

APPENDIX I

ACCOUNTANTS’ REPORT

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JVS (SUZHOU) TECHNOLOGIES CO., LTD. AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of JVS (Suzhou) Technologies Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of the 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 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividend paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

[date]

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

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	5	132,305	141,623	222,330
Cost of sales		(87,796)	(89,519)	(101,841)
Gross profit		44,509	52,104	120,489
Other income and gains	5	1,002	2,089	2,309
Selling and marketing expenses		(5,956)	(10,127)	(21,788)
Administrative expenses		(3,715)	(4,418)	(11,044)
Research and development expenses		(6,126)	(6,210)	(10,111)
Impairment losses on financial assets, net . .	6	(421)	(411)	(464)
Other expenses		(88)	(327)	(36)
Finance costs	7	(449)	(374)	(405)
PROFIT BEFORE TAX	6	28,756	32,326	78,950
Income tax expense	10	(3,238)	(4,359)	(12,036)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>25,518</u>	<u>27,967</u>	<u>66,914</u>
Attributable to:				
Owners of the parent		25,518	27,967	66,818
Non-controlling interests		—	—	96
		<u>25,518</u>	<u>27,967</u>	<u>66,914</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	<u>0.55</u>	<u>0.61</u>	<u>1.45</u>

APPENDIX I

ACCOUNTANTS’ REPORT

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	13	8,418	7,843	13,015
Right-of-use assets	14	8,538	6,701	8,258
Intangible assets	16	2	–	5,847
Deferred tax assets	17	663	845	1,143
Prepayments, other receivables and other assets	21	722	651	1,850
Total non-current assets		<u>18,343</u>	<u>16,040</u>	<u>30,113</u>
CURRENT ASSETS				
Inventories	18	27,038	22,373	42,866
Trade and bills receivables	19	26,135	10,933	18,473
Bills receivable at fair value through other comprehensive income	20	1,414	1,834	552
Amounts due from related companies	33(b)	20,660	35,074	15,090
Prepayments, other receivables and other assets	21	2,165	2,386	3,831
Financial investments at fair value through profit or loss	22	10,000	–	10,020
Tax recoverable		213	863	–
Time deposits	23	–	62,042	5,008
Pledged deposits	23	1,408	12,129	12,060
Restricted cash	23	–	2,298	2,300
Cash and cash equivalents	23	35,735	19,070	84,483
Total current assets		<u>124,768</u>	<u>169,002</u>	<u>194,683</u>
CURRENT LIABILITIES				
Trade and bills payables	24	45,938	59,585	72,825
Other payables and accruals	25	4,736	4,612	11,499
Amounts due to a related company	33(b)	–	–	263
Contract liabilities	26	1,028	1,948	725
Interest-bearing bank borrowings	27	–	–	10,007
Lease liabilities	14	1,791	1,807	2,724
Provision	28	501	358	839
Tax payable		1,541	2,117	5,709
Total current liabilities		<u>55,535</u>	<u>70,427</u>	<u>104,591</u>
NET CURRENT ASSETS		<u>69,233</u>	<u>98,575</u>	<u>90,092</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>87,576</u>	<u>114,615</u>	<u>120,205</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14	7,265	5,458	6,230
Provision	28	1,198	2,077	3,171
Total non-current liabilities		<u>8,463</u>	<u>7,535</u>	<u>9,401</u>
Net assets		<u>79,113</u>	<u>107,080</u>	<u>110,804</u>
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital/share capital	29	8,803	8,803	46,070
Reserves	30	70,310	98,277	63,228
		<u>79,113</u>	<u>107,080</u>	<u>109,298</u>
Non-controlling interests		–	–	1,506
Total equity		<u>79,113</u>	<u>107,080</u>	<u>110,804</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent				
	Paid-in capital	Capital reserve*	Statutory reserve*	Retained profits*	Total
	<i>RMB'000</i> <i>Note 29</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023	8,803	7,309	4,801	32,682	53,595
Profit and total comprehensive income for the year	—	—	—	25,518	25,518
Transfer from retained profits	—	—	112	(112)	—
As at 31 December 2023 . .	<u>8,803</u>	<u>7,309</u>	<u>4,913</u>	<u>58,088</u>	<u>79,113</u>

Year ended 31 December 2024

	Attributable to owners of the parent				
	Paid-in capital	Capital reserve*	Statutory reserve*	Retained profits*	Total
	<i>RMB'000</i> <i>Note 29</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2024	8,803	7,309	4,913	58,088	79,113
Profit and total comprehensive income for the year	—	—	—	27,967	27,967
Transfer from retained profits	—	—	276	(276)	—
As at 31 December 2024 . .	<u>8,803</u>	<u>7,309</u>	<u>5,189</u>	<u>85,779</u>	<u>107,080</u>

Year ended 31 December 2025

	Attributable to owners of the parent						
	Paid-in capital/ share capital	Capital reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	<i>RMB'000</i> <i>Note 29</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2025	8,803	7,309	5,189	85,779	107,080	—	107,080
Profit and total comprehensive income for the year	—	—	—	66,818	66,818	96	66,914
Capitalisation of retained earnings . . .	37,267	—	—	(37,267)	—	—	—

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the parent						
	Paid-in capital/ share capital	Capital reserve*	Statutory reserve*	Retained profits*	Total	Non- controlling interests	Total equity
	<i>RMB'000</i> <i>Note 29</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i> <i>Note 30</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared and paid	—	—	—	(64,600)	(64,600)	—	(64,600)
Conversion into a joint stock company . . .	—	11,444	(4,402)	(7,042)	—	—	—
Capital injection from non- controlling equity holders	—	—	—	—	—	1,410	1,410
Transfer from retained profits	—	—	6,248	(6,248)	—	—	—
As at							
31 December							
2025	<u>46,070</u>	<u>18,753</u>	<u>7,035</u>	<u>37,440</u>	<u>109,298</u>	<u>1,506</u>	<u>110,804</u>

* These reserve accounts represent the total consolidated reserves of RMB70,310,000, RMB98,277,000 and RMB63,228,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		28,756	32,326	78,950
Adjustments for:				
Finance costs	7	449	374	405
Bank interest income	5, 6	(132)	(1,401)	(385)
Investment income on structured deposits	5, 6	(92)	(69)	(230)
Interest income from related companies . .	5, 6	–	(142)	(955)
Fair value gains on financial investments at fair value through profit or loss	5, 6	–	–	(20)
Depreciation of property, plant and equipment	6, 13	2,638	1,998	2,259
Depreciation of right-of-use assets	6, 14	1,772	1,837	1,975
Amortisation of intangible assets	6, 16	2	2	49
Impairment losses on financial assets, net	6	421	411	464
Write-down of inventories to net realisable value	6	97	195	180
Foreign exchange differences, net		3	(22)	43
Losses/(gains) on disposal of items of property, plant and equipment, and intangible assets, net	6	3	36	(83)
		33,917	35,545	82,652
Increase in restricted cash		–	(2,298)	(2)
(Increase)/decrease in pledged deposits		(1,408)	(10,721)	69
(Increase)/decrease in trade and bills receivables		(15,876)	14,622	(6,968)
Decrease/(increase) in inventories		13,297	4,470	(20,673)
(Increase)/decrease in amounts due from related companies		(23,244)	20,937	(15,371)
Increase in prepayments, other receivables and other assets		(2)	(224)	(1,030)
Increase in trade and bills payables		25,770	13,647	13,240
(Decrease)/increase in contract liabilities . . .		(1,614)	920	(1,223)
Increase/(decrease) in other payables and accruals		99	(124)	6,887
Increase in amounts due to a related company		–	–	263
Increase in provisions		88	736	1,575
Cash generated from operations		31,027	77,510	59,419
Interest received		132	213	301
Taxes paid		(667)	(4,615)	(7,879)
Net cash flows from operating activities . . .		30,492	73,108	51,841

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of financial investments at fair value through profit or loss		(23,000)	–	(28,000)
Proceeds from disposals of financial investments at fair value through profit or loss		13,000	10,000	18,000
Investment income received		92	69	230
Purchases of property, plant and equipment and intangible assets		(1,334)	(1,460)	(14,905)
Proceeds from disposal of items of property, plant and equipment		4	75	483
Placement of time deposits		–	(71,618)	(5,000)
Withdrawal of time deposits		–	10,618	61,000
Interest income from time deposits		–	146	1,118
Loans advanced to related companies		–	(90,480)	(20,353)
Loans repaid by related companies		–	55,020	56,910
Net cash flows (used in)/from investing activities		(11,238)	(87,630)	69,483
CASH FLOWS FROM FINANCING ACTIVITIES				
Lease payments		(2,097)	(2,165)	(2,153)
New interest-bearing bank borrowings		–	–	10,000
Interest paid for interest-bearing bank borrowings		–	–	(88)
Dividend paid		–	–	(64,600)
Capital injection from non-controlling equity holders		–	–	1,410
Payment of [REDACTED].		[REDACTED]	[REDACTED]	[REDACTED]
Net cash flows used in financing activities		(2,097)	(2,165)	(55,868)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		17,157	(16,687)	65,456
Effect of foreign exchange rate changes, net		(3)	22	(43)
CASH AND CASH EQUIVALENTS AT END OF YEAR		35,735	19,070	84,483
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23	37,143	95,539	103,851
Less: Pledged deposits	23	1,408	12,129	12,060
Restricted cash	23	–	2,298	2,300
Time deposits	23	–	62,042	5,008
Cash and cash equivalents as stated in the statement of cash flows		35,735	19,070	84,483

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	7,847	7,352	12,174
Investments in subsidiaries	15	4,000	20,000	23,590
Right-of-use assets	14	7,758	6,206	7,686
Intangible assets	16	2	–	5,847
Deferred tax assets	17	674	811	1,040
Prepayments, other receivables and other assets	21	74	3	1,176
Total non-current assets		20,355	34,372	51,513
CURRENT ASSETS				
Inventories	18	27,038	22,373	42,791
Trade and bills receivables	19	6,067	241	6,658
Bills receivable at fair value through other comprehensive income	20	1,414	1,231	552
Amounts due from a subsidiary		14,185	3,868	38
Amounts due from related companies	33(b)	20,660	35,074	15,090
Prepayments, other receivables and other assets	21	2,162	1,623	3,084
Financial investments at fair value through profit or loss	22	10,000	–	10,020
Time deposits	23	–	62,042	5,008
Pledged deposits	23	1,408	12,129	12,060
Restricted cash	23	–	2,298	2,300
Cash and cash equivalents	23	33,345	7,682	73,455
Total current assets		116,279	148,561	171,056
CURRENT LIABILITIES				
Trade and bills payables	24	45,938	59,585	71,153
Other payables and accruals	25	4,469	4,496	10,661
Contract liabilities	26	1,028	1,948	505
Interest-bearing bank borrowings	27	–	–	10,007
Lease liabilities	14	1,507	1,579	2,368
Provision	28	501	358	839
Amounts due to subsidiaries		–	6,605	15,956
Tax payable		1,510	2,118	5,046
Total current liabilities		54,953	76,689	116,535
NET CURRENT ASSETS		61,326	71,872	54,521
TOTAL ASSETS LESS CURRENT LIABILITIES				
		81,681	106,244	106,034
NON-CURRENT LIABILITIES				
Lease liabilities	14	6,781	5,202	6,017
Provision	28	1,198	2,077	3,171
Total non-current liabilities		7,979	7,279	9,188
Net assets		73,702	98,965	96,846
EQUITY				
Paid-in capital/share capital	29	8,803	8,803	46,070
Reserves	30	64,899	90,162	50,776
Total equity		73,702	98,965	96,846

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) with limited liability on 18 June 2008 and was converted into a joint stock company on 7 November 2025. The registered office of the Company is located at No. 268 Gongtang Road, Luzhi Town, Wuzhong District, Suzhou, Jiangsu Province, PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) were principally engaged in the research and development, design, production and sale of vehicle articulation systems.

At of 31 December 2023 and 2024, the Company’s ultimate holding company was eKontrol Co., Ltd., a company established in the Chinese mainland.

As at 31 December 2025, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of the subsidiaries are set out below:

Name	Notes	Place and date of registration and place of operations	Paid up capital/ registered capital (‘000)	Percentage of equity directly attributable to the Company	Principal activities
伊卡路斯(北京)車輛技術有限公司 JVS (Beijing) Vehicle Technology Co., Ltd.	(1)	PRC/Chinese mainland/ 2 March 2009	RMB15,000	100.00	Sales of vehicle articulation system
伊卡路斯車輛科技(蘇州)有限公司 JVS Vehicle Technology (Suzhou) Co., Ltd.	(1)	PRC/Chinese mainland/ 17 August 2021	RMB10,000	100.00	Sales of vehicle articulation system
伊科優能聯合技術(蘇州)有限公司 Yike Youneng United Technology (Suzhou) Co., Ltd.	(2)	PRC/Chinese mainland/ 29 September 2025	RMB5,000	71.80	Development, manufacturing and sales of TMS for new energy sector

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

Notes:

- (1) The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared in accordance with generally accepted accounting principles in the Chinese mainland were audited by 蘇州常興會計師事務所(普通合夥) Suzhou Changxing Certified Public Accountant’s Firm, a certified public accounting firm registered in the Chinese mainland. No audited financial statements have been prepared for these entities for the year ended 31 December 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations.
- (2) No audited financial statements have been prepared for this entity for the years ended 31 December 2023 and 2024 as this entity was newly established in 2025. No audited financial statements have been prepared for this entity for the year ended 31 December 2025 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”), which comprise all standards and interpretations approved by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

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

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group for the Relevant Periods and in the periods covered by the Interim Financial Information.

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

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

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

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

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the consolidated statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the consolidated statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning

APPENDIX I

ACCOUNTANTS’ REPORT

on or after 1 January 2027 with earlier application permitted. Retrospective application is required. Based on a preliminary assessment, the adoption of IFRS 18 is not expected to have any impact on the Group’s results of operations and financial position but has impact on the presentation and disclosure of the Group’s financial statements.

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

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

APPENDIX I

ACCOUNTANTS' REPORT

Related companies

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

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

Property, plant and equipment and depreciation

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

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

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

Machinery and Equipment	9.5% to 19%
Vehicles	23.75%
Office equipment and electronic devices	19% to 31.67%
Tooling	31.67%
Leasehold improvements	20%

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Intangible assets (other than goodwill)

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years, which is mainly determined by reference to the licensed period of the purchased software.

Patents

Acquired patents are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful life of 10 years, which is primarily determined based on the assessed economic life of the patent.

Research and development expenses

All research and development expenses are charged to profit or loss as incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Buildings 2 to 8 years

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

(b) Lease liabilities

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial investments at fair value through profit or loss

Financial investments at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. This category includes structured deposits.

Derecognition of financial assets

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Impairment of financial assets

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

General approach

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

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

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

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

Derecognition of financial liabilities

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

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

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

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

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised monthly.

Income tax

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

There are no significant variable consideration and financing component for the Group’s revenue from contracts with customers.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer. For domestic sales, control is generally transferred upon customer acceptance of the products. For export sales, control is transferred when the products are delivered to the carrier nominated by the customer or at the point of on board, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and customer has accepted the products in accordance with the sales contract.

Provision of service-type warranties

Revenue from service-type warranties related to articulation system is recognised over the scheduled period on a straight-line basis in which the service is provided based on the time elapsed because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

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

APPENDIX I

ACCOUNTANTS’ REPORT

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

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

Other employee benefits

Pension schemes

The employees of the Company and the Group’s subsidiaries which operate in the Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable in each reporting period.

Borrowing costs

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

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

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

Foreign currency transaction

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

APPENDIX I

ACCOUNTANTS’ REPORT

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the leases commencement dates, the Group reassesses the lease terms if there are significant events or changes in circumstances that are within its control and affects the Group’s ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of properties due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., two to three years) and there will be a significant negative effect on production if a replacement is not readily available.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future.

Write-down of inventories

The Group periodically assesses the net realisable value of its inventories and provides for inventory impairment based on the difference between the cost of the inventory and the net realisable value. When estimating the net realisable value of inventories, management considers the purpose for which the inventories are held, as well as future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and write-down of inventories in the period in which such estimates have been changed.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland	84,362	104,141	164,045
Overseas	47,943	37,482	58,285
Total revenue	<u>132,305</u>	<u>141,623</u>	<u>222,330</u>

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

(b) Non-current assets

Almost all of the Group’s non-current assets were located in the Chinese mainland.

APPENDIX I

ACCOUNTANTS’ REPORT

Information about major customers

External customers that contributed over 10% of total revenue of the Group during each of the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
eKontrol Co., Ltd.	33,834	*	*
Customer A	24,225	58,969	32,319
Customer B	18,515	18,707	23,544
Customer H	*	*	107,066

* Less than 10% of the Group’s revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	132,305	141,623	222,330

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Vehicle articulation system	89,064	126,685	203,340
TMS for new energy sector	—	—	3,717
Others*	43,241	14,938	15,273
Total	132,305	141,623	222,330

* Primarily consists of sales of industrial machinery components, spare parts and scrap materials, as well as the provision of maintenance services.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
Transferred at a point in time	131,858	141,176	221,883
Transferred over time	447	447	447
Total	132,305	141,623	222,330

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

Revenue recognised that was included in contract liabilities at the beginning of the reporting period	2,642	1,028	1,948
---	-------	-------	-------

APPENDIX I

ACCOUNTANTS’ REPORT

(b) *Performance obligations*

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

Sale of products

The performance obligation is satisfied upon acceptance. Payment is generally due within 30 to 90 days from the invoice date, except for certain oversea customers who make advance payments.

Provision of service-type warranty services

The performance obligation is satisfied over time as services are rendered. Warranty service contracts are for periods of 10 years and are billed on an annual basis.

All amounts of transaction prices allocated to the performance obligations of the sale of products and provision of services are expected to be recognised as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration of more than one year, thus management applied the practical expedient under IFRS 15 and has not disclosed the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other income			
Government grants	243	477	37
Bank interest income	132	1,401	385
Interest income from related companies	–	142	955
Others	160	–	124
Total other income	<u>535</u>	<u>2,020</u>	<u>1,501</u>
Gains			
Investment income on structured deposits	92	69	230
Fair value gains on financial investments at fair value through profit or loss	–	–	20
Foreign exchange gains, net	375	–	475
Gains on disposal of items of property, plant and equipment, net	–	–	83
Total gains	<u>467</u>	<u>69</u>	<u>808</u>
Total other income and gains	<u>1,002</u>	<u>2,089</u>	<u>2,309</u>

APPENDIX I

ACCOUNTANTS’ REPORT

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of sales*		87,796	89,519	101,841
Depreciation of property, plant and equipment	13	2,638	1,998	2,259
Depreciation of right-of-use assets	14	1,772	1,837	1,975
Amortisation of intangible assets	16	2	2	49
Research and development expenses*		6,126	6,210	10,111
[REDACTED]		(REDACTED)	(REDACTED)	(REDACTED)
Lease payments not included in the measurement of lease liabilities	14	42	90	66
Write-down of inventories to net realisable value**	18	97	195	180
Impairment losses on financial assets, net		421	411	464
Foreign exchange differences, net		(375)	290	(475)
Provision	28	724	2,661	2,170
Losses/(gains) on disposal of items of property, plant and equipment, and intangible assets, net		3	36	(83)
Investment income on structured deposits	5	(92)	(69)	(230)
Bank interest income	5	(132)	(1,401)	(385)
Interest income from related companies	5	–	(142)	(955)
Fair value gains on financial investments at fair value through profit or loss	5	–	–	(20)
Employee benefit expense (including directors’ and supervisors’ remuneration (note 8)):				
Wages and salaries		15,690	17,339	21,530
Pension scheme contributions and social welfare		1,831	2,673	2,750
		<u>1,831</u>	<u>2,673</u>	<u>2,750</u>

* The “cost of sales” and “research and development expenses” above include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and labour costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The write-down of inventories to net realisable value is included in “cost of sales”.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on interest-bearing bank borrowings	–	–	95
Interest on lease liabilities	449	374	310
Total	<u>449</u>	<u>374</u>	<u>405</u>

APPENDIX I

ACCOUNTANTS’ REPORT

8. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and bonuses*	555	682	3,841
Pension scheme contributions and social welfare	155	160	357
Subtotal	710	842	4,198
Total fees and other emoluments	710	842	4,198

* Directors of the Company are entitled to bonus payments which are determined by key performance indicators.

(a) Directors, chief executive and supervisors

The remuneration of the directors, the chief executive and supervisors of the Company paid/payable by the Group (including emoluments for services as employees of the group entities prior to becoming the directors, the chief executive and supervisors of the Company) for the Relevant Periods is set out as follows:

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023			
Director:			
Mr. Ma Chunbo (ii)	—	—	—
Chief executive:			
Mr. Cheng Feng (i)	555	155	710
Supervisor:			
Mr. Liu Shengqi (v)	—	—	—
Total	555	155	710

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024			
Director:			
Mr. Ma Chunbo (ii)	—	—	—
Chief executive:			
Mr. Cheng Feng (i)	682	160	842
Supervisor:			
Mr. Liu Shengqi (v)	—	—	—
Total	682	160	842

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)
Year ended 31 December 2025			
Directors:			
Mr. Hao Qingjun (iii)	—	—	—
Mr. Ma Chunbo (ii)	151	19	170
Mr. Zhong Gufa (iv)	161	19	180
Mr. Sun Bin (iv)	1,158	53	1,211
Mr. Cui Zhongchen (iv)	1,300	53	1,353
Subtotal	2,770	144	2,914

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Chief executive and Director:			
Mr. Cheng Feng (i)	614	165	779
Supervisors:			
Mr. Liu Shengqi (v)	—	—	—
Ms. Sun Qiumei (vi)	260	26	286
Mr. Yang Jinlu (vi)	197	22	219
Subtotal	457	48	505
Total	3,841	357	4,198

- (i) Mr. Cheng Feng was appointed as the chief executive in August 2023 and was appointed as the director in October 2025.
- (ii) Mr. Ma Chunbo was appointed as the director in November 2013.
- (iii) Mr. Hao Qingjun had served as the director of our Company since June 18, 2008 and later resigned on March 10, 2010. Mr. Hao Qingjun was re-appointed as our Director on October 20, 2025.
- (iv) Mr. Zhong Gufa, Mr. Sun Bin and Mr. Cui Zhongchen were appointed as directors in October 2025.
- (v) Mr. Liu Shengqi was appointed as the supervisor in April 2023 and resigned from the position of a supervisor in October 2025.
- (vi) Ms. Sun Qiumei and Mr. Yang Jinlu were appointed as supervisors in October 2025.

There was no arrangement under which the director, the chief executive or the supervisor waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 included 1 director, 1 director and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining 4, 4 and 2 highest paid employees who are neither a director nor chief executive of the Company during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and bonuses	1,634	2,298	1,169
Pension scheme contributions	87	154	79
Total	1,721	2,452	1,248

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

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HKD500,000	2	—	—
HKD500,001 to HKD1,000,000	2	4	2
Total	4	4	2

10. INCOME TAX

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

APPENDIX I

ACCOUNTANTS’ REPORT

Chinese mainland

The companies established in the Chinese mainland are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the Corporate Income Tax Law of the Chinese mainland which became effective on 1 January 2008, except for those subject to tax preferential set out below:

The Company is registered as a High and New Technology Enterprise pursuant to the tax regulations of the Chinese mainland and was entitled to a preferential tax rate of 15% during the Relevant Periods.

Certain subsidiaries met the criteria as small-scaled and minimal profit enterprise with its annual taxable income less than RMB3,000,000, are subject to an effective corporate income tax rate of 5% from 1 January 2023 and expire on 31 December 2027.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current – Chinese mainland	1,935	4,541	12,334
Deferred tax expense/(credit) (note 17)	1,303	(182)	(298)
Total tax expense for the year	<u>3,238</u>	<u>4,359</u>	<u>12,036</u>

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	28,756	32,326	78,950
Tax at the statutory tax rate of 25%	7,189	8,082	19,737
Effect of preferential and different tax rate	(3,059)	(2,906)	(7,201)
Expenses not deductible for tax	40	89	960
Additional deduction on research and development costs (a).	(932)	(906)	(1,460)
Tax expense at the Group’s effective tax rate	<u>3,238</u>	<u>4,359</u>	<u>12,036</u>

- (a) The additional deduction allowance was for qualified research and development expenses. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the Relevant Periods.

11. DIVIDENDS

The Company declared a dividend of RMB64,600,000 in June 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

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

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares outstanding during the Relevant Periods. The weighted average number of ordinary shares outstanding were determined assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon the Company’s conversion into a joint-stock company on 7 November 2025, and as adjusted to reflect the issue of new shares resulting from capitalisation of retained earnings to paid-in capital (note 29).

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Earnings			
Profit attributable to ordinary equity holders of the parent	<u>25,518</u>	<u>27,967</u>	<u>66,818</u>
Shares			
Weighted average number (’000) of ordinary shares outstanding during the year	<u>46,070</u>	<u>46,070</u>	<u>46,070</u>
Earnings per share			
Basic and diluted (RMB)	<u>0.55</u>	<u>0.61</u>	<u>1.45</u>

The Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2023, 2024 and 2025.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery and equipment	Vehicles	Office equipment and electronic devices	Tooling	Leasehold improvements	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023							
At 1 January 2023:							
Cost	22,779	5,673	3,022	3,225	2,059	–	36,758
Accumulated depreciation	(16,436)	(4,616)	(2,807)	(2,394)	(704)	–	(26,957)
Net carrying amount	<u>6,343</u>	<u>1,057</u>	<u>215</u>	<u>831</u>	<u>1,355</u>	<u>–</u>	<u>9,801</u>
At 1 January 2023, net of accumulated depreciation	6,343	1,057	215	831	1,355	–	9,801
Additions	720	4	97	310	66	65	1,262
Depreciation provided during the year	(1,484)	(355)	(42)	(353)	(404)	–	(2,638)
Disposals	–	(3)	(4)	–	–	–	(7)
At 31 December 2023, net of accumulated depreciation	<u>5,579</u>	<u>703</u>	<u>266</u>	<u>788</u>	<u>1,017</u>	<u>65</u>	<u>8,418</u>
At 31 December 2023:							
Cost	23,499	5,623	3,045	3,535	2,125	65	37,892
Accumulated depreciation	(17,920)	(4,920)	(2,779)	(2,747)	(1,108)	–	(29,474)
Net carrying amount	<u>5,579</u>	<u>703</u>	<u>266</u>	<u>788</u>	<u>1,017</u>	<u>65</u>	<u>8,418</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery and equipment	Vehicles	Office equipment and electronic devices	Tooling	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	23,499	5,623	3,045	3,535	2,125	65	37,892
Accumulated depreciation . .	(17,920)	(4,920)	(2,779)	(2,747)	(1,108)	–	(29,474)
Net carrying amount	<u>5,579</u>	<u>703</u>	<u>266</u>	<u>788</u>	<u>1,017</u>	<u>65</u>	<u>8,418</u>
At 1 January 2024, net of accumulated depreciation . .	5,579	703	266	788	1,017	65	8,418
Additions	757	178	45	357	146	51	1,534
Transfers	116	–	–	–	–	(116)	–
Depreciation provided during the year	(976)	(161)	(56)	(412)	(393)	–	(1,998)
Disposals	–	(110)	(1)	–	–	–	(111)
At 31 December 2024, net of accumulated depreciation . .	<u>5,476</u>	<u>610</u>	<u>254</u>	<u>733</u>	<u>770</u>	<u>–</u>	<u>7,843</u>
At 31 December 2024:							
Cost	24,372	4,573	3,061	3,892	2,271	–	38,169
Accumulated depreciation . .	(18,896)	(3,963)	(2,807)	(3,159)	(1,501)	–	(30,326)
Net carrying amount	<u>5,476</u>	<u>610</u>	<u>254</u>	<u>733</u>	<u>770</u>	<u>–</u>	<u>7,843</u>

	Machinery and equipment	Vehicles	Office equipment and electronic devices	Tooling	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost	24,372	4,573	3,061	3,892	2,271	–	38,169
Accumulated depreciation . .	(18,896)	(3,963)	(2,807)	(3,159)	(1,501)	–	(30,326)
Net carrying amount	<u>5,476</u>	<u>610</u>	<u>254</u>	<u>733</u>	<u>770</u>	<u>–</u>	<u>7,843</u>
At 1 January 2025, net of accumulated depreciation . .	5,476	610	254	733	770	–	7,843
Additions	6,485	682	280	202	182	–	7,831
Depreciation provided during the year	(1,213)	(217)	(81)	(348)	(400)	–	(2,259)
Disposals	(304)	(96)	–	–	–	–	(400)
At 31 December 2025, net of accumulated depreciation . .	<u>10,444</u>	<u>979</u>	<u>453</u>	<u>587</u>	<u>552</u>	<u>–</u>	<u>13,015</u>
At 31 December 2025:							
Cost	30,553	5,159	3,341	4,094	2,453	–	45,600
Accumulated depreciation . .	(20,109)	(4,180)	(2,888)	(3,507)	(1,901)	–	(32,585)
Net carrying amount	<u>10,444</u>	<u>979</u>	<u>453</u>	<u>587</u>	<u>552</u>	<u>–</u>	<u>13,015</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Machinery and equipment	Vehicles	Office equipment and electronic devices	Tooling	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	22,745	1,931	3,010	3,225	2,022	–	32,933
Accumulated depreciation . .	(16,429)	(1,720)	(2,807)	(2,394)	(694)	–	(24,044)
Net carrying amount	<u>6,316</u>	<u>211</u>	<u>203</u>	<u>831</u>	<u>1,328</u>	<u>–</u>	<u>8,889</u>
At 1 January 2023, net of accumulated depreciation . .	6,316	211	203	831	1,328	–	8,889
Additions	719	–	97	310	66	65	1,257
Depreciation provided during the year	(1,477)	(32)	(42)	(353)	(391)	–	(2,295)
Disposals	–	–	(4)	–	–	–	(4)
At 31 December 2023, net of accumulated depreciation . .	<u>5,558</u>	<u>179</u>	<u>254</u>	<u>788</u>	<u>1,003</u>	<u>65</u>	<u>7,847</u>
At 31 December 2023:							
Cost	23,464	1,931	3,033	3,535	2,088	65	34,116
Accumulated depreciation . .	(17,906)	(1,752)	(2,779)	(2,747)	(1,085)	–	(26,269)
Net carrying amount	<u>5,558</u>	<u>179</u>	<u>254</u>	<u>788</u>	<u>1,003</u>	<u>65</u>	<u>7,847</u>

	Machinery and equipment	Vehicles	Office equipment and electronic devices	Tooling	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	23,464	1,931	3,033	3,535	2,088	65	34,116
Accumulated depreciation . .	(17,906)	(1,752)	(2,779)	(2,747)	(1,085)	–	(26,269)
Net carrying amount	<u>5,558</u>	<u>179</u>	<u>254</u>	<u>788</u>	<u>1,003</u>	<u>65</u>	<u>7,847</u>
At 1 January 2024, net of accumulated depreciation . .	5,558	179	254	788	1,003	65	7,847
Additions	757	55	45	357	146	51	1,411
Transfer	116	–	–	–	–	(116)	–
Depreciation provided during the year	(970)	(33)	(56)	(412)	(381)	–	(1,852)
Disposals	–	(53)	(1)	–	–	–	(54)
At 31 December 2024, net of accumulated depreciation . .	<u>5,461</u>	<u>148</u>	<u>242</u>	<u>733</u>	<u>768</u>	<u>–</u>	<u>7,352</u>
At 31 December 2024:							
Cost	24,337	922	3,049	3,892	2,234	–	34,434
Accumulated depreciation . .	(18,876)	(774)	(2,807)	(3,159)	(1,466)	–	(27,082)
Net carrying amount	<u>5,461</u>	<u>148</u>	<u>242</u>	<u>733</u>	<u>768</u>	<u>–</u>	<u>7,352</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery and equipment	Vehicles	Office equipment and electronic devices	Tooling	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost	24,337	922	3,049	3,892	2,234	–	34,434
Accumulated depreciation . .	(18,876)	(774)	(2,807)	(3,159)	(1,466)	–	(27,082)
Net carrying amount	<u>5,461</u>	<u>148</u>	<u>242</u>	<u>733</u>	<u>768</u>	<u>–</u>	<u>7,352</u>
At 1 January 2025, net of accumulated depreciation . .	5,461	148	242	733	768	–	7,352
Additions	6,485	124	280	202	136	–	7,227
Depreciation provided during the year	(1,204)	(59)	(81)	(348)	(390)	–	(2,082)
Disposals	<u>(304)</u>	<u>(19)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(323)</u>
At 31 December 2025, net of accumulated depreciation . .	<u>10,438</u>	<u>194</u>	<u>441</u>	<u>587</u>	<u>514</u>	<u>–</u>	<u>12,174</u>
At 31 December 2025:							
Cost	30,518	1,027	3,329	4,094	2,370	–	41,338
Accumulated depreciation . .	(20,080)	(833)	(2,888)	(3,507)	(1,856)	–	(29,164)
Net carrying amount	<u>10,438</u>	<u>194</u>	<u>441</u>	<u>587</u>	<u>514</u>	<u>–</u>	<u>12,174</u>

As 31 December 2023, 2024 and 2025, no property, plant, and equipment were pledged.

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings and other equipments used in its operations. Leases of buildings generally have lease terms between 2 and 8 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) *Right-of-use assets*

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

The Group

	Buildings
	<i>RMB’000</i>
At 1 January 2023	10,051
Additions	259
Depreciation charge	(1,772)
At 31 December 2023 and 1 January 2024	8,538
Depreciation charge	(1,837)
At 31 December 2024 and 1 January 2025	6,701
Additions	3,532
Depreciation charge	(1,975)
At 31 December 2025	8,258

The Company

	Buildings
	<i>RMB’000</i>
At 1 January 2023	9,310
Depreciation charge	(1,552)
At 31 December 2023 and 1 January 2024	7,758
Depreciation charge	(1,552)
At 31 December 2024 and 1 January 2025	6,206
Additions	3,169
Depreciation charge	(1,689)
At 31 December 2025	7,686

(b) *Lease liabilities*

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

The Group

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carry amount at the beginning of the year	10,445	9,056	7,265
New leases	259	–	3,532
Accretion of interest recognised during the year	449	374	310
Payments	(2,097)	(2,165)	(2,153)
Carrying amount at the end of the year	9,056	7,265	8,954
Analysed into:			
Current portion	1,791	1,807	2,724
Non-current portion	7,265	5,458	6,230

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carry amount at the beginning of the year	9,727	8,288	6,781
New leases	—	—	3,169
Accretion of interest recognised during the year . . .	415	346	290
Payments	(1,854)	(1,853)	(1,855)
Carrying amount at the end of the year	<u>8,288</u>	<u>6,781</u>	<u>8,385</u>
Analysed into:			
Current portion	1,507	1,579	2,368
Non-current portion	<u>6,781</u>	<u>5,202</u>	<u>6,017</u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

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

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	449	374	310
Depreciation charge of right-of-use assets	1,772	1,837	1,975
Expenses relating to short-term leases and leases of low-value assets	42	90	66
Total amount recognised in profit or loss	<u>2,263</u>	<u>2,301</u>	<u>2,351</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	415	346	290
Depreciation charge of right-of-use assets	1,552	1,552	1,689
Expenses relating to short-term leases and leases of low-value assets	42	90	66
Total amount recognised in profit or loss	<u>2,009</u>	<u>1,988</u>	<u>2,045</u>

- (d) The total cash outflows for leases are disclosed in note 31 to the Historical Financial Information.

15. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	<u>4,000</u>	<u>20,000</u>	<u>23,590</u>

APPENDIX I

ACCOUNTANTS’ REPORT

16. INTANGIBLE ASSETS

The Group and the Company

	<u>Software</u>
	<i>RMB'000</i>
31 December 2023	
At 1 January 2023:	
Cost	351
Accumulated amortisation	(347)
Net carrying amount	<u>4</u>
Cost at 1 January 2023, net of accumulated amortisation	4
Amortisation provided during the year	(2)
At 31 December 2023	<u>2</u>
At 31 December 2023:	
Cost	351
Accumulated amortisation	(349)
Net carrying amount	<u>2</u>

	<u>Software</u>
	<i>RMB'000</i>
31 December 2024	
At 1 January 2024:	
Cost	351
Accumulated amortisation	(349)
Net carrying amount	<u>2</u>
Cost at 1 January 2024, net of accumulated amortisation	2
Amortisation provided during the year	(2)
At 31 December 2024	<u>–</u>
At 31 December 2024:	
Cost	351
Accumulated amortisation	(351)
Net carrying amount	<u>–</u>

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025			
At 1 January 2025:			
Cost	–	351	351
Accumulated amortisation	–	(351)	(351)
Net carrying amount	<u>–</u>	<u>–</u>	<u>–</u>
Cost at 1 January 2025, net of accumulated amortisation	–	–	–
Additions	5,896	–	5,896
Amortisation provided during the year	(49)	–	(49)
At 31 December 2025	<u>5,847</u>	<u>–</u>	<u>5,847</u>
At 31 December 2025:			
Cost	5,896	351	6,247
Accumulated amortisation	(49)	(351)	(400)
Net carrying amount	<u>5,847</u>	<u>–</u>	<u>5,847</u>

APPENDIX I

ACCOUNTANTS’ REPORT

17. DEFERRED TAX

The Group

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

Deferred tax assets

	Impairment of financial assets	Impairment of inventories	Lease liabilities	Provision	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2023	83	306	1,495	242	1,274	3,400
Deferred tax (charged)/ credited to profit or loss during the year	(21)	(39)	(214)	13	(1,273)	(1,534)
Gross deferred tax assets at 31 December 2023	62	267	1,281	255	1	1,866
Deferred tax credited/ (charged) to profit or loss during the year	72	(6)	(227)	110	(1)	(52)
Gross deferred tax assets at 31 December 2024	134	261	1,054	365	–	1,814
Deferred tax credited to profit or loss during the year	20	9	264	236	13	542
Gross deferred tax assets at 31 December 2025	154	270	1,318	601	13	2,356

Deferred tax liabilities

	Right-of-use assets
	RMB'000
Gross deferred tax liabilities at 1 January 2023	1,434
Deferred tax credited to profit or loss during the year	(231)
Gross deferred tax liabilities at 31 December 2023	1,203
Deferred tax credited to profit or loss during the year	(234)
Gross deferred tax liabilities at 31 December 2024	969
Deferred tax charged to profit or loss during the year	244
Gross deferred tax liabilities at 31 December 2025	1,213

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	663	845	1,143
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	–

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

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

Deferred tax assets

	Impairment of financial assets	Impairment of inventories	Lease liabilities	Provision	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2023	48	306	1,459	242	1,274	3,329
Deferred tax credited/ (charged) to profit or loss during the year . . .	24	(39)	(215)	13	(1,274)	(1,491)
Gross deferred tax assets at 31 December 2023 . .	72	267	1,244	255	–	1,838
Deferred tax credited/ (charged) to profit or loss during the year . . .	27	(6)	(227)	110	–	(96)
Gross deferred tax assets at 31 December 2024 . .	99	261	1,017	365	–	1,742
Deferred tax (charged)/ credited to profit or loss during the year	(36)	9	242	236	–	451
Gross deferred tax assets at 31 December 2025 . .	63	270	1,259	601	–	2,193

Deferred tax liabilities

	Right-of-use assets
	RMB'000
Gross deferred tax liabilities at 1 January 2023	1,396
Deferred tax credited to profit or loss during the year	(232)
Gross deferred tax liabilities at 31 December 2023	1,164
Deferred tax credited to profit or loss during the year	(233)
Gross deferred tax liabilities at 31 December 2024	931
Deferred tax charged to profit or loss during the year	222
Gross deferred tax liabilities at 31 December 2025	1,153

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	674	811	1,040
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	–

18. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	10,282	7,836	28,547
Work in progress	9,372	7,684	8,982
Finished goods	9,164	8,593	7,138
	28,818	24,113	44,667
Provision for impairment losses	(1,780)	(1,740)	(1,801)
Total	27,038	22,373	42,866

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	10,282	7,836	28,509
Work in progress	9,372	7,684	8,945
Finished goods	9,164	8,593	7,138
	28,818	24,113	44,592
Provision for impairment losses	(1,780)	(1,740)	(1,801)
Total	27,038	22,373	42,791

The movements in provision

The Group and the Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	2,041	1,780	1,740
Impairment losses recognised (<i>note 6</i>)	97	195	180
Amounts written off	(358)	(235)	(119)
Carrying amount at the end of the year	1,780	1,740	1,801

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	25,899	11,255	19,570
Bank bills receivable	500	102	–
Total	26,399	11,357	19,570
Impairment losses	(264)	(424)	(1,097)
Net carrying amount	26,135	10,933	18,473

Except for certain overseas customers, the Group’s trading terms with its customers are mainly on credit. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The credit period is generally 30 to 90 days. Overdue balances are reviewed regularly by senior management of the Group.

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

An ageing analysis of the Group’s trade and bills receivables at amortised cost as at 31 December 2023, 2024 and 2025, based on the ageing analysis and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 6 months	26,104	10,100	17,195
7 months to 12 months	–	833	719
13 months to 18 months	30	–	554
19 months to 24 months	1	–	5
Total	26,135	10,933	18,473

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,029	264	424
Impairment losses recognised	134	160	710
Amount written off as uncollectible	(899)	–	(37)
At the end of the year	<u>264</u>	<u>424</u>	<u>1,097</u>

The bank bills receivable were issued by reputable banks and with short-term maturity. Accordingly, the identified impairment loss was immaterial as at 31 December 2023, 2024 and 2025.

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

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

	Within 6 months	7 months to 12 months	13 months to 18 months	19 months to 24 months	Over 2 years	Total
As at 31 December 2023						
<i>On a collective basis:</i>						
Expected credit loss rate	0.99%	–	18.92%	50.00%	–	1.02%
Gross carrying amount (RMB'000)	25,860	–	37	2	–	25,899
Expected credit losses (RMB'000)	256	–	7	1	–	264
	Within 6 months	7 months to 12 months	13 months to 18 months	19 months to 24 months	Over 2 years	Total
As at 31 December 2024						
<i>On a collective basis:</i>						
Expected credit loss rate	2.05%	17.44%	–	–	100.00%	3.77%
Gross carrying amount (RMB'000)	10,207	1,009	–	–	39	11,255
Expected credit losses (RMB'000)	209	176	–	–	39	424
	Within 6 months	7 months to 12 months	13 months to 18 months	19 months to 24 months	Over 2 years	Total
As at 31 December 2025						
<i>On a collective basis:</i>						
Expected credit loss rate	1.83%	16.30%	52.53%	82.14%	–	5.61%
Gross carrying amount (RMB'000)	17,516	859	1,167	28	–	19,570
Expected credit losses (RMB'000)	321	140	613	23	–	1,097

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	5,631	189	6,794
Bank bills receivable	500	102	—
Total	6,131	291	6,794
Impairment losses	(64)	(50)	(136)
Net carrying amount	6,067	241	6,658

An ageing analysis of the Company’s trade and bills receivables at amortised cost as at 31 December 2023, 2024 and 2025, based on the ageing analysis and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 6 months	6,036	198	6,590
7 months to 12 months	—	43	68
13 months to 18 months	30	—	—
19 months to 24 months	1	—	—
Total	6,067	241	6,658

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	324	64	50
Impairment losses recognised/(reversed)	89	(14)	123
Amount written off as uncollectible	(349)	—	(37)
At the end of the year	64	50	136

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

	Within 6 months	7 months to 12 months	13 months to 18 months	19 months to 24 months	Over 2 years	Total
As at 31 December 2023						
<i>On a collective basis:</i>						
Expected credit loss rate	1.00%	—	18.92%	50.00%	—	1.14%
Gross carrying amount (RMB'000)	5,592	—	37	2	—	5,631
Expected credit losses (RMB'000)	56	—	7	1	—	64

APPENDIX I

ACCOUNTANTS’ REPORT

	Within 6 months	7 months to 12 months	13 months to 18 months	19 months to 24 months	Over 2 years	Total
As at 31 December 2024						
<i>On a collective basis:</i>						
Expected credit loss rate	3.03%	15.69%	–	–	100.00%	26.46%
Gross carrying amount (RMB’000)	99	51	–	–	39	189
Expected credit losses (RMB’000)	3	8	–	–	39	50
	Within 6 months	7 months to 12 months	13 months to 18 months	19 months to 24 months	Over 2 years	Total
As at 31 December 2025						
<i>On a collective basis:</i>						
Expected credit loss rate	1.83%	16.05%	–	–	–	2.00%
Gross carrying amount (RMB’000)	6,713	81	–	–	–	6,794
Expected credit losses (RMB’000)	123	13	–	–	–	136

20. BILLS RECEIVABLE AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivable at fair value through other comprehensive income	1,414	1,834	552

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivable at fair value through other comprehensive income	1,414	1,231	552

The Group and the Company has classified bills receivable that are held both to collect cash flows and to sell as financial assets at fair value through other comprehensive income under IFRS 9. Bills receivable at fair value through other comprehensive income were mainly bank acceptance bills held to be discounted or endorsed for the purpose of daily treasury management and were qualified for derecognition when discounted or endorsed.

All bills receivable at fair value through other comprehensive income are aged within six months. The identified impairment loss was assessed to be minimal as at 31 December 2023, 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Value-added tax recoverable	1,066	1,652	1,046
Prepayments to suppliers	1,035	683	2,053
Deposits and other receivables	65	52	139
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	2,166	2,387	3,835
Impairment allowance	(1)	(1)	(4)
Subtotal	2,165	2,386	3,831
Non-current portion:			
Contract assets	657	657	–
Prepayments for purchase of property, plant and equipment	74	–	1,178
Deposits and other receivables	–	3	672
	731	660	1,850
Impairment allowance	(9)	(9)	–
Subtotal	722	651	1,850
Total	2,887	3,037	5,681

These balances were interest-free, unsecured and repayable on demand.

As 31 December 2023, 2024 and 2025, the ECLs of the financial assets included in other receivables and other assets were measured based on the 12-month ECLs if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime ECLs. An impairment analysis was performed at 31 December 2023, 2024 and 2025.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Value-added tax recoverable	1,064	955	540
Prepayments to suppliers	1,035	617	1,812
Deposits and other receivables	64	52	139
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	2,163	1,624	3,088
Impairment allowance	(1)	(1)	(4)
Subtotal	2,162	1,623	3,084
Non-current portion:			
Prepayments for purchase of property, plant and equipment	74	–	1,161
Deposits	–	3	15
Subtotal	74	3	1,176
Total	2,236	1,626	4,260

APPENDIX I

ACCOUNTANTS’ REPORT

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments in structured deposits, at fair value . . .	10,000	—	—
Investment in wealth management products, at fair value	—	—	10,020
Total	10,000	—	10,020
Analysed into:			
Current portion	10,000	—	10,020

As at 31 December 2023 and 2025, the investments in structured deposits and the investment in wealth management products were issued by banks in the Chinese mainland and were mandatorily classified as financial investments at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS, TIME DEPOSITS, RESTRICTED CASH AND PLEDGED DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	35,735	19,070	84,483
Time deposits	—	62,042	5,008
Pledged deposits	1,408	12,129	12,060
Restricted cash	—	2,298	2,300
Total	37,143	95,539	103,851

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents			
Denominated in RMB	35,695	16,085	83,903
Denominated in EUR	40	2,985	545
Denominated in USD	—	—	35
Total	35,735	19,070	84,483
Restricted cash denominated in RMB	—	2,298	2,300
Pledged deposits denominated in RMB	1,408	12,129	12,060
Time deposits denominated in RMB	—	62,042	5,008

The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Short-term time deposits are made depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2024 and 2025, restricted cash represented funds frozen by a court in the Chinese mainland order pursuant to civil rulings.

As at 31 December 2023, 2024 and 2025, pledged deposits were pledged for the issuance of bank bills and bank guarantee letters.

As at 31 December 2023, 2024 and 2025, the Group and the Company assessed the credit risk of cash and cash equivalents, time deposits, restricted cash and pledged deposits to be minimal as they were placed in reputable financial institutions.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	33,345	7,682	73,455
Time deposits	–	62,042	5,008
Pledged deposits	1,408	12,129	12,060
Restricted cash	–	2,298	2,300
Total	<u>34,753</u>	<u>84,151</u>	<u>92,823</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents			
Denominated in RMB	33,305	7,177	72,914
Denominated in EUR	40	505	506
Denominated in USD	–	–	35
Total	<u>33,345</u>	<u>7,682</u>	<u>73,455</u>
Restricted cash denominated in RMB	–	2,298	2,300
Pledged deposits denominated in RMB	1,408	12,129	12,060
Time deposits denominated in RMB	–	62,042	5,008

24. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	32,584	20,288	24,282
Bills payable	13,354	39,297	48,543
Total	<u>45,938</u>	<u>59,585</u>	<u>72,825</u>

An ageing analysis of the trade and bills payables as at 31 December 2023, 2024 and 2025, based on invoice dates, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	45,661	56,339	70,471
1 to 2 years	118	3,182	75
2 to 3 years	140	17	2,217
Over 3 years	19	47	62
Total	<u>45,938</u>	<u>59,585</u>	<u>72,825</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	32,584	20,288	22,610
Bills payables	13,354	39,297	48,543
Total	<u>45,938</u>	<u>59,585</u>	<u>71,153</u>

APPENDIX I

ACCOUNTANTS’ REPORT

An ageing analysis of the trade and bills payables as at 31 December 2023, 2024 and 2025, based on invoice dates, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	45,661	56,339	68,799
1 to 2 years	118	3,182	75
2 to 3 years	140	17	2,217
Over 3 years	19	47	62
Total	<u>45,938</u>	<u>59,585</u>	<u>71,153</u>

The trade payables are non-interest-bearing and are normally settled within 30 to 60 days upon receipt of the VAT invoices.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	3,357	2,754	5,381
Other tax payables	320	173	559
Accrued expenses	350	946	3,552
Accrued [REDACTED]	(REDACTED)	(REDACTED)	(REDACTED)
Deposits	360	415	468
Others	349	324	318
Total	<u>4,736</u>	<u>4,612</u>	<u>11,499</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	3,139	2,658	5,081
Other tax payables	276	160	84
Accrued expenses	350	946	3,497
Accrued [REDACTED]	(REDACTED)	(REDACTED)	(REDACTED)
Deposits	360	415	468
Others	344	317	310
Total	<u>4,469</u>	<u>4,496</u>	<u>10,661</u>

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

26. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>1,028</u>	<u>1,948</u>	<u>725</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>1,028</u>	<u>1,948</u>	<u>505</u>

Contract liabilities include advances received from customers for the sale of vehicle articulation systems.

APPENDIX I

ACCOUNTANTS’ REPORT

27. INTEREST-BEARING BANK BORROWINGS

The Group and the Company

	As at 31 December 2025		
	Effective interest rate	Maturity	RMB'000
	(%)		
Current			
Bank borrowings – unsecured	2.20	2026	10,007

28. PROVISION

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Warranties	1,699	2,435	4,010
Less: Current portion	(501)	(358)	(839)
Non-current portion	1,198	2,077	3,171

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,611	1,699	2,435
Additional provision	724	2,661	2,170
Amounts utilised during the year	(636)	(1,925)	(595)
At the end of the year	1,699	2,435	4,010

29. PAID-IN CAPITAL/SHARE CAPITAL

The Group and the Company

Paid-in capital/share capital

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Issued and fully paid:			
Paid-in capital/share capital	8,803	8,803	46,070

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	8,803	8,803	8,803
Capitalisation of the retained earnings	–	–	37,267
At the end of the year	8,803	8,803	46,070

APPENDIX I

ACCOUNTANTS’ REPORT

On 1 August 2025, a resolution was passed by the then equity holders of the Company to increase RMB37,267,000 paid-in capital by capitalisation of retained earnings of the Company.

On 7 November 2025, the Company was converted into a joint stock limited company with limited liability under the Company Law of the Chinese mainland. The net assets of the Company as at the conversion date were converted into 46,069,999 shares of RMB1.00 each. The excess of net assets converted over the nominal value of the ordinary shares of RMB11,444,000 was credited to the Company’s capital reserve.

30. RESERVES

The Group

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

(i) Capital reserve

Capital reserve represents the capital contributed by the equity holders in excess of the then paid in registered capital and the transactions as set out in note 29 above.

(ii) Statutory surplus reserve

In accordance with the Company Law of the Chinese mainland, companies which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant accounting standards of the Chinese mainland, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the Chinese Mainland, part of the statutory surplus reserve may be converted into capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The Company

	Capital reserve	Statutory reserves	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2022 and 1 January 2023	7,309	4,402	29,537	41,248
Profit and total comprehensive income for the year	—	—	23,651	23,651
As at 31 December 2023 and 1 January 2024	7,309	4,402	53,188	64,899
Profit and total comprehensive income for the year	—	—	25,263	25,263
As at 31 December 2024 and 1 January 2025	7,309	4,402	78,451	90,162
Profit and total comprehensive income for the year	—	—	62,481	62,481
Conversion into a joint stock company	11,444	(4,402)	(7,042)	—
Capitalisation of retained earnings . . .	—	—	(37,267)	(37,267)
Dividend declared and paid	—	—	(64,600)	(64,600)
Transfer from retained profits	—	6,248	(6,248)	—
As at 31 December 2025	18,753	6,248	25,775	50,776

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB259,000, nil and RMB3,532,000, respectively, in respect of lease arrangements for buildings.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Changes in liabilities arising from financing activities

	Interest bearing bank borrowings	Lease liabilities	Payable for-[REDACTED] expenses
	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	10,445	–
Changes from financing cash flows	–	(2,097)	–
New leases	–	259	–
Interest expense	–	449	–
At 31 December 2023 and 1 January 2024	–	9,056	–
Changes from financing cash flows	–	(2,165)	–
Interest expense	–	374	–
At 31 December 2024 and 1 January 2025	–	7,265	–
Changes from financing cash flows	9,912	(2,153)	(REDACTED)
Changes from operating cash flows	–	–	(REDACTED)
New leases	–	3,532	–
Interest expense	95	310	–
Increase in deferred [REDACTED]	(REDACTED)	(REDACTED)	(REDACTED)
[REDACTED]	(REDACTED)	(REDACTED)	(REDACTED)
As at 31 December 2025	10,007	8,954	(REDACTED)

(c) Total cash outflows for leases

The total cash outflows for leases included in the statements of cash flows are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	42	90	66
Within financing activities	2,097	2,165	2,153
Total	2,139	2,255	2,219

32. COMMITMENTS

The Group had the following capital commitments as at 31 December 2023, 2024 and 2025:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Properties, plant and equipment	113	–	64

33. RELATED PARTY TRANSACTIONS

The directors are of the opinion that the following parties are related companies that had material transactions or balances with the Group during the Relevant Periods.

Name	Relationship with the Group
eKontrol Co., Ltd.	Company of which Mr. Hao Qingjun (Note) is a beneficial equity holder
Beijing eKontrol Drive Technology Co., Ltd.	Subsidiary of eKontrol Co., Ltd
Zhongqi Electric Motor (Suzhou) Co., Ltd.	Subsidiary of eKontrol Co., Ltd

Note: Mr. Hao Qingjun is a beneficial equity holder of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Transactions with related companies:

In addition to the transactions detailed elsewhere in the accountants’ report, the Group had the following transactions with related companies during the Relevant Periods:

Transactions with related companies	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Purchase of products/services			
eKontrol Co., Ltd.	—	158	24,067
Purchase of property, plant and equipment			
eKontrol Co., Ltd.	—	—	3,377
Purchase of intangible assets eKontrol Co., Ltd.	—	—	5,896
Sales of products			
Zhongqi Electric Motor (Suzhou) Co., Ltd.	—	—	69
eKontrol Co., Ltd.	33,834	4,638	7,812
Total	33,834	4,638	7,881
The Group as lessee			
eKontrol Co., Ltd.	1,896	1,943	1,921
Interest on lease liabilities			
eKontrol Co., Ltd.	415	346	287
Loans advanced to related companies			
eKontrol Co., Ltd.	—	80,480	20,353
Beijing eKontrol Drive Technology Co., Ltd.	—	10,000	—
Total	—	90,480	20,353
Loans repaid by related companies			
eKontrol Co., Ltd.	—	55,020	46,674
Beijing eKontrol Drive Technology Co., Ltd.	—	—	10,236
Total	—	55,020	56,910
Interest income			
eKontrol Co., Ltd.	—	61	800
Beijing eKontrol Drive Technology Co., Ltd.	—	81	155
Total	—	142	955

These transactions were carried out in accordance with the terms and conditions mutually agreed between the parties involved.

The Group guaranteed certain banking borrowings granted to eKontrol Co., Ltd., to the extent of RMB298,854,000, RMB278,865,000 and nil as at 31 December 2023, 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Outstanding balances with related companies:

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from related companies			
Trade related			
eKontrol Co., Ltd.	20,937	—	15,293
Zhongqi Electric Motor (Suzhou) Co., Ltd.	—	—	78
Impairment	(277)	—	(281)
Subtotal	20,660	—	15,090
Non-Trade related			
eKontrol Co., Ltd.	—	25,521	—
Beijing eKontrol Drive Technology Co., Ltd.	—	10,081	—
Impairment	—	(528)	—
Subtotal	—	35,074	—
Total	20,660	35,074	15,090
Amounts due to a related company			
Trade related			
eKontrol Co., Ltd.	—	—	263
Lease liabilities			
eKontrol Co., Ltd.	8,288	6,781	7,344

The Company granted unsecured loans to Beijing eKontrol Drive Technology Co., Ltd. from September 2024 to July 2025, with an annual interest rate at 3%.

The Company granted unsecured loans to eKontrol Co., Ltd. at an annual interest rate of 2.5% from November 2024 to December 2025.

The Group performs impairment assessment under the ECL model on amounts due from related companies, which are subject to impairment assessment under IFRS 9. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	839	1,588	2,698
Performance related bonuses	264	453	1,406
Pension scheme contributions and social welfare	193	246	370
Total	1,296	2,287	4,474

Further details of the director’s and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at 31 December 2023, 2024 and 2025 of the Group are as follows:

The Group

As at 31 December 2023

Financial assets

	Financial assets at fair value through comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments at fair value through profit or loss	–	10,000	–	10,000
Trade and bills receivables at amortised cost	–	–	26,135	26,135
Amounts due from related companies	–	–	20,660	20,660
Financial assets included in prepayments, other receivables and other assets	–	–	64	64
Bills receivable at fair value through other comprehensive income	1,414	–	–	1,414
Pledged deposits	–	–	1,408	1,408
Cash and cash equivalents	–	–	35,735	35,735
Total	<u>1,414</u>	<u>10,000</u>	<u>84,002</u>	<u>95,416</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	45,938
Financial liabilities included in other payables and accruals	<u>1,059</u>
Total	<u>46,997</u>

As at 31 December 2024

Financial assets

	Financial assets at fair value through comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade and bills receivables at amortised cost	–	10,933	10,933
Amounts due from related companies	–	35,074	35,074
Financial assets included in prepayments, other receivables and other assets	–	54	54
Bills receivable at fair value through other comprehensive income	1,834	–	1,834
Time deposits	–	62,042	62,042
Pledged deposits	–	12,129	12,129
Restricted cash	–	2,298	2,298
Cash and cash equivalents	–	19,070	19,070
Total	<u>1,834</u>	<u>141,600</u>	<u>143,434</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	59,585
Financial liabilities included in other payables and accruals	1,685
Total	<u>61,270</u>

As at 31 December 2025

Financial assets

	Financial assets at fair value through comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	—	—	18,473	18,473
Amounts due from related companies	—	—	15,090	15,090
Financial assets included in prepayments, other receivables and other assets	—	—	807	807
Bills receivable at fair value through other comprehensive income	552	—	—	552
Financial investments at fair value through profit or loss	—	10,020	—	10,020
Pledged deposits	—	—	12,060	12,060
Restricted cash	—	—	2,300	2,300
Cash and cash equivalents	—	—	84,483	84,483
Total	<u>552</u>	<u>10,020</u>	<u>133,213</u>	<u>143,785</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	72,825
Amounts due to a related company	263
Interest-bearing bank borrowings	10,007
Financial liabilities included in other payables and accruals	5,559
Total	<u>88,654</u>

35. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that were derecognised in their entirety

During the Relevant Periods, the Group endorsed certain bank acceptance notes to certain suppliers in order to settle the trade payables such suppliers and discounted certain bank acceptance bills with commercial banks (collectively, the “Derecognised Bills”) with carrying amounts in aggregate of RMB4,811,000, RMB957,000 and RMB520,000 as at 31 December 2023, 2024 and 2025, respectively. The Derecognised Bills had a maturity ranging from 1 to 12 months at the end of each reporting periods. In accordance with the Law of Negotiable Instruments of the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons/entities who are liable for the Derecognised Bills, including the Group, regardless of the order of precedence (the “Continuing Involvement”). In the opinion of the Company’s directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is their carrying amounts. In the opinion of the Company’s directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

Transferred financial assets that were not derecognised in their entirety

During the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “Endorsed Bills”). In the opinion of the Company’s directors, the Group has retained substantially the risks and rewards, which include the default risks relating to those Endorsed Bills, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group has not retained any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills to which the suppliers have recourse were RMB500,000, nil and nil as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, pledged deposits, trade and bills receivables at amortised cost, financial assets included in prepayments, other receivables and other assets, amounts due from related companies, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to a related company, lease liabilities and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The Group invests in financial investments at fair value through profit or loss, which represent structured deposits and wealth management products issued by banks in the Chinese mainland. The Group has estimated the fair values of these structured deposits by using discounted cash flow valuation models with reference to observable inputs including fluctuation of market prices or rates. The fair values of the wealth management products are determined based on the net values announced by the banks.

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Bills receivable measured at fair value through other comprehensive income	–	1,414	–	1,414
Structured deposits measured at fair value through profit or loss . . .	–	10,000	–	10,000
Total	–	11,414	–	11,414
	=	=	=	=

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Bills receivable measured at fair value through other comprehensive income	–	1,834	–	1,834
	=	=	=	=

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Bills receivable measured at fair value through other comprehensive income	–	552	–	552
Wealth management products measured at fair value through profit or loss .	10,020	–	–	10,020
Total	10,020	552	–	10,572

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s bank borrowings.

The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2025, none of the Group’s interest-bearing borrowings bore interest at floating rates. Accordingly, as at 31 December 2023, 2024 and 2025, the Group did not have any significant exposure to the interest rate risk in the cash flows.

Foreign currency risk

The functional currency of the Company and its subsidiaries established in the Chinese mainland is RMB, the Group is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. In addition, in the Chinese mainland, the Group principally conducted business in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currencies that are not the functional currencies of the relevant group entities.

As at 31 December 2023, 2024 and 2025, the Group did not have significant exposure to foreign currency risk.

Credit risk

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

As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 44.70%, 59.12%, 47.00% and 98.41%, 96.93%, 90.13% of the Group’s trade receivables were due from the Group’s largest debtor and five largest debtors, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

APPENDIX I

ACCOUNTANTS’ REPORT

Maximum exposure and year-end staging

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

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables at amortised cost*	–	–	–	26,399	26,399
Bills receivable at fair value through other comprehensive income*	–	–	–	1,414	1,414
Amounts due from related companies*	–	–	–	20,937	20,937
Financial assets included in prepayments, other receivables and other assets					
– Normal**	65	–	–	–	65
Pledged deposits					
– Not yet past due	1,408	–	–	–	1,408
Cash and cash equivalents					
– Not yet past due	35,735	–	–	–	35,735
Total	<u>37,208</u>	<u>–</u>	<u>–</u>	<u>48,750</u>	<u>85,958</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables at amortised cost*	–	–	–	11,357	11,357
Bills receivable at fair value through other comprehensive income*	–	–	–	1,834	1,834
Amounts due from related companies*	35,602	–	–	–	35,602
Financial assets included in prepayments, other receivables and other assets					
– Normal**	55	–	–	–	55
Time deposits					
– Not yet past due	62,042	–	–	–	62,042
Pledged deposits					
– Not yet past due	12,129	–	–	–	12,129
Restricted cash					
– Not yet past due	2,298	–	–	–	2,298
Cash and cash equivalents					
– Not yet past due	19,070	–	–	–	19,070
Total	<u>131,196</u>	<u>–</u>	<u>–</u>	<u>13,191</u>	<u>144,387</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables at amortised cost*	–	–	–	19,570	19,570
Bills receivable at fair value through other comprehensive income*	–	–	–	552	552
Amounts due from related companies*	–	–	–	15,371	15,371
Financial assets included in prepayments, other receivables and other assets					
– Normal**	811	–	–	–	811
Pledged deposits					
– Not yet past due	12,060	–	–	–	12,060
Restricted cash					
– Not yet past due	2,300	–	–	–	2,300
Cash and cash equivalents					
– Not yet past due	84,483	–	–	–	84,483
Total	<u>99,654</u>	<u>–</u>	<u>–</u>	<u>35,493</u>	<u>135,147</u>

* For trade and bills receivables, bills receivable at fair value through other comprehensive income and amounts due from related companies to which the Group applies the simplified approach/general approach for impairment, information based on the provision matrix is disclosed in notes 19, 20 and 33 to the Historical Financial Information, respectively.

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

Liquidity risk

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

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

The maturity profile of the Group’s financial liabilities as at 31 December 2023, 2024 and 2025, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
Lease liabilities	2,164	2,097	5,826	10,087
Trade and bills payables	45,938	–	–	45,938
Financial liabilities included in other payables and accruals	1,059	–	–	1,059
Total	<u>49,161</u>	<u>2,097</u>	<u>5,826</u>	<u>57,084</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024				
Lease liabilities	2,097	2,030	3,796	7,923
Trade and bills payables	59,585	–	–	59,585
Financial liabilities included in other payables and accruals	1,685	–	–	1,685
Total	<u>63,367</u>	<u>2,030</u>	<u>3,796</u>	<u>69,193</u>

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025				
Lease liabilities	2,989	2,725	3,804	9,518
Trade and bills payables	72,825	–	–	72,825
Amounts due to a related company . .	263	–	–	263
Interest-bearing bank borrowings . . .	10,024	–	–	10,024
Financial liabilities included in other payables and accruals	5,559	–	–	5,559
Total	<u>91,660</u>	<u>2,725</u>	<u>3,804</u>	<u>98,189</u>

Capital management

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

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

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. As at 31 December 2023, 2024 and 2025, the Group’s debt-to-asset ratios were 45%, 42% and 49%, respectively.

38. EVENTS AFTER THE RELEVANT YEARS

[There are no significant subsequent events undertaken by the Company or by the Group after 31 December 2025.]

39. SUBSEQUENT FINANCIAL STATEMENTS

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