
APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-47, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[Logo]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUNAN MINGZHU MINING CHEMICAL TECHNOLOGY CO., LTD. AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Hunan Mingzhu Mining Chemical Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-47, which comprises the consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025, the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-47 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

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

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

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

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

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

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards as issued by International Accounting Standards Board (the "**IASB**") and were audited by us in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board ("**Underlying Financial Statements**").

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	6	229,586	259,214	323,728
Cost of sales.		(164,094)	(186,963)	(227,420)
Gross profit		65,492	72,251	96,308
Other income	7	4,876	2,704	2,748
Other gains and losses, net	8	(117)	(178)	(785)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		759	7	181
Selling and distribution costs		(3,240)	(2,574)	(2,979)
Administrative and other operating expenses.		(9,962)	(8,582)	(9,496)
Research and development expenses		(6,828)	(5,395)	(4,293)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	9	(79)	(137)	(79)
Profit before tax		50,901	58,096	77,628
Income tax expense.	10	(6,912)	(8,672)	(11,032)
Profit and total comprehensive income for the year	11	<u>43,989</u>	<u>49,424</u>	<u>66,596</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		43,989	49,395	66,416
Non-controlling interests		–	29	180
		<u>43,989</u>	<u>49,424</u>	<u>66,596</u>
Earnings per share	14			
Basic (RMB)		<u>0.92</u>	<u>0.99</u>	<u>1.33</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	15	66,670	62,834	59,973
Right-of-use assets	16	14,043	13,693	13,343
Intangible assets	17	29	523	495
Deferred tax assets	18	655	645	594
		<u>81,397</u>	<u>77,695</u>	<u>74,405</u>
Current assets				
Inventories	19	15,368	15,912	16,602
Trade and bills receivables	20	25,930	42,165	48,327
Prepayments, deposits and other receivables	21	7,664	12,970	7,999
Financial assets at fair value through profit or loss	22	12,529	14,531	–
Amounts due from related parties . . .	23	33,566	34,210	8
Pledged bank deposits		3	3	3
Bank balances and cash	24	4,027	20,685	42,250
		<u>99,087</u>	<u>140,476</u>	<u>115,189</u>
Current liabilities				
Trade payables	25	6,391	8,136	6,306
Other payables and accrued charges . .	25	36,589	39,246	17,863
Contract liabilities	26	5,829	9,074	4,336
Income tax payable		5,934	6,869	6,639
Amounts due to related parties	23	–	55	2
Borrowings	27	2,000	3,000	–
		<u>56,743</u>	<u>66,380</u>	<u>35,146</u>
Net current assets		<u>42,344</u>	<u>74,096</u>	<u>80,043</u>
Net assets		<u><u>123,741</u></u>	<u><u>151,791</u></u>	<u><u>154,448</u></u>
Capital and reserves				
Share capital	28	50,000	50,000	50,000
Reserves		73,741	100,896	104,448
Equity attributable to owners of the Company		123,741	150,896	154,448
Non-controlling interests		–	895	–
Total equity		<u><u>123,741</u></u>	<u><u>151,791</u></u>	<u><u>154,448</u></u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	15	55,136	52,054	49,916
Right-of-use assets.	16	14,043	13,693	13,343
Intangible assets	17	29	523	495
Investments in subsidiaries	38	13,400	14,540	15,400
Deferred tax asset	18	652	542	580
		<u>83,260</u>	<u>81,352</u>	<u>79,734</u>
Current assets				
Inventories	19	15,366	15,004	16,325
Trade and bills receivables	20	24,820	41,886	48,327
Prepayments, deposits and other receivables	21	6,716	10,914	6,952
Financial assets at fair value through profit or loss	22	12,529	14,531	–
Amounts due from subsidiaries	23	677	2,917	19
Amounts due from related parties	23	33,566	33,202	–
Pledged bank deposits.		3	3	3
Bank balances and cash	24	3,456	17,030	38,729
		<u>97,133</u>	<u>135,487</u>	<u>110,355</u>
Current liabilities				
Trade payables	25	6,389	8,134	6,304
Other payables and accrued charges	25	36,366	38,821	17,638
Contract liabilities	26	5,696	7,033	4,336
Income tax payable		5,934	6,869	6,641
Amounts due to related parties	23	–	55	2
Borrowings	27	2,000	3,000	–
		<u>56,385</u>	<u>63,912</u>	<u>34,921</u>
Net current assets		<u>40,748</u>	<u>71,575</u>	<u>75,434</u>
Net assets		<u>124,008</u>	<u>152,927</u>	<u>155,168</u>
Capital and reserves				
Share capital	28	50,000	50,000	50,000
Reserves.	37	74,008	102,927	105,168
Total equity		<u>124,008</u>	<u>152,927</u>	<u>155,168</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Statutory reserves	Special reserves	Retained profits	Sub-total		
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB'000		
At 1 January 2023	43,948	10,961	6,215	71,431	132,555	-	132,555
Profit and total comprehensive income							
for the year	-	-	-	43,989	43,989	-	43,989
Transfer to statutory reserves	-	4,229	-	(4,229)	-	-	-
Capital contribution	6,052	-	-	-	6,052	-	6,052
Provision for safety fund surplus reserve	-	-	1,694	(1,694)	-	-	-
Dividend recognised as distribution (Note 13)	-	-	-	(58,855)	(58,855)	-	(58,855)
At 31 December 2023	50,000	15,190	7,909	50,642	123,741	-	123,741
Profit and total comprehensive income							
for the year	-	-	-	49,395	49,395	29	49,424
Transfer to statutory reserves	-	4,919	-	(4,919)	-	-	-
Provision for safety fund surplus reserve	-	-	1,964	(1,964)	-	-	-
Dividend recognised as distribution (Note 13)	-	-	-	(22,240)	(22,240)	-	(22,240)
Non-controlling interests arising on acquisitions of subsidiaries	-	-	-	-	-	206	206
Capital contributions by non-controlling shareholders	-	-	-	-	-	660	660
At 31 December 2024	50,000	20,109	9,873	70,914	150,896	895	151,791

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	Attributable to owners of the Company						
	Share capital	Statutory reserves	Special reserves	Retained profits	Sub-total	Non-controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note i)</i>	<i>RMB'000</i> <i>(Note ii)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit and total comprehensive income							
for the year	-	-	-	66,416	66,416	180	66,596
Transfer to statutory reserves	-	4,891	-	(4,891)	-	-	-
Provision for safety fund surplus reserve.	-	-	(335)	335	-	-	-
Dividend recognised as							
distribution (<i>Note 13</i>)	-	-	-	(62,864)	(62,864)	-	(62,864)
Dividend distributed to non-controlling							
shareholder of a subsidiary	-	-	-	-	-	(215)	(215)
Acquisition of additional interest							
in a subsidiary	-	-	-	-	-	(860)	(860)
At 31 December 2025	<u>50,000</u>	<u>25,000</u>	<u>9,538</u>	<u>69,910</u>	<u>154,448</u>	<u>-</u>	<u>154,448</u>

Note i: Pursuant to applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the relevant entity.

Note ii: Pursuant to regulations issued by the Ministry of Finance and the State Administration of Work Safety of the People’s Republic of China, PRC entity is required to accrue a statutory safety reserve — calculated at tiered rates of 0.55% to 4.5% of the preceding fiscal year’s total revenue from its after-tax profit. The reserve is strictly designated for expenditures directly related to occupational safety and health enhancement in production activities.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
OPERATING ACTIVITIES				
Profit before tax		50,901	58,096	77,628
Adjustments for:				
Depreciation of property, plant and equipment		6,776	7,700	7,939
Depreciation of right-of-use assets		350	350	350
Amortisation of intangible assets		2	27	28
Loss on disposals of property, plant and equipment		–	165	609
Loss (gain) from changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		74	(2)	–
Impairment losses under ECL model, net of reversal		(759)	(7)	(181)
Interest income		(973)	(666)	(925)
Finance costs		79	137	79
Operating cash flows before movements in working capital		56,450	65,800	85,527
Increase in inventories		(1,047)	(544)	(690)
Decrease (increase) in trade and other receivables		3,992	(21,391)	(77)
Decrease in trade and other payables		(6,238)	(328)	(12,397)
Increase (decrease) in contract liabilities		3,258	3,245	(4,738)
Increase (decrease) in amounts due to related parties		–	55	(53)
Cash generated from operations		56,415	46,837	67,572
Income tax paid		(14,633)	(7,727)	(11,211)
NET CASH FROM OPERATING ACTIVITIES		41,782	39,110	56,361

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	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES				
Interest received		973	666	925
Proceeds on disposal of property, plant and equipment		4	–	67
Purchases of property, plant and equipment		(4,558)	(4,423)	(8,455)
Purchases of intangible assets		–	(521)	–
Purchases of financial assets at FVTPL		(93,155)	(66,000)	(241,000)
Redemption of financial assets at FVTPL		104,335	64,000	255,531
Advance to shareholders		(76,916)	(332)	(27,090)
Repayment from shareholders		29,433	1,350	61,292
Advance to a related party		(290)	–	–
Repayment from a related party		290	–	–
Repayment of loans by the Controlling Shareholder on behalf of a third party		–	850	–
Cash outflow on acquisition of a subsidiary	32	–	(494)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(39,884)	(4,904)	41,270
FINANCING ACTIVITIES				
Dividends paid		(9,200)	(18,649)	(70,847)
Interest paid		(79)	(137)	(79)
New bank borrowings raised		11,500	4,200	4,800
Repayment of bank borrowings		(9,500)	(3,200)	(7,800)
Deferred [REDACTED] paid		–	–	(1,280)
Acquisition of non-controlling interests		–	–	(860)
Capital contributions from a shareholder		6,052	238	–
NET CASH USED IN FINANCING ACTIVITIES		(1,227)	(17,548)	(76,066)
NET INCREASE IN CASH AND CASH EQUIVALENTS		671	16,658	21,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,356	4,027	20,685
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,027	20,685	42,250

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hunan Mingzhu Mining Chemical Technology Co., Ltd. (formerly known as Hunan Mingzhu Flotation Reagents Co., Ltd.) (the “**Company**”) was incorporated in the People’s Republic of China (“**the PRC**”) on 4 March 2010. On 16 March 2026, the Company was converted from a limited liability company into a joint stock limited liability company. The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the [REDACTED]. The Company’s ultimate controlling party is Ms. Diao Huali.

The Group is engaged in the manufacturing and sales of flotation reagents and other speciality chemical for the mining industry.

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

The statutory financial statements of the Company for the years ended 31 December 2023 and 2024 are prepared in accordance with relevant accounting principles applicable to PRC enterprises and audited by Hunan Xiaoxiang Certified Public Accountant Firm (湖南瀟湘會計師事務所) and Hunan Branch of Guangdong Zhong Yicheng Certified Public Accountants (Special General Partnership) (廣東中翼誠會計師事務所(特殊普通合伙)湖南分所) respectively, both are certified public accountants registered in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on accounting policies that conform with IFRS Accounting Standards as issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in material accounting policy information set out in note 4 below.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on 1 January 2025 throughout the Track Record Period.

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

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

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

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

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

The application of IFRS 18 has no impact on the Group’s financial position and financial performance, but has impact on presentation of the consolidated statement of profit or loss and other comprehensive income. Except for IFRS 18, the directors of the Company anticipate that the application of all these amendments to IFRS Accounting Standards will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group’s interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Leases

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

The cost of right-of-use asset represents the lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Research and development costs

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and bills and other receivables, amounts due from related parties, amounts due from subsidiaries, pledged bank deposits, and bank balances) which are subject to impairment assessment. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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Significant increase in credit risk

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

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

Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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).

Irrespective of the above, 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.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

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

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Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies which are described in Note 4, the directors of the Group are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Assessment of net realisable value of inventories

Inventories are stated at the lower of cost and net realisable values. The management of the Group is required to exercise judgment in identifying slow-moving and obsolete inventories and to determine the write-down of inventories based on the latest selling prices and market conditions at the end of the year. The identification of slow-moving and obsolete inventories is based on the aged analysis of inventory and recent or subsequent usages/sales. Actual net realisable values being lower than expectation will impact the carrying amounts of inventories.

At 31 December 2023, 2024 and 2025, the carrying amount of the Group’s inventories are RMB15,368,000, RMB15,912,000 and RMB16,602,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Types of goods or services</i>			
Sales of flotation reagents-related products			
– Collectors	189,497	213,390	258,764
– Modifiers.	23,108	29,676	39,548
– Frothers	12,569	11,717	19,889
– Other reagents.	3,829	4,145	4,364
	229,003	258,928	322,565
Services fees	583	286	1,163
	<u>229,586</u>	<u>259,214</u>	<u>323,728</u>
<i>Geographical markets</i>			
PRC	186,738	208,342	259,591
Overseas	42,848	50,872	64,137
	<u>229,586</u>	<u>259,214</u>	<u>323,728</u>

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Performance obligations for contracts with customers

The Group is mainly engaged in the manufacture and sales of flotation reagents-related products. Revenue is recognised when control of the goods is transferred to the customer, which occurs at the point when the goods are arrived at the specific location. After the control of the goods is transferred, the customer has full discretion over the goods, assumes primary responsibility and bears the risks of obsolescence and loss in relation to the inventory.

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

Flotation reagents-related products are delivered within a period of less than one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The directors of the Company focus on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete financial information is reviewed. Accordingly, no operating segment information is presented. Segment revenue and results are therefore the same as those presented in the consolidated statements of profit or loss and other comprehensive income.

Geographical information

The geographical location of customers is based on the location at which the customer based which has been disclosed in this note. The Group’s non-current assets are all located in the PRC.

Information about major customers

None of the Group’s customers contributed over 10% of the Group’s total revenue for the Track Record Period.

7. OTHER INCOME

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest income of bank deposit	35	43	119
Interest income from loans provided to related parties	637	349	312
Interest income of wealth management product	301	274	494
Government subsidies and VAT additional deduction (<i>Note</i>)	3,903	2,038	1,823
	<u>4,876</u>	<u>2,704</u>	<u>2,748</u>

Note:

The amount mainly represents various unconditional subsidies received from the PRC government authorities as the incentive to the Group to recognise their contribution to local economy and outstanding performance in export sales, and VAT additional deduction. Unconditional government grants are recognised in profit and loss when received.

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8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gain, net	10	302	(133)
Loss on disposal of property, plant and equipment	–	(165)	(609)
(Loss) gain from changes in fair value of financial assets at FVTPL.	(74)	2	–
Others.	(53)	(317)	(43)
	<u>(117)</u>	<u>(178)</u>	<u>(785)</u>

9. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	79	137	79
	<u>79</u>	<u>137</u>	<u>79</u>

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	6,809	8,662	10,981
Deferred tax (<i>Note 18</i>)	103	10	51
	<u>6,912</u>	<u>8,672</u>	<u>11,032</u>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate is 25% during the Track Record Period. The Company and Hunan Xinzhuoyao Technology Co., Ltd. are qualified as High Technology Enterprises and are eligible for a preferential EIT rate of 15% during the Track Record Period. Hunan Juhongming Import and Export Trading Co., Ltd. is a small scale enterprise and is entitled to a preferential tax rate of 5% during the Track Record Period. Pursuant to the relevant tax rules and regulation, expenses in research and development nature are deductible at 200% of the cost incurred.

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Income tax expense for the year is reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	50,901	58,096	77,628
Tax at PRC EIT of 25%	12,725	14,524	19,407
Tax effect of expenses not deductible for tax purpose . . .	33	67	76
Tax effect of deductible temporary differences or tax losses not recognised in the current year	29	321	44
Utilisation of unrecognised tax losses	–	–	(16)
Additional deductions for research and development expenses	(852)	(424)	(702)
Tax effect of preferential tax rates	(5,023)	(5,816)	(7,777)
Income tax expense for the year	6,912	8,672	11,032

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit for the year is arrived at after charging (crediting):			
Auditor’s remuneration	–	–	–
Cost of inventories recognised as expense	164,094	186,963	227,420
Depreciation of property, plant and equipment	6,776	7,700	7,939
Depreciation of right-of-use assets	350	350	350
Amortisation of intangible assets	2	27	28
Total depreciation and amortisation	7,128	8,077	8,317
Capitalised in inventories	(5,773)	(6,425)	(6,465)
	1,355	1,652	1,852
Directors’ and supervisor’s emoluments (<i>Note 12</i>)	1,119	1,135	1,049
Other staff costs (excluding directors’ emoluments):			
Salaries and other benefits	14,590	14,576	17,239
Contribution to retirement benefit schemes	775	811	897
Total staff costs	16,484	16,522	19,185
Capitalised in inventories	(5,690)	(7,010)	(8,564)
	10,794	9,512	10,621

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ACCOUNTANTS’ REPORT

12. DIRECTORS’, SUPERVISORS’, CHIEF EXECUTIVE’S AND EMPLOYEE’S EMOLUMENTS

Directors’, supervisors’ and chief executive’s emoluments

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

	Directors’ fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total emoluments
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
For the year ended 31 December 2023				
Ms. Diao Huali	–	511	–	511
Mr. Liu Da Chuan (supervisor) (<i>Note i</i>)	–	100	10	110
Mr. Liu Da	–	319	8	327
Mr. Fu Mao Xiang (<i>Note iii</i>)	–	161	10	171
	<u>–</u>	<u>1,091</u>	<u>28</u>	<u>1,119</u>
For the year ended 31 December 2024				
Ms. Diao Huali	–	511	–	511
Mr. Liu Da Chuan (supervisor) (<i>Note i</i>)	–	100	10	110
Mr. Liu Da	–	312	8	320
Mr. Fu Mao Xiang (<i>Note iii</i>)	–	181	13	194
	<u>–</u>	<u>1,104</u>	<u>31</u>	<u>1,135</u>
For the year ended 31 December 2025				
Ms. Diao Huali	–	512	–	512
Mr. Liu Da Chuan (supervisor) (<i>Note i</i>)	–	52	4	56
Mr. Liu Da	–	277	7	284
Mr. Fu Mao Xiang (<i>Note iii</i>)	–	183	14	197
	<u>–</u>	<u>1,024</u>	<u>25</u>	<u>1,049</u>

Notes:

- i. Mr. Liu Da Chuan resigned as the supervisor of the Company with effective from 30 June 2025.
- ii. Mr. Chen Jianquan was appointed as the supervisor of the Company with effective from 15 January 2026 and resigned as supervisor on 16 March 2026. Ms. Chen Juan, Ms. Mao Ai Hua and Mr. Chen Zi Qiang were appointed as the supervisors of the Company with effective from 16 March 2026.
- iii. Mr. Fu Maoxiang resigned as the director of the Company with effective from 16 March 2026. Mr. Luo Ren and Mr. Zhang Xiaofeng were appointed as directors of the Company with effective from 16 March 2026.
- iv. Prof. Dai Zilin, Prof. Liu Wei and Ms. Law Wan Yee Sandy were appointed as the independent non-executive directors of the Company with effective from [●].

The directors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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Ms. Diao Huali is also the Chief Executive of the Company and her emoluments disclosed above also included those for services rendered by her as the chief executive.

There was no arrangement under which the Chief Executive or Supervisor or a director waived or agreed to waive any emoluments during the Track Record Period.

Emoluments of employees

During the years ended 31 December 2023, 2024 and 2025, of the five individuals with the highest emoluments of the Group, one, one and two, respectively, of them were directors of the Company whose emoluments are included above. The emoluments of the remaining four, four and three, respectively, individuals for the years ended 31 December 2023, 2024 and 2025, respectively are disclosed as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and allowances	1,195	1,154	951
Contributions to retirement benefit schemes	25	18	17
	<u>1,220</u>	<u>1,172</u>	<u>968</u>

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Their emoluments were within the following bands:			
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>3</u>

No emoluments were paid by the Group to the Chief Executive or the directors or the above individuals as an inducement to join the Group or as a compensation for loss of office during the Track Record Period.

13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend recognised as distributions to the shareholders of the Company during the year	<u>58,855</u>	<u>22,240</u>	<u>62,864</u>

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14. EARNINGS PER SHARE

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

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company	43,989	49,395	66,416

	Year ended 31 December		
	2023	2024	2025
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of shares	47,596	50,000	50,000

The weighted average number of shares for the purpose of basic earnings per share has considered the share conversion which are described in note 28. No diluted earnings per share have been presented as there are no potential ordinary shares in issue during the Track Record Period.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2023	46,240	38,797	8,925	2,594	11,032	107,588
Additions	62	1,060	210	–	2,892	4,224
Transfers	10,064	1,307	–	–	(11,371)	–
Disposals	–	–	–	(132)	–	(132)
At 31 December 2023	56,366	41,164	9,135	2,462	2,553	111,680
Additions	51	505	302	1,900	1,271	4,029
Transfers	1,166	749	–	–	(1,915)	–
Disposals	(351)	–	–	–	–	(351)
At 31 December 2024	57,232	42,418	9,437	4,362	1,909	115,358
Additions	–	361	423	320	4,650	5,754
Transfers	–	1,512	–	–	(1,512)	–
Disposals	(664)	(868)	(51)	–	–	(1,583)
At 31 December 2025	56,568	43,423	9,809	4,682	5,047	119,529
DEPRECIATION						
At 1 January 2023	18,352	11,057	7,478	1,475	–	38,362
Provided for the year	2,442	3,777	242	315	–	6,776
Eliminated on disposal	–	–	–	(128)	–	(128)
At 31 December 2023	20,794	14,834	7,720	1,662	–	45,010
Provided for the year	2,994	3,835	283	588	–	7,700
Eliminated on disposal	(186)	–	–	–	–	(186)
At 31 December 2024	23,602	18,669	8,003	2,250	–	52,524
Provided for the year	2,974	3,885	308	772	–	7,939
Eliminated on disposal	(408)	(449)	(50)	–	–	(907)
At 31 December 2025	26,168	22,105	8,261	3,022	–	59,556
CARRYING VALUES						
At 31 December 2023	<u>35,572</u>	<u>26,330</u>	<u>1,415</u>	<u>800</u>	<u>2,553</u>	<u>66,670</u>
At 31 December 2024	<u>33,630</u>	<u>23,749</u>	<u>1,434</u>	<u>2,112</u>	<u>1,909</u>	<u>62,834</u>
At 31 December 2025	<u>30,400</u>	<u>21,318</u>	<u>1,548</u>	<u>1,660</u>	<u>5,047</u>	<u>59,973</u>

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The Company

	Building	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2023	46,240	37,495	8,376	2,327	1,438	95,876
Additions	62	938	66	–	2,881	3,947
Transfers	470	1,296	–	–	(1,766)	–
Disposals	–	–	–	(132)	–	(132)
At 31 December 2023	46,772	39,729	8,442	2,195	2,553	99,691
Additions	51	487	299	1,900	1,271	4,008
Transfers	1,166	749	–	–	(1,915)	–
Disposals	(351)	–	–	–	–	(351)
At 31 December 2024	47,638	40,965	8,741	4,095	1,909	103,348
Additions	–	351	423	320	4,650	5,744
Transfers	–	1,512	–	–	(1,512)	–
Disposals	(664)	(868)	(51)	–	–	(1,583)
At 31 December 2025	46,974	41,960	9,113	4,415	5,047	107,509
DEPRECIATION						
At 1 January 2023	18,352	11,045	7,450	1,370	–	38,217
Provided for the year	2,442	3,649	124	251	–	6,466
Eliminated on disposal	–	–	–	(128)	–	(128)
At 31 December 2023	20,794	14,694	7,574	1,493	–	44,555
Provided for the year	2,561	3,696	143	525	–	6,925
Eliminated on disposal	(186)	–	–	–	–	(186)
At 31 December 2024	23,169	18,390	7,717	2,018	–	51,294
Provided for the year	2,542	3,745	168	751	–	7,206
Eliminated on disposal	(408)	(449)	(50)	–	–	(907)
At 31 December 2025	25,303	21,686	7,835	2,769	–	57,593
CARRYING VALUES						
At 31 December 2023	<u>25,978</u>	<u>25,035</u>	<u>868</u>	<u>702</u>	<u>2,553</u>	<u>55,136</u>
At 31 December 2024	<u>24,469</u>	<u>22,575</u>	<u>1,024</u>	<u>2,077</u>	<u>1,909</u>	<u>52,054</u>
At 31 December 2025	<u>21,671</u>	<u>20,274</u>	<u>1,278</u>	<u>1,646</u>	<u>5,047</u>	<u>49,916</u>

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Building	5% – 20%
Plant and machinery	10% – 20%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	7% – 25%

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16. RIGHT-OF-USE ASSETS

The Group and the Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land			
Carrying amount.	14,043	13,693	13,343
	<u>14,043</u>	<u>13,693</u>	<u>13,343</u>
	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	350	350	350
Short-term leases	150	162	168
Cash outflows for leases	150	162	168
	<u>150</u>	<u>162</u>	<u>168</u>

During the Track Record Period, the Group leases various lands for its operations. The Group has obtained the land use right certificate for all the leasehold lands. Lease contracts are entered into for a fixed term of 50 years.

In addition, the Group leases warehouses for its operations with lease terms of 12 months or less and is regarded as short-term lease.

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17. INTANGIBLE ASSETS

The Group and the Company

	Patents	Trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At 1 January 2023 and 31 December 2023	39	3,030	3,069
Additions	521	–	521
	<u>560</u>	<u>3,030</u>	<u>3,590</u>
At 31 December 2024 and 31 December 2025	560	3,030	3,590
AMORTISATION			
At 1 January 2023	8	3,030	3,038
Provided for the year	2	–	2
	<u>10</u>	<u>3,030</u>	<u>3,040</u>
At 31 December 2023	10	3,030	3,040
Provided for the year	27	–	27
	<u>37</u>	<u>3,030</u>	<u>3,067</u>
At 31 December 2024	37	3,030	3,067
Provided for the year	28	–	28
	<u>65</u>	<u>3,030</u>	<u>3,095</u>
At 31 December 2025	65	3,030	3,095
CARRYING VALUES			
At 31 December 2023	<u>29</u>	<u>–</u>	<u>29</u>
At 31 December 2024	<u>523</u>	<u>–</u>	<u>523</u>
At 31 December 2025	<u>495</u>	<u>–</u>	<u>495</u>

Intangible assets are amortised on a straight-line basis over the following periods:

Patents	20 years
Trademarks	10 years

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18. DEFERRED TAXATION

The Group

	ECL provision	Fair value changes on financial assets at FVTPL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	773	(15)	758
(Charge) credit to profit or loss	(114)	11	(103)
At 31 December 2023	659	(4)	655
Charge to profit or loss	(10)	–	(10)
At 31 December 2024	649	(4)	645
(Charge) credit to profit or loss	(55)	4	(51)
At 31 December 2025	<u>594</u>	<u>–</u>	<u>594</u>

The Company

	ECL provision	Fair value changes on financial assets at FVTPL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	772	(15)	757
(Charge) credit to profit or loss	(116)	11	(105)
At 31 December 2023	656	(4)	652
Charge to profit or loss	(110)	–	(110)
At 31 December 2024	546	(4)	542
Credit to profit or loss	34	4	38
At 31 December 2025	<u>580</u>	<u>–</u>	<u>580</u>

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19. INVENTORIES

The Group

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	4,960	5,015	7,388
Finished goods	10,408	10,897	9,214
	<u>15,368</u>	<u>15,912</u>	<u>16,602</u>

The Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	4,959	5,007	7,377
Finished goods	10,407	9,997	8,948
	<u>15,366</u>	<u>15,004</u>	<u>16,325</u>

20. TRADE AND BILLS RECEIVABLES

The Group

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	28,183	43,423	46,785
Less: Allowances for credit losses	(4,391)	(4,334)	(4,153)
	<u>23,792</u>	<u>39,089</u>	<u>42,632</u>
Bill receivables	2,138	3,076	5,695
	<u>25,930</u>	<u>42,165</u>	<u>48,327</u>

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The Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	27,050	42,455	46,499
Less: Allowances for credit losses.	(4,368)	(3,645)	(3,867)
	22,682	38,810	42,632
Bill receivables	2,138	3,076	5,695
	<u>24,820</u>	<u>41,886</u>	<u>48,327</u>

Trade receivables of the Company included the amount due from a subsidiary of RMB677,000, RMB 1,617,000 and RMB19,000, respectively, at 31 December 2023, 2024 and 2025.

At 1 January 2023, trade receivables from contracts with customers (net of allowances for credit losses) of the Group and the Company amounted to RMB27,217,000 and RMB26,776,000 respectively.

The following is an ageing analysis of trade receivables (net of allowance of credit losses) presented based on invoice date at the end of the reporting period:

The Group

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
1 – 90 days	19,201	26,155	34,868
91 – 365 days	4,591	6,517	1,015
1 – 2 years	–	6,417	474
2 – 3 years	–	–	6,275
	<u>23,792</u>	<u>39,089</u>	<u>42,632</u>

The Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
1 – 90 days	18,091	25,876	34,868
91 – 365 days	4,591	6,517	1,015
1 – 2 years	–	6,417	474
2 – 3 years	–	–	6,275
	<u>22,682</u>	<u>38,810</u>	<u>42,632</u>

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For customers who used bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. The dates of issuance of all bills receivables are within 180 days at the end of the reporting period.

The Group and the Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivables			
0 – 90 days	2,088	1,358	1,116
91 – 180 days	50	1,718	4,579
	<u>2,138</u>	<u>3,076</u>	<u>5,695</u>

The Group allows a credit term from 30 – 165 days. At 31 December 2023, 2024 and 2025, included in the Group’s trade receivables with aggregate carrying amount of RMB3,906,000, RMB9,838,000 and RMB10,654,000 respectively, which are past due as at the reporting date.

At 31 December 2023, 2024 and 2025, the Group’s and the Company’s trade receivables with aggregate carrying amount of nil, RMB6,891,000 and RMB7,504,000 respectively were past due for 90 days or more but the directors of the Company considers they are not credit-impaired. No ECL is provided for these amounts because the Group has received deposits in respect of these customers which enables the Group to cover the potential loss, if any.

Details of impairment assessment of trade receivables are set out in Note 30.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments			
– Inventories	3,408	7,983	3,148
– Construction work.	320	575	224
– [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
– [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
– Others.	413	608	420
Refundable deposits	1,365	2,100	1,071
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Loans to third parties	850	–	–
Input value-added-tax (“VAT”) recoverable	936	1,102	656
Others.	372	602	457
	<u>7,664</u>	<u>12,970</u>	<u>7,999</u>

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The Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments			
– Inventories	3,407	6,903	2,890
– Construction work.	320	575	224
– [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
– [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
– Others.	409	596	408
Refundable deposits	1,365	2,000	971
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Loans to third parties	850	–	–
VAT recoverable	–	260	–
Others.	365	580	436
	<u>6,716</u>	<u>10,914</u>	<u>6,952</u>

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the Track Record Period, the Group entered into several contracts to purchase wealth management products from banks and accounted for such investments as financial assets at FVTPL at initial recognition. The return of the wealth management products is not guaranteed and determined by reference to the performance of the underlying debt and equity instruments and the expected return rate stated in the contracts. A fair value loss of RMB74,000, gain of RMB2,000 and nil respectively were recognised in profit or loss for the year ended 31 December 2023, 2024, and 2025. The basis of the fair value of the assets are disclosed in note 30.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties

The Group

	At 31 December			Maximum balances during the year ended 31 December		
	2023	2024	2025	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Non-trade nature</i>						
Ms. Diao Huali	30,000	31,000	–	30,000	31,000	31,000
Mr. Liu Da	3,140	3,148	8	9,140	3,148	7,448
Mr. Fu Mao Xiang	116	62	–	126	66	10,062
Mr. Liu Da Chuan	–	–	–	76	30	–
	<u>33,256</u>	<u>34,210</u>	<u>8</u>	<u>49,342</u>	<u>37,244</u>	<u>48,510</u>

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The Company

	At 31 December			Maximum balances during the year ended 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Non-trade nature</i>						
Ms. Diao Huali	30,000	30,000	–	30,000	30,250	30,000
Mr. Liu Da	3,140	3,140	–	9,140	3,140	7,440
Mr. Fu Mao Xiang	116	62	–	126	66	10,062
Mr. Liu Da Chuan	–	–	–	76	30	–
	<u>33,256</u>	<u>33,202</u>	<u>–</u>	<u>48,342</u>	<u>36,586</u>	<u>47,502</u>

At 31 December 2023, 2024 and 2025, amounts due from related parties are predominantly non-trade in nature, unsecured, interest-bearing at 1-year prevailing benchmark lending rate of the People’s Bank of China, and have no fixed repayment terms. All related parties are either director or key management personnel and shareholders of the Company. The amounts as at 31 December 2025 was subsequently settled.

Amounts due from subsidiaries at 31 December 2023, 2024 and 2025 are unsecured, interest free and have no fixed repayment terms.

The Group and the Company

	At 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Trade nature</i>			
Chenzhou Jinfuli Science and Trade Co.,Ltd. (郴州金富利科貿有限責任公司)		316	–
Less: allowance for credit losses		(6)	–
		<u>310</u>	<u>–</u>

The above amount was aged within 30 days based on invoice date.

Amounts due to related parties

Amounts due to related parties at 31 December 2024 and 2025 represent advance payment received for sales of goods and are unsecured and interest free.

24. BANK BALANCES AND CASH

Bank balances and cash held by the Group are short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rates.

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25. TRADE AND OTHER PAYABLES

The Group

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	6,391	8,136	6,306
Dividends payable	20,384	20,384	–
Accrued staff cost	1,265	1,432	1,600
Other tax payables	6,125	5,527	5,551
Equipment payables	3,375	3,236	221
Construction cost payable	364	364	327
Deposits received from customers	4,431	7,374	7,729
Other deposits	255	527	275
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	390	402	1,281
	<u>36,589</u>	<u>39,246</u>	<u>17,863</u>
	<u>42,980</u>	<u>47,382</u>	<u>24,169</u>

The following is an ageing analysis of trade payables and presented based on the invoice date at the end of each reporting period:

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
1 – 90 days	4,260	5,539	4,804
91 – 365 days	823	801	50
1 – 2 years	143	492	390
2 – 3 years	396	114	54
Over 3 years	769	1,190	1,008
	<u>6,391</u>	<u>8,136</u>	<u>6,306</u>

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The Company

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	6,389	8,134	6,304
Dividends payable	20,384	20,384	–
Accrued staff cost	1,201	1,315	1,443
Other tax payables	6,122	5,367	5,546
Equipment payables	3,375	3,236	222
Construction cost payable	325	325	289
Deposits received from customers	4,431	7,374	7,729
Other deposits	254	525	274
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	274	295	1,256
	<u>36,366</u>	<u>38,821</u>	<u>17,638</u>
	<u>42,755</u>	<u>46,955</u>	<u>23,942</u>

The following is an ageing analysis of trade payables and presented based on the invoice date at the end of each reporting period:

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
1 – 90 days	4,258	5,537	4,803
91 – 365 days	823	801	50
1 – 2 years	143	492	390
2 – 3 years	396	114	54
Over 3 years	769	1,190	1,007
	<u>6,389</u>	<u>8,134</u>	<u>6,304</u>

The average credit period on purchases of goods of the Group is 30 to 60 days.

26. CONTRACT LIABILITIES

At 1 January 2023, contract liabilities of the Group and the Company amounted to RMB2,573,000 and RMB2,312,000 respectively. All of the contract liabilities at the beginning of the year have been fully recognised as revenue in that year during the Track Record Period.

27. BORROWINGS

At 31 December 2023 and 2024, the Group’s and the Company’s secured borrowing carries interest at variable rate at 3.80% and 3.45%, respectively per annum and are repayable within one year. Details of pledge of assets are disclosed in note 36.

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28. SHARE CAPITAL

As disclosed in Note 1, the Company was converted from a limited liability company into a joint stock limited company upon approval by the Company’s shareholders meeting held on 12 March 2026, the balance as at 1 January 2023 and 31 December 2023, 2024 and 2025 represented the paid-in capital of the Company prior to the conversion of the Company. The share capital comprise of 50,000,000 shares of RMB1 each.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings net of cash and cash equivalents and equity attributable to owners of the Company. The management of the Group reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The Group			
Financial assets			
At amortised cost	65,741	99,163	91,485
At FVTPL	12,529	14,531	–
	<u>78,270</u>	<u>113,694</u>	<u>91,485</u>
Financial liabilities			
At amortised cost	37,335	42,898	15,864
	<u>37,335</u>	<u>42,898</u>	<u>15,864</u>
The Company			
Financial assets			
At amortised cost	64,737	97,038	88,230
At FVTPL	12,529	14,531	–
	<u>77,266</u>	<u>111,569</u>	<u>88,230</u>
Financial liabilities			
At amortised cost	37,178	42,750	15,800
	<u>37,178</u>	<u>42,750</u>	<u>15,800</u>

(b) Financial risk management objectives and policies

The Group’s major financial instruments include trade and bills and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, financial assets at FVTPL, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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Market risks

Currency risk

The Group has certain overseas sales transactions which are denominated in United States Dollars. The Group currently has not used any derivative contracts and will consider entering into forward contracts to reduce the risks when appropriate. At 31 December 2023, 2024 and 2025, the Group’s USD denominated monetary assets, representing trade receivables and bank balances, amounted to RMB5,739,000, RMB19,842,000 and RMB2,292,000, respectively. If USD appreciates against RMB by 5%, the Group’s profit after tax will increase by RMB244,000, RMB843,000 and RMB97,000 respectively for the year ended 31 December 2023, 2024 and 2025, vice versa.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances at the prevailing market deposit rate and variable-rate bank borrowings. The management of the Group closely monitors interest rate movement and manages the potential risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise. Sensitivity analysis is not presented as the impact of interest rate fluctuation to the Group’s profit for the Track Record Period is insignificant.

Price risk

The Group is subject to market price risk in respect of the financial assets at FVTPL which is linked to the market return rate for similar products. Sensitivity analysis is not presented since the directors of the Company do not consider the impact of the fluctuation in the expected return will have material profit or loss impact. The Group’s strategy is to utilize the idle cash in investment products which can provide stable return to the Group.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk exposures are primarily attributable to trade receivables and amounts due from related parties. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except as those disclosed in note 20.

The Group’s internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk . .	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list .	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful . .	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired

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Internal credit rating	Description	Trade receivables	Other financial assets
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the management of the Group carries out researches on the creditability of the new customer and assesses the potential customer’s credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group performs impairment test assessment under ECL model upon application of IFRS 9 on trade balances individually for trade receivables that are categorised as doubtful or loss, and the remaining amounts are assessed based on provision matrix. The Group’s customer base is diverse and there is no concentration of credit risk during the Track Record Period.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The gross carrying amounts of trade receivables of the Group (including those with related parties) are categorised into the below internal credit ratings as below:

	At 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Low risk	24,594	32,855	35,845
Watch list	–	–	–
Doubtful	–	6,891	7,504
Loss	3,905	3,677	3,436
	28,499	43,423	46,785

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

	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	559	4,597	5,156
Impairment loss reversed	(551)	(816)	(1,367)
Impairment loss recognised	491	117	608
Transfers.	(7)	7	–
	<u>492</u>	<u>3,905</u>	<u>4,397</u>
At 31 December 2023	492	3,905	4,397
Impairment loss reversed	(466)	(940)	(1,406)
Impairment loss recognised	657	742	1,399
Transfers.	(26)	26	–
Write-off.	–	(56)	(56)
	<u>657</u>	<u>3,677</u>	<u>4,334</u>
At 31 December 2024	657	3,677	4,334
Impairment loss reversed	(647)	(1,082)	(1,729)
Impairment loss recognised	715	833	1,548
Transfers.	(8)	8	–
	<u>717</u>	<u>3,436</u>	<u>4,153</u>
At 31 December 2025	<u>717</u>	<u>3,436</u>	<u>4,153</u>

The estimated average loss rates for the trade receivables that are not credit-impaired is 0.02%. Impairment loss reversed mainly represents the financial assets that were originated at the beginning of the respective year during the Track Record Period. Impairment loss recognised mainly represents the financial assets that were originated during the respective year during the Track Record Period.

Bank balances

The credit risks on bank deposits are limited because the deposits are mainly placed in a state-owned bank and therefore the ECL is considered negligible.

Amounts due from related parties and subsidiaries and other receivables

The management makes periodic individual assessment on the recoverability of these amounts based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL, which is insignificant and thus no loss allowance is recognised.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

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

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	Weighted average contractual interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023						
Trade payables	-	6,391	-	-	6,391	6,391
Other payables	-	8,560	-	-	8,560	8,560
Borrowings – variable rates	3.80	6	13	2,019	2,038	2,000
Dividend payables	-	20,384	-	-	20,384	20,384
		<u>35,341</u>	<u>13</u>	<u>2,019</u>	<u>37,373</u>	<u>37,335</u>
At 31 December 2024						
Trade payables	-	8,136	-	-	8,136	8,136
Other payables	-	11,378	-	-	11,378	11,378
Borrowings – variable rates	3.45	9	17	3,009	3,035	3,000
Dividend payables	-	20,384	-	-	20,384	20,384
		<u>39,907</u>	<u>17</u>	<u>3,009</u>	<u>42,933</u>	<u>42,898</u>
At 31 December 2025						
Trade payables	-	6,306	-	-	6,306	6,306
Other payables	-	9,558	-	-	9,558	9,558
		<u>15,864</u>	<u>-</u>	<u>-</u>	<u>15,864</u>	<u>15,864</u>

(c) Fair value measurements of financial instruments

The table below analyses the Group’s financial investments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group use market-observable data to the extent it is available. Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

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Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group’s financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

	Fair value At 31 December			Fair value hierarchy	Valuation technique
	2023	2024	2025		
	RMB’000	RMB’00	RMB’000		
Financial assets:					
Wealth management products	12,529	14,531	–	Level 2	Discounted cash flow method, based on expected return rate

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the Group’s other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Accrued [REDACTED] RMB’000	Borrowings RMB’000	Dividends payable RMB’000
At 1 January 2023	–	–	–
Financing cash flows	–	1,921	(9,200)
Interest expenses	–	79	–
Dividend declared, net of withholding tax	–	–	47,084
Offset with amount due from related parties	–	–	(17,500)
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2023	–	2,000	20,384
Financing cash flows	–	863	(18,649)
Interest expenses	–	137	–
Dividend declared, net of withholding tax	–	–	17,791
Acquisition of a subsidiary	–	–	1,280
Capital contribution in form of dividend payables	–	–	(422)
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2024	–	3,000	20,384
Financing cash flows	(1,280)	(3,079)	(70,847)
Interest expenses	–	79	–
[REDACTED] accrued	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividend declared, net of withholding tax	–	–	50,463
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2025	220	–	–

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32. ACQUISITION OF A SUBSIDIARY AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 23 October 2024, the Company has acquired 57% equity interest in 湖南聚弘銘進出口有限公司 (“**Hunan Juhongming**”) by capital injection with total amount of RMB1,140,000. The consideration amounting to RMB700,000 was settled simultaneously to certain shareholders of Hunan Juhongming through capital reduction.

Fair value of identifiable assets acquired and liabilities assumed of Hunan Juhongming at the date of acquisition:

	<i>RMB'000</i>
Bank balances and cash	206
Amounts due from related parties	2,000
Prepayment, deposits and other receivables	430
Trade payables and other payables	(450)
Dividend payable	(1,280)
	<u>906</u>
Less: Non-controlling interests	(206)
	<u>700</u>
Consideration paid satisfied by capital injection in cash	(700)
Less: bank balances and cash acquired	206
	<u>(494)</u>

Certain non-controlling shareholders have not fully paid-up their shares of capital at the date of acquisition by the Company. Non-controlling interests balance at the date of acquisition mainly represents the portion of capital fully paid-up by the non-controlling shareholder at date of acquisition since the net asset value of the subsidiary approximated the fully paid-up share capital at the date of acquisition by the Company.

Subsequently after the acquisition, the non-controlling interest settled the unpaid share capital in Hunan Juhongming amounting to RMB660,000 by offset the dividend payable of RMB422,000 on 31 October 2024 and capital injection of RMB238,000 on 1 November 2024.

On 17 September 2025, the Company acquired the remaining 43% equity interest in Hunan Juhongming by capital injection of RMB860,000 to Hunan Juhongming by the Company, followed by a capital reduction of RMB860,000 in Hunan Juhongming by the non-controlling interests. Upon completion of the transaction, Hunan Juhongming became a wholly-owned subsidiary of the Company.

Included in the revenue and profit for the year ended 31 December 2024 are RMB750,000 and RMB50,000, respectively, attributable to Hunan Juhongming. Had the acquisition of Hunan Juhongming been completed on 1 January 2024, revenue and profit for the year of the Group would have been RMB260,925,000 and RMB66,472,000. The [REDACTED] information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of Hunan Juhongming that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

33. RETIREMENT BENEFITS SCHEMES

Employees of the Company and its subsidiaries in the PRC are covered by the retirement and pension schemes defined by local practice and regulations. The Company and its subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement and pension schemes. The calculation of contributions for PRC eligible staff is based on certain percentage of the applicable payroll costs. The only obligation of the Group in respect to the retirement benefits scheme is to make the specified contribution. The Group’s employer contributions vest fully with the employees when contributed into these retirement benefit scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expense recognised in profit or loss of RMB803,000, RMB842,000 and RMB922,000 represents contributions payable to these plans by the Group at rates specified in the rules of the plans for the year ended 31 December 2023, 2024 and 2025 respectively.

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34. CAPITAL COMMITMENTS

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	–	4,287	2,280

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transaction	Year ended 31 December		
			2023	2024	2025
			<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shaoguan Lihua Industrial Co., Ltd. (韶關市麗華實業有限公司)	Controlled by Ms. Diao Huali and her sibling	Purchase of goods	6	–	–
Chenzhou Jinfuli Science and Trade Co., Ltd. (郴州金富利科貿有限責任公司)	Controlled by a shareholder of the Company and her family member	Sales of goods Purchase of goods	5,836 7	6,911 218	9,231 184
Hunan Juhongming Import and Export Trading Co., Ltd. (湖南聚弘銘進出口貿易有限公司)	Controlled by a shareholder and a family member of Ms. Diao Huali	Purchase of goods	3	–	–
Shanghai Meilide Valve Manufacturing Co., Ltd. (上海美力德閥門製造有限公司)	A close family member of a member of senior management of the Group has joint control	Purchase of goods	–	4	7
Mianyang Xincail Sheng Mining Technology Co., Ltd. (綿陽鑫彩盛礦科技有限公司)	A close family member of a member of senior management of the Group has significant influence	Sales of goods	–	–	1

During the year ended 31 December 2024, loans to third parties amounting to RMB850,000 were settled in full and the amounts were paid by Ms. Diao Huali.

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During the year ended 31 December 2024, the Company has acquired 57% equity interest in Hunan Juhongming Import and Export Trading Co., Ltd. from a close family member of Ms. Diao Huali and one of the key management personnel members. As referred to note 32, (i) the capital injection of RMB238,000 from the non-controlling shareholder of a subsidiary, who is a close family member of Ms. Diao Huali, in the form of cash was paid by Ms. Diao Huali on behalf of the legal shareholder and (ii) included in the capital reduction during the year ended 31 December 2025, RMB660,000 is paid to Ms. Diao Huali who received on behalf of the then legal shareholder.

Ms. Diao Huali and her spouse, the supervisor of the Company and certain key management personnel members of the Company have provided personal guarantees to the banking facilities granted to the Group. These guarantees were released on 31 December 2025.

Compensation of key management personnel

The remuneration of directors, who are the members of key management, were as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	1,352	1,384	1,324
Post-employment benefits	38	41	33
	<u>1,390</u>	<u>1,425</u>	<u>1,357</u>

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to banks to secure credit facilities granted to the Group:

	At 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	24,428	23,389	21,649
Bank balances	3	3	3
	<u>24,431</u>	<u>23,392</u>	<u>21,652</u>

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37. STATEMENTS OF CHANGES IN EQUITY OF THE COMPANY

	Statutory reserve	Special reserves	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	10,961	6,215	71,853	89,029
Profit and total comprehensive income for the year	–	–	43,834	43,834
Dividends declared	–	–	(58,855)	(58,855)
Transfers of reserves	4,229	–	(4,229)	–
Provision for safety fund surplus reserve	–	1,694	(1,694)	–
At 31 December 2023	15,190	7,909	50,909	74,008
Profit and total comprehensive income for the year	–	–	51,159	51,159
Dividends declared	–	–	(22,240)	(22,240)
Transfers of reserves	4,919	–	(4,919)	–
Provision for safety fund surplus reserve	–	1,964	(1,964)	–
At 31 December 2024	20,109	9,873	72,945	102,927
Profit and total comprehensive income for the year	–	–	65,105	65,105
Dividends declared	–	–	(62,864)	(62,864)
Transfers of reserves	4,891	–	(4,891)	–
Provision for safety fund surplus reserve	–	(335)	335	–
At 31 December 2025	<u>25,000</u>	<u>9,538</u>	<u>70,630</u>	<u>105,168</u>

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38. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Company has direct shareholdings in the following subsidiaries:

Name of subsidiary	Notes	Place and date of establishment	Fully-paid up registered capital	Attributable to the Company at			the date of this report	Principal activities
				31 December				
				2023	2024	2025		
Hunan Xinzhuoyao Technology Co., Ltd.	i	The PRC 8 March 2021	RMB13,400,000	100%	100%	100%	100%	Research, development and sale of flotation reagent products
Hunan Juhongming Import and Export Trading Co., Ltd.	ii	The PRC 21 March 2019	RMB2,000,000	-	57%	100%	100%	Sale and export of flotation reagents and supporting reagents

All subsidiaries are limited liability companies operating in the PRC and have adopted 31 December as their financial year end date.

Notes:

- i. The statutory financial statements for the year ended 31 December 2023 was prepared based on applicable accounting standards in the People’s Republic of China and audited by Hunan Xiaoxiang Certified Public Accountant Firm (湖南瀟湘會計師事務所), certified public accountants registered in the PRC. The statutory financial statements for the years ended 31 December 2024 and 2025 are not yet due for issue.
- ii. There are no statutory audit requirements for this subsidiary and statutory financial statements are not prepared.

Investments in subsidiaries are carried at cost less impairment in the Company’s statements of financial position. Considering the financial performance and financial position of the subsidiaries, the directors of the Company consider that no impairment on investments in subsidiaries is required.

39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2025 and before the completion of share conversion, the Company had declared and paid dividends amounting to RMB36,000,000 to the shareholders of the Company.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to the end of the Track Record Period.