting period	115,238	144,054	161,113

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The Company:

	Years ended/at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	37,170	37,846	35,859
Deferred tax liabilities	—	—	—
	<u>37,170</u>	<u>37,846</u>	<u>35,859</u>
At the beginning of the reporting period	13,262	37,170	37,846
Recognized in profit or loss	<u>23,908</u>	<u>676</u>	<u>(1,987)</u>
At the end of the reporting period	<u>37,170</u>	<u>37,846</u>	<u>35,859</u>

The movements in deferred tax assets and (liabilities) for the Track Record Period were as follows:

The Group:

	Loss allowance and impairment provision	Intangible assets — difference on timing amortization	Deferred income	Tax losses	Lease liabilities	Provisions	Accrued expenses	Unrealized profit	Fair value change on financial assets through profit or loss	Distributable profits of associates	Accelerated depreciation	Right-of-use assets — leased buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	84,580	7,145	32,314	—	10,521	—	—	3,210	(2,581)	(44,417)	(11,021)	(10,654)	69,097
Recognized in profit or loss	<u>3,726</u>	<u>1,416</u>	<u>(2,732)</u>	<u>27,736</u>	<u>(6,287)</u>	<u>3,697</u>	<u>1,786</u>	<u>90</u>	<u>(14,318)</u>	<u>23,296</u>	<u>1,105</u>	<u>6,626</u>	<u>46,141</u>
As at December 31, 2023 and													
January 1, 2024	88,306	8,561	29,582	27,736	4,234	3,697	1,786	3,300	(16,899)	(21,121)	(9,916)	(4,028)	115,238
Recognized in profit or loss	<u>1,676</u>	<u>(565)</u>	<u>6,538</u>	<u>12,203</u>	<u>103</u>	<u>292</u>	<u>181</u>	<u>2,054</u>	<u>(6,629)</u>	<u>12,566</u>	<u>752</u>	<u>(355)</u>	<u>28,816</u>
As at December 31, 2024 and													
January 1, 2025	89,982	7,996	36,120	39,939	4,337	3,989	1,967	5,354	(23,528)	(8,555)	(9,164)	(4,383)	144,054
Disposal of subsidiaries	—	—	—	—	—	—	(942)	—	—	—	—	—	(942)
Recognized in profit or loss	<u>(286)</u>	<u>2,448</u>	<u>12,172</u>	<u>(1,150)</u>	<u>6,755</u>	<u>2,046</u>	<u>404</u>	<u>3,180</u>	<u>(7,247)</u>	<u>3,933</u>	<u>1,991</u>	<u>(6,245)</u>	<u>18,001</u>
As at December 31, 2025	<u>89,696</u>	<u>10,444</u>	<u>48,292</u>	<u>38,789</u>	<u>11,092</u>	<u>6,035</u>	<u>1,429</u>	<u>8,534</u>	<u>(30,775)</u>	<u>(4,622)</u>	<u>(7,173)</u>	<u>(10,628)</u>	<u>161,113</u>

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The Company:

	Loss allowance and impairment provision	Deferred income	Tax losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2023	6,041	7,221	—	13,262
Recognized in profit or loss	<u>500</u>	<u>643</u>	<u>22,765</u>	<u>23,908</u>
As at December 31, 2023 and January 1, 2024	6,541	7,864	22,765	37,170
Recognized in profit or loss	<u>824</u>	<u>(4,386)</u>	<u>4,238</u>	<u>676</u>
As at December 31, 2024 and January 1, 2025	7,365	3,478	27,003	37,846
Recognized in profit or loss	<u>(320)</u>	<u>(3,424)</u>	<u>1,757</u>	<u>(1,987)</u>
As at December 31, 2025	<u><u>7,045</u></u>	<u><u>54</u></u>	<u><u>28,760</u></u>	<u><u>35,859</u></u>

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

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Loss allowance and impairment provision	18,834	43,590	41,597
Lease liabilities	—	10,591	6,119
Accrued expenses and salary payable	104,046	60	382
Tax losses	<u>490,685</u>	<u>563,177</u>	<u>661,763</u>
	<u><u>613,565</u></u>	<u><u>617,418</u></u>	<u><u>709,861</u></u>

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The Group has unused tax losses of approximately RMB490,685,000, RMB563,177,000 and RMB661,763,000 as at December 31, 2023, 2024 and 2025, respectively, available for offset against future profits. No deferred tax asset has been recognized for these tax losses due to the unpredictability of future profit streams. At the end of the reporting period, the Group has the following tax losses that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 to 10 years from the year in which the tax loss was incurred (subject to the determination of the tax authorities in each jurisdiction where applicable):

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Expiring within five years	180,558	268,988	301,128
Expiring after five years or no expiry date	310,127	294,189	360,635
	<u>490,685</u>	<u>563,177</u>	<u>661,763</u>

25. INVENTORIES

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	713,806	963,519	1,176,786
Work in progress	399,385	557,474	880,009
Finished goods	<u>895,222</u>	<u>1,226,824</u>	<u>1,700,549</u>
	2,008,413	2,747,817	3,757,344
Less: Provision for impairment of inventories, net	<u>(99,293)</u>	<u>(126,471)</u>	<u>(176,102)</u>
	<u>1,909,120</u>	<u>2,621,346</u>	<u>3,581,242</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Work in progress	4,512	575	18
Finished goods	<u>9,901</u>	<u>12,967</u>	<u>14,612</u>
	<u>14,413</u>	<u>13,542</u>	<u>14,630</u>

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26. TRADE AND BILLS PAYABLES

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables			
— to third parties	2,519,403	3,445,877	3,746,785
— to related parties	43,998	55,852	12,427
	2,563,401	3,501,729	3,759,212
Bills payables	<u>1,686,144</u>	<u>2,107,894</u>	<u>2,503,160</u>
	<u>4,249,545</u>	<u>5,609,623</u>	<u>6,262,372</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables			
— to third parties	146,569	205,834	174,205
— to related parties	—	—	2,710
— to subsidiaries	<u>150,550</u>	<u>190,653</u>	<u>256,600</u>
	297,119	396,487	433,515
Bills payables	<u>64,606</u>	<u>61,130</u>	<u>96,041</u>
	<u>361,725</u>	<u>457,617</u>	<u>529,556</u>

Details of the Group’s and the Company’s trade receivables, bills receivables and bills receivables at FVOCI which are pledged for the Group’s and the Company’s bills payables are disclosed in Note 48 to the Historical Financial Information.

The trade payables were non-interest bearing with normal credit terms ranging from 30 to 180 days.

The bills payables are interest-free and are normally settled on terms of ranging from six months to one year.

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The aging analysis of trade payable based on invoice date as at December 31, 2023, 2024 and 2025 is as follows:

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	2,262,834	3,212,175	3,405,345
1 to 2 years	211,148	137,173	156,757
2 to 3 years	17,171	80,033	72,471
Over 3 years	72,248	72,348	124,639
	<u>2,563,401</u>	<u>3,501,729</u>	<u>3,759,212</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	252,913	280,626	304,789
1 to 2 years	41,783	79,375	60,407
2 to 3 years	1,961	35,608	49,408
Over 3 years	462	878	18,911
	<u>297,119</u>	<u>396,487</u>	<u>433,515</u>

27. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other tax payables	75,529	85,676	103,911
Security deposits	7,732	33,898	9,944
Accrued expenses and other payables	90,230	210,110	118,932
Dividend payables	172	172	172
Salary payables	331,560	378,578	214,041
Amounts due to related companies (<i>Note</i>)	<u>6,009</u>	<u>802</u>	<u>2,791</u>
	<u>511,232</u>	<u>709,236</u>	<u>449,791</u>
Contract liabilities	440,224	356,099	488,417
Contract liabilities with related companies	<u>7,779</u>	<u>3,451</u>	<u>1,013</u>
	<u>448,003</u>	<u>359,550</u>	<u>489,430</u>

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The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other tax payables	16,708	5,224	4,775
Security deposits	3,802	3,295	3,635
Accrued expenses and other payables	12,140	22,160	22,650
Dividend payables	84	84	84
Salary payables	132,467	47,039	26,108
Amounts due to related companies (<i>Note</i>)	—	161	—
Amounts due to subsidiaries (<i>Note</i>)	1,909,195	2,658,017	3,659,293
	<u>2,074,396</u>	<u>2,735,980</u>	<u>3,716,545</u>
Contract liabilities	<u>52,639</u>	<u>17,156</u>	<u>21,866</u>

Note: At December 31, 2023, 2024 and 2025, amounts due to related companies/subsidiaries were unsecured, interest-free and repayable on demand.

As at January 1, 2023, contract liabilities amounted of the Group and the Company to approximately RMB475,794,000 and RMB140,347,000, respectively.

Details of contract liabilities are as follows:

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Amounts received in advance for delivery of products	<u>448,003</u>	<u>359,550</u>	<u>489,430</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Amounts received in advance for delivery of products	<u>52,639</u>	<u>17,156</u>	<u>21,866</u>

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The Group:

The movements of contract liabilities within IFRS 15 during the Track Record Period are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the reporting period	475,794	448,003	359,550
Additions	2,503,470	2,878,997	3,994,897
Revenue recognized	(2,531,261)	(2,967,450)	(3,865,017)
At the end of the reporting period	<u>448,003</u>	<u>359,550</u>	<u>489,430</u>

For the years ended December 31, 2023, 2024 and 2025, there were increase in the overall contract activities and customer base of the Group, and resulting in increasing the amount arising from the receipt in advances.

At December 31, 2023, 2024 and 2025, the contract liabilities that are expected to be settled after more than 12 months are approximately RMB54,082,000, RMB29,134,000 and RMB27,834,000, respectively.

The amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expected timing of revenue recognition:			
Within 6 months	780,838	332,060	933,588
6 months to 1 year	249,863	100,167	199,627
More than 1 year but within 2 years	4,711	33,078	64,159
More than 2 years but within 3 years	<u>2,820</u>	<u>—</u>	<u>—</u>
At the end of the reporting period	<u>1,038,232</u>	<u>465,305</u>	<u>1,197,374</u>

The Company:

The movements of contract liabilities within IFRS 15 during the Track Record Period are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the reporting period	140,347	52,639	17,156
Additions	193,504	179,263	130,342
Revenue recognized	(281,212)	(214,746)	(125,632)
At the end of the reporting period	<u>52,639</u>	<u>17,156</u>	<u>21,866</u>

For the years ended December 31, 2023, 2024 and 2025, the decrease in overall revenue during the Track Record Period, resulting in decrease in the balances at the end of the reporting period.

At December 31, 2023, 2024 and 2025, the contract liabilities that are expected to be settled after more than 12 months are approximately RMB37,988,000, RMB9,595,000, and nil, respectively.

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The amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Expected timing of revenue recognition:			
Within 6 months	78,601	19,591	3,064
6 months to 1 year	111,968	17,594	42,685
More than 1 year but within 2 years	1,641	—	—
At the end of the reporting period	192,210	37,185	45,749

28. INTEREST-BEARING BORROWINGS

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fixed-rate bank borrowings			
— unsecured and unguaranteed	1,684,009	1,838,189	1,317,503
— unsecured and guaranteed (<i>note</i>)	850	119,313	180,596
Variable-rate bank borrowings			
— unsecured and unguaranteed	310,000	411,886	499,651
— unsecured and guaranteed (<i>note</i>)	719,000	1,109,475	995,690
	2,713,859	3,478,863	2,993,440
Less: Current portion	(199,835)	(1,493,614)	(1,805,354)
	2,514,024	1,985,249	1,188,086

Note: These borrowings are borrowed by the subsidiaries of the Company and guaranteed by the Company.

The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fixed-rate bank borrowings			
— unsecured and unguaranteed	1,635,800	1,523,000	1,167,479
Variable-rate bank borrowings			
— unsecured and unguaranteed	300,000	322,652	271,915
	1,935,800	1,845,652	1,439,394
Less: Current portion	(44,800)	(893,919)	(932,213)
	1,891,000	951,733	507,181

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During the Track Record Period, the Group did not violate any financial covenants under the agreements of borrowings. The Group’s and the Company’s borrowings based on repayment schedule (ignoring the effect of any repayment on demand clause) were repayable as follows:

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analyzed as:			
Bank borrowings			
Within 1 year	199,835	1,493,614	1,805,354
Over 1 year but within 2 years	1,061,500	1,643,604	832,574
Over 2 years but within 5 years	1,452,524	341,645	355,512
	<u>2,713,859</u>	<u>3,478,863</u>	<u>2,993,440</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analyzed as:			
Bank borrowings			
Within 1 year	44,800	893,919	932,213
Over 1 year but within 2 years	869,500	939,733	151,669
Over 2 years but within 5 years	1,021,500	12,000	355,512
	<u>1,935,800</u>	<u>1,845,652</u>	<u>1,439,394</u>

The Group’s variable-rate borrowings carry interest at Loan Prime Rate (“LPR”) minus ranging from 0.85% to 1.25% per annum. The Company’s variable-rate borrowings carry interest at LPR minus ranging from 1.10% to 1.25% per annum.

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

	At December 31,		
	2023	2024	2025
Effective interest rate			
Fixed-rate bank borrowings	1.20% to 3.45%	1.20% to 2.65%	1.20% to 2.65%
Variable-rate bank borrowings	2.20% to 2.41%	2.20% to 2.50%	1.85% to 2.50%

As at December 31, 2023, 2024 and 2025, the Group’s interest-bearing bank borrowings of approximately RMB719,850,000 RMB1,228,788,000 and RMB1,176,286,000, respectively, were guaranteed by the Company.

Banking facilities amounted to of approximately RMB9,248,000,000, RMB7,830,000,000 and RMB8,727,000,000 had not been utilized as at December 31, 2023, 2024 and 2025, respectively.

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29. NOTE PAYABLES

The Group and the Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Note payables and accrued interest	—	—	1,004,579

In July 2025, the Company and the placing agents entered into the placing agreement, pursuant to which placing agents have agreed to, on a best effort basis, to procure independent places to subscribe in cash for the note payables in an aggregated principal amount of up to RMB4 billion of which RMB2 billion is under short term and another RMB2 billion is under short term respectively. The aggregate principal amount of RMB1 billion was issued during the year ended December 31, 2025 with principal amount of RMB500 million and RMB500 million for short-term and short-term, respectively.

The principal terms of the note payables are summarized below:

	Note payables under short term	Note payables under short term	Total
	RMB’000	RMB’000	RMB’000
Principal amount	500,000	500,000	1,000,000
Denomination	In denomination of RMB100 each in the minimum (or for any amount over RMB100 in integral multiples of RMB100 each).		
Interest	1.65% per annum, accrued daily on a 360-day basis and payable upon the maturity date of the relevant note payables	1.67% per annum, accrued daily on a 360-day basis and payable upon the maturity date of the relevant note payables	
Period	August 21, 2025 to March 19, 2026	October 27, 2025 to October 27, 2026	

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30. LEASES

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities			
Current	12,664	22,412	20,724
Non-current	12,754	13,970	59,081
	<u>25,418</u>	<u>36,382</u>	<u>79,805</u>

Commitments and present value of lease liabilities:

	Lease payments			Present value of lease payments		
	At December 31,			At December 31,		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable:						
Within 1 year	13,378	23,517	23,145	12,664	22,412	20,724
More than 1 year but within 2 years	7,795	9,862	14,748	7,436	9,482	13,046
More than 2 years but within 5 years	5,538	4,635	50,012	5,318	4,488	46,035
	26,711	38,014	87,905	25,418	36,382	79,805
Less: future finance charges . .	(1,293)	(1,632)	(8,100)	—	—	—
Total lease liabilities	<u>25,418</u>	<u>36,382</u>	<u>79,805</u>	<u>25,418</u>	<u>36,382</u>	<u>79,805</u>

At December 31, 2023, 2024 and 2025, the ranges of incremental borrowing rates applied to lease liabilities of the Group are as follows:

	At December 31,		
	2023	2024	2025
Incremental borrowing rate	2.75% to 4.90%	2.75% to 5.04%	2.75% to 5.04%

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31. PROVISION

The Group:

	Warranty provision		
	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the reporting period	—	23,783	26,593
Additional provisions	77,713	64,459	106,300
Amount used	(53,930)	(61,649)	(92,384)
At the end of the reporting period	23,783	26,593	40,509

The warranty provisions represent management’s best estimate of the Group’s liability on demanded warranties granted on certain products, based on prior experience and industry averages for defective products.

32. DEFERRED INCOME

The Group received government grants for capital expenditure incurred for its product enhancement and development, compensation of research and development expenses and financial support to local business enterprises for the purpose of encouraging business development in Chinese Mainland of the PRC. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

The Group:

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants	195,887	239,348	320,862

Movements in government grants of the Group during the Track Record Period are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of reporting period	215,261	195,887	239,348
Government grants received relating to operations	18,050	158,585	149,583
Government grant received relating to assets	6,909	35,618	98,369
Transfers to other income	(44,333)	(139,982)	(163,003)
Refunded	—	(10,760)	(3,435)
At the end of the reporting period	195,887	239,348	320,862

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The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants	52,433	23,186	361

Movements in government grants of the Company during the Track Record Period are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of reporting period	48,143	52,433	23,186
Government grants received relating to operations	17,800	26,700	1,710
Transfers to other income	(10,710)	(55,947)	(21,100)
Transfer to subsidiaries	(2,800)	—	—
Refunded	—	—	(3,435)
At the end of the reporting period	52,433	23,186	361

33. SHARE CAPITAL

	Nominal value per share	Number of shares	Amount
	RMB	’000	RMB’000
Issued and fully paid:			
At January 1, 2023, December 31, 2023, 2024 and 2025	1	1,005,503	1,005,503

Additional overseas listed foreign ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each (the “H Shares”) will be in issue upon completion of the [REDACTED]. The H Shares and the A Shares are ordinary shares in the share capital of the Company and are considered as one class of shares.

34. RESERVES

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

Capital reserve

The capital reserve mainly arose from (i) the capital contributions from the then equity holders of the Group’s subsidiaries, after elimination of investments in subsidiaries; (ii) the acquisition of non-controlling interest of the Group’s subsidiaries; (iii) the share repurchased; (iv) the share of other reserves of associates; and (v) business combination in prior years respectively involving entities under common control.

Statutory reserve

In accordance with the Company Law of the PRC, companies registered in Chinese Mainland of the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval by the shareholders’ meeting, the

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statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the companies established in Chinese Mainland of the PRC.

Share-based payments reserve

Share-based payments reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in Note 35 to the Historical Financial Information.

Exchange reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial information of entities of which the functional currency is not RMB.

Other reserve

The other reserve mainly represented the share of other comprehensive income of associates.

Treasure shares

	<u>Number of shares</u> ‘000	<u>Amount</u> RMB’000
The Group and the Company:		
At January 1, 2023, December 31, 2023 and 2024	—	—
Shares repurchased during the year ended December 31, 2025	<u>9,800</u>	<u>395,014</u>
At December 31, 2025	<u><u>9,800</u></u>	<u><u>395,014</u></u>

At April 30, 2025, the Company repurchased 9,800,000 issued ordinary shares at a consideration of approximately RMB395,014,000.

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The Company

The amounts of the Company’s reserves and the movements therein for the Track Record Period are presented as follows:

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 33)	Reserves				Total reserves RMB'000	Total equity RMB'000
		Capital reserve RMB'000	Statutory reserve RMB'000	Share based payments reserve RMB'000	Accumulated profits RMB'000		
At January 1, 2023	1,005,503	2,529,962	151,908	32,765	493,238	3,207,873	4,213,376
Loss and total comprehensive expense for the year	—	—	—	—	(17,677)	(17,677)	(17,677)
Transactions with owners:							
Contributions and distributions							
Dividend declared (Note 14)	—	—	—	—	(100,550)	(100,550)	(100,550)
Share-based compensation expenses (Note 35)	—	—	—	20,694	—	20,694	20,694
Total transactions with owners .	—	—	—	20,694	(100,550)	(79,856)	(79,856)
At December 31, 2023	1,005,503	2,529,962	151,908	53,459	375,011	3,110,340	4,115,843
At January 1, 2024	1,005,503	2,529,962	151,908	53,459	375,011	3,110,340	4,115,843
Profit and total comprehensive income for the year	—	—	—	—	255,039	255,039	255,039
Transactions with owners:							
Contributions and distributions							
Dividend declared (Note 14)	—	—	—	—	(150,825)	(150,825)	(150,825)
Appropriation of statutory reserve	—	—	25,504	—	(25,504)	—	—
Share-based compensation expenses (Note 35)	—	—	—	8,622	—	8,622	8,622
Business combination under common control	—	7,882	—	—	—	7,882	7,882
Total transactions with owners .	—	7,882	25,504	8,622	(176,329)	(134,321)	(134,321)
At December 31, 2024	1,005,503	2,537,844	177,412	62,081	453,721	3,231,058	4,236,561
At January 1, 2025	1,005,503	2,537,844	177,412	62,081	453,721	3,231,058	4,236,561
Profit and total comprehensive income for the year	—	—	—	—	545,913	545,913	545,913
Transactions with owners:							
Contributions and distributions							
Shares repurchased	—	(395,014)	—	—	—	(395,014)	(395,014)
Dividend declared (Note 14)	—	—	—	—	(201,100)	(201,100)	(201,100)
Appropriation of statutory reserve	—	—	54,591	—	(54,591)	—	—
Total transactions with owners .	—	(395,014)	54,591	—	(255,691)	(596,114)	(596,114)
At December 31, 2025	1,005,503	2,142,830	232,003	62,081	743,943	3,180,857	4,186,360

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35. SHARE-BASED PAYMENT

Before the Track Record Period, 武漢潤君達企業管理中心(有限合夥) Wuhan Runjunda Enterprise Management Center (Limited Partnership)* (“Runjunda”), a limited partnership that established by Mr. Ma Xinqiang along with the Company’s management team and core employees, and all the partners of 武漢國恒科技投資基金合夥企業 (有限合夥) Wuhan Guoheng Technology Investment Fund Partnership (Limited Partnership)* (“Guoheng Fund”), the shareholder of the Company, agreed that if the Group’s consolidated operating profits for the agreed periods achieved certain targets, then Runjunda would be eligible to acquire the fund units at the original value from other partners of the Guoheng Fund (the “Arrangement”).

The fair value of the Arrangement was approximately RMB62,081,000 and to be recognized over three years from the date of grant (i.e. 27 May 2021). Share-based payment expenses of approximately RMB20,694,000, RMB8,622,000 and nil were recognized in profit or loss for the years ended 31 December 2023, 2024 and 2025, respectively.

36. NON-CONTROLLING INTERESTS

Details of the Group’s subsidiaries that have material non-controlling interests are set out below:

	At December 31,	Percentage of equity interest held by non- controlling interests	Profit (Loss) for the year allocated to non-controlling interests	Dividends paid to non- controlling interests	Accumulated balances of non-controlling interests
			RMB’000	RMB’000	RMB’000
湖北瑞創信達光電有限公司 Hubei Ruichuang Xinda Optoelectronics Co., Ltd.* and its subsidiaries (collectively referred to as “Hubei Ruichuang”)	2023	47.63%	4,120	—	83,275
	2024	47.63%	(17,180)	—	80,147
	2025	47.63%	(18,706)	—	61,441

* English translation is for identification purpose only.

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The following tables illustrate the summarized financial information of the above material non-controlling interests. The amounts disclosed are before any inter-company eliminations:

Hubei Ruichuang

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets	87,210	172,650	136,781
Current assets	155,738	180,083	137,069
Current liabilities	(67,656)	(165,575)	(144,038)
Non-current liabilities	(442)	(18,876)	(806)
Net assets	<u>174,850</u>	<u>168,282</u>	<u>129,006</u>
Carrying amounts of non-controlling interests	<u>83,275</u>	<u>80,147</u>	<u>61,441</u>
Revenue	132,399	139,722	148,022
Other costs and expenses	<u>(123,749)</u>	<u>(175,795)</u>	<u>(187,298)</u>
Profit (Loss) and total comprehensive income (expenses)	<u>8,650</u>	<u>(36,073)</u>	<u>(39,276)</u>
Total comprehensive income (expenses) for the year attributable to non-controlling interests	<u>4,120</u>	<u>(17,180)</u>	<u>(18,706)</u>
Dividend paid to non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>
Net cash flow from (used in):			
Operating activities	<u>9,514</u>	<u>20,921</u>	<u>(17,233)</u>
Investing activities	<u>(8,395)</u>	<u>(66,429)</u>	<u>27,709</u>
Financing activities	<u>9,879</u>	<u>29,200</u>	<u>(11,600)</u>

Aggregate information of non-controlling interests that are not individually material

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The Group’s share of profit or loss	(8,308)	(484)	2,379
The Group’s share of other comprehensive income (expenses) .	<u>109</u>	<u>15</u>	<u>(8)</u>
The Group’s share of total comprehensive (expenses) income .	<u>(8,199)</u>	<u>(469)</u>	<u>2,371</u>
Aggregate carrying amount of the Group’s non-controlling interests	<u>20,151</u>	<u>20,062</u>	<u>18,493</u>

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37. INVESTMENT IN SUBSIDIARIES

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	3,796,378	3,816,548	4,011,548
Less: Impairment	(1,374)	(1,374)	(1,374)
	<u>3,795,004</u>	<u>3,815,174</u>	<u>4,010,174</u>

Particulars of the principal subsidiaries, which are directly/indirectly owned by the Company, are included in Note 1 to the Historical Financial Information.

38. LOANS TO A SUBSIDIARY

The amount represents two loans to a subsidiary, Xiaogan Huagong. One loan with a principal amount of RMB55,000,000 carried a fixed interest rate of 1.2% per annum and repayable by instalment until March 6, 2027. Another loan with a principal amount of RMB50,000,000 carried a variable interest rate at LPR minus 1.25% per annum and repayable on October 15, 2025.

	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loans to a subsidiary	<u>86,000</u>	<u>74,000</u>	<u>12,000</u>
Analyzed by:			
Non-current portion	74,000	12,000	12,000
Current portion	<u>12,000</u>	<u>62,000</u>	<u>—</u>
	<u>86,000</u>	<u>74,000</u>	<u>12,000</u>

39. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets/modification of the right-of-use assets and lease liabilities of approximately RMB5,034,000, RMB40,072,000 and RMB65,336,000, respectively, in respect of lease agreements.

During the years ended December 31, 2023, 2024 and 2025, the Group discounted the bills receivables at FVOCI to the banks to settle trade and other payables of approximately RMB69,980,000, RMB98,443,000 and RMB192,622,000, respectively.

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(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group’s liabilities arising from financing activities are as follows:

Year ended December 31, 2023

	At January 1, 2023	Cash flows, net	Non-cash changes			At December 31, 2023
			Additions	Early termination of leases	Interest expenses	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing						
borrowings	2,948,462	(325,526)	—	—	90,923	2,713,859
Lease liabilities	56,029	(18,384)	5,034	(19,252)	1,991	25,418
	<u>3,004,491</u>	<u>(343,910)</u>	<u>5,034</u>	<u>(19,252)</u>	<u>92,914</u>	<u>2,739,277</u>

Year ended December 31, 2024

	At January 1, 2024	Cash flows, net	Non-cash changes			At December 31, 2024
			Additions	Early termination of leases	Interest expenses	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing						
borrowings	2,713,859	693,744	—	—	71,260	3,478,863
Lease liabilities	25,418	(24,134)	40,072	(6,552)	1,578	36,382
	<u>2,739,277</u>	<u>669,610</u>	<u>40,072</u>	<u>(6,552)</u>	<u>72,838</u>	<u>3,515,245</u>

Year ended December 31, 2025

	At January 1, 2025	Cash flows, net	Non-cash changes			At December 31, 2025
			Additions	Early termination of leases	Interest expenses	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing						
borrowings	3,478,863	(556,800)	—	—	71,377	2,993,440
Note payables	—	1,000,000	—	—	4,579	1,004,579
Lease liabilities	36,382	(22,627)	65,336	(878)	1,592	79,805
	<u>3,515,245</u>	<u>420,573</u>	<u>65,336</u>	<u>(878)</u>	<u>77,548</u>	<u>4,077,824</u>

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40. ACQUISITION ON SUBSIDIARIES

(a) Guangxi Huagongda

On September 30, 2024, the Group acquired 65% equity interest in 廣西華工大科技發展有限公司 Guangxi Huagong University Technology Development Co., Ltd.* (“Guangxi Huagongda”), which is engaged in provision of technical services. As a result of the business combination, the Group is expected to diversify its business opportunities and enhance the product mix. The Group has selected to measure the non-controlling interest at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The following summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognized at the date of acquisition:

	RMB’000
Consideration:	
Cash paid	996
	RMB’000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	186
Deferred tax assets	1
Trade and other receivables	63
Bank balances and cash	642
Other payables and accruals	(110)
Deferred income	(13)
Total identifiable net assets	769
Non-controlling interests	(269)
Goodwill arising on acquisition	496
	996
	RMB’000
Net cash outflow on acquisition of a subsidiary:	
Net cash acquired from the subsidiary	642
Consideration paid	(996)
	(354)

The goodwill arising from the acquisition is attributable to the synergies and economies of scale expected to arise from the business combinations. Assets included in this balance consist of customer loyalty and assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes. For the year ended December 31, 2025, the Group performed an impairment assessment and considered the goodwill is no longer recoverable, therefore the Group recognized an impairment loss of RMB496,000 in profit or loss.

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Since acquisition, the acquired business has contributed approximately RMB118,000 to the revenue and loss of approximately RMB358,000 to results of the Group respectively for the year ended December 31, 2024. For the year ended December 31, 2025, the acquired business has contributed approximately RMB536,000 to the revenue and loss of approximately RMB537,000 to results of the Group respectively.

The following summarizes the effects on revenue and loss for the Group if the business combinations effected during the Track Record Period had been taken place at the beginning of the Track Record Period:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	874	582	536
Net losses	(557)	(938)	(537)

(b) Hubei Ruichuang

On September 30, 2024, the Group further acquired a 9.68% interest in Hubei Ruichuang by injecting the property, plant and equipment held by the Group. Combined with the 42.69% interest originally held by the Company’s wholly-owned subsidiary, 武漢華工正源光子技術有限公司 Wuhan HGGenuine Optics Tech Co., Ltd.*, there would be a total of 52.37% interest held by the Group and in such became business combination under common control since Hubei Ruichuang have been controlling by the same ultimate controlling party of the Company. Hubei Ruichuang is engaged in development, manufacturing and sales of optical communication products under connection business unit. The acquisition was made as part of the Group’s development strategy and enhancement of the product mix. The purchase consideration of approximately RMB29,505,000 was based on the fair value valuation of the property, plant and equipment.

The carrying amounts of the assets and liabilities of Hubei Ruichuang as at the date of acquisition were as follows:

	Carrying amounts on acquisition RMB’000
Property, plant and equipment	114,424
Intangible assets	10,052
Long-term prepayment	14,707
Deferred tax assets	862
Inventories	30,349
Trade and other receivables	144,460
Bank balances and cash	22,423
Trade and bills payables	(84,320)
Other payables and accruals	(4,130)
Contract liabilities	(165)
Interest-bearing borrowings	(40,000)
Deferred income	(317)
Total net assets at carrying amounts	208,345

* English translation is for identification purpose only.

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Due to the application of merger accounting for business combination involving business under common control, the financial information of Hubei Ruichuang was included in the Historical Financial Information since January 1, 2023, the earliest date of the reporting period included in the Historical Financial Information.

	RMB’000
Fair value of the property, plant and equipment being injected on September 30, 2024 . . .	29,505
Percentage of shareholdings being held by non-controlling interest at September 30, 2024 .	<u>47.627%</u>
Deemed contribution from non-controlling interests	<u>14,052</u>

41. DISPOSAL OF SUBSIDIARIES

(a) 武漢新瑞創科光電有限公司 Wuhan Xinrui Chuangke Optoelectronics Co., Ltd.* (“Xinrui Chuangke”)

In December 2024, the Group disposed of its 100% interest in Xinrui Chuangke at a consideration of RMB89,120,000. The details are as follows:

	RMB’000
Net assets disposed of:	
Property, plant and equipment	51,231
Trade and other receivables	28,218
Bank balances and cash	113
Trade and bills payables	(16,620)
Other payables and accruals	<u>(58)</u>
Total net assets at carrying amounts	<u>62,884</u>

Consideration received:	
Cash consideration	<u>89,120</u>

Analysis of net inflow of cash and cash equivalents in respect of disposal of Xinrui Chuangke:

	RMB’000
Cash consideration received	89,120
Cash and cash equivalents disposed	<u>(113)</u>
Net cash inflow of cash and cash equivalents	<u>89,007</u>

	RMB’000
Gain on disposal of Xinrui Chuangke:	
Cash consideration received	89,120
Net assets disposed of	<u>(62,884)</u>
	<u>26,236</u>

* English translation is for identification purpose only.

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- (b) 武漢華工瑞源科技創業投資有限公司 Wuhan Huagong Ruiyuan Technology Venture Capital Co. Ltd.*
 (“Wuhan Huagong Ruiyuan”)

During the year ended December 31, 2024, the Group disposed of its 70% interest in Wuhan Huagong Ruiyuan at a consideration of RMB7,553,000. The details are as follows:

	RMB’000
Net assets disposed of:	
Interests in associates	1,132
Long-term prepayment	2,000
Other receivables	5
Bank balances and cash	9,658
Other payables and accruals	(994)
Income tax payables	(940)
	<u>(940)</u>
Total net assets at carrying amounts	<u>10,861</u>
Consideration received:	
Cash consideration	<u>7,553</u>
Analysis of net outflow of cash and cash equivalents in respect of disposal of Wuhan Huagong Ruiyuan:	
	RMB’000
Cash consideration received	7,553
Cash and cash equivalents disposed	<u>(9,658)</u>
Net cash outflow of cash and cash equivalents	<u>(2,105)</u>
	RMB’000
Loss on disposal of Wuhan Huagong Ruiyuan:	
Cash consideration received	7,553
Net assets disposed of	(10,861)
Investment retained as an associate at fair value	<u>3,000</u>
	<u>(308)</u>

* English translation is for identification purpose only.

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42. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the Track Record Period.

(a) Related party transactions

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchase of goods			
武漢雲嶺光電股份有限公司 Wuhan Elite Optronics Co., Ltd.* (“Wuhan Elite”) (Note a)	66,327	66,676	116,227
武漢武鋼華工激光大型裝備有限公司 Wuhan Wugang Huagong Laser Large Equipment Co., Ltd.* (“Wugang Huagong”) (Note e)	141	15,828	4,207
武漢華日精密激光股份有限公司 Wuhan Huaray Precision Laser Co., Ltd.* (“Huaray Precision”) (Note e)	58,420	92,471	—
深圳市艾貝特電子科技有限公司 Shenzhen Anewbest Electronic Technology Co., Ltd* (“Shenzhen Anewbest”) (Note f)	3,950	—	—
寶雞華工激光科技有限公司 Baoji Huagong Laser Technology Co., Ltd.* (“Baoji Huagong”) (Note e)	9,029	8,436	4,390
華工數智(武漢)科技有限公司 Wuhan Shitu Technology Co., Ltd.* (“Wuhan Shitu”) (Note e)	—	—	6,775
Provision of fund management service			
武漢東湖創新科技投資有限公司 Wuhan Donghu Innovation Technology Investment Co., Ltd.* (Note b)	—	1,920	1,920
武漢華工瑞源創業投資基金合夥企業(有限合夥) Wuhan Huagong Ruiyuan Venture Capital Fund Partnership Enterprise (Limited Partnership)* (Note e)	—	3,960	—
武漢華工瑞源科技創業投資有限公司 Wuhan Huagong Ruiyuan (Notes c and d)	—	450	—

* English translation is for identification purpose only.

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	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Rental income received			
Wuhan Elite (<i>Note a</i>)	9,435	8,536	—
Rental expense paid			
Wuhan Elite (<i>Note a</i>)	—	—	4,899
Fund management services received			
武漢東湖華科投資管理有限公司 Wuhan Donghu Huake Investment Management Co., Ltd.* (<i>Note c</i>)	757	708	—
Wuhan Huagong Ruiyuan (<i>Notes c and d</i>)	—	—	768
Sale of goods			
Wugang Huagong (<i>Note e</i>)	2	16,036	1,202
武漢華工智雲科技有限公司 Wuhan Huagong Zhiyun Technology Co., Ltd.* (<i>Note e</i>)	—	1	3
Huaray Precision (<i>Note e</i>)	3,516	4,470	—
武漢華日科儀激光科技有限公司 Wuhan Huarui Ultra Fast Fiber Laser Technology Co., Ltd.* (<i>Note e</i>)	6	2	—
Baoji Huagong (<i>Note e</i>)	9,065	3,886	4,924
武漢超擎數智科技有限公司 Wuhan Chaoqing Digital Technology Co., Ltd.* (“Wuhan Chaoqing”) (<i>Note f</i>)	3,396	—	—
Wuhan Elite (<i>Note a</i>)	1,455	210	445
上海華工恆銳激光科技有限公司 Shanghai Huagong Hengrui Laser Technology Co., Ltd.* (<i>Note e</i>)	1,680	120	360
凌雲華工智能系統(武漢)有限公司 Lingyun Huagong Intelligent System (Wuhan) Co., Ltd.* (<i>Note e</i>)	—	41,741	14,605

* English translation is for identification purpose only.

Notes:

- (a) Mr. Xiong Wen 熊文, is a director of this related company.
- (b) Ms. Ai Jiao 艾嬌, is a director of this related company.
- (c) Mr. Liu Hanshu 劉含樹, is a director of these related companies.
- (d) Mr. Ma Xinqiang 馬新強, is a director of this related company.
- (e) These are associates of the Group during the Track Record Period.
- (f) These are associates of the Group during the year ended December 31, 2023. Shenzhen Anewbest was disposed entirely during the year ended December 31, 2023 while the shareholding of Wuhan Chaoqing was diluted and resulted in loss of significant influence and became the Group’s financial assets at FVPL during the year ended December 31, 2023.

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(b) Remuneration for key management personnel (including directors) of the Group:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances, discretionary bonus and other			
benefits in kind	15,317	14,272	14,358
Contributions to defined contribution retirement plans . .	462	452	415
	<u>15,779</u>	<u>14,724</u>	<u>14,773</u>

Further details of the directors’ emoluments are set out in Note 10 to the Historical Financial Information.

(c) Balances with related parties

The Group:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade and other receivables, net of loss allowance	10,258	16,473	9,210
Prepayments	528	3,747	8
Other receivables, net of loss allowance	211	680	930
Contract assets, net of loss allowance	1,625	12,194	11,748
	<u>12,622</u>	<u>33,094</u>	<u>21,896</u>
Trade payables	43,998	55,852	12,427
Other payables and accruals	6,009	802	2,791
Contract liabilities	7,779	3,451	1,013
	<u>57,786</u>	<u>60,105</u>	<u>16,231</u>

The Company:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other receivables, net of loss allowance	106	82	—
Trade payables	—	—	2,710
Other payables and accruals	—	161	—

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise financial assets at FVPL, equity instruments at FVOCI, bills receivables at FVOCI, time deposits, restricted bank deposits bank balances and cash, financial liabilities at FVPL, interest-bearing borrowings, notes payables and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group’s operations. The Group has various other financial instruments such as trade and other receivables, trade and bills payables and other payables and accruals, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
<i>Financial assets — at fair value</i>			
Financial assets at FVPL	150,469	274,587	303,311
Equity instruments at FVOCI	5,300	5,300	5,300
Bills receivables at FVOCI	527,926	496,623	660,066
<i>Financial assets — at amortized cost</i>			
Financial assets included in trade and other receivables	4,475,600	5,646,103	5,113,997
Time deposits	2,060,214	2,583,481	2,616,220
Restricted bank deposits	182,076	119,569	222,309
Bank balances and cash	4,214,182	4,382,584	4,336,068
	<u>11,615,767</u>	<u>13,508,247</u>	<u>13,257,271</u>
<i>Financial liabilities — at fair value</i>			
Financial liabilities at FVPL	352	625	—
<i>Financial liabilities — at amortized cost</i>			
Financial liabilities included in trade and bills payables	4,249,545	5,609,623	6,262,372
Financial liabilities included in other payables and accruals	435,703	623,560	345,880
Interest-bearing borrowings	2,713,859	3,478,863	2,993,440
Note payables	—	—	1,004,579
Lease liabilities	25,418	36,382	79,805
	<u>7,424,877</u>	<u>9,749,053</u>	<u>10,686,076</u>

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group’s risk management and limits the Group’s exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits (Note 21), bills receivables at FVOCI (Note 23), interest-bearing borrowings (Note 28), note payables (Note 29) and lease liabilities (Note 30). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 21) and variable-rate interest-bearing borrowings (Note 28). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of LPR arising from the Group’s borrowings. The Group’s exposure to market risk for changes in interest rates relates primarily to the Group’s interest-bearing borrowings of approximately

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RMB1,029,000,000, RMB1,521,361,000 and RMB1,495,341,000 with floating interest rates as at December 31, 2023, 2024, and 2025 respectively. The Group currently does not have a policy to hedge against the interest rate risk as the management does not expect any significant interest rate risk at the end of each reporting period.

As at December 31, 2023, 2024, and 2025, if interest rates had been 0.5% higher/lower and all other variables were held constant, the Group’s profit before taxation would decrease/increase by approximately RMB5,145,000, RMB7,607,000 and RMB7,477,000, respectively for the years ended December 31, 2023, 2024 and 2025. Bank balances (including time deposits) are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from bank balances is insignificant.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred throughout the Track Record Period and had been applied to the exposure to interest rate risk for the closing balance of the interest-bearing borrowings with floating interest rates in existence at the end of each reporting period. The stated changes represent management’s assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

In the opinion of the Group’s management, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Foreign currency risk

The Group’s transactions are mainly denominated in RMB, USD, EUR, AUD, KRW, VND, Hong Kong dollar (“HKD”), THB and Hungarian forint (“HUF”).

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The net carrying amounts of those financial assets and liabilities are analyzed as follows:

At December 31, 2023							
	USD	EUR	AUD	KRW	VND	HKD	THB
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Bank balances	25,981	5,301	11,447	8,165	3,392	220	3
Trade receivables	333,003	9,616	22,264	1,433	326	12,743	—
Trade payables	(8,337)	(119)	(31,476)	—	—	(6,631)	—
Interest-bearing borrowings	—	—	(24)	—	—	—	—
Net exposure	<u>350,647</u>	<u>14,798</u>	<u>2,211</u>	<u>9,598</u>	<u>3,718</u>	<u>6,332</u>	<u>3</u>
At December 31, 2024							
	USD	EUR	AUD	KRW	VND	HKD	THB
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Bank balances	45,143	6,614	6,309	13,352	16,577	—	12,174
Trade receivables	497,742	21,681	20,268	5,950	10,810	—	—
Trade payables	(37,791)	—	(11,528)	(336)	(554)	—	(10,077)
Interest-bearing borrowings	(109,029)	—	—	—	—	—	—
Net exposure	<u>396,065</u>	<u>28,295</u>	<u>15,049</u>	<u>18,966</u>	<u>26,833</u>	<u>—</u>	<u>2,097</u>

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	At December 31, 2025							
	USD	EUR	AUD	KRW	VND	HKD	THB	HUF
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances	197,645	22,724	6,225	7,048	8,141	—	7,229	188
Trade receivables	639,787	52,821	3,558	9,264	41,448	—	—	—
Trade payables	(11,470)	—	(687)	(809)	(4,323)	—	(1,382)	—
Interest-bearing borrowings	—	—	(23)	—	—	—	—	—
Net exposure	825,962	75,545	9,073	15,503	45,266	—	5,847	188

At December 31, 2023, 2024 and 2025, if the exchange rate of foreign currencies had increased/decreased by 3% against the functional currencies of the respective group entities and other variables were held constant, the Group’s profit before taxation would increase/decrease by approximately RMB11,619,000, RMB14,619,000 and RMB29,322,000, respectively for the years ended December 31, 2023, 2024 and 2025.

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group’s exposure to foreign currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management’s assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the Group’s management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Equity price risk

The Group is exposed to price risks arising from equity investments held under financial assets at FVPL amounted to approximately RMB150,469,000, RMB274,587,000 and RMB303,311,000, financial liabilities at FVPL amounted to approximately RMB352,000, RMB625,000 and nil, and equity instruments at FVOCI amounted to approximately RMB5,300,000, RMB5,300,000 and RMB5,300,000 at December 31, 2023, 2024 and 2025, respectively. The management manages this exposure by maintaining a portfolio of investments with different risks and different return profiles. The sensitivity analysis has been determined based on the exposure to equity price risk. At December 31, 2023, 2024 and 2025, if the equity price to the valuation model had been 5% higher/lower while all other variables were held constant, the Group’s profit before taxation would be increased/decreased by approximately RMB7,524,000, RMB13,729,000 and RMB15,166,000, respectively, for the years ended December 31, 2023, 2024 and 2025 due to change in the fair value of financial assets at FVPL and decreased/increased by approximately RMB18,000, RMB31,000 and nil, respectively, for the years ended December 31, 2023, 2024 and 2025 due to change in the fair value of financial liabilities at FVPL. Other reserves would be increased/decreased by approximately RMB265,000, RMB265,000 and RMB265,000, respectively, for the years ended December 31, 2023, 2024 and 2025 as a result of changes in fair value of equity instruments at FVOCI. The Group’s sensitivity to equity price has not changed significantly from the prior years.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the each reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group’s investments would change in accordance with the historical correlation with the relevant stock market index or the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The stated changes represent management’s assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the year until the end of the next reporting period.

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In the opinion of the Group’s management, the sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Credit risk

The carrying amount of financial assets recognized on the consolidated statements of financial position, which is net of impairment loss, represents the Group’s exposure to credit risk on these financial assets without taking into account the credit enhancements.

Trade receivables and contract assets

The Group mainly trades with recognized, creditworthy customers. It is the Group’s policy that credit terms of up to six months are generally allowed to the customers.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The default risk of the industry and place of operation in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group’s own trading records.

At December 31, 2023, 2024 and 2025, the Group had a concentration of credit risk as approximately 10%, 10% and 9% of the total trade receivables was due from the Group’s largest trade debtor, respectively, and approximately 29%, 25% and 24% of the total trade receivables was due from the Group’s five largest trade debtors, respectively.

The Group’s customer base consists of a wide range of customers and the trade receivables and contract assets are categorized by common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognizes loss allowances based on lifetime ECL at each reporting date and 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. The expected loss rate used in the provision matrix is calculated based on actual credit loss experience over the past years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s estimate on future economic conditions over the expected lives of the receivables and contract assets.

The Group does not hold any collateral over trade receivables and contract assets at December 31, 2023, 2024 and 2025.

The Group has categorized its customers into three types based on the credit risk exposure and the historical transaction records.

Prestige customers:	sizable and reputable customers without default of settlement in past three years, or governmental authorities.
Normal customers:	other than prestige customers and risky customers.
Risky customers:	balances with past due more than 12 months and above 15% of the annual transaction amount.

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The information about the exposure to credit risk and ECL for trade receivables and contract assets using provision matrix at December 31, 2023, 2024 and 2025 is summarized as follows:

At December 31, 2023

	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB000	RMB’000
Trade receivables			
Prestige customers	0.40%	1,213,499	4,834
Normal customers	3.34%	2,540,658	84,741
Risky customers	76.00%	<u>387,402</u>	<u>294,409</u>
		<u>4,141,559</u>	<u>383,984</u>
Contract assets			
Prestige customers	0.35%	102,645	360
Normal customers	2.90%	<u>505,576</u>	<u>14,670</u>
		<u>608,221</u>	<u>15,030</u>
		<u><u>4,749,780</u></u>	<u><u>399,014</u></u>

At December 31, 2024

	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Trade receivables			
Prestige customers	0.17%	1,733,118	2,977
Normal customers	3.09%	3,234,717	100,005
Risky customers	82.52%	<u>344,532</u>	<u>284,312</u>
		<u>5,312,367</u>	<u>387,294</u>
Contract assets			
Prestige customers	0.04%	96,968	38
Normal customers	3.14%	<u>488,916</u>	<u>15,328</u>
		<u>585,884</u>	<u>15,366</u>
		<u><u>5,898,251</u></u>	<u><u>402,660</u></u>

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At December 31, 2025

	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Trade receivables			
Prestige customers	0.28%	1,528,681	4,311
Normal customers	3.40%	2,903,773	98,769
Risky customers	87.89%	<u>280,045</u>	<u>246,137</u>
		<u>4,712,499</u>	<u>349,217</u>
Contract assets			
Prestige customers	0.00%	124,704	5
Normal customers	2.47%	<u>593,208</u>	<u>14,625</u>
		<u>717,912</u>	<u>14,630</u>
		<u>5,430,411</u>	<u>363,847</u>

The movement in the loss allowance for trade receivables during the Track Record Period are summarized below.

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the reporting period	350,498	383,984	387,294
Increase (Decrease) in loss allowance, net	44,609	7,350	(25,558)
Amount written-off	<u>(11,123)</u>	<u>(4,040)</u>	<u>(12,519)</u>
At the end of the reporting period	<u>383,984</u>	<u>387,294</u>	<u>349,217</u>

The movement in the loss allowance for contract assets during the Track Record Period are summarized below.

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the reporting period	27,071	15,030	15,366
(Decrease) Increase in loss allowance, net	<u>(12,041)</u>	<u>336</u>	<u>(736)</u>
At the end of the reporting period	<u>15,030</u>	<u>15,366</u>	<u>14,630</u>

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Bills receivables

The information about the exposure to credit risk and ECL for bills receivables using provision matrix based on lifetime ECL at December 31, 2023, 2024 and 2025 is summarized as follows:

At December 31, 2023

	<u>Average expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	<u>%</u>	<u>RMB’000</u>	<u>RMB’000</u>
Bills receivables			
Banks	0%	65,745	—
Prestige customers	0.1%	73,335	73
Normal customers	0.92%	<u>28,471</u>	<u>262</u>
		<u>167,551</u>	<u>335</u>

At December 31, 2024

	<u>Average expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	<u>%</u>	<u>RMB’000</u>	<u>RMB’000</u>
Bills receivables			
Banks	0%	95,287	—
Prestige customers	0%	59,491	—
Normal customers	2.13%	<u>21,087</u>	<u>450</u>
		<u>175,865</u>	<u>450</u>

At December 31, 2025

	<u>Average expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	<u>%</u>	<u>RMB’000</u>	<u>RMB’000</u>
Bills receivables			
Banks	0%	75,777	—
Prestige customers	0%	67,977	—
Normal customers	2%	<u>89,082</u>	<u>1,782</u>
		<u>232,836</u>	<u>1,782</u>

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The movement in the loss allowance for bills receivables during the Track Record Period are summarized below.

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the reporting period	160	335	450
Increase in loss allowance, net	175	115	1,332
At the end of the reporting period	335	450	1,782

Bills receivables at FVOCI

Loss allowance for bills receivables at FVOCI is measured at an amount equal to 12m ECL. The credit risk on bills receivables at FVOCI is limited because the counterparties are banks in Chinese Mainland of the PRC with high credit-ratings assigned by credit rating agencies. In the view of the directors of the Company, the credit risk of bills receivables at FVOCI was minimal and no impairment was provided.

Deposits with financial institutions

The majority of the Group’s time deposits, restricted bank deposits and bank balances are deposited in major financial institutions located in Chinese Mainland of the PRC, which are of high credit rating. The management of the Group considers the credit risk is limited and no loss allowance was recognized during the Track Record Period.

Other receivables

The management of the Group considers that the other receivables have low credit risk based on the borrowers’ strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

The Group has categorized its other receivables into two types based on the credit risk exposure and the historical transaction records.

Performing: not in default and no significant increase in credit risk.

Not performing: in default and credit-impaired.

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There was no change in the estimation techniques or significant assumptions made during the Track Record Period. The gross carrying amounts of the financial assets, by credit risk rating grades, are as follows:

At December 31, 2023

<u>Internal credit rating</u>	<u>Basis of ECL</u>	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000	<u>Net carrying amount</u> RMB’000
Performing	12-month	143,977	(26,873)	117,104
Not performing	Lifetime	37,074	(37,074)	—
		<u>181,051</u>	<u>(63,947)</u>	<u>117,104</u>

At December 31, 2024

<u>Internal credit rating</u>	<u>Basis of ECL</u>	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000	<u>Net carrying amount</u> RMB’000
Performing	12-month	123,208	(25,865)	97,343
Not performing	Lifetime	36,469	(36,469)	—
		<u>159,677</u>	<u>(62,334)</u>	<u>97,343</u>

At December 31, 2025

<u>Internal credit rating</u>	<u>Basis of ECL</u>	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000	<u>Net carrying amount</u> RMB’000
Performing	12-month	200,465	(24,923)	175,542
Not performing	Lifetime	36,474	(36,474)	—
		<u>236,939</u>	<u>(61,397)</u>	<u>175,542</u>

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At December 31, 2023, 2024 and 2025, the management assessed certain other receivables had a significant increase in credit risk due to the deterioration of financial position of the counterparty and life-time ECL was recognized at approximately RMB37,074,000, RMB36,469,000 and RMB36,474,000 respectively. The movement in the loss allowance for other receivables during the Track Record Period is summarized below.

For the year ended December 31, 2023

	<u>12-month ECL</u>	<u>Lifetime ECL</u>	
	<u>Performing</u>	<u>Not performing</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At the beginning of the reporting period	24,469	37,074	61,543
Increase in allowance, net	<u>2,404</u>	<u>—</u>	<u>2,404</u>
At the end of the reporting period	<u>26,873</u>	<u>37,074</u>	<u>63,947</u>

For the year ended December 31, 2024

	<u>12-month ECL</u>	<u>Lifetime ECL</u>	
	<u>Performing</u>	<u>Not performing</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At the beginning of the reporting period	26,873	37,074	63,947
(Decrease)/Increase in allowance, net	<u>(1,008)</u>	<u>(605)</u>	<u>(1,613)</u>
At the end of the reporting period	<u>25,865</u>	<u>36,469</u>	<u>62,334</u>

For the year ended December 31, 2025

	<u>12-month ECL</u>	<u>Lifetime ECL</u>	
	<u>Performing</u>	<u>Not performing</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At the beginning of the reporting period	25,865	36,469	62,334
Increase in allowance, net	3,137	5	3,142
Disposal of a subsidiary	<u>(4,079)</u>	<u>—</u>	<u>(4,079)</u>
At the end of the reporting period	<u>24,923</u>	<u>36,474</u>	<u>61,397</u>

The Group does not hold any collateral over the balances.

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Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group’s financial liabilities and lease liabilities at the end of each Track Record Period, based on the contractual undiscounted payments, is summarized below:

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 5 years
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2023					
Trade and bills payables	4,249,545	4,249,545	4,249,545	—	—
Other payables and accruals . . .	435,703	435,703	435,703	—	—
Interest-bearing borrowings . . .	2,713,859	2,807,730	253,128	1,085,073	1,469,529
Lease liabilities	25,418	26,711	13,378	7,795	5,538
	<u>7,424,525</u>	<u>7,519,689</u>	<u>4,951,754</u>	<u>1,092,868</u>	<u>1,475,067</u>
At December 31, 2024					
Trade and bills payables	5,609,623	5,609,623	5,609,623	—	—
Other payables and accruals . . .	623,560	623,560	623,560	—	—
Interest-bearing borrowings . . .	3,478,863	3,530,902	1,527,869	1,658,414	344,619
Lease liabilities	36,382	38,014	23,517	9,862	4,635
	<u>9,748,428</u>	<u>9,802,099</u>	<u>7,784,569</u>	<u>1,668,276</u>	<u>349,254</u>
At December 31, 2025					
Trade and bills payables	6,262,372	6,262,372	6,262,372	—	—
Other payables and accruals . . .	345,880	345,880	345,880	—	—
Note payables	1,004,579	1,013,279	1,013,279	—	—
Interest-bearing borrowings . . .	2,993,440	3,049,567	1,843,130	848,786	357,651
Lease liabilities	79,805	87,905	23,145	14,748	50,012
	<u>10,686,076</u>	<u>10,759,003</u>	<u>9,487,806</u>	<u>863,534</u>	<u>407,663</u>

44. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Historical Financial Information on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13 “Fair Value Measurement” with the fair value measurement categorized in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the asset or liability

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(a) Assets/liabilities measured at fair value

At December 31, 2023			
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Financial assets at FVPL	18,935	—	131,534
Equity instruments at FVOCI	—	—	5,300
Bills receivables at FVOCI	—	527,926	—
Financial liabilities at FVPL	352	—	—
At December 31, 2024			
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Financial assets at FVPL	372	—	274,215
Equity instruments at FVOCI	—	—	5,300
Bills receivables at FVOCI	—	496,623	—
Financial liabilities at FVPL	625	—	—
At December 31, 2025			
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Financial assets at FVPL	902	—	302,409
Equity instruments at FVOCI	—	—	5,300
Bills receivables at FVOCI	—	660,066	—

During the Track Record Period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers out of Level 3 fair value measurements. The details of the movements of the recurring fair value measurements categorized as Level 3 of the fair value hierarchy are as follows:

Movements in Level 3 fair value measurements

For the year ended December 31, 2023

	Financial assets at FVPL	Equity instruments at FVOCI	Total
	RMB'000	RMB'000	RMB'000
At beginning of the reporting period	96,039	5,300	101,339
Total gains or losses in profit or loss reported under “other gains (losses), net”	80,585	—	80,585
Additions/Transfers into level 3 due to deemed disposal of an associate	32,003	—	32,003
Disposals	(77,093)	—	(77,093)
At the end of the reporting period	131,534	5,300	136,834

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For the year ended December 31, 2024

	Financial assets at FVPL	Equity instruments at FVOCI	Total
	RMB'000	RMB'000	RMB'000
At beginning of the reporting period	131,534	5,300	136,834
Total gains or losses in profit or loss reported under “other gains (losses), net”	38,525	—	38,525
Additions/Transfers into level 3 due to deemed disposal of an associate	104,156	—	104,156
At the end of the reporting period	274,215	5,300	279,515

For the year ended December 31, 2025

	Financial assets at FVPL	Equity instruments at FVOCI	Total
	RMB'000	RMB'000	RMB'000
At beginning of the reporting period	274,215	5,300	279,515
Total gains or losses in profit or loss reported under “other gains (losses), net”	27,994	—	27,994
Additions	5,000	—	5,000
Disposals	(4,800)	—	(4,800)
At the end of the reporting period	302,409	5,300	307,709

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

In assessing the fair values of the financial assets under Level 3 fair value measurement, the management of the Company has considered all the available information, including but not limited to, the latest management accounts, market research and valuation reports, where applicable. Among these financial assets, the significant unobservable inputs are long-term growth rate and discount rate, while the valuation techniques used in Level 3 fair value measurement are mainly income approach.

At December 31, 2023, 2024 and 2025, if carrying amounts of financial assets at FVPL or equity instruments at FVOCI under Level 3 fair value measurement had been higher/lower by 5% while other variables were held constant, the Group’s profit before taxation would increase/decrease by approximately RMB6,577,000, RMB13,711,000 and RMB15,120,000, or the Group’s other reserves would increase/decrease by approximately RMB265,000, RMB265,000 and RMB265,000, respectively for the years ended December 31, 2023, 2024 and 2025.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

All financial assets and financial liabilities are carried at amounts not materially different from their fair values as at December 31, 2023, 2024, and 2025.

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45. CAPITAL MANAGEMENT

The objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Track Record Period.

46. RETIREMENT BENEFITS PLANS

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

For the Track Record Period, the total amount provided by the Group to the scheme or plans in Chinese Mainland of the PRC and charged to profit or loss are approximately RMB75,155,000, RMB89,779,000 and RMB96,873,000, respectively. The total amount provided by the Group to the scheme or plans in other jurisdictions and charged to profit or loss are approximately RMB1,665,000, RMB1,733,000 and RMB2,428,000, respectively.

In addition to the above, the Group also participates into similar scheme in locations other than Chinese Mainland of the PRC.

47. TRANSFER OF ASSETS

The following were the Group’s financial assets as at December 31, 2023, 2024 and 2025 that were transferred to banks or suppliers by discounting/endorsing commercial acceptance bills on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognize the full carrying amount. These financial assets are carried at amortized cost in the consolidated statement of financial position.

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount of transferred assets	89,648	35,733	222,229
Carrying amount of associated liabilities	(89,648)	(35,733)	(222,229)
Net position	—	—	—

At December 31, 2023, 2024 and 2025, the Group had derecognized bank acceptance bills discounted to banks on a full recourse basis amounting to approximately RMB69,980,000, RMB98,443,000 and RMB192,622,000, respectively. These bank acceptance bills were issued or guaranteed by reputable banks in Chinese Mainland of the PRC with high credit ratings, therefore the directors of the Company considered the substantial risks in relation to these bank acceptance bills were interest risk as the credit risk arising from these bank acceptance bills were minimal, the Group had transferred substantially all the risks of these bank acceptance bills to relevant banks or suppliers. However, if the bank acceptance bills cannot be accepted at maturity, the banks or suppliers have the right to require the Group pay off the outstanding balance. Therefore, the Group continued involve in them.

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48. PLEDGE OF ASSETS

The Group’s certain assets have been pledged to secure bills payables. The carrying amounts of the pledged assets of the Group as at December 31, 2023, 2024 and 2025 are as follows:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	20,420	59,008	47,034
Bills receivables	124,266	139,535	95,914
Bills receivables at FVOCI	310,010	122,603	248,857
	<u>454,696</u>	<u>321,146</u>	<u>391,805</u>

The Company’s certain assets have been pledged to secure bills payables. The carrying amounts of the pledged assets of the Company as at December 31, 2023, 2024 and 2025 are as follows:

	At December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivables	<u>16,548</u>	<u>32,654</u>	<u>8,172</u>

49. CONTINGENT LIABILITIES

As at December 31, 2023, 2024 and 2025, neither the Group nor the Company had any significant contingent liabilities.

50. COMMITMENTS

Capital expenditure commitments

As at December 31, 2023, 2024 and 2025, neither the Group nor the Company had any significant capital commitments.

51. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2025, save as disclosed elsewhere in the Historical Financial Information, the Group has the following subsequent events:

The final dividends of RMB2.5 per 10 shares (tax inclusive), approximately RMB248,926,000, in respect of the year ended December 31, 2025 were proposed by the board of directors, based on 995,702,707 shares after excluding 9,800,000 shares repurchased on April 30, 2025 from 1,005,502,707 shares issued and paid-up as at December 31, 2025.