

APPENDIX I

ACCOUNTANTS’ REPORT

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

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOREN CORTP CO., LTD. AND SPDB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of HOREN CORTP Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-70, 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-3 to I-70 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of the 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* as 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.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of 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.

Opinion

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

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

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	265,910	377,227	475,891
Cost of sales		(170,930)	(233,101)	(295,615)
Gross profit		94,980	144,126	180,276
Other income and gains	6	9,329	3,129	6,793
Selling and distribution expenses		(45,279)	(53,631)	(64,999)
Administrative expenses		(35,965)	(34,197)	(42,311)
Research and development costs	8	(16,157)	(20,936)	(16,824)
(Impairment losses)/reversal of impairment losses on financial assets, net		(619)	97	(578)
Other expenses	6	(2,099)	(1,513)	(3,988)
Finance costs	7	(15,692)	(18,423)	(19,078)
(LOSS)/PROFIT BEFORE TAX	8	(11,502)	18,652	39,291
Income tax credit/(expense)	11	2,755	(2,887)	(7,111)
(LOSS)/PROFIT FOR THE YEAR		(8,747)	15,765	32,180
Attributable to:				
Owners of the parent		(8,747)	15,765	32,180
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	13	(1.01)	1.78	3.57
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, after tax				
Exchange differences on translation of foreign operations		56	(150)	738
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(8,691)	15,615	32,918
Attributable to:				
Owners of the parent		(8,691)	15,615	32,918

For the details of pre-[REDACTED] investments, please refer to Note 29 to the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	203,842	244,182	272,508
Right-of-use assets	15	36,639	30,944	77,479
Other intangible assets	16	19,759	22,898	24,935
Deferred tax assets	17	27,020	31,673	30,488
Other long-term assets	18	4,813	4,837	13,641
Total non-current assets		292,073	334,534	419,051
CURRENT ASSETS				
Inventories	19	45,348	63,546	57,589
Trade and bills receivables	20	64,446	84,392	137,667
Financial assets at fair value through other comprehensive income	21	3,744	17,543	10,332
Prepayments, other receivables and other assets	22	21,197	30,245	43,300
Restricted cash	23	—	560	—
Cash and cash equivalents	23	98,031	69,275	139,565
Total current assets		232,766	265,561	388,453
CURRENT LIABILITIES				
Trade payables	24	35,321	61,051	69,049
Other payables and accruals	25	32,401	34,491	55,768
Financial liabilities at fair value through profit or loss	26	—	107	—
Interest-bearing bank and other borrowings	28	195,524	181,753	216,479
Tax payable		165	7,448	9,675
Lease liabilities	15	13,745	14,043	16,916
Total current liabilities		277,156	298,893	367,887
NET CURRENT (LIABILITIES)/ASSETS				
		(44,390)	(33,332)	20,566
TOTAL ASSETS LESS CURRENT LIABILITIES				
		247,683	301,202	439,617
NON-CURRENT LIABILITIES				
Other non-current financial liabilities	27	15,000	16,800	—
Interest-bearing bank and other borrowings	28	42,988	72,410	88,517
Lease liabilities	15	22,066	16,304	18,913
Total non-current liabilities		80,054	105,514	107,430
NET ASSETS				
		167,629	195,688	332,187
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital/share capital	29	3,567	3,567	10,000
Subscription monies received	29	—	—	50,000
Reserves	30	164,062	192,121	272,187
TOTAL EQUITY		167,629	195,688	332,187

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Capital reserve*	Statutory surplus reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated Losses*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 29)</i>	<i>(note 30)</i>	<i>(note 30)</i>	<i>(note 30)</i>			
As at 1 January 2023	3,490	193,352	1,963	14,570	(66)	(71,106)	142,203
Loss for the year	–	–	–	–	–	(8,747)	(8,747)
Other comprehensive income for the year:							
Exchange differences related to foreign operations	–	–	–	–	56	–	56
Total comprehensive loss for the year	–	–	–	–	56	(8,747)	(8,691)
Capital injection from shareholders	77	29,923	–	–	–	–	30,000
Share-based payment compensation	–	–	–	4,117	–	–	4,117
As at 31 December 2023 . . .	<u>3,567</u>	<u>223,275</u>	<u>1,963</u>	<u>18,687</u>	<u>(10)</u>	<u>(79,853)</u>	<u>167,629</u>
As at 1 January 2024	3,567	223,275	1,963	18,687	(10)	(79,853)	167,629
Profit for the year	–	–	–	–	–	15,765	15,765
Other comprehensive income for the year:							
Exchange differences related to foreign operations	–	–	–	–	(150)	–	(150)
Total comprehensive income for the year	–	–	–	–	(150)	15,765	15,615
Share-based payment compensation	–	–	–	12,444	–	–	12,444
As at 31 December 2024 . . .	<u>3,567</u>	<u>223,275</u>	<u>1,963</u>	<u>31,131</u>	<u>(160)</u>	<u>(64,088)</u>	<u>195,688</u>

For the details of pre-[REDACTED] investments, please refer to Note 29 to the Historical Financial Information.

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	Share capital/ paid-in capital	Capital reserve*	Subscription monies received	Statutory surplus reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated Losses*	Total equity
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000
As at 1 January 2025 .	3,567	223,275	–	1,963	31,131	(160)	(64,088)	195,688
Profit for the year . . .	–	–	–	–	–	–	32,180	32,180
Other comprehensive income for the year:								
Exchange differences related to foreign operations	–	–	–	–	–	738	–	738
Total comprehensive income for the year	–	–	–	–	–	738	32,180	32,918
Capital injection from shareholders	463	49,897	50,000	–	–	–	–	100,360
Transfer to statutory reserve	–	–	–	2,843	–	–	(2,843)	–
Conversion into a joint stock company	5,970	89,622	–	(1,837)	–	–	(93,755)	–
Share-based payment compensation	–	–	–	–	3,221	–	–	3,221
As at 31 December 2025	<u>10,000</u>	<u>362,794</u>	<u>50,000</u>	<u>2,969</u>	<u>34,352</u>	<u>578</u>	<u>(128,506)</u>	<u>332,187</u>

* These reserve accounts comprise the consolidated reserves of RMB164,062,000, RMB192,121,000 and RMB272,187,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax		(11,502)	18,652	39,291
Adjustments for:				
Depreciation of property, plant and equipment	14	46,538	48,721	60,635
Depreciation of right-of-use assets	15	12,548	15,335	17,460
Amortisation of other intangible assets	16	149	1,893	2,674
Amortisation of deferred expenses in other long-term assets		261	244	276
Impairment losses on financial assets, net	8	619	(97)	578
Write-down/(reversal of write-down) of inventories	8	59	(423)	(132)
Finance costs	7	15,692	18,423	19,078
Interest income	6	(185)	(299)	(1,292)
Loss/(gain) on disposal of items of property, plant and equipment		1,950	1,340	(1,266)
Loss arising from fair value changes on financial liabilities at fair value through profit or loss	6	34	168	95
Foreign exchange gain or loss, net		(666)	(1,658)	3,580
Share-based payment compensation	8	4,117	12,444	3,221
		69,614	114,743	144,198
Decrease/(increase) in inventories		1,500	(17,775)	6,089
Increase in trade and bills receivables		(3,808)	(19,849)	(53,853)
Decrease/(increase) in financial assets at fair value through other comprehensive income		631	(13,799)	7,211
Increase in prepayments, other receivables and other assets		(5,075)	(9,206)	(12,798)
Increase in trade payables		13,472	25,730	7,998
(Decrease)/increase in other payables and accruals		(17,891)	2,090	2,461
Cash generated from operations		58,443	81,934	101,306
Interest received	6	185	299	1,292
Income tax paid		—	(257)	(3,699)
Net cash flows from operating activities		58,628	81,976	98,899

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(62,295)	(117,817)	(144,086)
Purchase of other intangible assets		(6,261)	(5,032)	(4,711)
Purchases of right-of-use assets — land use rights		—	—	(40,808)
(Increase)/decrease in restricted cash		—	(560)	560
Proceeds from disposal of items of property, plant and equipment		19,985	27,305	47,409
Purchase of financial liabilities at fair value through profit or loss		(507)	(61)	(202)
Net cash flows used in investing activities		(49,078)	(96,165)	(141,838)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection from shareholders		30,000	—	50,360
Subscription monies received		—	—	50,000
Proceeds from a non-controlling shareholder		15,000	—	—
Payments of [REDACTED] expense		[REDACTED]	[REDACTED]	[REDACTED]
Payments of lease liabilities	15	(12,876)	(16,404)	(18,707)
Proceeds from interest-bearing bank and other borrowings		253,404	226,526	277,004
Interest paid		(14,452)	(14,290)	(15,824)
Repayment of interest-bearing bank and other borrowings		(218,079)	(211,949)	(226,393)
Net cash flows from/(used in) financing activities		52,997	(16,117)	116,183
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		62,547	(30,306)	73,244
Effect of foreign exchange rate changes		589	1,550	(2,954)
CASH AND CASH EQUIVALENTS AT END OF YEAR		98,031	69,275	139,565
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23	98,031	69,835	139,565
Less: restricted cash	23	—	(560)	—
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS	23	98,031	69,275	139,565

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STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	1,375	1,009	4,743
Right-of-use assets	15	4,467	2,792	5,909
Other intangible assets	16	13,639	17,354	18,592
Deferred tax assets	17	3,605	1,758	1,347
Investments in subsidiaries		148,610	147,342	169,299
Other long-term assets	18	831	850	1,198
Total non-current assets		172,527	171,105	201,088
CURRENT ASSETS				
Inventories	19	3,762	5,678	1,481
Trade and bills receivables	20	16,151	21,729	40,438
Financial assets at fair value through other comprehensive income	21	–	10,384	–
Prepayments, other receivables and other assets . .	22	5,720	7,561	13,205
Amounts due from subsidiaries		203,017	288,414	355,968
Restricted cash	23	–	560	–
Cash and cash equivalents	23	33,298	32,437	96,192
Total current assets		261,948	366,763	507,284
CURRENT LIABILITIES				
Trade payables	24	331	3,477	3,768
Other payables and accruals	25	11,626	10,946	9,280
Financial liabilities at fair value through profit or loss	26	–	107	–
Amounts due to subsidiaries		65,602	105,285	135,314
Interest-bearing bank and other borrowings	28	107,245	100,099	99,007
Tax payable		–	7,448	8,822
Lease liabilities	15	1,661	1,720	2,069
Total current liabilities		186,465	229,082	258,260
NET CURRENT ASSETS		75,483	137,681	249,024
TOTAL ASSETS LESS CURRENT LIABILITIES				
		248,010	308,786	450,112
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	28	–	10,000	16,558
Lease liabilities	15	2,900	1,180	3,941
Total non-current liabilities		2,900	11,180	20,499
NET ASSETS		245,110	297,606	429,613
EQUITY				
Paid-in capital/share capital	29	3,567	3,567	10,000
Reserves	30	241,543	294,039	369,613
Subscription monies received	29	–	–	50,000
TOTAL EQUITY		245,110	297,606	429,613

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

HOREN CORTP Co., Ltd. (the “Company”), formerly known as Shanghai HongYan Returnable Transit Packaging Co., Ltd., was established in the People’s Republic of China (“PRC”) as a limited liability company and on 26 December 2025, it was converted into a joint stock company with limited liability under the Company Law of the PRC (further details of which are set out in note 29 to the Historical Financial Information). The registered office of the Company is located at Room 303-16, Building 33, No. 680 Guiping Road, Xuhui District, Shanghai, PRC.

The Company was converted into a joint stock company with limited liability on 26 December 2025, pursuant to the shareholders’ resolution and the agreement of the then existing Shareholders.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) were reusable packaging solution providers in China. The Group primarily focused on manufacture and sale of reusable packaging products and providing pooling services to various customers, including domestic brand owners and manufacturers in liquids and non-hazardous chemicals, food and cold-chain distribution, and automotive supply chains, as well as international rental operators and agents.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of the Company’s principal subsidiaries are as follows:

Name	Notes	Place and date of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Xiangxiang Logistics Technology Co., Ltd. (“上海箱箱物流科技有限公司”)	(2)	PRC/Chinese Mainland, 15 September 2017	RMB50,000,000	100%	–	Supply chain management; leasing of logistics packaging equipment
Jiangsu Xiangxiang Intelligence Technology Co., Ltd. (“江蘇箱箱智能科技有限公司”)	(2)	PRC/Chinese Mainland, 15 July 2022	RMB30,000,000	100%	–	Plastic manufacturing; sales of plastic products
Taizhou Xiangxiang Intelligence Technology Co., Ltd. (“台州箱箱智能科技有限公司”)	(2)	PRC/Chinese Mainland, 2 February 2018	RMB5,000,000	100%	–	Plastic manufacturing; sales of plastic products
HOREN PLASTICS UK LTD (“鴻潤(英國)有限公司”)	(2)	United Kingdom, 24 May 2022	GBP100	100%	–	Plastic manufacturing; sales of plastic products
Shanghai Xiangxiang Recycling Technology Co., Ltd (“上海箱箱循環科技有限公司”)	(2)	PRC/Chinese Mainland, 13 October 2023	RMB42,800,000	100%	–	Supply chain management; leasing of logistics packaging equipment

Notes:

- (1) The English names of the subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.
- (2) No audited financial statements have been prepared and issued for these subsidiaries as they are not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdiction of establishment.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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2.1 BASIS OF PREPARATION

For ordinary shares issued to pre-[REDACTED] investors, pursuant to the supplemental agreements entered into between the Company and the pre-[REDACTED] Investors in relation to the termination of certain of special rights granted by the Company, including redemption rights and liquidation preferences, which are void ab initio as described in note 29 to the Historical Financial Information, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplementary agreements, the directors considered that it is appropriate to present the pre-[REDACTED] Investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 29 the Historical Financial Information.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). 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 financial liabilities at fair value through profit or loss (“FVTPL”) and financial assets at fair value through other comprehensive income (“FVTOCI”) which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiary for the Relevant Periods. A subsidiary is an entity, directly 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).

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

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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 this 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	<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
<i>Annual Improvements to IFRS Accounting Standards — Volume 11</i> .	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

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

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

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the 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 disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group’s presentation of the statement of profit or loss and disclosures of the Group’s financial performance. Except for IFRS 18, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures certain of its financial assets at fair value at the end of each of the Relevant Periods. 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.

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All assets and liabilities for which fair value is measured or disclosed in the historical financial information 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 of the reporting periods.

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 and financial 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.

Related parties

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

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

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;

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- (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 an associate 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 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	9.50%-31.67%
Reusable packaging containers	9.00%-11.25%
Electronic equipment	19.00%-31.67%
Transportation equipment and others	23.27%-23.75%
	Over the shorter of the lease
Leasehold improvement	terms and 20%
Inner linings	33.33%

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.

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Intangible assets (other than goodwill)

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development expenses

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any 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:

Office premises and plant	2 to 5 years
Land use rights	50 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

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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 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.

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, 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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough 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.

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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 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 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.

Debt investments at fair value through other comprehensive income and 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 and contract assets 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 and bills receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Classification as equity and financial liabilities

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

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A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity’s own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at amortised cost (trade payables, other payables and accruals and interest-bearing bank and other borrowings)

After initial recognition, trade and other payables, and interest-bearing 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.

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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, are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

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

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 periods 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 annually.

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 each 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 each of the Relevant Periods 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.

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:

- where 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

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- in respect of deductible temporary differences associated with investments in subsidiaries, 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 of the Relevant Periods 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 of the Relevant Periods 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 Relevant Periods.

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.

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group is a reusable packaging solution provider in China, primarily focusing on manufacture and sale of reusable packaging products and providing pooling services to customers.

(a) Pooling services

When providing pooling services, in addition to providing the rental of reusable packages to the customers for use, the Group also handles package storage, distribution, returns, maintenance, operational scheduling, and so on. The customer pays based on the number of times the reusable packages are circulated.

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The nature of the Group’s pooling service is a single performance obligation under the service contract. Revenue from the pooling service is recognised over the scheduled period of time.

(b) Sales of products

Sales of products business is designed to meet the logistical capabilities and procurement needs of the customers, offering them a direct supply of the specialized products. These products primarily include recyclable foldable liquid carriers, fresh fruit and vegetables carriers, automotive parts carriers, custom-developed inner linings.

Revenue from the sales of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Revenue from other sources

Revenue from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as revenue from an operating lease. Contingent rents or variable lease payments are recognised as revenue in the period in which they are earned.

Other income

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

Contract liabilities

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

Share-based payments

The Company operates multiple share incentive plans. Employees of the Group receive remuneration in the form of share-based payment compensation, whereby employees render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using discounted cash flow method and back-solve method, further details of which are given in note 31 to the Historical Financial Information.

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

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

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

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

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee benefits

Pension scheme

The Group contributes monthly to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period 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 considering 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 currencies

This Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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

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translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Estimated useful life and residual value of property, plant and equipment

The Group’s management determines the estimated useful lives and residual value for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and also consideration of technical or commercial obsolescence of property, plant and equipment of similar nature and functions.

Impairment of non-financial assets (other than goodwill)

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

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Provision for expected credit losses on financial assets

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 20 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

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

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 Historical Financial Information:

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. Further details are contained in note 17 to the financial statements.

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	147,758	177,239	247,874
Other countries/regions	118,152	199,988	228,017
Total revenue	<u>265,910</u>	<u>377,227</u>	<u>475,891</u>

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

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(b) Non-current assets

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	259,901	295,391	379,383
Other countries/regions	2,342	4,592	6,496
Total non-current assets	262,243	299,983	385,879

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

Information about major customers

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	28,499	64,827	N/A*
Customer B	N/A*	N/A*	32,423

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

5. REVENUE

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	248,016	361,239	460,316
Revenue from other sources:			
Rental income	17,894	15,988	15,575
Total	265,910	377,227	475,891

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			
Sales of products			
– Sales of containers	155,589	228,318	279,338
– Sales of consumables and accessories	11,304	15,893	20,776
Pooling services	81,123	117,028	160,202
Total	248,016	361,239	460,316

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
Recognised at a point in time	166,893	244,211	300,114
Recognised over time	81,123	117,028	160,202
Total	248,016	361,239	460,316

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of products	3,659	5,484	3,965
Pooling services	—	6	5

(b) Performance obligations

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

Pooling services

Revenue from the pooling services is recognised over the scheduled period of time because customers simultaneously receive and consume the benefits provided by the Group.

Sales of products

Revenue from the sales of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

As the contracts are for periods of one year or less or the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group’s performance completed to date, thus the Group applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of each of the Relevant Periods.

6. OTHER INCOME AND GAINS, OTHER EXPENSES

Other income and gains

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants*	2,777	1,167	2,136
Income from value-added tax super deduction**	5,389	—	—
Interest income	185	299	1,292
Foreign exchange gains, net	666	1,658	—
Compensation income	312	5	2,002
Gain on disposal of items of property, plant and equipment, net	—	—	1,266
Others	—	—	97
Total	9,329	3,129	6,793

* The government grants related to income have been received to support the Group’s innovative patents. These grants related to income are recognised in profit or loss upon receipt of these rewards. There are no unfulfilled conditions related to these government grants.

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** Income from value-added tax (“VAT”) super deduction is related to an additional 5% VAT input tax deduction for taxpayers of productive services from 1 January 2023 to 31 December 2023.

Other expenses

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss on disposal of items of property, plant and equipment, net	1,950	1,340	–
Penalties	115	5	313
Foreign exchange losses, net	–	–	3,580
Fair value losses on financial assets at FVTPL	34	168	95
Total	<u>2,099</u>	<u>1,513</u>	<u>3,988</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings		14,419	17,164	18,062
Interest on lease liabilities	15	<u>1,273</u>	<u>1,259</u>	<u>1,016</u>
Total		<u>15,692</u>	<u>18,423</u>	<u>19,078</u>

8. (LOSS)/PROFIT BEFORE TAX

The Group’s (loss)/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 inventories sold		102,881	141,176	174,659
Cost of services provided		68,049	91,925	120,956
Employee benefit expense (including directors’ and chief executive’s remuneration):				
Wages, salaries and other benefits		60,927	78,906	86,341
Pension scheme contributions		9,988	10,592	13,128
Share-based payment compensation		4,117	12,444	3,221
Depreciation of items of property, plant and equipment*	14	46,538	48,721	60,635
Depreciation of right-of-use assets*	15	12,548	15,335	17,460
Expenses relating to short-term and low-value leases	15	373	852	638
Amortisation of intangible assets	16	149	1,893	2,674
Reversal of impairment losses/(impairment losses) on financial assets, net	20	619	(97)	578
Research and development costs		16,157	20,936	16,824
Loss/(gain) on disposal of items of property, plant and equipment	6	1,950	1,340	(1,266)
Write-down/(reversal of write-down) of inventories to net realizable values**		59	(423)	(132)
[REDACTED] expenses		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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- * The depreciation of property, plant and equipment and right-of-use assets is included in “cost of sales”, “selling and distribution expenses”, “administrative expenses” and “research and development costs” in profit or loss, respectively.
- ** Write-down/(reversal of write-down) of inventories to net realizable values is included in “Cost of Sales”.

For the details of pre-[REDACTED] investments, please refer to Note 29 to the Historical Financial Information.

9. DIRECTORS’ AND SUPERVISOR’S REMUNERATION

Directors’ and supervisor’s remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	1,913	2,182	2,220
Performance-related bonuses	200	389	460
Share-based payment compensation	1,746	12,855	1,158
Pension scheme contributions and social welfare	160	159	216
Total	<u>4,019</u>	<u>15,585</u>	<u>4,054</u>

During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the equity incentive plan of the Company, further details of which are set out in note 31 to the Historical Financial Information. The fair value of such restricted shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors’ and supervisor’s remuneration disclosures.

The remuneration of each of the Company’s directors and supervisor is set out below:

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions and social welfare	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:					
Mr. Liao Qingxin (a)	913	100	1,529	80	2,622
Mr. Tang Junfeng (b)	1,000	100	217	80	1,397
Non-executive directors:					
Mr. Huang Yan (c)	—	—	—	—	—
Mr. Xiong Ming Hua (d)	—	—	—	—	—
Mr. Zhang Guojin (e)	—	—	—	—	—
Supervisor:					
Mr. Zhang Zhongyu (f)	—	—	—	—	—
Total	<u>1,913</u>	<u>200</u>	<u>1,746</u>	<u>160</u>	<u>4,019</u>

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Year ended 31 December 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions and social welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Liao Qingxin (a)	1,041	250	12,637	87	14,015
Mr. Tang Junfeng (b)	1,141	139	218	72	1,570
Non-executive directors:					
Mr. Huang Yan (c)	—	—	—	—	—
Mr. Xiong Ming Hua (d)	—	—	—	—	—
Mr. Zhang Guojin (e)	—	—	—	—	—
Supervisor:					
Mr. Zhang Zhongyu (f)	—	—	—	—	—
Total	<u>2,182</u>	<u>389</u>	<u>12,855</u>	<u>159</u>	<u>15,585</u>

Year ended 31 December 2025

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions and social welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Liao Qingxin (a)	1,069	250	896	108	2,323
Mr. Tang Junfeng (b)	1,151	210	262	108	1,731
Non-executive directors:					
Mr. Huang Yan (c)	—	—	—	—	—
Mr. Xiong Ming Hua (d)	—	—	—	—	—
Mr. Zhang Guojin (e)	—	—	—	—	—
Supervisor:					
Mr. Zhang Zhongyu (f)	—	—	—	—	—
Total	<u>2,220</u>	<u>460</u>	<u>1,158</u>	<u>216</u>	<u>4,054</u>

- (a) Mr. Liao Qingxin was appointed as a director of the Company in September 2013.
- (b) Mr. Tang Junfeng was appointed as a director of the Company in November 2017.
- (c) Mr. Huang Yan was appointed as a director of the Company in November 2017.
- (d) Mr. Xiong Ming Hua was appointed as a director of the Company in November 2017.
- (e) Mr. Zhang Guojin was appointed as a director of the Company in August 2019.
- (f) Mr. Zhang Zhongyu retired as the supervisor of the Company in August 2025.

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10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the years ended 31 December 2023, 2024 and 2025 included two, two and two directors disclosed above, respectively. Details of the directors’ remuneration are set out in note 9 above. Details of the remuneration of the remaining three, three and three highest paid employees, respectively, who are neither a director nor chief executive of the Company for 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 benefits in kind	2,945	2,132	1,926
Performance-related bonuses	868	1,220	3,389
Share-based payment compensation	725	253	190
Pension scheme contributions and social welfare	434	350	340
Total	<u>4,972</u>	<u>3,955</u>	<u>5,845</u>

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

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

11. 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 operate.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the Company and the subsidiaries which operates in Chinese Mainland is subject to corporate income tax at a rate of 25% on the taxable income except for those which are subject to tax exemption set out below.

The Company is qualified as “High and New Technology Enterprise” and therefore was entitled to a preferential income tax rate of 15% for the Relevant Periods.

Except for Shanghai Cortp Logistics Technology Co., Ltd., Taizhou Honghui Logistics Packaging Technology Co., Ltd., Jiangsu Xiangxiang Intelligence Technology Co., Ltd. and Shanghai Xiangxiang Recycling Technology Co., Ltd. other subsidiaries of the Company in the PRC are qualified as “Small and Micro Enterprises” and therefore were entitled to a preferential income tax rate of 20% for the Relevant Periods.

Hong Kong

The subsidiaries incorporated in Hong Kong were subject to corporate income tax at a rate of 16.5% on the taxable income during the Relevant Periods.

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Japan

The subsidiary incorporated in Japan was subject to the national corporate income tax at a rate of 23.2% and the local corporate tax rate at a rate of 2.4% on the taxable income during the Relevant Periods.

United Kingdom

The subsidiary incorporated in the United Kingdom was subject to corporate income tax at a rate of 25% on the taxable income during the Relevant Periods.

United States of America

The subsidiary incorporated in United States was subject to the federal corporate income tax at a rate of 21% and the state income tax at a rate of 4% on the taxable income during the Relevant Periods.

The income tax expenses for the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax	122	7,540	5,926
Deferred tax (<i>note 17</i>)	(2,877)	(4,653)	1,185
Total tax (credit)/charge for the year	<u>(2,755)</u>	<u>2,887</u>	<u>7,111</u>

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Loss)/profit before tax	(11,502)	18,652	39,291
Tax at the statutory tax rate of 25%	(2,875)	4,663	9,823
Effect of preferential and different income tax rate	(46)	(4,119)	(3,811)
Adjustments in respect of current tax of previous years	(39)	—	—
Expenses not deductible for tax	855	2,244	720
Additional deduction of research and development expenses	(334)	—	—
Tax losses utilised from previous periods	(349)	(22)	(53)
Tax losses and temporary differences not recognised	33	121	432
Total tax (credit)/charge for the year	<u>(2,755)</u>	<u>2,887</u>	<u>7,111</u>

12. DIVIDEND

No dividend has been paid and declared by the Company to its ordinary shareholders during the Relevant Periods.

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13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 8,692,000, 8,851,000 and 9,018,000 during the Relevant Periods, respectively. The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in December 2025.

The Group has no dilutive potential ordinary shares and accordingly, the diluted (loss)/earnings per share for the Relevant Periods were the same as the basic (loss)/earnings per share, respectively.

The calculations of the basic and diluted (loss)/earnings per share amounts are based on:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Earnings			
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation (RMB'000)	(8,747)	15,765	32,180
Shares			
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted (loss)/earnings per share calculation ('000)	8,692	8,851	9,018
(Loss)/earnings per share			
Basic and diluted (RMB)	(1.01)	1.78	3.57

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery	Reusable packaging containers	Electronic equipment	Transportation equipment and others	Leasehold Improvement	Inner linings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023								
As at 1 January 2023								
Cost	124,750	177,223	3,570	745	5,768	5,216	2,190	319,462
Accumulated depreciation	(50,582)	(51,308)	(2,175)	(512)	(3,332)	(737)	–	(108,646)
Net carrying amount	74,168	125,915	1,395	233	2,436	4,479	2,190	210,816
Cost at 1 January 2023, net of accumulated depreciation	74,168	125,915	1,395	233	2,436	4,479	2,190	210,816
Additions	13,844	39,643	156	139	4,730	2,205	648	61,365
Transfers	200	–	–	–	–	–	(200)	–
Depreciation provided during the year	(15,301)	(25,818)	(697)	(74)	(2,685)	(1,963)	–	(46,538)
Disposals	(599)	(21,335)	(1)	–	–	–	–	(21,935)
Exchange realignment	146	(12)	–	–	–	–	–	134
As at 31 December 2023	72,458	118,393	853	298	4,481	4,721	2,638	203,842
As at 31 December 2023								
Cost	137,769	186,604	3,716	884	10,498	7,421	2,638	349,530
Accumulated depreciation	(65,311)	(68,211)	(2,863)	(586)	(6,017)	(2,700)	–	(145,688)

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	Machinery	Reusable packaging containers	Electronic equipment	Transportation equipment and others	Leasehold Improvement	Inner linings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net carrying amount	72,458	118,393	853	298	4,481	4,721	2,638	203,842
31 December 2024								
As at 1 January 2024								
Cost	137,769	186,604	3,716	884	10,498	7,421	2,638	349,530
Accumulated depreciation	(65,311)	(68,211)	(2,863)	(586)	(6,017)	(2,700)	–	(145,688)
Net carrying amount	72,458	118,393	853	298	4,481	4,721	2,638	203,842
Cost at 1 January 2024, net of accumulated depreciation	72,458	118,393	853	298	4,481	4,721	2,638	203,842
Additions	10,589	92,656	349	2	2,878	8,581	2,652	117,707
Transfers	496	261	–	–	832	–	(1,589)	–
Depreciation provided during the year . .	(14,471)	(28,828)	(533)	(101)	(1,680)	(3,108)	–	(48,721)
Disposals	(475)	(27,311)	(2)	(2)	(855)	–	–	(28,645)
Exchange realignment	17	(18)	–	–	–	–	–	(1)
As at 31 December 2024	68,614	155,153	667	197	5,656	10,194	3,701	244,182
As at 31 December 2024								
Cost	147,547	234,313	4,043	848	14,208	16,002	3,701	420,662
Accumulated depreciation	(78,933)	(79,160)	(3,376)	(651)	(8,552)	(5,808)	–	(176,480)
Net carrying amount	68,614	155,153	667	197	5,656	10,194	3,701	244,182
31 December 2025								
As at 1 January 2025								
Cost	147,547	234,313	4,043	848	14,208	16,002	3,701	420,662
Accumulated depreciation	(78,933)	(79,160)	(3,376)	(651)	(8,552)	(5,808)	–	(176,480)
Net carrying amount	68,614	155,153	667	197	5,656	10,194	3,701	244,182
Cost at 1 January 2025, net of accumulated depreciation	68,614	155,153	667	197	5,656	10,194	3,701	244,182
Additions	25,336	93,823	437	7	4,245	8,710	2,448	135,006
Transfers	531	–	–	–	2,487	–	(3,018)	–
Depreciation provided during the year	(16,064)	(35,444)	(363)	(86)	(2,585)	(6,093)	–	(60,635)
Disposals	(6,546)	(39,595)	(2)	–	–	–	–	(46,143)
Exchange realignment	106	(8)	–	–	–	–	–	98
As at 31 December 2025	71,977	173,929	739	118	9,803	12,811	3,131	272,508
As at 31 December 2025								
Cost	163,092	279,068	4,479	855	20,940	24,712	3,131	496,277
Accumulated depreciation	(91,115)	(105,139)	(3,740)	(737)	(11,137)	(11,901)	–	(223,769)
Net carrying amount	71,977	173,929	739	118	9,803	12,811	3,131	272,508

As at 31 December 2023, 2024 and 2025, certain of the Group’s reusable packaging containers and machineries with net carrying amounts of approximately RMB47,161,000, RMB50,394,000 and RMB48,115,000, respectively, were pledged to secure certain other borrowings granted to the Group.

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	Machinery	Electronic equipment	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023				
As at 1 January 2023				
Cost	11,152	2,289	2,188	15,629
Accumulated depreciation	(10,412)	(1,324)	(1,376)	(13,112)
Net carrying amount	<u>740</u>	<u>965</u>	<u>812</u>	<u>2,517</u>
Cost at 1 January 2023, net of accumulated depreciation	740	965	812	2,517
Additions	53	53	99	205
Depreciation provided during the year	(93)	(532)	(722)	(1,347)
As at 31 December 2023	<u>700</u>	<u>486</u>	<u>189</u>	<u>1,375</u>
As at 31 December 2023				
Cost	11,205	2,342	2,287	15,834
Accumulated depreciation	(10,505)	(1,856)	(2,098)	(14,459)
Net carrying amount	<u>700</u>	<u>486</u>	<u>189</u>	<u>1,375</u>
31 December 2024				
As at 1 January 2024				
Cost	11,205	2,342	2,287	15,834
Accumulated depreciation	(10,505)	(1,856)	(2,098)	(14,459)
Net carrying amount	<u>700</u>	<u>486</u>	<u>189</u>	<u>1,375</u>
Cost at 1 January 2024, net of accumulated depreciation	700	486	189	1,375
Additions	99	138	–	237
Depreciation provided during the year	(97)	(344)	(160)	(601)
Disposals	(2)	–	–	(2)
As at 31 December 2024	<u>700</u>	<u>280</u>	<u>29</u>	<u>1,009</u>
As at 31 December 2024				
Cost	11,269	2,480	2,287	16,036
Accumulated depreciation	(10,569)	(2,200)	(2,258)	(15,027)
Net carrying amount	<u>700</u>	<u>280</u>	<u>29</u>	<u>1,009</u>
31 December 2025				
As at 1 January 2025				
Cost	11,269	2,480	2,287	16,036
Accumulated depreciation	(10,569)	(2,200)	(2,258)	(15,027)
Net carrying amount	<u>700</u>	<u>280</u>	<u>29</u>	<u>1,009</u>
Cost at 1 January 2025, net of accumulated depreciation	700	280	29	1,009
Additions	672	69	3,666	4,407
Depreciation provided during the year	(102)	(135)	(436)	(673)
As at 31 December 2025	<u>1,270</u>	<u>214</u>	<u>3,259</u>	<u>4,743</u>
As at 31 December 2025				
Cost	11,941	2,549	5,953	20,443
Accumulated depreciation	(10,671)	(2,335)	(2,694)	(15,700)
Net carrying amount	<u>1,270</u>	<u>214</u>	<u>3,259</u>	<u>4,743</u>

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15. LEASES

The Group as a lessee

The Group has lease contracts for office premises and plant used in its operations. Lump sum payments were made upfront to acquire the land use rights with lease periods of 50 years, and no ongoing payments will be made under the terms of these land use rights. Leases of office premises and plant generally have lease terms between 2 and 5 years.

(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:

	Office premises and plant	Land use rights	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	33,561	–	33,561
Additions	15,678	–	15,678
Depreciation charge	(12,548)	–	(12,548)
Exchange realignment	(52)	–	(52)
As at 31 December 2023 and 1 January 2024 . . .	36,639	–	36,639
Additions	9,705	–	9,705
Depreciation charge	(15,335)	–	(15,335)
Exchange realignment	(65)	–	(65)
As at 31 December 2024 and 1 January 2025 . . .	30,944	–	30,944
Additions	23,178	40,808	63,986
Depreciation charge	(17,256)	(204)	(17,460)
Exchange realignment	9	–	9
As at 31 December 2025	36,875	40,604	77,479

(b) Lease liabilities

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at beginning of the year	31,776	35,811	30,347
New leases	15,678	9,705	23,178
Accretion of interest recognised during the year . .	1,273	1,259	1,016
Payments	(12,876)	(16,404)	(18,707)
Exchange realignment	(40)	(24)	(5)
Carrying amount at end of the year	35,811	30,347	35,829
Analysed into:			
Current portion	13,745	14,043	16,916
Non-current portion	22,066	16,304	18,913

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	1,273	1,259	1,016
Depreciation charge of right-of-use assets	12,548	15,335	17,460
Expenses relating to short-term and low-value leases	373	852	638
Total amount recognised in profit or loss	14,194	17,446	19,114

The Company as a lessee

The Company has lease contracts for office premises used in its operations. Leases of office premises have lease terms of 3 years.

(a) Right-of-use assets

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

	Office premises
	RMB'000
1 January 2023	–
Additions	5,165
Depreciation charge	(698)
As at 31 December 2023 and 1 January 2024	4,467
Depreciation charge	(1,675)
As at 31 December 2024 and 1 January 2025	2,792
Additions	5,039
Depreciation charge	(1,922)
As at 31 December 2025	5,909

(b) Lease liabilities

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	–	4,561	2,900
New leases	5,165	–	5,039
Accretion of interest recognised during the year	68	123	102
Payments	(672)	(1,784)	(2,031)
Carrying amount at end of the year	4,561	2,900	6,010
Analysed into:			
Current portion	1,661	1,720	2,069
Non-current portion	2,900	1,180	3,941

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The Group as a lessor

The Group leases certain containers to customers under fixed-term rental agreements, with payments calculated based on the number of days rented. Rental income recognised by the Group for each of the Relevant Periods amounted to RMB17,894,000, RMB15,988,000 and RMB15,575,000, details of which are included in note 5 to the Historical Financial Information.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	7,318	7,305	8,467
1 to 2 years	1,334	409	178
2 to 3 years	122	64	82
Over 3 years	94	47	–
Total	<u>8,868</u>	<u>7,825</u>	<u>8,727</u>

16. OTHER INTANGIBLE ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Software			
At 1 January,			
Cost	14,426	20,687	24,059
Accumulated amortisation	(779)	(928)	(1,161)
Net carrying amount	<u>13,647</u>	<u>19,759</u>	<u>22,898</u>
Cost at 1 January, net of accumulated			
amortisation	13,647	19,759	22,898
Addition	6,261	5,032	4,711
Amortisation provided during the year	(149)	(1,893)	(2,674)
At 31 December	<u>19,759</u>	<u>22,898</u>	<u>24,935</u>
At 31 December,			
Cost	20,687	24,059	30,431
Accumulated amortisation	(928)	(1,161)	(5,496)
Net carrying amount	<u>19,759</u>	<u>22,898</u>	<u>24,935</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Software			
At 1 January,			
Cost	8,866	14,567	19,599
Accumulated amortisation	(779)	(928)	(2,245)
Net carrying amount	<u>8,087</u>	<u>13,639</u>	<u>17,354</u>

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost at 1 January, net of accumulated amortisation	8,087	13,639	17,354
Addition	5,701	5,032	3,275
Amortisation provided during the year	(149)	(1,317)	(2,037)
At 31 December	<u>13,639</u>	<u>17,354</u>	<u>18,592</u>
At 31 December,			
Cost	14,567	19,599	22,874
Accumulated amortisation	(928)	(2,245)	(4,282)
Net carrying amount	<u>13,639</u>	<u>17,354</u>	<u>18,592</u>

17. DEFERRED TAX

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

The Group

Deferred tax assets

	Lease liabilities	Unrealised profit	Loss available for offsetting against future taxable profits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	7,071	15,274	1,798	24,143
Deferred tax credited/(charged) to profit or loss during the year . .	<u>7,749</u>	<u>2,459</u>	<u>546</u>	<u>77</u>	<u>10,831</u>
Gross deferred tax assets at 31 December 2023	<u>7,749</u>	<u>9,530</u>	<u>15,820</u>	<u>1,875</u>	<u>34,974</u>
At 1 January 2024	7,749	9,530	15,820	1,875	34,974
Deferred tax (charged)/credited to profit or loss during the year . .	<u>(1,194)</u>	<u>7,116</u>	<u>(2,400)</u>	<u>(85)</u>	<u>3,437</u>
Gross deferred tax assets at 31 December 2024	<u>6,555</u>	<u>16,646</u>	<u>13,420</u>	<u>1,790</u>	<u>38,411</u>
At 1 January 2025	6,555	16,646	13,420	1,790	38,411
Deferred tax credited/(charged) to profit or loss during the year . .	<u>1,420</u>	<u>3,761</u>	<u>(3,798)</u>	<u>(1,046)</u>	<u>337</u>
Gross deferred tax assets at 31 December 2025	<u>7,975</u>	<u>20,407</u>	<u>9,622</u>	<u>744</u>	<u>38,748</u>

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2023	–
Deferred tax credited to profit or loss during the year	<u>7,954</u>
Gross deferred tax liabilities at 31 December 2023	<u>7,954</u>
At 1 January 2024	7,954
Deferred tax charged to profit or loss during the year	<u>(1,216)</u>
Gross deferred tax liabilities at 31 December 2024	<u>6,738</u>

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	Right-of-use assets
	<i>RMB'000</i>
At 1 January 2025	6,738
Deferred tax credited to profit or loss during the year	<u>1,522</u>
Gross deferred tax liabilities at 31 December 2025	<u><u>8,260</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position . .	<u>27,020</u>	<u>31,673</u>	<u>30,488</u>

The Company

Deferred tax assets

	Lease liabilities	Loss available for offsetting against future taxable profits	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	–	3,687	1,647	5,334
Deferred tax credited/(charged) to profit or loss during the year	<u>684</u>	<u>(1,814)</u>	<u>71</u>	<u>(1,059)</u>
Gross deferred tax assets at 31 December 2023 . . .	<u>684</u>	<u>1,873</u>	<u>1,718</u>	<u>4,275</u>
At 1 January 2024	684	1,873	1,718	4,275
Deferred tax (charged)/credited to profit or loss during the year	<u>(249)</u>	<u>(1,873)</u>	<u>24</u>	<u>(2,098)</u>
Gross deferred tax assets at 31 December 2024 . . .	<u>435</u>	<u>–</u>	<u>1,742</u>	<u>2,177</u>
At 1 January 2025	435	–	1,742	2,177
Deferred tax credited/(charged) to profit or loss during the year	<u>466</u>	<u>–</u>	<u>(410)</u>	<u>56</u>
Gross deferred tax assets at 31 December 2025 . . .	<u>901</u>	<u>–</u>	<u>1,332</u>	<u>2,233</u>

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Deferred tax liabilities

	Right-of-use assets
	<i>RMB’000</i>
At 1 January 2023	–
Deferred tax charged to profit or loss during the year	670
Gross deferred tax liabilities at 31 December 2023	670
At 1 January 2024	670
Deferred tax credited to profit or loss during the year	(251)
Gross deferred tax liabilities at 31 December 2024	419
At 1 January 2025	419
Deferred tax charged to profit or loss during the year	467
Gross deferred tax liabilities at 31 December 2025	886

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements 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
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position . .	3,605	1,758	1,347

The tax losses of the Company’s subsidiaries in Chinese Mainland and Japan will expire within five years and ten years, respectively. During the Relevant Periods, pursuant to the PRC Enterprise Income Tax Law and its relevant regulations, the Company obtained High and New Technology Enterprise (HNTE) status for a valid term of three years, which entitles the Company to a preferential corporate income tax rate of 15% with an additional five-year period for using tax losses deductions. The tax losses of the Company’s other subsidiaries can be carried forward indefinitely for offsetting against future taxable profits.

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tax losses arising in Chinese Mainland	93,072	77,056	61,944
Tax losses arising in Hong Kong	14,725	14,994	17,481
Tax losses arising in Japan	207	363	843
Tax losses arising in the United Kingdom	–	1,100	–
Tax losses arising in the United States	368	357	–
Total	108,372	93,870	80,268

There are deferred tax assets in respect of tax losses that have not been recognised as at 31 December 2023, 2024 and 2025, respectively:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tax losses not recognised	2,851	2,912	3,412

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Those deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. OTHER LONG-TERM ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposits	2,810	2,878	2,684
Long-term deferred expenses	330	244	368
Prepayments for property, plant and equipment . .	1,673	1,715	10,589
Total	<u>4,813</u>	<u>4,837</u>	<u>13,641</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposits	501	612	315
Long-term deferred expenses	330	238	883
Total	<u>831</u>	<u>850</u>	<u>1,198</u>

19. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	7,870	10,754	11,694
Work in progress	6,421	7,602	9,342
Finished goods	31,662	45,372	36,603
	45,953	63,728	57,639
Provision for impairment of inventories	(605)	(182)	(50)
Total	<u>45,348</u>	<u>63,546</u>	<u>57,589</u>

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	3,812	5,728	1,483
Provision for impairment of inventories	(50)	(50)	(2)
Total	<u>3,762</u>	<u>5,678</u>	<u>1,481</u>

20. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	62,640	81,022	135,675
Bills receivable	2,425	3,892	3,092
Subtotal	65,065	84,914	138,767
Impairment	(619)	(522)	(1,100)
Total	<u>64,446</u>	<u>84,392</u>	<u>137,667</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	16,624	22,188	40,807
Bills receivable	—	—	584
Subtotal	16,624	22,188	41,391
Impairment	(473)	(459)	(953)
Total	<u>16,151</u>	<u>21,729</u>	<u>40,438</u>

The Group’s trading terms with its customers are mainly on credit. The credit period is generally 1 to 3 months, extending up to 4 months after invoice date for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. In view of the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For the bills receivable that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, they are measured at “financial assets at fair value through other comprehensive income” (“FVTOCI”). For details, please refer to note 21.

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An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	56,158	75,674	129,699
3 to 6 months	7,382	8,641	7,469
6 to 9 months	863	47	441
9 months to 1 year	43	30	58
Total	<u>64,446</u>	<u>84,392</u>	<u>137,667</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	13,844	17,663	37,429
3 to 6 months	2,296	4,058	2,931
6 to 9 months	11	–	78
9 months to 1 year	–	8	–
Total	<u>16,151</u>	<u>21,729</u>	<u>40,438</u>

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	–	619	522
Impairment losses recognised/(reversed), net . . .	<u>619</u>	<u>(97)</u>	<u>578</u>
At end of the year	<u>619</u>	<u>522</u>	<u>1,100</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	–	473	459
Impairment losses recognised/(reversed), net . . .	<u>473</u>	<u>(14)</u>	<u>494</u>
At end of the year	<u>473</u>	<u>459</u>	<u>953</u>

An impairment analysis was made based on expected credit loss model on the recoverability of trade receivables. The identification of impairment requires management’s judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy.

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The Group considers that expected credit losses for bills receivable is limited because counterparties are high-quality corporate clients with good credit standing and are highly likely to be paid, and the expected credit losses are considered as insignificant.

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

The Group

As at 31 December 2023

	Within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	More than 1 year	Total
On a collective basis:						
Expected credit loss rate. . . .	0.19%	1.45%	13.02%	46.25%	100.00%	0.49%
Gross carrying amount (RMB’000)	56,104	5,601	530	80	13	62,328
Expected credit losses (RMB’000)	<u>107</u>	<u>81</u>	<u>69</u>	<u>37</u>	<u>13</u>	<u>307</u>
On an Individual basis:						
Expected credit loss rate. . . .						100.00%
Gross carrying amount (RMB’000)						312
Expected credit losses (RMB’000)						<u>312</u>

As at 31 December 2024

	Within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	More than 1 year	Total
On a collective basis:						
Expected credit loss rate. . . .	0.22%	2.18%	16.67%	55.88%	100.00%	0.50%
Gross carrying amount (RMB’000)	73,144	7,602	60	68	30	80,904
Expected credit losses (RMB’000)	<u>160</u>	<u>166</u>	<u>10</u>	<u>38</u>	<u>30</u>	<u>404</u>
On an Individual basis:						
Expected credit loss rate. . . .						100.00%
Gross carrying amount (RMB’000)						118
Expected credit losses (RMB’000)						<u>118</u>

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As at 31 December 2025

	Within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	More than 1 year	Total
On a collective basis:						
Expected credit loss rate. . . .	0.37%	3.38%	18.84%	43.06%	100.00%	0.68%
Gross carrying amount (RMB’000)	127,984	6,795	539	72	107	135,497
Expected credit losses (RMB’000)	<u>474</u>	<u>230</u>	<u>80</u>	<u>31</u>	<u>107</u>	<u>922</u>
On an Individual basis:						
Expected credit loss rate. . . .						100.00%
Gross carrying amount (RMB’000)						178
Expected credit losses (RMB’000)						<u>178</u>

The Company

As at 31 December 2023

	Within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	More than 1 year	Total
On a collective basis:						
Expected credit loss rate. . . .	0.57%	3.33%	35.29%	57.87%	100.00%	1.01%
Gross carrying amount (RMB’000)	13,924	2,375	17	–	–	16,316
Expected credit losses (RMB’000)	<u>80</u>	<u>79</u>	<u>6</u>	<u>–</u>	<u>–</u>	<u>165</u>
On an Individual basis:						
Expected credit loss rate. . . .						100.00%
Gross carrying amount (RMB’000)						308
Expected credit losses (RMB’000)						<u>308</u>

As at 31 December 2024

	Within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	More than 1 year	Total
On a collective basis:						
Expected credit loss rate. . . .	0.78%	5.01%	18.20%	46.67%	100.00%	1.63%
Gross carrying amount (RMB’000)	17,802	4,272	–	15	–	22,089
Expected credit losses (RMB’000)	<u>139</u>	<u>214</u>	<u>–</u>	<u>7</u>	<u>–</u>	<u>360</u>
On an Individual basis:						
Expected credit loss rate. . . .						100.00%
Gross carrying amount (RMB’000)						99
Expected credit losses (RMB’000)						<u>99</u>

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As at 31 December 2025

	Within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	More than 1 year	Total
On a collective basis:						
Expected credit loss rate	1.54%	9.10%	22.77%	50.49%	100.00%	2.11%
Gross carrying amount (RMB’000)	38,014	2,582	101	1	15	40,713
Expected credit losses (RMB’000)	<u>585</u>	<u>235</u>	<u>23</u>	<u>1</u>	<u>15</u>	<u>859</u>
On an Individual basis:						
Expected credit loss rate						100.00%
Gross carrying amount (RMB’000)						94
Expected credit losses (RMB’000)						<u>94</u>

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivables at FVTOCI	<u>3,744</u>	<u>17,543</u>	<u>10,332</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivables at FVTOCI	<u>–</u>	<u>10,384</u>	<u>–</u>

As at 31 December 2023, 2024 and 2025, certain bills which were held by the Group for the practice of endorsing to suppliers before the bills due for payment were classified as financial assets at FVTOCI. All the bills receivables were with a maturity period of less than 6 months.

The Group holds electronic trade receivable certificates issued by supply chain finance platforms, mainly China Enterprise Cloud Chain (Dichain), with carrying amount of RMB1,180,000, RMB5,210,000 and RMB4,170,000 as at 31 December 2023, 2024 and 2025, respectively.

The Group considers that the credit risk is limited because counterparties are high-quality corporate clients with good credit standing and are highly likely to be paid, and the expected credit losses are considered as insignificant.

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22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments	10,282	14,443	20,526
Deposits	2,407	2,149	2,554
Value-added tax recoverable	6,366	9,663	13,030
Export tax rebate	913	2,546	4,936
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	1,229	1,444	1,873
Total	21,197	30,245	43,300

Prepayments mainly represent advanced payments to suppliers, and other receivables are unsecured and non-interest-bearing.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments	2,421	2,769	4,809
Deposits	190	32	817
Recoverable value-added tax	1,183	1,053	867
Export tax rebate	913	2,546	4,936
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	1,013	1,161	1,395
Total	5,720	7,561	13,205

23. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	98,031	69,835	139,565
Restricted cash	—	(560)	—
Cash and cash equivalents	98,031	69,275	139,565

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	84,473	38,257	109,972
Denominated in JPY	5,858	3,785	5,705
Denominated in GBP	4,327	2,482	8,622
Denominated in USD	2,942	19,167	8,145
Denominated in EUR	431	6,144	7,121
Total	<u>98,031</u>	<u>69,835</u>	<u>139,565</u>
Restricted cash			
RMB	<u>—</u>	<u>560</u>	<u>—</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	33,298	32,997	96,192
Restricted cash	<u>—</u>	<u>(560)</u>	<u>—</u>
Cash and cash equivalents	<u>33,298</u>	<u>32,437</u>	<u>96,192</u>

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The restricted cash amounting to RMB560,000 as at 31 December 2024, was placed as deposits which are restricted to use.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	34,425	59,095	66,535
3 months to 6 months	405	1,616	1,743
6 months to 1 year	313	104	445
Over 1 year	178	236	326
Total	<u>35,321</u>	<u>61,051</u>	<u>69,049</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	244	3,390	3,279
3 months to 6 months	—	—	—
6 months to 1 year	—	—	440
Over 1 year	87	87	49
Total	<u>331</u>	<u>3,477</u>	<u>3,768</u>

The trade payables are non-interest-bearing and are normally settled within 3 months after the invoice date.

25. OTHER PAYABLES AND ACCRUALS

The Group

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	7,892	7,017	4,841
Advances from customers		1,644	1,346	1,447
Salary and welfare payable		12,725	18,267	17,057
Deposits		1,071	1,068	501
Other tax payables		5,449	2,086	5,099
Accruals		1,934	2,718	3,938
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Put option payable		—	—	18,816
Others		1,686	1,989	2,941
Total		<u>32,401</u>	<u>34,491</u>	<u>55,768</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	7,066	5,684	2,843
Salary and welfare payable	3,447	4,659	2,844
Deposits	101	101	101
Other tax payables	554	425	824
Accruals	437	24	1,529
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Others	21	53	11
Total	<u>11,626</u>	<u>10,946</u>	<u>9,280</u>

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Note:

- (a) Details of contract liabilities are as follows:

Contract liabilities include short-term advances received in relation to sales of products and pooling services. The decrease in contract liabilities as at 31 December 2024 and 2025 and the increase in contract liabilities as at 31 December 2023 were mainly due to the decrease or increase of short-term advances received from customers in relation to the sale of goods at the end of that year.

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term advances received from customers				
Sales of products	5,092	7,886	7,012	4,838
Pooling services	—	6	5	3
Total	<u>5,092</u>	<u>7,892</u>	<u>7,017</u>	<u>4,841</u>

26. FINANCIAL LIABILITIES 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
Foreign exchange options	—	107	—
	<u>—</u>	<u>107</u>	<u>—</u>

27. OTHER NON-CURRENT FINANCIAL LIABILITIES

In November 2023, the Company entered into agreements with an independent third party for the disposal of 35.05% equity interest in a subsidiary at a cash consideration of RMB15,000,000. Under this arrangement, the non-controlling shareholder of the subsidiary did not hold voting rights or entitlement to dividends of the relevant subsidiary. It was also agreed that the non-controlling shareholder could either (i) request the Company to repurchase the equity interest in the subsidiary at a predetermined price with a compound annualised return of 12%; or (ii) swap its equity interest in the subsidiary into equity interest in the Company at a predetermined valuation, after a specified period following the completion of capital contribution. Consequently, the carrying amount of the Group’s other non-current financial liabilities represent the estimated settlement amount for this put option. In December 2025, the Group entered into an equity transfer agreement with the non-controlling shareholder to acquire the 35.05% equity interest in the subsidiary at a cash consideration of RMB18,925,000, with the acquisition of the equity interest completed and full consideration settled in January 2026.

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

As at 31 December 2023			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	3.35 to 6.00	2024	127,473
Bank borrowings – unsecured	1.36 to 5.49	2024	12,374
Other borrowings – sale leaseback – secured . . .	5.75 to 10.64	2024	55,677
			<u>195,524</u>
Non-current			
Bank borrowings – secured	5.60	2025	4,200
Other borrowings – sale leaseback – secured . . .	6.70 to 10.64	2025 to 2026	38,788
			<u>42,988</u>
Total			<u>238,512</u>

As at 31 December 2024			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	3.10 to 5.60	2025	124,333
Other borrowings – sale leaseback – secured . . .	6.20 to 10.64	2025	57,420
			<u>181,753</u>
Non-current			
Bank borrowings – secured	5.50	2027	15,000
Other borrowings – sale leaseback – secured . . .	6.20 to 8.80	2026 to 2027	57,410
			<u>72,410</u>
Total			<u>254,163</u>

As at 31 December 2025			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	2.60 to 5.60	2026	142,029
Other borrowings – sale leaseback – secured . . .	6.20 to 8.80	2026	74,450
			<u>216,479</u>
Non-current			
Bank borrowings – secured	4.00 to 5.50	2027	26,629
Other borrowings – sale leaseback – secured . . .	6.20 to 8.80	2027-2028	61,888
			<u>88,517</u>
Total			<u>304,996</u>

As at 31 December 2023, 2024 and 2025, the Group’s bank borrowings amounting to RMB9,986,000, Nil and RMB21,477,000, respectively, were subject to financial covenants including but not limited to minimum current ratios and minimum net profit as tested quarterly until maturity. The Group has complied with the covenants under the relevant loan documents as at 31 December 2023, 2024 and 2025.

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As at 31 December 2023, 2024 and 2025, the Group’s secured bank borrowings were guaranteed under various arrangements involving Mr. Liao Qingxin, Mrs. Chen Fang, the Company’s subsidiaries, and the Company.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bank borrowings were guaranteed by:			
Mr. Liao Qingxin	40,000	5,000	56,658
Mr. Liao Qingxin and his spouse, Mrs. Chen Fang	76,231	99,333	65,000
Mr. Liao Qingxin and the Company’s subsidiaries	9,986	—	—
Mr. Liao Qingxin, Mrs. Chen Fang and the Company’s subsidiaries	5,000	20,000	28,000
Mr. Liao Qingxin, Mrs. Chen Fang and the Company	456	15,000	19,000
Total	<u>131,673</u>	<u>139,333</u>	<u>168,658</u>

As at 31 December 2023, 2024 and 2025, the Group’s other borrowings were guaranteed under various arrangements involving Mr. Liao Qingxin, Mrs. Chen Fang, the Company’s subsidiaries, and the Company.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other borrowings were guaranteed by:			
Mr. Liao Qingxin, the Company and its subsidiaries	9,273	—	6,179
Mr. Liao Qingxin, Mrs. Chen Fang, the Company and its subsidiaries	42,521	84,920	85,881
Mr. Liao Qingxin and the Company’s subsidiaries	1,645	—	—
Mr. Liao Qingxin, Mrs. Chen Fang and the Company	41,026	22,690	11,524
Mr. Liao Qingxin, Mrs. Chen Fang and the Company’s subsidiaries	—	7,220	32,754
Total	<u>94,465</u>	<u>114,830</u>	<u>136,338</u>

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Repayable within one year	195,524	181,753	216,479
Repayable within a period of more than one year but not exceeding two years	42,988	65,410	74,436
Repayable within a period of more than two years but not exceeding five years	—	7,000	14,081
Total	<u>238,512</u>	<u>254,163</u>	<u>304,996</u>

The Group’s borrowings are all denominated in RMB with fixed interest rates.

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As at 31 December 2023			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	3.45 to 4.35	2024	107,080
Other borrowings – secured	6.75	2024	165
			<u>107,245</u>

As at 31 December 2024			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	3.10 to 5.50	2025	100,099
Non-current			
Bank borrowings – secured	5.50	2027	10,000
			<u>110,099</u>

As at 31 December 2025			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	2.60 to 3.53	2026	99,007
Non-current			
Bank borrowings – secured	5.50	2027	16,558
			<u>115,565</u>

29. SHARE CAPITAL/PAID-IN CAPITAL

Share Capital

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

	Number of shares in issue (in thousand)	Share capital RMB’000
At 1 January 2023 and 2024 and 2025	–	–
Issue of ordinary shares upon conversion into a joint stock company of RMB1.00 each****	10,000	10,000
As at 31 December 2025	<u>10,000</u>	<u>10,000</u>

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Paid-in Capital

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

	Paid-in capital
	RMB’000
As at 1 January 2023	3,490
Series E financing*	77
As at 31 December 2023 and 2024	3,567
As at 1 January 2025	3,567
Series A financing**	360
Series F financing***	103
Transfer from capital reserve****	5,970
Conversion into a joint stock company****	(10,000)
As at 31 December 2025	—

* In November 2023, the Company and its then shareholders entered into a capital increase agreement with investors (“Series E Investors”). The Series E Investors subscribed for the increased registered capital of RMB77,000 at the consideration of RMB30,000,000 (“Series E Financing”).

** In September 2013, the Company and its then shareholders entered into a capital increase agreement with investors (“Series A Investors”). According to the capital increase agreement, the investor has made up the unpaid portion of the subscribed capital with RMB360,000 in 2025.

*** In July 2025, the Company and its then shareholders entered into a capital increase agreement with investors (“Series F Investors”). The Series F Investors subscribed for the increased registered capital of RMB206,674 at the consideration of RMB100,000,000 (“Series F Financing”), of which the subscription for the registered capital of RMB103,337 at the cash consideration of RMB50,000,000 was completed in August 2025 and the subscription for the registered capital of RMB256,410 (after conversion into joint stock company) at the cash consideration of RMB50,000,000 was completed in January 2026.

**** In December 2025, the Company was converted from a limited liability company into a joint stock limited company under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including the paid-in capital, capital reserves and retain earnings, amounting to RMB374,533,000 were converted into 10,000,000 ordinary shares of RMB1.00 each. The gap between the paid-in capital and the registered capital as of the conversion base date was covered by capital reserves, and the excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company’s capital reserve.

As at 31 December 2025, the Company received subscription monies in the amount of RMB50,000,000 in relation to the subscription of registered capital of RMB256,410 which was completed in January 2026.

Since October 2013, the Company has entered into respective shareholders’ agreements and share subscription agreements (collectively, the “Pre-[REDACTED] Investors Agreements”) with certain pre-[REDACTED] investors (collectively, the “Pre-[REDACTED] Investors”) and issued ordinary shares thereto with a total consideration of approximately RMB273,479,000 (collectively the “Pre-[REDACTED] Investments”) with the respective par value being recorded as share capital and the remainder as capital reserve. Pursuant to the Pre-[REDACTED] Investors Agreements, the Pre-[REDACTED] Investors were granted by the Company with special rights (the “Special Rights”) which included redemption rights and liquidation preferences rights.

There was no exercise of the redemption rights granted by the Company throughout the Relevant Periods.

On 29 January 2026, the Company and the Pre-[REDACTED] Investors subsequently entered into supplemental agreements (the “Supplemental Agreements”), agreeing that certain of the Special Rights granted by the Company to the Pre-[REDACTED] Investors, including redemption rights and liquidation preferences rights, have been irrecoverably terminated and shall be void ab initio. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the Supplemental Agreements, the directors considered that it is appropriate to present the Pre-[REDACTED] Investments as equity throughout the Relevant Periods.

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Had the redemption rights and liquidation preferences rights granted by the Company to the Pre-[REDACTED] Investors been accounted for as financial liabilities measured at fair value prior to entering into the Supplemental Agreements, the carrying amount of the corresponding financial liabilities, total current liabilities and net liabilities of the Group would have been:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Redemption financial liabilities	482,234	611,416	732,516
Total current liabilities	759,389	910,309	1,100,403
Net liabilities	(314,410)	(415,550)	(400,329)

The fair value changes associated with the financial liabilities measured at fair value through profit or loss, the net loss for the year, the basic and diluted loss per share would have been:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value loss of the financial liabilities measured at fair value through profit or loss . .	(23,952)	(129,182)	(21,100)
(Loss)/profit for the year	(32,699)	(113,417)	11,080
Basic and diluted (loss)/earnings per share (RMB)	(3.46)	(11.99)	1.14

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.

Capital reserve

The capital reserve represents the capital contributions from the then equity holders of the Group’s subsidiaries, after elimination of investments in subsidiaries. Details of the movements in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

Statutory surplus reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies’ registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory surplus reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards granted, as further explained in note 31.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies in the Group of which the functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.3 to the Historical Financial Information.

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The Company

	Share capital/ paid-in capital	Capital reserve	Subscription monies received	Statutory surplus reserve	Share-based payment reserve	(Accumulated losses)/ retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 . .	3,490	193,352	–	1,963	14,570	(8,613)	204,762
Profit and total comprehensive income for the year	–	–	–	–	–	6,231	6,231
Capital contribution by shareholders . .	77	29,923	–	–	–	–	30,000
Share-based payment compensation	–	–	–	–	4,117	–	4,117
As at 31 December 2023	<u>3,567</u>	<u>223,275</u>	<u>–</u>	<u>1,963</u>	<u>18,687</u>	<u>(2,382)</u>	<u>245,110</u>
At 1 January 2024 .	3,567	223,275	–	1,963	18,687	(2,382)	245,110
Profit and total comprehensive income for the year	–	–	–	–	–	40,052	40,052
Share-based payment compensation	–	–	–	–	12,444	–	12,444
As at 31 December 2024	<u>3,567</u>	<u>223,275</u>	<u>–</u>	<u>1,963</u>	<u>31,131</u>	<u>37,670</u>	<u>297,606</u>
At 1 January 2025 .	3,567	223,275	–	1,963	31,131	37,670	297,606
Profit and total comprehensive income for the period	–	–	–	–	–	28,426	28,426
Capital contribution by shareholders . .	463	49,897	50,000	–	–	–	100,360
Transfer to statutory reserve	–	–	–	2,843	–	(2,843)	–
Conversion into a joint stock company	5,970	89,622	–	(1,837)	–	(93,755)	–
Share-based payment compensation	–	–	–	–	3,221	–	3,221
As at 31 December 2025	<u>10,000</u>	<u>362,794</u>	<u>50,000</u>	<u>2,969</u>	<u>34,352</u>	<u>(30,502)</u>	<u>429,613</u>

31. SHARE-BASED PAYMENTS

Restricted Stock Incentive Plan 2018

In 2018, the Company initiated the Restricted Stock Incentive Plan 2018. The incentive targets were core employees who contributed to the development in marketing, technology and development, group management, and production and supply chain. The equity incentive was granted through the employee stock ownership platform Shanghai Honghe Investment Management Partnership (Limited Partnership). The incentive was granted by Mr. Liao Qingxin, the actual controller of the platform, in the form of transferring existing shares.

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In 2018, the Company arranged restricted equity incentive with 15 employees, indirectly granting 10,335 shares of the Company at a price of RMB10 per restricted share. Under the Restricted Stock Incentive Plan 2018, such rights and interests are subject to transfer restrictions until the date of the Company’s successful [REDACTED].

Restricted Stock Incentive Plan 2020

On 30 October 2020, the Company approved the proposal of the Restricted Stock Incentive Plan 2020. The incentive targets, classified by functional departments, were core employees who continuously contributed to the future development of the Company. The equity incentive was implemented through the employee stock ownership platform Shanghai Huixiang Enterprise Management Consulting Partnership (Limited Partnership) and Shanghai Zhixiang Enterprise Management Consulting Partnership (Limited Partnership). The incentive was granted by Mr. Liao Qingxin, the actual controller of the two platforms, in the form of transferring existing shares. The subscription price for the restricted shares under the Restricted Stock Incentive Plan 2020 is RMB10 per restricted share.

On 18 November 2020, the Company signed a restricted stock incentive agreement with 43 employees, indirectly granting 158,818 shares of the Company at a price of RMB10 per restricted share. According to the Restricted Stock Incentive Plan 2020, the Company would assess the performance of benefited employees based on the completion of the Company’s operating income indicators in 2021 and the implementation of the department management system before 31 March 2021. The agreement specifies the conditions under which repurchase may be triggered based on performance outcomes. In addition, such rights and interests are subject to transfer restrictions until the expiration of three years from the date of the Company’s successful [REDACTED].

In 2022, the Company signed restricted stock incentive agreements with four employees, and a total of 4,300 shares of the Company were indirectly granted by Mr. Liao Qingxin, the actual controller of Shanghai Huixiang Enterprise Management Consulting Partnership (Limited Partnership). The Company would assess the granted employees based on the completion of the Company’s operating income indicators in 2022 and the implementation of the department management system before 31 March 2022. The agreement specifies the conditions under which repurchase may be triggered based on performance outcomes. In addition, such rights and interests are subject to transfer restrictions until the expiration of three years from the date of the Company’s successful [REDACTED].

In 2023, the Company signed restricted equity incentive agreements with six employees, and a total of 13,680 shares of the Company were indirectly granted by Mr. Liao Qingxin, the actual controller of the employee stock ownership platform. Specifically, Shanghai Zhixiang Enterprise Management Consulting Partnership (Limited Partnership) signed an agreement with 2 employees, and the other four employees signed agreements separately with Shanghai Huixiang Enterprise Management Consulting Partnership (Limited Partnership), Shanghai Jixiang Martin Enterprise Management Consulting Partnership (Limited Partnership), Shanghai Haixiang Dai Wei Enterprise Management Consulting Partnership (Limited Partnership) and Shanghai Runxiang John Enterprise Management Consulting Partnership (Limited Partnership). Under the Restricted Stock Incentive Plan 2023, such rights and interests are subject to transfer restrictions until three years from the date of the Company’s successful [REDACTED].

In 2025, the Company signed restricted equity incentive agreements with fourteen employees, and a total of 20,000 shares of the Company were indirectly granted by Liao Qingxin, the actual controller of the employee stock ownership platform, and fourteen employees all signed with Shanghai Zhixiang Enterprise Management Consulting Partnership (Limited Partnership). Under the Restricted Equity Incentive Plan, such rights and interests are subject to transfer restrictions until the expiration of three years from the date of the Company’s successful [REDACTED].

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The following restricted shares were outstanding under the above Restricted Stock Incentive Plans during the Relevant Periods:

Restricted Stock Incentive Plan 2018

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2023		2024		2025	
	Weighted average grant date fair value	Shares of the Company	Weighted average grant date fair value	Shares of the Company	Weighted average grant date fair value	Shares of the Company
	RMB per share		RMB per share		RMB per share	
At 1 January	235.63	10,335	235.63	10,335	243.34	10,335
Forfeited during the year	—	—	235.63	(464)	—	—
Repurchased by the controlling shareholder*	—	—	407.46	464	—	—
At 31 December	235.63	10,335	243.34	10,335	243.34	10,335

* A total of 464 shares were originally granted, and subsequently repurchased by the controlling shareholder upon the employee’s departure during the year ended 31 December 2024.

Restricted Stock Incentive Plan 2020

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2023		2024		2025	
	Weighted average grant date fair value	Shares of the Company	Weighted average grant date fair value	Shares of the Company	Weighted average grant date fair value	Shares of the Company
	RMB per share		RMB per share		RMB per share	
At 1 January	236.33	163,118	252.29	176,798	277.96	176,798
Granted during the year	389.63	13,680	—	—	483.85	20,000
Forfeited during the year	240.99	(4,950)	260.71	(30,924)	277.96	(2,200)
Repurchased by the controlling shareholder*	389.63	4,950	407.46	30,924	483.85	2,200
At 31 December	252.29	176,798	277.96	176,798	301.19	196,798

* A total of 4,950, 30,924 and 2,200 shares were originally granted, and subsequently repurchased by the controlling shareholder upon the employee’s departure during the years ended 31 December 2023, 2024 and 2025 respectively.

The Company used the discounted cash flow method or referred to the most recent transaction price of the Company’s shares to determine the fair value of restricted shares as of the respective grant dates, which was to be expensed over the relevant vesting periods.

Key assumptions used in determining the fair value for the discounted cash flow method were as follows:

	At the grant dates of	
	2022	2024
Discount rate	14.5%	13.5%
Perpetual growth rate	2.0%	2.0%

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For the years ended 31 December 2023, 2024 and 2025, the Group recognised share-based payment compensation of RMB4,117,000, RMB12,444,000 and RMB3,221,000, respectively.

32. NOTE 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 of RMB15,678,000, RMB9,705,000 and RMB23,178,000, respectively, in respect of office premises and intralogistics equipment with the responding same amounts of lease liabilities.

During the years ended 31 December 2023, 2024 and 2025, the Group settled trade payables of RMB6,469,000, RMB12,401,000 and RMB38,953,000 through the endorsement of bills receivable, respectively.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities	Other non- current financial liabilities/put option payable	[REDACTED] expense payable	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	203,220	31,776	—	—	234,996
Cash flows from financing activities	20,873	(12,876)	—	—	7,997
Accrued liabilities	—	—	15,000	—	15,000
Interest expense	14,419	1,273	—	—	15,692
New leases	—	15,678	—	—	15,678
Exchange realignment	—	(40)	—	—	(40)
At 31 December 2023 and 1 January 2024	238,512	35,811	15,000	—	289,323
Cash flows from financing activities	287	(16,404)	—	—	(16,117)
Interest expense	15,364	1,259	1,800	—	18,423
New leases	—	9,705	—	—	9,705
Exchange realignment	—	(24)	—	—	(24)
As at 31 December 2024 and 1 January 2025	254,163	30,347	16,800	—	301,310
Cash flows from/(used in) financing activities	34,787	(18,707)	—	(257)	14,128
Interest expense	16,046	1,016	2,016	—	19,078
New lease	—	23,178	—	—	23,178
Accrued [REDACTED] expense .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Exchange realignment	—	(5)	—	—	(5)
As at 31 December 2025	304,996	35,829	18,816	381	360,769

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(c) Total cash outflows for leases

The total cash outflows for leases included in the statement of cash flows is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	373	852	638
Within financing activities	12,876	16,404	18,707
Total	<u>13,249</u>	<u>17,256</u>	<u>19,345</u>

33. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	<u>2,797</u>	<u>3,947</u>	<u>7,262</u>

34. RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following party is a related party that had material transactions or balances with the Group during the Relevant Periods.

(1) Name and relationship of the related party

Name of related party	Relationship with the Group and the Company
Liao Qingxin	Chief executive director and the controlling shareholder
Chen Fang	The spouse of the chief executive director and the controlling shareholder

(2) Significant related party transactions

As at 31 December 2023, 2024 and 2025, the Group’s secured bank and other borrowings were guaranteed by various related parties. For details, please refer to Note 28.

(3) Outstanding balances with the related party

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balances relating to non-trade activities:			
Prepayments, other receivables and other assets:			
Due from the controlling shareholder	<u>464</u>	<u>464</u>	<u>464</u>

The Group had outstanding balance due from the controlling shareholder of RMB464,000, RMB464,000 and RMB464,000 at 31 December 2023, 2024 and 2025, respectively. The balance was unsecured, interest-free and fully repaid in January 2026.

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(4) 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	1,913	2,182	2,220
Performance-related bonuses	200	389	460
Share-based payment compensation	1,746	12,855	1,158
Pension scheme contributions and social welfare	160	159	216
Total compensation paid to key management personnel	<u>4,019</u>	<u>15,585</u>	<u>4,054</u>

Further details of directors’ emoluments are included in note 9 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group’s financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

As at 31 December 2023

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	–	3,636	3,636
Trade and bills receivables	–	64,446	64,446
Financial assets at FVTOCI	3,744	–	3,744
Cash and cash equivalents	–	98,031	98,031
Other long-term assets	–	2,810	2,810
Total	<u>3,744</u>	<u>168,923</u>	<u>172,667</u>

As at 31 December 2024

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	–	3,593	3,593
Trade and bills receivables	–	84,392	84,392
Financial assets at FVTOCI	17,543	–	17,543
Restricted cash	–	560	560
Cash and cash equivalents	–	69,275	69,275
Other long-term assets	–	2,878	2,878
Total	<u>17,543</u>	<u>160,698</u>	<u>178,241</u>

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As at 31 December 2025

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	–	4,427	4,427
Trade and bills receivables	–	137,667	137,667
Financial assets at FVTOCI	10,332	–	10,332
Cash and cash equivalents	–	139,565	139,565
Other long-term assets	–	2,684	2,684
Total	<u>10,332</u>	<u>284,343</u>	<u>294,675</u>

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	35,321	61,051	69,049
Financial liabilities included in other payables and accruals	4,691	5,775	26,196
Other non-current financial liabilities	15,000	16,800	–
Interest-bearing bank and other borrowings	<u>238,512</u>	<u>254,163</u>	<u>304,996</u>
Total	<u>293,524</u>	<u>337,789</u>	<u>400,241</u>

Financial liabilities at FVTPL

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL	–	107	–
	<u>–</u>	<u>107</u>	<u>–</u>

For the details of pre-[REDACTED] investments, please refer to Note 29 to the Historical Financial Information.

36. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognized in their entirety

The Group endorsed certain bills receivable included in bills receivable, which were all accepted by banks in Chinese Mainland (the “Endorsed Bills”) to certain suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). The aggregate amounts of the Endorsed Bills that were not due were RMB530,000, RMB2,676,000 and RMB3,066,000 as at 31 December 2023, 2024 and 2025, respectively. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

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Transferred financial assets that are derecognized in their entirety

Bills endorsed

The Group endorsed certain bills receivable included in debt investments at fair value through other comprehensive income, which were accepted by banks in the Chinese Mainland (the “Derecognised Bills”) to certain suppliers to settle the trade and other payables due to such suppliers. The aggregate amounts of the Derecognised Bills that were not due were RMB1,640,000, Nil and Nil as at 31 December 2023, 2024 and 2025, respectively. The Derecognised Bills had a maturity of 1 to 6 months at the end of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, regardless of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it 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 equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

Transfer of bills receivables

As at 31 December 2023, 2024 and 2025, the Group transferred certain bills receivables due from certain specified customers with an aggregate carrying amount of RMB1,600,000, Nil and Nil. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the transferred bills receivables. Accordingly, it has derecognised the full carrying amounts of the transferred bills receivables.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the reporting period and cumulatively. The endorsement has been made evenly throughout the Relevant Periods.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The management has assessed that the fair values of the Group’s financial instruments approximate to their carrying amounts due to the short-term maturities.

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 (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at FVTOCI	—	—	3,744	3,744
	—	—	—	—

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As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTOCI	—	—	17,543	17,543
Financial liabilities at FVTPL	—	107	—	107
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTOCI	—	—	10,332	10,332
	=	=	=	=

Note: The fair values of the financial assets measured at FVTOCI are determined using the discounted cash flow method and the significant unobservable input was the discount rate. As a 31 December 2023, 2024 and 2025, the discount rate used was 2.29%, 1.14% and 1.38% respectively.

There were no transfers between level 2 and level 3 during the Relevant Periods.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. 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, financial assets at FVTOCI, financial assets included in prepayments and other receivables, trade payables and financial liabilities included in other payables and accruals which arise directly from its operations.

The main risks arising from the Group’s financial instruments are 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:

(a) Foreign currency risk

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

The following table demonstrates the sensitivity as 31 December 2023, 2024 and 2025 to a reasonably possible change in the JPY and USD exchange rates, with all other variables held constant, of the Group’s loss/profit before tax and the Group’s equity.

	Increase/(decrease) in JPY/RMB rate	Decrease/(increase) in loss before tax or increase/(decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2023			
If RMB weakens against the JPY	5	(293)	293
If RMB strengthens against the JPY	(5)	293	(293)

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	Increase/(decrease) in JPY/RMB rate	Decrease/(increase) in loss before tax or increase/(decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
If RMB weakens against the USD	5	(21)	21
If RMB strengthens against the USD	(5)	21	(21)
2024			
If RMB weakens against the JPY	5	189	189
If RMB strengthens against the JPY	(5)	(189)	(189)
If RMB weakens against the USD	5	157	157
If RMB strengthens against the USD	(5)	(157)	(157)
2025			
If RMB weakens against the JPY	5	285	285
If RMB strengthens against the JPY	(5)	(285)	(285)
If RMB weakens against the USD	5	338	338
If RMB strengthens against the USD	(5)	(338)	(338)

(b) Credit risk

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

Maximum exposure and staging as at 31 December 2023, 2024 and 2025

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023, 2024 and 2025.

The amounts presented are gross carrying amounts for financial assets.

31 December 2023

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	65,065	65,065
Financial assets at FVTOCI	–	–	–	3,744	3,744
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,636	–	–	–	3,636
Other long-term assets					
– Normal**	2,810	–	–	–	2,810
Cash and cash equivalents					
– Not yet past due	98,031	–	–	–	98,031
Total	104,477	–	–	68,809	173,286

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31 December 2024

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills					
receivables*	—	—	—	84,914	84,914
Financial assets at					
FVTOCI	—	—	—	17,543	17,543
Financial assets included					
in prepayments, other					
receivables and other					
assets					
– Normal**	3,593	—	—	—	3,593
Other long-term assets					
– Normal**	2,878	—	—	—	2,878
Restricted cash					
– Not yet past due	560	—	—	—	560
Cash and cash equivalents					
– Not yet past due	69,275	—	—	—	69,275
Total	<u>76,306</u>	<u>—</u>	<u>—</u>	<u>102,457</u>	<u>178,763</u>

31 December 2025

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills					
receivables*	—	—	—	138,767	138,767
Financial assets at					
FVTOCI	—	—	—	10,332	10,332
Financial assets included					
in prepayments, other					
receivables and other					
assets					
– Normal**	4,427	—	—	—	4,427
Other long-term assets					
– Normal**	2,684	—	—	—	2,684
Cash and cash equivalents					
– Not yet past due	139,565	—	—	—	139,565
Total	<u>146,676</u>	<u>—</u>	<u>—</u>	<u>149,099</u>	<u>295,775</u>

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and exposure to credit risk is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other long-term 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”.

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(c) Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

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

31 December 2023	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	3,374	206,403	45,180	254,957
Trade payables	–	35,321	–	35,321
Lease liabilities	–	16,397	25,515	41,912
Financial liabilities included in other payables and accruals	–	4,691	–	4,691
Total	<u>3,374</u>	<u>262,812</u>	<u>70,695</u>	<u>336,881</u>
31 December 2024	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	196,861	77,644	274,505
Trade payables	–	61,051	–	61,051
Lease liabilities	–	15,296	18,167	33,463
Financial liabilities included in other payables and accruals	–	5,775	–	5,775
Financial liabilities at fair value through profit or loss	–	107	–	107
Total	<u>–</u>	<u>279,090</u>	<u>95,811</u>	<u>374,901</u>
31 December 2025	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	225,138	94,915	320,053
Trade payables	–	69,049	–	69,049
Lease liabilities	–	18,340	20,889	39,229
Financial liabilities included in other payables and accruals	–	7,380	–	7,380
Total	<u>–</u>	<u>319,907</u>	<u>115,804</u>	<u>435,711</u>

(d) Capital management

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

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

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The Group’s policy is to maintain the gearing ratio at a reasonable level.

APPENDIX I

ACCOUNTANTS’ REPORT

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total liabilities	357,210	404,407	475,317
Total assets	524,839	600,095	807,504
Gearing ratio	68.1%	67.4%	58.9%

39. EVENTS AFTER THE RELEVANT PERIODS

Save as mentioned above, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2025.

40. SUBSEQUENT FINANCIAL STATEMENTS

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