
APPENDIX I

ACCOUNTANTS’ REPORT

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION

TO THE DIRECTORS OF SHENZHEN INOVANCE TECHNOLOGY CO., LTD.,
MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED, GUOTAI JUNAN CAPITAL LIMITED AND
MERRILL LYNCH (ASIA PACIFIC) LIMITED

Introduction

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

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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’ judgment, 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 and set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

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Opinion

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

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 3 have been made.

Dividends

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

[•]

Practising Certificate Number: [•]

Hong Kong

[Date]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited 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

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	6	30,392,392	37,013,308	45,085,253
Cost of sales		<u>(20,767,055)</u>	<u>(26,694,061)</u>	<u>(32,405,051)</u>
Gross profit		9,625,337	10,319,247	12,680,202
Selling and distribution expenses		(1,574,384)	(1,480,878)	(1,535,569)
Administrative expenses		(1,503,237)	(1,781,614)	(2,107,732)
Research and development expenses		(2,624,148)	(3,147,081)	(4,255,774)
Other income, gains and losses, net	8	904,450	821,945	971,838
Finance costs	9	(178,388)	(161,645)	(170,396)
Share of result of joint ventures and associates		<u>350,612</u>	<u>38,861</u>	<u>(149,174)</u>
Profit before tax		5,000,242	4,608,835	5,433,395
Income tax expense	10	<u>(224,670)</u>	<u>(262,438)</u>	<u>(260,701)</u>
Profit for the year	11	<u>4,775,572</u>	<u>4,346,397</u>	<u>5,172,694</u>
Attributable to:				
—Owners of the Company		4,741,864	4,285,493	5,050,002
—Non-controlling interests		<u>33,708</u>	<u>60,904</u>	<u>122,692</u>
		<u>4,775,572</u>	<u>4,346,397</u>	<u>5,172,694</u>
Other Comprehensive Income (expense)				
<i>Item that will be reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		<u>610</u>	<u>(38,286)</u>	<u>23,071</u>
Other comprehensive income (expense) for the year		<u>610</u>	<u>(38,286)</u>	<u>23,071</u>
Total comprehensive income for the year		<u>4,776,182</u>	<u>4,308,111</u>	<u>5,195,765</u>
Attributable to:				
—Owners of the Company		4,742,460	4,247,759	5,071,561
—Non-controlling interests		<u>33,722</u>	<u>60,352</u>	<u>124,204</u>
		<u>4,776,182</u>	<u>4,308,111</u>	<u>5,195,765</u>
Earnings per share for profit attributable to owners of the Company (RMB per share)	14			
—Basic		1.78	1.60	1.87
—Diluted		<u>1.78</u>	<u>1.60</u>	<u>1.85</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	15	6,885,236	8,290,974	11,543,647
Right-of-use assets	16	698,051	793,442	1,096,997
Investment properties	17	345,009	327,582	—
Goodwill	18	2,161,297	2,153,558	2,094,586
Intangible assets	19	235,234	241,013	233,498
Interest in associates and joint ventures	20	2,459,068	2,495,703	2,302,274
Financial assets at fair value through profit or loss (“FVTPL”)	21	2,385,329	2,605,518	2,737,469
Prepayments	27	432,454	794,866	656,346
Term deposits	28	1,093,265	7,837,278	6,191,265
Contract assets	24	155,348	228,543	308,120
Contract costs	23	107,129	103,609	1,250
Deferred tax assets	22	752,682	856,052	1,140,204
Total non-current assets		17,710,102	26,728,138	28,305,656
Current assets				
Inventories and contract costs	23	6,247,889	6,955,505	8,078,995
Trade and bills receivables	25	12,589,694	14,219,171	15,744,052
Financial assets at fair value through other comprehensive income (“FVTOCI”)	26	2,132,435	2,375,164	3,507,049
Contract assets	24	113,656	101,871	86,084
Other receivables, deposits and prepayments	27	878,220	990,743	1,281,660
Tax recoverable		23,359	18,427	25,309
Financial assets at FVTPL	21	671,887	1,782,863	5,127,572
Pledged bank deposits	28	67,347	92,404	132,397
Term deposits	28	138,806	710,365	2,184,629
Bank balances and cash	28	8,384,169	3,204,173	6,840,991
Total current assets		31,247,462	30,450,686	43,008,738
Current liabilities				
Trade, bills and other payables	29	15,718,800	20,843,828	26,196,530
Contract liabilities	30	870,689	903,180	775,194
Tax liabilities		127,711	144,964	169,551
Bank and other borrowings	31	2,880,390	1,392,768	2,619,748
Lease liabilities	32	46,238	89,223	133,035
Total current liabilities		19,643,828	23,373,963	29,894,058
Net current assets		11,603,634	7,076,723	13,114,680
Total assets less current liabilities		29,313,736	33,804,861	41,420,336

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	<i>Notes</i>	31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities				
Bank borrowings	31	2,345,229	2,874,283	1,572,375
Deferred tax liabilities	22	261,624	245,817	198,219
Other payables	29	11,976	13,105	13,337
Lease liabilities	32	86,628	146,665	211,405
Provision	33	488,863	650,253	598,564
Deferred income	34	281,581	372,680	382,441
Other financial liability	35	836,227	1,071,406	1,306,529
Other non-current liabilities	30	615	1,522	2,656
Total non-current liabilities		<u>4,312,743</u>	<u>5,375,731</u>	<u>4,285,526</u>
Net assets		<u>25,000,993</u>	<u>28,429,130</u>	<u>37,134,810</u>
Equity				
Capital and reserves				
Share capital	36	2,676,704	2,692,395	2,706,994
Treasury share	37	(237,724)	(260,930)	(145,646)
Reserves	38	<u>22,042,915</u>	<u>25,562,912</u>	<u>32,791,643</u>
Equity attributable to owners of the Company		24,481,895	27,994,377	35,352,991
Non-controlling interests		<u>519,098</u>	<u>434,753</u>	<u>1,781,819</u>
Total equity		<u>25,000,993</u>	<u>28,429,130</u>	<u>37,134,810</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Sub-total	Non-controlling interests	Total
	Share capital	Treasury shares	Capital and other reserves	Statutory reserve	Translation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 37)	(Note 38(a))	(Note 38(b))	(Note 38(c))				
At 1 January 2023	2,658,698	(205,604)	4,775,052	1,071,730	13,875	11,502,136	19,815,887	295,659	20,111,546
Profit for the year	—	—	—	—	—	4,741,864	4,741,864	33,708	4,775,572
Exchange differences arising on translation of foreign operations	—	—	—	—	596	—	596	14	610
Total comprehensive income for the year	—	—	—	—	596	4,741,864	4,742,460	33,722	4,776,182
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	1,200	1,200
Deemed disposal of partial interest in subsidiaries without loss of control (note 44)	—	—	273,602	—	—	—	273,602	205,556	479,158
Transferred to statutory reserve	—	—	—	170,673	—	(170,673)	—	—	—
Recognition of share-based payments (note 39)	—	—	244,597	—	—	—	244,597	2,554	247,151
Exercise of restricted share units granted (note 36)	18,006	13,377	668,718	—	—	—	700,101	497	700,598
Repurchase of shares (note 37)	—	(45,497)	—	—	—	—	(45,497)	—	(45,497)
Acquisitions of additional interests from non-controlling shareholders of subsidiaries (note 43)	—	—	(289,995)	—	—	—	(289,995)	(10,005)	(300,000)
Dividend recognised as distribution (note 13)	—	—	—	—	—	(957,624)	(957,624)	—	(957,624)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(9,570)	(9,570)
Other	—	—	(1,636)	—	—	—	(1,636)	(515)	(2,151)
At 31 December 2023	<u>2,676,704</u>	<u>(237,724)</u>	<u>5,670,338</u>	<u>1,242,403</u>	<u>14,471</u>	<u>15,115,703</u>	<u>24,481,895</u>	<u>519,098</u>	<u>25,000,993</u>

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	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital and other reserves	Statutory reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note 38(a))</i>	<i>RMB'000</i> <i>(Note 38(b))</i>	<i>RMB'000</i> <i>(Note 38(c))</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	2,676,704	(237,724)	5,670,338	1,242,403	14,471	15,115,703	24,481,895	519,098	25,000,993
Profit for the year	—	—	—	—	—	4,285,493	4,285,493	60,904	4,346,397
Exchange differences arising on translation of foreign operations	—	—	—	—	(37,734)	—	(37,734)	(552)	(38,286)
Total comprehensive (expense) income for the year	—	—	—	—	(37,734)	4,285,493	4,247,759	60,352	4,308,111
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	300	300
Transferred to statutory reserve	—	—	—	103,794	—	(103,794)	—	—	—
Recognition of share-based payments <i>(note 39)</i>	—	—	186,921	—	—	—	186,921	2,582	189,503
Exercise of restricted share units granted <i>(note 36)</i>	15,691	46,820	583,313	—	—	—	645,824	—	645,824
Repurchase of shares <i>(note 37)</i>	—	(70,026)	—	—	—	—	(70,026)	—	(70,026)
Acquisitions of additional interests from non-controlling shareholders of subsidiaries <i>(note 43)</i>	—	—	(289,891)	—	—	—	(289,891)	(140,599)	(430,490)
Dividend recognised as distribution <i>(note 13)</i>	—	—	—	—	—	(1,204,747)	(1,204,747)	—	(1,204,747)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(10,309)	(10,309)
Other	—	—	(3,358)	—	—	—	(3,358)	3,329	(29)
At 31 December 2024	<u>2,692,395</u>	<u>(260,930)</u>	<u>6,147,323</u>	<u>1,346,197</u>	<u>(23,263)</u>	<u>18,092,655</u>	<u>27,994,377</u>	<u>434,753</u>	<u>28,429,130</u>

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	Attributable to owners of the Company								
	Share capital	Treasury share	Capital and other reserves	Statutory reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 37)	(Note 38(a))	(Note 38(b))	(Note 38(c))				
At 1 January 2025	2,692,395	(260,930)	6,147,323	1,346,197	(23,263)	18,092,655	27,994,377	434,753	28,429,130
Profit for the year	—	—	—	—	—	5,050,002	5,050,002	122,692	5,172,694
Exchange differences arising on translation of foreign operations	—	—	—	—	21,559	—	21,559	1,512	23,071
Total comprehensive income for the year	—	—	—	—	21,559	5,050,002	5,071,561	124,204	5,195,765
Issuance of A share by a subsidiary, net of transaction costs (note 42)	—	—	2,305,912	—	—	—	2,305,912	1,226,160	3,532,072
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	300	300
Transferred to statutory reserve	—	—	—	7,300	—	(7,300)	—	—	—
Recognition of share-based payments (note 39)	—	(32,907)	284,428	—	—	—	251,521	6,611	258,132
Exercise of restricted share units granted (note 36)	14,599	148,191	665,644	—	—	—	828,434	117	828,551
Dividend recognised as distribution (note 13)	—	—	—	—	—	(1,104,397)	(1,104,397)	—	(1,104,397)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(10,326)	(10,326)
Others	—	—	5,583	—	—	—	5,583	—	5,583
At 31 December 2025	<u>2,706,994</u>	<u>(145,646)</u>	<u>9,408,890</u>	<u>1,353,497</u>	<u>(1,704)</u>	<u>22,030,960</u>	<u>35,352,991</u>	<u>1,781,819</u>	<u>37,134,810</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES			
Profit before tax	5,000,242	4,608,835	5,433,395
Adjustments for:			
Depreciation of property, plant and equipment	478,413	682,714	895,004
Depreciation of right-of-use assets	63,946	79,231	122,084
Depreciation of investment properties	17,621	17,427	17,430
Amortisation of intangible assets	99,534	86,082	99,169
Amortisation of deferred income	(32,345)	(58,726)	(64,595)
Share-based payment expense	296,280	206,522	252,857
Finance costs	142,207	135,939	150,755
Loss/(gain) on disposal and write off of property, plant and equipment and other assets	16,689	(137,273)	10,673
Share of results of joint ventures and associates	(350,612)	(38,861)	149,174
Loss on disposal of associates	1,602	—	—
Realised and unrealised gain/(loss) from financial assets at FVTPL, net	(326,703)	(6,086)	(180,131)
Fair value changes in other financial liability	48,405	6,179	11,623
Dividends from financial assets at FVTPL	(7,994)	(5,428)	(2,691)
Exchange (gain)/loss, net	(24,282)	6,601	6,935
Impairment losses on trade and bills receivables, net	314,820	143,203	81,902
Impairment losses recognised on other receivables, deposits and prepayments, net	2,191	6,762	4,273
Impairment losses recognised on goodwill	—	—	57,924
Impairment losses on property, plant and equipment	15,109	67,416	30,532
Impairment losses/(reversal of impairment loss) on contract assets	1,990	3,116	(734)
Impairment losses on investments in an associate	18,287	—	—
Write-down of inventories and contract costs	201,159	302,084	377,543
Interest income	(192,060)	(218,293)	(229,526)
Operating cash flows before movements in working capital	<u>5,784,499</u>	<u>5,887,444</u>	<u>7,223,596</u>

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	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase in inventories and contract costs	(885,514)	(1,008,795)	(1,501,152)
(Increase)/decrease in contract assets	(58,975)	11,318	17,111
Decrease/(increase) in pledged bank deposits	130,568	(20,952)	(168,574)
Increase in trade and bills receivables	(5,311,482)	(2,177,534)	(2,082,652)
Increase in financial assets at FVTOCI	(597,944)	(242,729)	(1,131,885)
Decrease/(increase) in prepayments, deposits and other receivables	215,114	(117,602)	(324,363)
Increase in trade, bills and other payables	3,920,730	4,835,790	5,096,838
(Decrease)/increase in contract liabilities	(121,966)	33,399	(126,852)
Increase in deferred income	52,014	149,825	74,356
Increase in provision	258,973	161,390	31,694
(Increase)/decrease in other non-current assets	(92,934)	(72,323)	22,191
Increase in payment in advance	9,457	1,727	378
Cash generated from operations	<u>3,302,540</u>	<u>7,440,958</u>	<u>7,130,686</u>
Interest received	142,369	112,647	25,947
Income taxes paid	(74,992)	(353,165)	(475,608)
NET CASH FROM OPERATING ACTIVITIES	<u>3,369,917</u>	<u>7,200,440</u>	<u>6,681,025</u>
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment, intangible asset and other non-current assets	(1,508,700)	(2,112,249)	(3,023,932)
Proceeds from disposal of property, plant and equipment, intangible asset and other non-current assets	3,226	185,743	47,987
Acquisition of subsidiaries	(354,175)	(45,173)	(10,322)
Acquisition of interest in joint ventures and associates	(15,330)	(30,647)	(115,182)
Proceeds from disposals of associates	22,292	—	—
Placement of term deposits	(1,971,105)	(12,535,613)	(8,625,761)
Withdrawal of term deposits	2,217,885	5,320,354	8,993,793
Dividend received from joint ventures and associates	16,764	7,226	24,343
Dividend received from financial assets at FVTPL	8,017	5,428	2,805
Purchases of financial assets at FVTPL	(2,650,049)	(14,532,402)	(14,556,292)
Proceeds upon maturity of financial assets at FVTPL	3,703,113	13,162,776	11,492,775
Proceeds from disposals of financial assets at FVTPL	39,695	22,713	188,080
Proceeds from others investing activities	439	20,346	39,492
Payment for others investing activities	(17,809)	(34,210)	(55,535)
Interest received	51,260	15,187	62,077
NET CASH USED IN INVESTING ACTIVITIES	<u>(454,477)</u>	<u>(10,550,521)</u>	<u>(5,535,672)</u>

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	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES			
Dividend paid	(957,624)	(1,204,747)	(1,104,397)
Capital contribution by the non-controlling shareholders	1,200	300	300
Proceeds from deemed disposal of partial interest in a subsidiary without loss of control	479,158	—	—
Proceeds from share schemes	638,832	600,108	761,504
Proceeds from issuance of A shares of a subsidiary, net off [REDACTED] paid	—	—	3,532,077
Acquisitions of additional interests from non-controlling shareholders of subsidiaries	(325,074)	(420,490)	—
Proceeds from bank and other borrowings	3,314,708	3,460,641	3,432,871
Repayment of bank and other borrowings	(3,540,551)	(4,237,565)	(3,680,530)
Proceeds from financial liability at FVTPL	318,500	229,000	223,500
Dividends paid by subsidiaries to their non-controlling shareholders	(9,570)	(10,309)	(10,326)
Dividend paid by a subsidiary to its then shareholder	(30,000)	—	(952)
Interest paid	(139,536)	(128,961)	(131,290)
Principal portion of lease payments	(47,062)	(50,073)	(96,137)
Payments for repurchase of shares	(45,497)	(70,026)	—
Proceeds from others in financing activities	20,377	1,090	—
Repayment of others in financing activities	(709)	(2,083)	(35,003)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	<u>(322,848)</u>	<u>(1,833,115)</u>	<u>2,891,617</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,592,592	(5,183,196)	4,036,970
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,964,100	8,537,082	3,337,008
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(19,610)</u>	<u>(16,878)</u>	<u>9,551</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>8,537,082</u></u>	<u><u>3,337,008</u></u>	<u><u>7,383,529</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances (<i>note 28(a)</i>)	8,384,169	3,204,173	6,840,991
Financial assets FVTPL with original maturities less than three months	<u>152,913</u>	<u>132,835</u>	<u>542,538</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u><u>8,537,082</u></u>	<u><u>3,337,008</u></u>	<u><u>7,383,529</u></u>

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STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	15	296,847	266,207	232,986
Right-of-use assets		58,673	53,137	49,675
Intangible assets		17,931	17,142	32,755
Interests in joint ventures and associates	20	2,264,785	2,278,382	2,049,643
Investments in subsidiaries	1	13,279,364	15,157,306	15,863,896
Financial assets at FVTPL	21	965,873	925,972	971,427
Prepayments	27	27,586	55,025	48,933
Term deposits	28	939,031	2,861,729	2,933,780
Total non-current assets		<u>17,850,090</u>	<u>21,614,900</u>	<u>22,183,095</u>
Current assets				
Inventories and contract costs		14,589	9,945	10,374
Trade and bills receivables	25	2,164,545	1,021,854	1,171,489
Financial assets at FVTOCI		168,515	4,073	143,679
Contract assets		572	866	1,268
Other receivables, deposits and prepayments	27	192,674	426,398	590,487
Tax recoverable		20,679	3,270	13,483
Financial assets at FVTPL	21	386,597	190,043	140,099
Pledged bank deposits	28	839	86	—
Term deposits	28	82,990	498,376	715,895
Bank balances and cash	28	1,926,297	433,948	844,656
Total current assets		<u>4,958,297</u>	<u>2,588,859</u>	<u>3,631,430</u>
Current liabilities				
Trade, bills and other payables	29	4,306,120	4,539,995	5,315,181
Contract liabilities		13,098	6,410	10,165
Bank and other borrowings	31	1,528,156	878,121	733,903
Lease liabilities		4,972	936	984
Total current liabilities		<u>5,852,346</u>	<u>5,425,462</u>	<u>6,060,233</u>
Net current liabilities		<u>(894,049)</u>	<u>(2,836,603)</u>	<u>(2,428,803)</u>
Total assets less current liabilities		<u>16,956,041</u>	<u>18,778,297</u>	<u>19,754,292</u>

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	<i>Notes</i>	31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current liabilities				
Bank borrowings	31	1,748,700	1,996,100	1,031,500
Deferred tax liabilities		143,774	152,990	133,295
Lease liabilities		1,227	1,945	961
Deferred income		<u>53,456</u>	<u>44,446</u>	<u>37,713</u>
Total non-current liabilities		<u>1,947,157</u>	<u>2,195,481</u>	<u>1,203,469</u>
Net assets		<u>15,008,884</u>	<u>16,582,816</u>	<u>18,550,823</u>
Equity				
Share capital	36	2,676,704	2,692,395	2,706,994
Treasury share	37	(237,724)	(260,930)	(145,646)
Reserves	38	<u>12,569,904</u>	<u>14,151,351</u>	<u>15,989,475</u>
Total equity		<u>15,008,884</u>	<u>16,582,816</u>	<u>18,550,823</u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shenzhen Inovance Technology Co., Ltd. (the “Company”) was incorporated in Shenzhen City of Guangdong Province of the People’s Republic of China (the “PRC”) as a joint stock company with limited liability on 10 April 2003. The Company’s A shares have been listed on Shenzhen Stock Exchange since 28 September 2010. The addresses of the registered office of the Company and principal places of business of the Company are 101, Unit 1, Huichuan Technology Headquarters Building, No. 6, Lanqing Second Road, Luhu Community, Guanhu Street, Longhua District, Shenzhen. In the opinion of the directors, during the Track Record Period and up to the date of this report, the Company is ultimately controlled by Mr. Zhu Xingming, Mrs. Zhu Hanyue and Shenzhen Huichuan Investment Co., Ltd. (“Shenzhen Huichuan”), which is controlled by Mr. Zhu Xingming (“the “Controlling Shareholders”). Mr. Zhu Xingming, Mrs. Zhu Hanyue and Shenzhen Huichuan are acting in decision making and exercising their shareholders rights in the company.

The Company and its subsidiaries are principally engaged in research, development, production, sales, and service of products and solutions in related fields such as industrial automation and digitalization, new energy vehicle powertrain systems, and emerging business.

The Company’s principal subsidiaries are as follows:

Name	Place and date of incorporation/ establishment	Nominal value of registered and paid-in capital	Proportion of ownership interest attributable to the Company			At the date of the report	Principal activities
			As at 31 December				
			2023	2024	2025		
Suzhou Inovance Automotive Co., Ltd. (“Inovance Automotive”) (蘇州匯川聯合動力系統股份有限公司) (note a) (note d)	PRC September 30 2016	RMB2,404,790,910	94.67%	94.67%	83.31%	[83.31%]	R&D, manufacturing and sales of products
Suzhou Inovance Technology Co., Ltd. (蘇州匯川技術有限公司)(note a)	PRC 29 July 2008	RMB1,000,000,000	100%	100%	100%	[100%]	R&D, manufacturing and sales of products
Yueyang Inovance Technology Co., Ltd. (岳陽匯川技術有限公司) (note a)	PRC 18 August 2021	RMB800,000,000	100%	100%	100%	[100%]	Manufacturing and sales of products
Shanghai BST Electronic Co., Ltd. (上海貝斯特電氣有限公司) (note a)	PRC 19 May 2003	RMB10,000,000	100%	100%	100%	[100%]	R&D, manufacturing and sales of products
Suzhou Inovance New Energy Automotive Technology Co., Ltd. (匯川新能源汽車技術(蘇州)有限公司) (note a) (note d)	PRC 08 August 2024	RMB500,000,000	—	94.67%	83.31%	[83.31%]	Manufacturing and sales of products
Jiangsu Kingway Transportation Co., Ltd. (江蘇經緯軌道交通設備有限公司) (note b)	PRC 21 April 2010	RMB510,870,000	100%	100%	100%	[100%]	R&D, manufacturing and sales products
Changzhou Inovance New Energy Automotive Technology Co., Ltd. (匯川新能源汽車技術(常州)有限公司) (note a) (note d)	PRC 12 April 2021	RMB500,000,000	94.67%	94.67%	83.31%	[83.31%]	Manufacturing of products
Xi’an Inovance Technology Co., Ltd. (西安匯川技術有限公司) (note a)	PRC 10 July 2023	RMB500,000,000	100%	100%	100%	[100%]	R&D, manufacturing and sales of products
Nanjing Inovance Technology Co., Ltd. (南京匯川技術有限公司) (note a)	PRC 12 April 2022	RMB1,500,000,000	100%	100%	100%	[100%]	R&D, manufacturing and sales of products
Suzhou Inovance Control Technology Co., Ltd. (“Inovance (Suzhou) Control”) (蘇州匯川控制技術有限公司) (note c)	PRC 27 July 2018	RMB100,000,000	100%	100%	100%	[100%]	R&D and sales of software

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All companies comprising the Group have adopted 31 December as their financial year end date.

Note:

- (a) The statutory financial statements of these companies during the year ended 31 December 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by ShineWing Certified Public Accountants (Special General Partnership) registered in the PRC.
- (b) The statutory financial statements during the year ended 31 December 2023 and 2024 prepared under PRC GAAP were audited by Shenzhen Zhen’an Certified Public Accountants (Special General Partnership) and ShineWing Certified Public Accountants (Special General Partnership), respectively, registered in the PRC.
- (c) The statutory financial statements of these companies during the year ended 31 December 2023 and 2024 prepared under PRC GAAP were audited by Suzhou Anye Certified Public Accountants (Special General Partnership) registered in the PRC.
- (d) 0.14% equity interest in Inovance Automotive was held by a limited partnership of the Group in which the Company controlled approximately 10.02% limited partnership interest.

At the date of the report, each of Suzhou Inovance New Energy Automotive Technology Co., Ltd. and Changzhou Inovance New Energy Automotive Technology Co., Ltd. was a wholly-owned subsidiary of Inovance Automotive.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards and Interpretations approved by the International Accounting Standards Board (“**IASB**”). All IFRS Accounting Standards are effective for the accounting period beginning on 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 Track Record Period.

The material accounting policies that have been used in the preparation of this Historical Financial Information are summarised in note 4. These policies have been consistently applied to all the reporting periods presented in the Historical Financial Information, unless otherwise stated.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not applied the following new and revised IFRS Accounting Standards, which have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised 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
Amendments to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards—Volume 11</i> ¹
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²

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

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

³ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group’s presentation in the statement of profit or loss and other comprehensive income and disclosures of the Group’s financial performance. Minor amendments to IAS 7 “Statement of cash flows” and IAS 33 “Earnings per share” are also made. The new standard is not expected to have any impact on the Group’s results of operations and financial position but has impact on the presentation and disclosure of the Group’s financial statements. Other than IFRS 18, so far, the Group considers that IFRS 19 and other amended IFRS Accounting Standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

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4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group’s returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 entities of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in existing subsidiaries

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

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs incurred to effect a business combination are recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to the acquiree’s employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree’s share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

Non-controlling interests are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised on goodwill is not reversed in subsequent periods.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in this Historical Financial Information using the equity method. Under the equity method, investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associates and joint ventures. If the Group’s share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate’s or joint venture’s accounting policies conform to those of the Group when the associate’s or joint venture’s financial statements are used by the Group in applying the equity method.

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The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Details about the accounting policies related to revenue recognition is set out in note 6.

Variable consideration

For contracts that contain variable considerations for discounts and rebates, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

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At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Right of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Warranties

Customers do not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Contract costs

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs as an asset if it expects to recover these costs.

The Group incurs costs (including labour costs, utility expenses, materials and consumables and others) to fulfil a contract in its technology development services contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognised an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a lease modification as a separate lease if:

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

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the exchange rates prevailing at the date of transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

Retirement benefits costs and termination benefits

Payments to defined contribution plans, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives or the principal annual rates of items of property, plant and equipment are as follows:

	<u>Useful lives</u>
Plant and buildings	20 years
Machinery	5 to 10 years
Electronic equipment and other equipment	3 to 5 years
Transportation equipment	4 to 5 years

Leasehold improvements are amortised on a straight-line basis over the shorter of their estimated useful lives and the remaining lease term.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

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The investment properties are depreciated on a straight-line basis over the shorter of the term of the lease and 20 years.

Intangible assets

Intangible assets acquired separately

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets—research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful life are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives of intangible assets are as follows:

Patent rights	5 to 10 years
Non-patent technology	2 to 10 years
Software	2 to 10 years
Trademark	5 to 10 years
Copyrights	5 years
Licenses	5 to 10 years

Impairment on property, plant and equipment, right-of-use assets, intangible assets and investment properties (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets, intangible assets and investment properties with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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The recoverable amount of plant and equipment, right-of-use assets, intangible assets and investment properties are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment loss in the statement of financial position of the Company.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

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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.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVTOCI (debt instruments)

The Group’s debt instruments are classified and measured subsequently at FVTOCI if both of the following conditions are met:

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

The Group’s debt instruments classified as at FVTOCI includes Financial assets at FVTOCI. Fair value is determined in the manner described in note [41(c)]. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debts instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

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- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income, gains and losses, net” line item.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables and contract assets. The expected credit losses on these financial assets and other items are estimated using a provision matrix based on the Group’s historical credit loss experience, and forward looking information that is available without undue cost or effort.

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

Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Treasury shares

Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Financial liabilities

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

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combinations applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the “other income, gains and losses, net” line item in profit or loss.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Fair value measurement

When measuring fair value except for the Group’s leasing transactions, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets, intangible assets and goodwill for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- | | | |
|---------|---|---|
| Level 1 | — | Fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities. |
| Level 2 | — | Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). |
| Level 3 | — | Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). |

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

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Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. Where an award is subject only to vesting conditions other than market conditions, failure to satisfy any one of the vesting conditions is treated as a forfeiture, the share-based payments previously recognised will be reversed to profit or loss. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the Historical Financial Information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Key sources of estimation uncertainty

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

Income taxes

As at 31 December 2023, 2024 and 2025, a deferred tax asset of approximately RMB178,170,000, RMB195,685,000 and RMB362,810,000 in relation to unused tax losses has been recognised in the Group’s consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB475,083,000, RMB551,675,000 and RMB768,400,000 due to the unpredictability of future profit streams for certain subsidiaries. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Product warranty provisions

Product warranty provisions are made with reference to the sales volume, past experience of the level of repairs and returns and the expected unit cost for warranties. The assessment of the provision amount involves management’s judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. As at 31 December 2023, 2024 and 2025, the product warranty amounted to approximately RMB488,863,000, RMB650,253,000 and RMB681,947,000. Further details are included in note 33 to consolidated financial statements.

Impairment of trade and bills receivables and contract assets

The Group individually assesses and recognises ECLs for certain trade receivables and contract assets where objective evidence of impairment exists, including significant financial difficulties of the customer, breach of contract, default in payments, or other indications that collection is unlikely. For these individually assessed receivables, ECLs are measured based on the difference between the contractual cash flows and the estimated recoverable cash flows, discounted at the original effective interest rate where applicable.

The Group uses a provision matrix to calculate ECLs for remaining trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets is disclosed in notes 25 and 24 to the financial statements, respectively.

Write-down of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each financial year end.

Estimated impairment of property, plant and equipment, right-of-use assets, intangible assets and investment properties

Property, plant and equipment, right-of-use assets, intangible asset and investment properties are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

6. REVENUE

An analysis of the Group’s revenue for the year is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Types of business lines			
Industrial automation and digitalization	19,365,950	18,727,221	22,245,402
New energy vehicle powertrain systems	9,366,813	16,079,756	20,322,582
Emerging business	1,017,667	1,550,093	1,795,019
Others	641,962	656,238	722,250
Revenue from contracts with customers	<u>30,392,392</u>	<u>37,013,308</u>	<u>45,085,253</u>
Timing of revenue recognition			
At a point of time	30,385,910	36,995,956	45,079,056
Over time	6,482	17,352	6,197
Total revenue from contracts with customers	<u>30,392,392</u>	<u>37,013,308</u>	<u>45,085,253</u>

Performance obligations for contracts with customers

Sale of goods

Domestic Sales

For products not requiring installation and acceptance, the performance obligation is satisfied when control of the products is transferred to the customers. Such transfer of control generally occurs upon delivery in accordance with contractual terms, subject to final confirmation through periodic reconciliation with the customer.

Overseas Sales

Revenue from overseas sales of goods is recognised when control of the goods is transferred to the customers in accordance with the contract terms and the relevant delivery terms, which are generally determined by reference to the international commercial terms applicable to the respective shipments.

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Where the contract explicitly specifies the timing of transfer of control, revenue is recognised in accordance with such contractual provisions.

Sale of equipment with installation services

For products requiring installation and acceptance, the performance obligation is satisfied when installation and debugging are completed and the customers have accepted the products in accordance with the contract terms, as this represents the point in time when control of the products is transferred to the customers.

Provision of service

Revenue from the provision of construction of production lines services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, as the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services. The performance obligation is satisfied over time as services are rendered.

7. SEGMENT INFORMATION

Information regularly reported to the Group’s chief executive officer who is the chief operating decision maker (“CODM”) for the purposes of resource allocation and assessment of performance focuses on the type of goods delivered. The Group’s reportable segments are as follows:

- Industrial automation and digitalization: provision of inverters, servos, PLC, motion control and industrial automation solutions.
- New energy vehicle powertrain systems: electric drive and power supply systems, which together support the key power conversion and electrical energy management functions for passenger and commercial NEVs.
- Emerging businesses: (i) intelligent robots, includes end-to-end industrial robotic solutions and core humanoid robot components; (ii) digital energy solutions, includes power conversion, energy storage and energy management products and solutions designed for industrial decarbonization and energy transition scenarios.
- Others: primarily representing rail transit business.

The CODM makes decisions according to operating results of each operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which represents the gross profit earned by each segment. The accounting policies of the reportable and operating segments are the same as the Group’s accounting policies.

No analysis of segment asset and segment liability is presented as the chief operating decision makers do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

<u>Year ended 31 December 2023</u>	<u>Industrial automation and digitalization</u> <i>RMB’000</i>	<u>New energy vehicle powertrain systems</u> <i>RMB’000</i>	<u>Emerging business</u> <i>RMB’000</i>	<u>Others</u> <i>RMB’000</i>	<u>Total</u> <i>RMB’000</i>
Segment revenue					
Sales to external customers	19,365,950	9,366,813	1,017,667	641,962	30,392,392
Segment results	7,710,933	1,310,073	404,573	199,758	9,625,337
Selling and distribution expenses					(1,574,384)
Administrative expenses					(1,503,237)
Research and development expenses					(2,624,148)
Other income, gains and losses, net					904,450
Finance costs					(178,388)
Share of result of joint ventures and associates					350,612
Profit before tax					<u>5,000,242</u>

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<u>Year ended 31 December 2024</u>	<u>Industrial automation and digitalization</u> <i>RMB'000</i>	<u>New energy vehicle powertrain systems</u> <i>RMB'000</i>	<u>Emerging business</u> <i>RMB'000</i>	<u>Others</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
Segment revenue					
Sales to external customers	18,727,221	16,079,756	1,550,093	656,238	37,013,308
Segment results	7,216,888	2,355,837	492,506	254,016	10,319,247
Selling and distribution expenses					(1,480,878)
Administrative expenses					(1,781,614)
Research and development expenses					(3,147,081)
Other income, gains and losses, net					821,945
Finance costs					(161,645)
Share of result of joint ventures and associates					38,861
Profit before tax					<u>4,608,835</u>
<u>Year ended 31 December 2025</u>	<u>Industrial automation and digitalization</u> <i>RMB'000</i>	<u>New energy vehicle powertrain systems</u> <i>RMB'000</i>	<u>Emerging business</u> <i>RMB'000</i>	<u>Others</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
Segment revenue					
Sales to external customers	22,245,402	20,322,582	1,795,019	722,250	45,085,253
Segment results	8,917,101	2,951,401	508,758	302,942	12,680,202
Selling and distribution expenses					(1,535,569)
Administrative expenses					(2,107,732)
Research and development expenses					(4,255,774)
Other income, gains and losses, net					971,838
Finance costs					(170,396)
Share of result of joint venture and associates					(149,174)
Profit before tax					<u>5,433,395</u>

Geographical information

Revenue from the external customers, based on the location of its customers, are as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Geographical region</i>			
Chinese Mainland	28,652,573	34,973,974	42,436,361
Overseas	1,739,819	2,039,334	2,648,892
Total	<u>30,392,392</u>	<u>37,013,308</u>	<u>45,085,253</u>

Non-current assets based on their geographical locations are as follows:

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Geographical region</i>			
Chinese Mainland	14,230,188	22,779,826	23,857,590
Overseas	341,903	486,742	570,393
Total	<u>14,572,091</u>	<u>23,266,568</u>	<u>24,427,983</u>

Note: Non-current assets excluded financial assets at FVTPL and deferred tax assets.

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Information about major customers

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	*	5,612,677	*

* The corresponding revenue did not exceed 10% of total revenue of the Group during the relevant year.

8. OTHER INCOME, GAINS AND LOSSES, NET

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Bank interest income		192,060	218,293	229,526
Rental income		27,533	27,644	19,591
Rental cost		(17,621)	(17,427)	(17,430)
Government grants	(a)	170,725	152,402	230,199
Exchange gain/(loss), net		41,238	(37,538)	27,998
Value-added tax (“VAT”) refund	(b)	497,386	446,002	474,306
VAT input tax surplus deduction		47,263	92,561	17,441
Impairment losses on trade and bills receivables, net	25	(314,820)	(143,203)	(81,902)
Impairment losses on other receivables and prepayments	27	(2,191)	(6,762)	(4,273)
(Impairment losses)/reversal of impairment loss on contract assets	24	(1,990)	(3,116)	734
Loss on disposal of associates		(1,602)	—	—
Realised and unrealised gain/(loss) from financial assets at FVTPL, net		326,703	6,086	180,131
Dividends from financial assets at FVTPL		7,994	5,428	2,691
Impairment losses on investment in an associate	20	(18,287)	—	—
Impairment losses on property, plant and equipment	15	(15,109)	(67,416)	(30,532)
Impairment losses on goodwill	18	—	—	(57,924)
(Loss)/gain on disposal and write off of property, plant and equipment and other assets		(16,689)	137,273	(10,673)
Gain on bargain purchase arising on acquisitions of subsidiaries	42	—	412	—
Change in fair value for other financial liability		(48,405)	(6,179)	(11,623)
Others		30,262	17,485	3,578
Total		904,450	821,945	971,838

Note:

- (a) Government grants consist of (i) subsidized grants specifically for the capital expenditure related to the purchase of plant and machinery, which is recognised over the useful life of related assets; (ii) incentive and subsidies for research and development activities and others, which are recognised upon compliance with certain conditions; and (iii) incentive which has no specific conditions attached to the grants.
- (b) Pursuant to the ‘Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Software Products’ (Caishui [2011] No. 100) jointly issued on October 13, 2011, general VAT taxpayers selling self-developed software products are subject to a ‘refund upon collection’ policy. Following the assessment of VAT at the 13% rate, any actual VAT burden exceeding 3% shall be refunded.

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9. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on:			
Bank borrowings	126,407	118,526	99,144
Discounted bills receivables	44,744	31,519	32,199
Lease liabilities	7,001	9,849	14,386
Others	236	1,751	24,667
Total	<u>178,388</u>	<u>161,645</u>	<u>170,396</u>

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	258,697	362,823	438,249
(Over)/under provision in prior years	(16,663)	12,528	55,062
Deferred income tax (<i>note 22</i>)	<u>(17,364)</u>	<u>(112,913)</u>	<u>(232,610)</u>
Income tax expense	<u>224,670</u>	<u>262,438</u>	<u>260,701</u>

Income tax expense is recognised based on management’s best knowledge of the income tax rates expected for the financial year.

PRC corporate income tax

Chinese Mainland

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits during the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC, the Company and Inovance (Suzhou) Control are key software enterprises encouraged by the state, and they will be exempted from income tax from the first year to the fifth year from the year of profit, and the income tax will be taxed at 10% starting from the sixth year. The Company was eligible for a preferential income tax rate of 10% during the Track Record Period and Inovance (Suzhou) Control was eligible for a preferential income tax rate ranged from 0% to 10% during the Track Record Period.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries of the Company are software enterprises encouraged by the state, and they will be exempted from corporate income tax for the first year to second year, and granted a 50% reduction in the statutory tax rate of 25% for third year to five year. These subsidiaries were eligible for a preferential income tax rate ranged from 0% to 12.5% during the Track Record Period.

Certain of the Company’s subsidiaries were eligible for a preferential income tax rate of 15% for a qualification of “High and New Technology Enterprise” during the Track Record Period.

Certain subsidiaries of the Company located in mainland China fulfill the micro and small enterprises qualification under Chinese corporate income tax system. Therefore, these subsidiaries were subject to the effective income tax rate from 5% during the Track Record Period.

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Other jurisdictions

The income tax rates of other oversea subsidiaries are taxed at the prevailing tax rate applicable in their respective jurisdictions.

Additional Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the PRC, enterprises engaging in research and development activities were entitled to claim 200% of their research and development expenses as tax deductible expenses in determining their assessable profits for that year (the “Additional Deduction”).

The Group has made its best estimate in respect of the Additional Deduction to be claimed by the Group’s entities in ascertaining their assessable profits during the Track Record Period.

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OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development (“OECD”) published the Pillar Two model rules in December 2021, under which jurisdictions may enact domestic tax laws (“Pillar Two legislation”) to implement the Pillar Two model rules in accordance with a globally agreed common approach. Pillar Two legislation applies to members of a multinational group that falls within the scope of the Pillar Two model rules, and the Group is reasonably expected to be within such scope.

As at 31 December 2025, the Group mainly operates in Mainland China, where exposures to Pillar Two income taxes may exist even though the relevant legislation has not yet been substantively enacted or enacted. In addition, certain subsidiaries of the Company are located in jurisdictions including Norway, Germany and Italy, where Pillar Two legislation has been enacted and became effective from 1 January 2024, and Hong Kong, where Pillar Two legislation has been enacted and became effective from 1 January 2025. The Group has applied the temporary exception from the accounting requirements for deferred taxes under HKAS 12. Accordingly, the Group neither recognises nor discloses any deferred tax assets or liabilities related to Pillar Two income taxes.

Management assessed that the rules do not have a material impact on the Group’s overall tax positions.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before taxation	5,000,242	4,608,835	5,433,395
Tax at the statutory tax rate of 25%	1,250,061	1,152,209	1,358,349
Tax effect of different tax rates of subsidiaries	(825,396)	(597,985)	(618,426)
(Over)/under provision in prior years	(16,663)	12,528	55,062
Income not subject to tax	(1,297)	(4,359)	(781)
Tax effect of non-deductible expenses	12,978	13,809	24,603
Additional deduction for qualified research and development expenses	(230,059)	(358,633)	(605,080)
Tax effect of utilisation of deductible temporary differences not recognised	(9,103)	(1,078)	(13,097)
Deductible temporary differences and tax losses not recognised	41,069	47,308	72,704
Others	3,080	(1,361)	(12,633)
Income tax expense	224,670	262,438	260,701

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit for the year has been arrived at after charging (crediting):			
Directors and supervisors’ emoluments (note 12)	41,450	39,236	32,637
Other staffs’ salaries	4,826,568	5,836,251	6,649,424
Other staffs’ retirement benefit scheme contributions	267,266	374,152	430,071
Share-based payment compensation	272,374	187,729	239,667
Total staff costs	5,407,658	6,437,368	7,351,799
Cost of inventories sold	20,565,896	26,391,977	32,027,508
Auditor’s remuneration	3,267	3,359	2,936
Expense related to short-term lease	30,543	27,938	54,929
Depreciation of property, plant and equipment	478,413	682,714	895,004
Depreciation of right-of-use assets	63,946	79,231	122,084
Depreciation of investment properties	17,621	17,427	17,430
Write-down of inventories and contract costs	201,159	302,084	377,543
Amortisation of intangible assets	99,534	86,082	99,169

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APPENDIX I

ACCOUNTANTS’ REPORT

12. DIRECTORS’ , CHIEF EXECUTIVE’S AND SUPERVISORS’ EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors’, chief executive’s and supervisors’ emoluments

Directors’, chief executive’s and supervisors’ remuneration as recorded during the Track Record Period, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, 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 set out below:

	<u>Fees</u>	<u>Salaries and allowances</u>	<u>Retirement benefit scheme contribution</u>	<u>Discretionary performance related bonus</u>	<u>Share-based payments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2023						
Executive directors:						
Mr. Zhu Xingming	—	1,590	45	2,000	4,995	8,630
Mr. Song Jun'en	—	1,302	45	900	4,045	6,292
Mr. Liu Yuchuan	—	1,195	68	1,200	4,356	6,819
Mr. Zhou Bin	—	1,298	45	1,250	4,690	7,283
	—	5,385	203	5,350	18,086	29,024
Non-executive directors:						
Mr. Li Juntian	—	1,557	46	1,300	4,596	7,499
Mr. Zhao Jinrong	—	388	—	—	—	388
	—	1,945	46	1,300	4,596	7,887
Independent non-executive directors:						
Mr. Zhang Taowei	150	—	—	—	—	150
Ms. Zhao Jinlin	150	—	—	—	—	150
Mr. Huang Pei	150	—	—	—	—	150
	450	—	—	—	—	450
Supervisors						
Mr. Bai Ziping	—	744	45	395	379	1,563
Mr. Ding Longshan	—	893	46	450	845	2,234
Mr. Lu Songquan	—	292	—	—	—	292
	—	1,929	91	845	1,224	4,089
	450	9,259	340	7,495	23,906	41,450

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	<u>Fees</u> <i>RMB'000</i>	<u>Salaries and allowances</u> <i>RMB'000</i>	<u>Retirement benefit scheme contribution</u> <i>RMB'000</i>	<u>Discretionary performance related bonus</u> <i>RMB'000</i>	<u>Share-based payments</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
For the year ended 31 December 2024						
Executive directors:						
Mr. Zhu Xingming	—	1,852	49	2,000	3,435	7,336
Mr. Song Jun'en	—	1,276	49	900	2,477	4,702
Mr. Zhou Bin	—	1,329	49	1,150	2,861	5,389
Mr. Liu Yuchuan	—	1,343	71	1,100	2,693	5,207
Mr. Yang Chunlu (i)	—	1,216	49	1,100	2,477	4,842
	<u>—</u>	<u>7,016</u>	<u>267</u>	<u>6,250</u>	<u>13,943</u>	<u>27,476</u>
Non-executive directors:						
Mr. Li Juntian	—	1,333	50	1,500	2,812	5,695
Mr. Zhao Jinrong (ii)	—	—	—	—	—	—
	<u>—</u>	<u>1,333</u>	<u>50</u>	<u>1,500</u>	<u>2,812</u>	<u>5,695</u>
Independent non-executive directors:						
Mr. Zhang Taowei	150	—	—	—	—	150
Ms. Zhao Jinlin	150	—	—	—	—	150
Mr. Huang Pei	150	—	—	—	—	150
	<u>450</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>450</u>
Supervisors						
Mr. Bai Ziping	—	737	—	250	199	1,186
Mr. Ding Longshan	—	931	46	420	617	2,014
Mr. Lu Songquan (iii)	—	121	—	—	—	121
Mr. Tang Zhuxue (iv)	—	599	23	450	1,222	2,294
	<u>—</u>	<u>2,388</u>	<u>69</u>	<u>1,120</u>	<u>2,038</u>	<u>5,615</u>
	<u>450</u>	<u>10,737</u>	<u>386</u>	<u>8,870</u>	<u>18,793</u>	<u>39,236</u>
	<u>Fees</u> <i>RMB'000</i>	<u>Salaries and allowances</u> <i>RMB'000</i>	<u>Retirement benefit scheme contribution</u> <i>RMB'000</i>	<u>Discretionary performance related bonus</u> <i>RMB'000</i>	<u>Share-based payments</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
For the year ended 31 December 2025						
Executive directors:						
Mr. Zhu Xingming	—	1,904	56	2,200	1,761	5,921
Mr. Song Jun'en	—	1,291	56	1,000	2,736	5,083
Mr. Yang Chunlu	—	1,225	56	1,000	1,885	4,166
Mr. Liu Yuchuan	—	1,501	71	1,400	2,053	5,025
Mr. Zhou Bin	—	1,345	56	1,250	2,198	4,849
	<u>—</u>	<u>7,266</u>	<u>295</u>	<u>6,850</u>	<u>10,633</u>	<u>25,044</u>
Non-executive directors:						
Mr. Li Juntian	—	1,388	56	1,500	2,161	5,105
Independent non-executive directors:						
Mr. Zhang Taowei	150	—	—	—	—	150
Ms. Zhao Jinlin	150	—	—	—	—	150
Mr. Huang Pei	150	—	—	—	—	150
	<u>450</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>450</u>

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	Fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Retirement benefit scheme contribution <i>RMB'000</i>	Discretionary performance related bonus <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Total <i>RMB'000</i>
Supervisors						
Mr. Tang Zhuxue (v)	—	413	20	208	174	815
Mr. Bai Ziping (v)	—	304	—	—	55	359
Mr. Ding Longshan (v)	—	489	20	188	167	864
	—	1,206	40	396	396	2,038
	450	9,860	391	8,746	13,190	32,637

Note:

- (i) Mr. Yang Chunlu was appointed as executive director on 17 May 2024
- (ii) Mr. Zhao Jinrong resigned as non-executive director on 17 May 2024.
- (iii) Mr. Lu Songquan resigned as supervisor on 17 May 2024.
- (iv) Mr. Tang Zhuxue was appointed as supervisor on 17 May 2024
- (v) Mr. Tang Zhuxue, Mr. Bai Ziping and Mr. Ding Longshan resigned as supervisor on 23 May 2025.

Performance related bonuses were determined based on the Group’s performance and performance of the relevant individual within the Group.

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

The independent non-executive directors’ emoluments shown above were mainly for their services as independent non-executive directors of the Company.

Mr. Zhu Xingming is also the Chief Executive of the Company and his remuneration disclosed above includes those for services rendered by him as the Chief Executive.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid employees

The five highest paid individuals of the Group included 4, 5, 5 directors whose emoluments for the years ended 31 December 2023, 2024 and 2025, respectively are included in the disclosure above. The remuneration of the remaining 1, Nil and Nil individuals during the years ended 31 December 2023, 2024 and 2025, respectively were as follows:

	Year ended 31 December		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Salaries and other allowances	1,279	—	—
Retirement benefit scheme contributions	45	—	—
Performance related bonuses	900	—	—
Share-based payments	4,330	—	—
	6,554	—	—

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2023 <i>No. of employees</i>	2024 <i>No. of employees</i>	2025 <i>No. of employees</i>
HKD7,000,001 to HKD7,500,000	1	—	—

During the Track Record Period, no emolument was paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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13. DIVIDENDS

The dividends declared by the Company during the Track Record Period were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends declared by the Company	957,624	1,204,747	1,104,397

The final dividends of RMB3.6, RMB4.5 and RMB4.1 per 10 shares (tax inclusive) in respect of the years ended 31 December 2022, 2023 and 2024 were approved by the annual general meeting of the Company.

The final dividend distribution of RMB5.0 per 10 shares (tax inclusive) in respect of the year ended 31 December 2025 had been proposed by the director of the Company and is subject to approval by the shareholder in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit for the year attributable to owners of the Company for the purpose of basic earnings calculations (RMB'000)	4,741,864	4,285,493	5,050,002
Effect on share scheme of a subsidiary of the Group (RMB'000)	—	—	(36,251)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings calculations (RMB'000)	4,741,864	4,285,493	5,013,751
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand shares)	2,657,787	2,674,274	2,693,644
Effect of dilutive potential ordinary shares arising from shares scheme (thousand shares)	11,900	7,994	12,307
Weighted average number of ordinary shares for the purposes of diluted earnings per share (thousand shares)	2,669,687	2,682,268	2,705,951

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period. Treasury shares held for share schemes are excluded from the calculation, as such shares are not considered outstanding for the purpose of determining basic earnings per share.

Diluted earnings per share is calculated by adjusting the earnings and the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from the Company's share schemes.

For the purpose of computing diluted earnings per share for the year ended 31 December 2025, the weighted average number of ordinary shares in issue also takes into account the assumed conversion of all potential dilutive ordinary shares arising from the share schemes of the Group's subsidiaries. For the years ended 31 December 2023 and 2024, the share option schemes granted by the Group's subsidiaries had an insignificant dilutive effect on the Group's diluted earnings per share.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Plants and buildings	Machinery	Transportation equipment	Electronic equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2023	1,778,804	1,519,403	70,778	478,155	273,125	276,464	1,747,938	6,144,667
Additions	3,197	680,616	16,958	86,981	165,614	87,774	1,385,699	2,426,839
Acquisitions of subsidiaries (note 42)	111,299	136,412	1,088	60	56,227	—	3,197	308,283
Disposals and write-off	—	(54,139)	(4,069)	(11,536)	(27,071)	(26,004)	(183)	(123,002)
Transfer	921,322	176,707	—	22,550	20,479	8,795	(1,149,853)	—
Transfer to investment property (note 17)	(1,028)	—	—	—	—	—	(14,026)	(15,054)
Transfers to intangible assets (note 19)	—	—	—	—	—	—	(5,431)	(5,431)
Exchange adjustments	3,113	3,837	97	185	1,724	73	349	9,378
At 31 December 2023	2,816,707	2,462,836	84,852	576,395	490,098	347,102	1,967,690	8,745,680
Additions	4,772	207,398	21,621	87,324	201,172	96,004	1,649,565	2,267,894
Acquisitions of subsidiaries (note 42)	—	—	—	5	—	—	—	5
Disposals and write-off	(124,384)	(99,147)	(6,705)	(8,897)	(29,088)	(98,379)	(504)	(367,104)
Transfer	1,531,580	978,662	—	27,235	24,653	123,913	(2,686,043)	—
Transfer to intangible assets (note 19)	—	—	—	—	—	—	(256)	(256)
Exchange adjustments	(11,952)	(14,065)	(185)	(351)	(6,303)	(243)	(3,381)	(36,480)
At 31 December 2024	4,216,723	3,535,684	99,583	681,711	680,532	468,435	927,071	10,609,739
Additions	3,065	741,620	14,931	177,490	257,817	83,805	2,620,747	3,899,475
Disposals and write-off	(1,241)	(96,831)	(9,655)	(9,346)	(41,166)	(26,793)	(11,483)	(196,515)
Transfer from investment property (note 17)	365,950	—	—	—	—	—	—	365,950
Transfer	802,321	1,292,295	41	40,793	29,016	241,293	(2,405,759)	—
Transfer to intangible assets (note 19)	—	—	—	—	—	—	(307)	(307)
Transfer to right-of-use assets	—	—	—	—	—	—	(21,146)	(21,146)
Exchange adjustments	(1,681)	3,187	116	968	(93)	1,701	9,680	13,878
At 31 December 2025	5,385,137	5,475,955	105,016	891,616	926,106	768,441	1,118,803	14,671,074
DEPRECIATION AND IMPAIRMENT								
At 1 January 2023	288,361	466,980	50,269	259,817	110,680	121,586	—	1,297,693
Provided for the year	105,841	152,422	6,904	72,142	89,149	51,955	—	478,413
Disposals and write-off	—	(38,134)	(3,215)	(10,637)	(11,995)	(25,288)	—	(89,269)
Acquisitions of subsidiaries (note 42)	12,595	98,659	852	27	41,872	—	—	154,005
Impairment	—	3,949	—	34	11,126	—	—	15,109
Exchange adjustments	365	2,831	34	45	1,214	4	—	4,493
At 31 December 2023	407,162	686,707	54,844	321,428	242,046	148,257	—	1,860,444
Provided for the year	172,306	249,501	9,380	79,447	83,553	88,527	—	682,714
Disposals and write-off	(74,608)	(65,491)	(4,437)	(8,248)	(23,432)	(98,378)	—	(274,594)
Acquisitions of subsidiaries (note 42)	—	—	—	5	—	—	—	5
Impairment	—	44,261	7	316	15,217	—	7,615	67,416
Exchange adjustments	(1,601)	(10,581)	(124)	(88)	(4,777)	(49)	—	(17,220)
At 31 December 2024	503,259	904,397	59,670	392,860	312,607	138,357	7,615	2,318,765
Provided for the year	217,252	329,349	11,778	95,690	115,972	124,963	—	895,004
Transfer from investment property (note 17)	58,145	—	—	—	—	—	—	58,145
Disposals and write-off	(808)	(87,293)	(8,204)	(8,050)	(34,569)	(26,793)	(7,615)	(173,332)
Impairment	—	10,894	33	243	19,362	—	—	30,532
Exchange adjustments	(306)	(1,162)	39	180	(614)	176	—	(1,687)
At 31 December 2025	777,542	1,156,185	63,316	480,923	412,758	236,703	—	3,127,427
CARRYING VALUES								
At 31 December 2023	2,409,545	1,776,129	30,008	254,967	248,052	198,845	1,967,690	6,885,236
At 31 December 2024	3,713,464	2,631,287	39,913	288,851	367,925	330,078	919,456	8,290,974
At 31 December 2025	4,607,595	4,319,770	41,700	410,693	513,348	531,738	1,118,803	11,543,647

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As at 31 December 2023, 2024 and 2025, plants and buildings, machinery and equipment and construction in progress of approximately RMB851,367,000, RMB1,504,528,000 and RMB2,231,654,000, respectively, were pledged to secure bank borrowings granted to the Group.

As at 31 December 2023, 2024 and 2025, buildings without obtaining certificates of ownership from the relevant PRC government authorities with carrying values of approximately RMB1,037,613,000, RMB908,227,000 and RMB1,590,778,000. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment. The directors of the Company conducted such review and determined whether certain machinery and equipment were impaired. The recoverable amounts of relevant assets have been determined based on the higher of their value in use and fair value less costs of disposal and impairment losses amounting to RMB15,109,000, RMB67,416,000 and RMB30,532,000, respectively, had been recognised in profit or loss during the year ended 31 December 2023, 2024 and 2025.

The Company

	Plants and buildings	Machinery	Transportation equipment	Electronic equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2023	228,924	20,707	7,213	80,038	6,182	93,003	3,789	439,856
Additions	—	998	—	10,714	2,891	9,367	6,792	30,762
Disposals	—	(5,138)	(255)	(14,535)	(168)	—	—	(20,096)
Transfer from construction in progress	6,080	—	—	1,359	—	3,142	(10,581)	—
At 31 December 2023	235,004	16,567	6,958	77,576	8,905	105,512	—	450,522
Additions	25	1,025	7	9,225	1,607	2,785	139	14,813
Disposals	(1,612)	(3,122)	(480)	(10,772)	(1,062)	(82,951)	—	(99,999)
Transfer from construction in progress	139	—	—	—	—	—	(139)	—
At 31 December 2024	233,556	14,470	6,485	76,029	9,450	25,346	—	365,336
Additions	—	2,438	1,741	10,915	1,360	2,914	—	19,368
Disposals	(958)	(2,316)	(614)	(20,864)	(2,525)	(2,356)	—	(29,633)
At 31 December 2025	232,598	14,592	7,612	66,080	8,285	25,904	—	355,071
DEPRECIATION								
At 1 January 2023	15,611	9,748	4,749	37,181	1,609	55,020	—	123,918
Provided for the year	10,987	1,546	767	10,034	1,546	14,869	—	39,749
Disposals	—	(1,587)	(178)	(8,166)	(61)	—	—	(9,992)
At 31 December 2023	26,598	9,707	5,338	39,049	3,094	69,889	—	153,675
Provided for the year	11,190	1,402	601	10,754	1,658	13,062	—	38,667
Disposals	(1,014)	(2,309)	(456)	(5,939)	(544)	(82,951)	—	(93,213)
At 31 December 2024	36,774	8,800	5,483	43,864	4,208	—	—	99,129
Provided for the year	11,127	1,196	560	9,287	1,597	13,935	—	37,702
Disposals	(752)	(362)	(582)	(9,590)	(1,104)	(2,356)	—	(14,746)
At 31 December 2025	47,149	9,634	5,461	43,561	4,701	11,579	—	122,085
CARRYING VALUES								
At 31 December 2023	208,406	6,860	1,620	38,527	5,811	35,623	—	296,847
At 31 December 2024	196,782	5,670	1,002	32,165	5,242	25,346	—	266,207
At 31 December 2025	185,449	4,958	2,151	22,519	3,584	14,325	—	232,986

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16. RIGHT-OF-USE ASSETS

The Group

	<u>Land use rights</u> <i>RMB’000</i>	<u>Buildings</u> <i>RMB’000</i>	<u>Equipment</u> <i>RMB’000</i>	<u>Total</u> <i>RMB’000</i>
COST				
At 1 January 2023	528,363	185,483	576	714,422
Additions	96,215	51,948	1,258	149,421
Acquisitions of subsidiaries (<i>note 42</i>)	—	493	—	493
Lease modifications	—	1,837	—	1,837
Termination and derecognition upon expire of lease	—	(8,945)	(438)	(9,383)
Exchange adjustments	—	292	45	337
At 31 December 2023	624,578	231,108	1,441	857,127
Additions	24,225	163,054	189	187,468
Lease modifications	—	1,862	—	1,862
Termination and derecognition upon expire of lease	(8,189)	(19,936)	(212)	(28,337)
Exchange adjustments	—	(3,429)	(61)	(3,490)
At 31 December 2024	640,614	372,659	1,357	1,014,630
Additions	204,956	198,977	2,657	406,590
Lease modifications	—	2,412	—	2,412
Termination and derecognition upon expire of lease	—	(29,807)	(194)	(30,001)
Transfer from investment properties (<i>note 17</i>)	2,568	—	—	2,568
Transfer from constructions in progress	21,146	—	—	21,146
Exchange adjustments	—	4,830	136	4,966
At 31 December 2025	869,284	549,071	3,956	1,422,311
DEPRECIATION				
At 1 January 2023	49,583	51,382	426	101,391
Provided for the year	12,792	50,886	268	63,946
Acquisitions of subsidiaries (<i>note 42</i>)	—	164	—	164
Termination and derecognition upon expire of lease	—	(6,506)	(235)	(6,741)
Exchange adjustments	—	285	31	316
At 31 December 2023	62,375	96,211	490	159,076
Provided for the year	13,994	64,928	309	79,231
Termination and derecognition upon expire of lease	(2,464)	(13,666)	(30)	(16,160)
Exchange adjustments	—	(931)	(28)	(959)
At 31 December 2024	73,905	146,542	741	221,188
Provided for the year	16,677	104,802	605	122,084
Termination and derecognition upon expire of lease	—	(19,662)	(194)	(19,856)
Transfer from investment properties (<i>note 17</i>)	221	—	—	221
Exchange adjustments	—	1,596	81	1,677
At 31 December 2025	90,803	233,278	1,233	325,314
CARRYING VALUES				
At 31 December 2023	562,203	134,897	951	698,051
At 31 December 2024	566,709	226,117	616	793,442
At 31 December 2025	778,481	315,793	2,723	1,096,997

As at 31 December 2023, 2024 and 2025, land use right of approximately RMB67,641,000, RMB49,545,000 and RMB79,027,000, respectively were pledged to secure bank borrowings granted to the Group.

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17. INVESTMENT PROPERTIES

The Group

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At the beginning of the year	353,464	368,518	368,518
Transfer from/(to) property, plant and equipment (note 15)	15,054	—	(365,950)
Transfer to right-of-use assets (note 16)	—	—	(2,568)
	<u>368,518</u>	<u>368,518</u>	<u>—</u>
At the end of the year	<u>368,518</u>	<u>368,518</u>	<u>—</u>
DEPRECIATION			
At the beginning of the year	5,888	23,509	40,936
Provided for the year	17,621	17,427	17,430
Transfer to property, plant and equipment (note 15)	—	—	(58,145)
Transfer to right-of-use assets (note 16)	—	—	(221)
	<u>23,509</u>	<u>40,936</u>	<u>—</u>
At the end of the year	<u>23,509</u>	<u>40,936</u>	<u>—</u>
CARRYING VALUES			
At the beginning of the year	<u>347,576</u>	<u>345,009</u>	<u>327,582</u>
At the end of the year	<u>345,009</u>	<u>327,582</u>	<u>—</u>

The fair value of the Group’s investment properties as at 31 December 2023 and 2024 was approximately RMB355,212,000 and RMB351,555,000, respectively. The fair value has been arrived at based on a valuation carried out by an external independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 Fair Value Measurement. There were no transfers between levels of fair value hierarchy during the Track Record Period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. GOODWILL

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At the beginning of the year	2,163,645	2,350,239	2,342,500
Acquisitions of subsidiaries (note 42)	184,578	—	—
Exchange adjustments	2,016	(7,739)	(1,048)
	<u>2,350,239</u>	<u>2,342,500</u>	<u>2,341,452</u>
At the end of the year	<u>2,350,239</u>	<u>2,342,500</u>	<u>2,341,452</u>
IMPAIRMENT			
At the beginning of the year	188,942	188,942	188,942
Impairment recognised	—	—	57,924
	<u>188,942</u>	<u>188,942</u>	<u>246,866</u>
At the end of the year	<u>188,942</u>	<u>188,942</u>	<u>246,866</u>
CARRYING VALUES			
At the beginning of the year	<u>1,974,703</u>	<u>2,161,297</u>	<u>2,153,558</u>
At the end of the year	<u>2,161,297</u>	<u>2,153,558</u>	<u>2,094,586</u>

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For the purposes of impairment testing, goodwill above has been allocated to the cash-generating units (“CGU” or “CGUs”) from which goodwill arose. The gross carrying amount of goodwill as at 31 December 2023, 2024 and 2025 allocated to the group of CGUs are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Shanghai BST Electronic Co., Ltd. and its subsidiaries (“ BST Group ”)	1,652,758	1,652,758	1,652,758
Jiangsu Kingway Transportation Co., Ltd. and its subsidiaries (“ Kingway Group ”)	238,265	238,265	238,265
Zhongke Lingtu (Beijing) Technology Co., Ltd. (“ Zhongke Lingtu ”)	112,508	112,508	112,508
Dalian Huichuan Technology Co., Ltd. (formerly known as Dalian Zhiding Technology Co., Ltd.) and its subsidiaries (“ Dalian Huichuan Group ”)	110,077	110,077	110,077
Others	<u>236,631</u>	<u>228,892</u>	<u>227,844</u>
	<u><u>2,350,239</u></u>	<u><u>2,342,500</u></u>	<u><u>2,341,452</u></u>

Impairment reviews on the goodwill of the Group have been conducted by the management as at 31 December 2023, 2024 and 2025, according to IAS 36 “Impairment of assets”. For the purposes of impairment review, the recoverable amounts of CGU or group of CGUs are determined based on value in use (“VIU”) calculations by using the discounted cash flow method.

The key assumptions used by management for VIU calculation for the impairment test are as follows:

<u>BST Group CGU</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue growth rate	4.98%–7.10%	(2.84%)–8.11%	0.58%–6.35%
Gross margin	18.04%–19.07%	16.65%–17.94%	15.31%–16.35%
Discount rates	12.56%	12.31%	11.72%
Long-term growth rate	0%	0%	0%
<u>Kingway Group CGU</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue growth rate	2.35%–13.56%	1.21%–12.39%	0.34%–9.18%
Gross margin	37.64%–37.78%	38.03%	38.00%–39.11%
Discount rates	10.86%	9.82%	9.98%
Long-term growth rate	0%	0%	0%
<u>Zhongke Lingtu CGU</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue growth rate	20.00%–100%	20.00%–175.16%	5.00%–100%
Gross margin	39.83%–47.00%	39.91%–42.27%	35.38%–43.32%
Discount rates	11.10%	10.49%	10.93%
Long-term growth rate	0%	0%	0%
<u>Dalian Huichuan Group CGU</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue growth rate	2.94%–21.30%	2.75%–15.08%	0.96%–8.05%
Gross margin	45.22%–45.49%	37.91%–38.18%	34.82%–35.14%
Discount rates	12.55%	12.07%	12.66%
Long-term growth rate	0%	0%	0%

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Management has determined the values assigned to each of the above key assumptions as follows:

Revenue	The basis used to determine the value assigned is past performance, management expectation for the market development and planned production capacity of the products.
Gross margin	The basis used to determine the value assigned to the budgeted gross margins is the expected gross margins in the future years and expected market development.
Discount rates	Discount rates are estimated using the weighted average cost of capital (“WACC”) method. The WACC was calculated by reference to public market data, including risk free rate, market return, beta of comparable public companies and the specific risk inherent in the business.
Long-term growth rates	Long-term growth rates represent the weighted average growth rates used to extrapolate cash flows beyond the forecast period. These rates are determined by reference to the long-term inflation rates of the countries in which the cash-generating units operate, taking into account the higher degree of estimation uncertainty in the current year due to volatility in financial markets. The growth rates adopted do not exceed the long-term average growth rates of the businesses to which the relevant cash-generating units relate.

The values assigned to the key assumptions on market development of the industries in which the CGU operates, discount rate and long-term growth rate are consistent with external information sources.

The fluctuations in market demand, coupled with intensified market competition, has adversely affected the recoverable amounts of certain CGU assets, the management of the Company has assessed and recognised impairment losses on certain CGUs of RMB57,924,000 during the year ended 31 December 2025.

Impact of possible changes in key assumptions

Based on management’s assessment on the recoverable amounts, the headroom as at 31 December 2023, 2024 and 2025 are as follows:

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
BST Group CGU	44,588	40,085	109,475
Kingway Group CGU	140,849	70,650	105,942
Zhongke Lingtu CGU	4,699	7,529	6,750
Dalian Huichuan Group CGU	152,337	29,657	18,064

For the sensitivity analysis conducted during the impairment review, had there been reasonably possible changes with an increase in pre-tax discount rate by 0.50%, it would cause the reduction of the recoverable amount of each individual CGU as follows, if one of the key assumptions was to change while other variable held constant:

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
BST Group CGU	(120,854)	(127,069)	(131,187)
Kingway Group CGU	(48,991)	(48,307)	(48,743)
Zhongke Lingtu CGU	(8,250)	(8,639)	(7,450)
Dalian Huichuan Group CGU	(26,138)	(23,775)	(20,509)

As disclosed above, the management has considered and assessed reasonably possible changes for the key assumptions. In the opinion of the Company’s directors, any reasonably possible change in other key assumptions on which the recoverable amount is based would not cause the cash generating unit’s carrying amount to exceed its recoverable amount as at 31 December 2023, 2024 and 2025.

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19. INTANGIBLE ASSETS

The Group

	Patent	Non-patent technology	Software	Trademark	Copyrights	Licenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST							
At 1 January 2023	200,236	39,528	197,879	27,143	35,934	157,445	658,165
Additions	—	—	69,649	—	—	—	69,649
Transfer from construction in progress	—	—	5,431	—	—	—	5,431
Acquisitions of subsidiaries (note 42)	13,871	—	907	46	9,640	35	24,499
Write-off	—	—	(232)	—	—	—	(232)
Exchange adjustments	870	2,116	1,703	1	—	33	4,723
At 31 December 2023	214,977	41,644	275,337	27,190	45,574	157,513	762,235
Additions	—	—	42,100	—	—	—	42,100
Acquisitions of subsidiaries (note 42)	—	—	58,517	—	10	—	58,527
Transfer from construction in progress (note 15)	—	—	256	—	—	—	256
Write-off	(10,828)	(731)	(4,134)	—	—	—	(15,693)
Exchange adjustments	(1,858)	(1,617)	(2,259)	(5)	—	(18)	(5,757)
At 31 December 2024	202,291	39,296	369,817	27,185	45,584	157,495	841,668
Additions	1,742	—	69,584	439	14,717	60	86,542
Transfer from construction in progress (note 15)	—	—	307	—	—	—	307
Write-off	(48)	—	(7,326)	—	—	—	(7,374)
Exchange adjustments	582	3,443	5,523	(1)	—	35	9,582
At 31 December 2025	204,567	42,739	437,905	27,623	60,301	157,590	930,725
AMORTISATION							
At 1 January 2023	121,989	20,459	133,242	25,314	12,733	111,570	425,307
Provided for the year	31,945	3,719	44,831	1,790	3,726	13,523	99,534
Write-off	—	—	(142)	—	—	—	(142)
Acquisitions of subsidiaries (note 42)	—	—	160	15	—	9	184
Exchange adjustments	238	1,044	817	—	—	19	2,118
At 31 December 2023	154,172	25,222	178,908	27,119	16,459	125,121	527,001
Provided for the year	11,819	3,738	52,375	19	4,606	13,525	86,082
Write-off	(5,311)	(731)	(4,016)	—	—	—	(10,058)
Exchange adjustments	(549)	(977)	(834)	(2)	—	(8)	(2,370)
At 31 December 2024	160,131	27,252	226,433	27,136	21,065	138,638	600,655
Provided for the year	8,996	3,925	65,627	84	7,005	13,532	99,169
Write-off	(48)	—	(7,300)	—	—	—	(7,348)
Exchange adjustments	364	2,307	2,058	—	—	22	4,751
At 31 December 2025	169,443	33,484	286,818	27,220	28,070	152,192	697,227
CARRYING VALUES							
At 31 December 2023	60,805	16,422	96,429	71	29,115	32,392	235,234
At 31 December 2024	42,160	12,044	143,384	49	24,519	18,857	241,013
At 31 December 2025	35,124	9,255	151,087	403	32,231	5,398	233,498

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20. INTEREST IN ASSOCIATES AND JOINT VENTURES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of investments in associates and joint ventures and share of post-acquisition profits or losses	2,477,355	2,513,990	2,320,561
Impairment	(18,287)	(18,287)	(18,287)
Share of net assets	<u>2,459,068</u>	<u>2,495,703</u>	<u>2,302,274</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	<u>2,264,785</u>	<u>2,278,382</u>	<u>2,049,643</u>

Particulars of the Group’s and the Company’s material joint venture, which is accounted for using the equity method, is as follows:

<u>Name of entity</u>	<u>Proportion of registered capital/voting rights held by the Group</u>	<u>Registered capital</u>	<u>Principal activity</u>
		RMB'000	
Shenzhen Qianhai Jingrui China Europe M&A Fund Investment Enterprise (Limited Partnership) (“ Qianhai Jingrui ”) (“深圳前海晶瑞中歐並購基金投資企業(有限合夥)”)	99.87%	801,000	Equity investment in unlisted companies

The Group’s shareholding in Qianhai Jingrui is directly held by the Company.

The investment on Qianhai Jingrui has been classified as joint venture as decisions over the relevant activities require unanimous consent from the partners.

The summarised financial information in respect of the joint venture in respect of Qianhai Jingrui and reconciled to the carrying amount in the financial statements is set out below:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	385	203	463
Non-current assets	2,085,915	2,117,298	1,959,833
Current liabilities	5,617	11,152	15,718
	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit and total comprehensive income/(expense) for the year	317,768	25,666	(161,771)
Dividends received during the year	—	—	—

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Reconciliation of the above summarised financial information to the carrying amount of the interest in Qianhai Jingrui recognised in the consolidated financial statements and financial statements of the Company:

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	2,080,683	2,106,349	1,944,578
Proportion of the Group’s ownership	99.87%	99.87%	99.87%
The Group’s share of net assets of Qianhai Jingrui	2,077,978	2,103,611	1,942,050
Others	1,634	1,667	1,457
Carrying amount of the investment	<u>2,079,612</u>	<u>2,105,278</u>	<u>1,943,507</u>

The Group has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The carrying amount and the Group’s share of the results of individually immaterial associates and joint ventures are shown in aggregate as below:

	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of profit for the year	31,916	13,206	12,435
Share of total comprehensive income	31,917	13,214	12,419
Dividend received	16,674	7,226	24,343
Aggregate carrying amount of individually immaterial associates and joint ventures	<u>379,456</u>	<u>390,425</u>	<u>358,767</u>

The Company has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The carrying amount and the Company’s share of the results of individually immaterial associates and joint ventures are shown in aggregate as below:

	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of profit for the year	20,403	(9,850)	(3,884)
Share of total comprehensive income/(expense)	20,404	(9,842)	(3,900)
Aggregate carrying amount of individually immaterial associates and joint ventures	<u>185,173</u>	<u>173,104</u>	<u>106,136</u>

21. FINANCIAL ASSETS AT FVTPL

The Group

	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:			
—Listed equity securities	205,671	158,774	91,890
—Unlisted equity securities (note)	2,179,658	2,446,744	2,645,579
	<u>2,385,329</u>	<u>2,605,518</u>	<u>2,737,469</u>
Current:			
—Wealth management products and structured deposits (note)	671,635	1,782,863	5,124,697
—Derivatives	252	—	2,875
	<u>671,887</u>	<u>1,782,863</u>	<u>5,127,572</u>
Total	<u>3,057,216</u>	<u>4,388,381</u>	<u>7,865,041</u>

Note:

Wealth management products are products provided by the commercial banks that mainly invest in fixed income assets such as bonds. Structured deposits are deposit products provided by the commercial banks where the yield upon maturity is linked to indicators of commodities

Wealth management products and structured deposits are classified as current assets as the management expects to realize these financial assets within twelve months after the reporting period.

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The Company

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current:			
—Listed equity securities	47,999	35,640	68,162
—Unlisted equity securities (<i>note</i>)	<u>917,874</u>	<u>890,332</u>	<u>903,265</u>
	<u>965,873</u>	<u>925,972</u>	<u>971,427</u>
Current:			
—Wealth management products and structured deposits	386,489	190,043	139,005
—Derivatives	<u>108</u>	<u>—</u>	<u>1,094</u>
	<u>386,597</u>	<u>190,043</u>	<u>140,099</u>
Total	<u><u>1,352,470</u></u>	<u><u>1,116,015</u></u>	<u><u>1,111,526</u></u>

Note:

Equity securities mainly comprise the Group’s and the Company’s equity interest in unlisted entities established in the PRC. The fair values of these equity securities are measured using valuation techniques with unobservable inputs and hence classified as Level 3 of the fair value hierarchy. The major assumptions used in the valuation refer to Note 41(c).

22. DEFERRED TAXATION

The Group

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Gross deferred tax assets	816,339	950,104	1,255,159
Gross deferred tax liabilities	<u>(63,657)</u>	<u>(94,052)</u>	<u>(114,955)</u>
Net deferred tax assets	<u><u>752,682</u></u>	<u><u>856,052</u></u>	<u><u>1,140,204</u></u>
Gross deferred tax liabilities	325,281	339,869	313,174
Gross deferred tax assets	<u>(63,657)</u>	<u>(94,052)</u>	<u>(114,955)</u>
Net deferred tax liabilities	<u><u>261,624</u></u>	<u><u>245,817</u></u>	<u><u>198,219</u></u>

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The gross deferred tax assets recognised by the Group and movements thereon are as follows:

	ECL provision	Unrealised profit on intra-group transactions	Tax losses	Provisions	Deferred income	Share-based compensation	Fair value change on financial assets at FVTPL	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	126,948	110,320	194,672	140,398	30,043	115,607	1,546	20,945	740,479
Credit/(charge) to profit or loss for the year	81,721	(1,678)	(16,502)	41,152	5,645	(39,595)	(1,541)	10,736	79,938
Acquisitions of subsidiaries (note 42)	—	—	—	—	—	—	—	4	4
Charge to equity for the year	—	—	—	—	—	(4,082)	—	—	(4,082)
At 31 December 2023	208,669	108,642	178,170	181,550	35,688	71,930	5	31,685	816,339
Credit/(charge) to profit or loss for the year	19,736	4,310	17,515	54,820	31,356	(34,122)	(5)	25,389	118,999
Credit to equity for the year	—	—	—	—	—	14,766	—	—	14,766
At 31 December 2024	228,405	112,952	195,685	236,370	67,044	52,574	—	57,074	950,104
Credit/(charge) to profit or loss for the year	34,441	(16,601)	167,125	34,158	1,808	(49,478)	—	34,462	205,915
Credit to equity for the year	—	—	—	—	—	99,140	—	—	99,140
At 31 December 2025	262,846	96,351	362,810	270,528	68,852	102,236	—	91,536	1,255,159

The gross deferred tax liabilities recognised by the Group and movements thereon are as follows:

	Appreciation of assets acquired in business combinations	Fair value change on financial assets at FVTPL	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	18,687	212,619	25,061	256,367
(Credit)/charge to profit or loss for the year	(5,913)	45,983	22,504	62,574
Acquisitions of subsidiaries (note 42)	6,340	—	—	6,340
At 31 December 2023	19,114	258,602	47,565	325,281
(Credit)/charge to profit or loss for the year	(5,027)	(13,426)	24,539	6,086
Acquisitions of subsidiaries (note 42)	8,502	—	—	8,502
At 31 December 2024	22,589	245,176	72,104	339,869
(Credit)/charge to profit or loss for the year	(2,697)	(35,298)	11,300	(26,695)
At 31 December 2025	19,892	209,878	83,404	313,174

At the end of each year of the Track Record Period, the Group has unused tax losses available for offset against future profits and deductible temporary differences, no deferred tax asset has been recognised due to the unpredictability of future profit streams as below:

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	475,083	551,675	768,400
Unrecognised deductible temporary differences	156,401	117,898	160,117
	631,484	669,573	928,517

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The unrecognised tax losses will expire in the following years:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
2024	15,975	—	—
2025	38,118	13,990	—
2026	29,256	26,572	3,963
2027	37,454	30,726	8,354
2028	116,114	54,961	42,470
2029 and beyond	238,166	132,030	156,820
2030 and beyond	—	293,396	271,129
2031 and beyond	—	—	285,664
	<u>475,083</u>	<u>551,675</u>	<u>768,400</u>

Withholding tax on undistributed earnings of foreign subsidiaries

The Group conducts business through certain overseas subsidiaries. Temporary differences exist in respect of undistributed earnings of foreign subsidiaries, which will give rise to withholding tax payable in the relevant overseas jurisdictions upon future distribution of dividends to the Group.

In accordance with IAS 12 Income Taxes, deferred tax liabilities are not recognised on such temporary differences because the Group is able to control the timing of the reversal of these differences, and it is probable that such differences will not reverse in the foreseeable future as the undistributed earnings are intended to be permanently reinvested in the overseas operations.

23. INVENTORIES AND CONTRACT COSTS

The Group

	31 December		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Inventories			
Raw materials and consumables	3,110,424	2,639,584	3,064,979
Work in progress	386,255	835,466	1,087,058
Finished goods	1,028,163	1,216,399	1,536,638
Goods in transit	1,897,307	2,464,725	2,792,683
	<u>6,422,149</u>	<u>7,156,174</u>	<u>8,481,358</u>
Write-down	(259,147)	(374,048)	(468,330)
	<u>6,163,002</u>	<u>6,782,126</u>	<u>8,013,028</u>
Contract costs			
Cost to fulfill contract			
— Current	120,996	199,216	66,352
— Write-down	(36,109)	(25,837)	(385)
	<u>84,887</u>	<u>173,379</u>	<u>65,967</u>
— Non-current	107,129	103,609	1,250
	<u>192,016</u>	<u>276,988</u>	<u>67,217</u>

The movements in provision for impairment of inventories and contract costs are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	153,349	295,256	399,885
Impairment losses recognised	224,648	328,939	408,773
Impairment losses reversed	(23,489)	(26,855)	(31,230)
Transfer to cost of sales upon sale of goods	(74,034)	(196,550)	(308,832)
Acquisition of subsidiaries	14,765	—	—
Exchange adjustments	17	(905)	119
At the end of the year	<u>295,256</u>	<u>399,885</u>	<u>468,715</u>

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24. CONTRACT ASSETS

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Contract assets arising from sale of industrial products	273,836	338,347	401,403
Impairment	<u>(4,832)</u>	<u>(7,933)</u>	<u>(7,199)</u>
	<u>269,004</u>	<u>330,414</u>	<u>394,204</u>
—Amounts shown under current assets	113,656	101,871	86,084
—Amounts shown under non-current assets	<u>155,348</u>	<u>228,543</u>	<u>308,120</u>

Contract assets are initially recognised for revenue earned from the sale of industrial products, mainly representing retention money held by customers as warranty deposits, where the right to consideration is conditional upon the completion of sales and fulfilment of after-sales warranty obligations. Upon final settlement and expiry of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables.

As at 1 January 2023, contract assets amounted to RMB213,858,000.

The movements in the allowance for expected credit losses on contract assets are set out below:

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
At the beginning of the year	2,842	4,832	7,933
Impairment losses recognised	1,990	3,116	—
Impairment losses reversed	—	—	(734)
Amounts written off as uncollectible	<u>—</u>	<u>(15)</u>	<u>—</u>
At the end of the year	<u>4,832</u>	<u>7,933</u>	<u>7,199</u>

The Group’s trading terms and credit policy with customers are disclosed in note 25 to the financial statements.

25. TRADE AND BILLS RECEIVABLES

The Group

		<u>31 December</u>		
	<i>Notes</i>	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Trade receivables	(a)	9,608,467	11,404,086	12,281,069
Less: Expected credit losses		<u>(813,597)</u>	<u>(690,261)</u>	<u>(762,262)</u>
		8,794,870	10,713,825	11,518,807
Bills receivables	(b)	3,796,436	3,506,347	4,225,825
Less: Expected credit losses		<u>(1,612)</u>	<u>(1,001)</u>	<u>(580)</u>
		3,794,824	3,505,346	4,225,245
		<u>12,589,694</u>	<u>14,219,171</u>	<u>15,744,052</u>

The Company

		<u>31 December</u>		
	<i>Notes</i>	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Trade receivables	(a)	2,154,096	950,990	1,136,654
Less: Expected credit losses		<u>(7,974)</u>	<u>(4,107)</u>	<u>(4,695)</u>
		2,146,122	946,883	1,131,959
Bills receivables	(b)	18,516	75,084	39,530
Less: Expected credit losses		<u>(93)</u>	<u>(113)</u>	<u>—</u>
		18,423	74,971	39,530
		<u>2,164,545</u>	<u>1,021,854</u>	<u>1,171,489</u>

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- (a) The Group generally allows credit period ranging from 30 to 150 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2023, 2024 and 2025, trade receivables of the Group amounting to approximately RMB Nil, RMB Nil and RMB525,947,000 were pledged to secure bank borrowings granted to the Group.

The Group

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the date of revenue recognition as at 31 December 2023, 2024 and 2025:

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	8,621,857	10,429,060	11,150,345
1 to 2 years	134,160	257,403	297,918
2 to 3 years	37,796	23,976	70,275
Over 3 years	1,057	3,386	269
	<u>8,794,870</u>	<u>10,713,825</u>	<u>11,518,807</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. Trade receivables with credit-impaired are assessed for ECL individually. Changes in the expected loss rate of trade receivables assessed individually are mainly based on its customers’ financial condition, operation results and ability to repay.

The expected credit losses on remaining trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors’ current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the Track Record Period.

The Group

The Group recognised lifetime ECL for trade receivables as follows:

	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2023			
Individually	93.61	325,060	304,290
Collectively			
Within 1 year	5.00	9,053,777	452,689
1 to 2 years	11.11	150,921	16,761
2 to 3 years	39.79	62,771	24,975
More than 3 years	93.37	15,938	14,882
		<u>9,283,407</u>	<u>509,307</u>
		<u>9,608,467</u>	<u>813,597</u>
As at 31 December 2024			
Individually	100.00	46,010	46,010
Collectively			
Within 1 year	5.00	10,977,958	548,899
1 to 2 years	10.48	287,546	30,142
2 to 3 years	48.40	46,464	22,488
More than 3 years	92.66	46,108	42,722
		<u>11,358,076</u>	<u>644,251</u>
		<u>11,404,086</u>	<u>690,261</u>

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As at 31 December 2025	<u>Weighted average expected loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000
Individually	100.00	43,765	43,765
Collectively			
Within 1 year	5.00	11,737,205	586,860
1 to 2 years	10.43	332,613	34,695
2 to 3 years	41.33	119,786	49,511
More than 3 years	99.44	47,700	47,431
		<u>12,237,304</u>	<u>718,497</u>
		<u>12,281,069</u>	<u>762,262</u>

The Company

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the date of revenue recognition as at 31 December 2023, 2024 and 2025:

	<u>2023</u> RMB’000	<u>2024</u> RMB’000	<u>2025</u> RMB’000
Within 1 year	2,146,118	946,729	1,131,333
1 to 2 years	3	153	597
2 to 3 years	1	1	29
	<u>2,146,122</u>	<u>946,883</u>	<u>1,131,959</u>

Trade receivables due from subsidiaries are assessed for ECL individually. The Company recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

As at 31 December 2023	<u>Weighted average expected loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000
Individually	—	1,996,295	—
Collectively			
Within 1 year	5.00	157,709	7,886
1 to 2 years	10.00	3	—*
2 to 3 years	50.00	1	—*
More than 3 years	100.00	88	88
		<u>157,801</u>	<u>7,974</u>
		<u>2,154,096</u>	<u>7,974</u>
As at 31 December 2024	<u>Weighted average expected loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000
Individually	—	870,713	—
Collectively			
Within 1 year	5.00	80,017	4,001
1 to 2 years	10.00	170	17
2 to 3 years	50.00	2	1
More than 3 years	100.00	88	88
		<u>80,277</u>	<u>4,107</u>
		<u>950,990</u>	<u>4,107</u>

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As at 31 December 2025	<u>Weighted average expected loss rate</u> %	<u>Gross carrying amount</u> RMB'000	<u>Loss allowance</u> RMB'000
Individually	—	1,045,636	—
Collectively			
Within 1 year	5.00	90,208	4,511
1 to 2 years	10.00	663	66
2 to 3 years	50.00	58	29
More than 3 years	100.00	89	89
		<u>91,018</u>	<u>4,695</u>
		<u>1,136,654</u>	<u>4,695</u>

* The amount was less than RMB1,000.

- (b) All the bills are with a maturity period of less than 6 months.

As at 31 December 2023, 2024 and 2025, bills receivables discounted to banks with full recourse and bills receivables endorsed to suppliers with full recourse were as below:

The Group

	<u>31 December</u>		
	<u>2023</u> RMB'000	<u>2024</u> RMB'000	<u>2025</u> RMB'000
Bills receivables discounted to banks with full recourse (note 31)	1,046,067	200,630	704,064
Bills receivables endorsed to suppliers with full recourse (note 29)	<u>1,264,516</u>	<u>1,053,871</u>	<u>1,394,537</u>
	<u>2,310,583</u>	<u>1,254,501</u>	<u>2,098,601</u>

The Company

	<u>31 December</u>		
	<u>2023</u> RMB'000	<u>2024</u> RMB'000	<u>2025</u> RMB'000
Bills receivables discounted to banks with full recourse (note 31)	—	33,055	—
Bills receivables endorsed to suppliers with full recourse (note 29)	<u>—</u>	<u>23,718</u>	<u>16,426</u>
	<u>—</u>	<u>56,773</u>	<u>16,426</u>

Under these arrangements, the Group has not transferred the significant risks and rewards relating to these receivables, including the default risk of discounting and endorsing bills. The Group therefore continues to recognise these transferred discounted and endorsed bills in their entirety and related liabilities.

- (c) The movements in the allowance for impairment of trade and bills receivables are set out below:

The Group

	<u>2023</u> RMB'000	<u>2024</u> RMB'000	<u>2025</u> RMB'000
At the beginning of the year	508,226	815,209	691,262
Impairment losses recognised	378,514	237,840	268,223
Impairment losses reversed	(63,694)	(94,637)	(186,321)
Amounts written off as uncollectible	(9,720)	(266,452)	(8,496)
Acquisitions of subsidiaries	2,036	73	—
Exchange adjustments	<u>(153)</u>	<u>(771)</u>	<u>(1,826)</u>
At the end of the year	<u>815,209</u>	<u>691,262</u>	<u>762,842</u>

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The Company

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
At the beginning of the year	5,448	8,067	4,220
Impairment losses recognised	6,918	570	1,664
Impairment losses reversed	<u>(4,299)</u>	<u>(4,417)</u>	<u>(1,189)</u>
At the end of the year	<u>8,067</u>	<u>4,220</u>	<u>4,695</u>

- (d) As at 31 December 2023, 2024 and 2025, except for those discounted and endorsed bills receivables as disclosed in note 25(b), bills receivables of the Group amounting to approximately RMB1,276,992,000, RMB1,393,373,000 and RMB1,599,086,000 were pledged as collateral for the issuance of bank acceptances.

26. FINANCIAL ASSETS AT FVTOCI

	<i>Notes</i>	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Bills receivables at FVTOCI	(a)	2,102,952	2,130,113	3,056,768
Receivable at FVTOCI	(b)	<u>29,483</u>	<u>245,051</u>	<u>450,281</u>
		<u>2,132,435</u>	<u>2,375,164</u>	<u>3,507,049</u>

Notes:

- (a) As part of the Group’s and the Company’s cash flow management, a substantial portion of the trade receivables are settled by bills received from customers and the Group and the Company have the practice of endorsing a substantial portion of the bills to suppliers or discounting the bills to banks before the bills are due for payment and derecognise the bills endorsed or discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, such bills receivables are considered as within the business model of holding to collect contractual cash flows and selling, and classified as financial assets at FVTOCI. For the details of fair value measurement of the bills receivables at FVTOCI, please refer to note 41(c). All the bills receivables at FVTOCI are with a maturity period of less than 6 months.
- (b) Receivables measured at FVTOCI include confirmed letters of credit and trade receivables held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These financial assets meet the solely payments of principal and interest contractual cash flow characteristic, and classified as financial assets at FVTOCI.

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	<u>31 December</u>		
	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Non-current			
Prepayment on acquisition of property, plant and equipment	428,449	793,943	656,023
Prepaid consulting service fee	<u>4,005</u>	<u>923</u>	<u>545</u>
	432,454	794,866	656,568
Less: Expected credit losses	<u>—</u>	<u>—</u>	<u>(222)</u>
	<u>432,454</u>	<u>794,866</u>	<u>656,346</u>
Current			
Prepayments to suppliers and others	384,993	465,815	732,198
Deposits	38,657	64,661	74,051
Staff advances	4,959	2,694	2,856
Value-added tax credit refund	445,500	416,376	474,276
Other receivables	<u>19,058</u>	<u>62,424</u>	<u>20,567</u>
	893,167	1,011,970	1,303,948
Less: Expected credit losses	<u>(14,947)</u>	<u>(21,227)</u>	<u>(22,288)</u>
	<u>878,220</u>	<u>990,743</u>	<u>1,281,660</u>
	<u>1,310,674</u>	<u>1,785,609</u>	<u>1,938,006</u>

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The movements in the loss allowance for expected credit losses of other receivables and other assets are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	10,288	14,947	21,227
Impairment losses recognised	6,560	9,957	33,329
Impairment losses reversed	(4,369)	(3,195)	(29,056)
Amounts written off as uncollectible	(73)	(114)	(3,116)
Acquisitions of subsidiaries	2,499	1	—
Exchange adjustments	42	(369)	126
	<u>14,947</u>	<u>21,227</u>	<u>22,510</u>

The Company

	<u>31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current			
Prepayment on acquisition of property, plant and equipment	23,581	54,102	48,388
Prepaid consulting service fee	4,005	923	545
	<u>27,586</u>	<u>55,025</u>	<u>48,933</u>
Current			
Prepayments to suppliers and others	11,734	13,376	6,871
Amounts due from subsidiaries (<i>note</i>)	124,645	57,888	237,389
Dividends receivable from subsidiaries	—	300,000	350,000
Deposits	2,974	2,600	1,077
Staff advances	283	90	20
Value-added tax credit refund	52,629	48,990	3,549
Other receivables	1,686	5,404	3,705
	<u>193,951</u>	<u>428,348</u>	<u>602,611</u>
Less: Expected credit losses	(1,277)	(1,950)	(12,124)
	<u>192,674</u>	<u>426,398</u>	<u>590,487</u>
	<u>220,260</u>	<u>481,423</u>	<u>639,420</u>

Note: The balances mainly represented loans granted to the subsidiaries, which were receivable on demand.

The movements in the loss allowance for expected credit losses of other receivables and other assets are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	701	1,277	1,950
Impairment losses recognised	576	1,734	33,468
Impairment losses reversed	—	(1,061)	(23,294)
	<u>1,277</u>	<u>1,950</u>	<u>12,124</u>

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28. BANK BALANCES AND CASH, TERM DEPOSITS AND PLEDGED BANK DEPOSITS

(a) Bank balance and cash

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at banks and in hand	8,384,169	3,204,173	6,840,991
Denominated in RMB	8,118,267	2,871,185	6,537,756
Denominated in Indian Rupee (“INR”)	5,437	16,730	14,968
Denominated in United States dollars (“USD”)	77,519	150,253	118,503
Denominated in Euro (“EUR”)	171,218	130,500	119,451
Others	11,728	35,505	50,313
	8,384,169	3,204,173	6,840,991

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at banks and in hand	1,926,297	433,948	844,656
Denominated in RMB	1,924,998	430,668	842,712
Denominated in USD	1,299	3,280	1,944
	1,926,297	433,948	844,656

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

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 bank balance and cash and cash equivalents approximate to their fair values.

(b) Classification as cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Term deposits and pledged bank deposits

The Group

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Pledged bank deposits (i)	67,347	92,404	132,397
Term deposits (ii)	1,232,071	8,547,643	8,375,894
	1,299,418	8,640,047	8,508,291

The Company

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Pledged bank deposits (i)	839	86	—
Term deposits (ii)	1,022,021	3,360,105	3,649,675
	1,022,860	3,360,191	3,649,675

(i) Pledged bank deposits mainly included letters of bank acceptance notes, letters of guarantee and letters of credit.

(ii) Term bank deposits are bank deposits with original maturities over three months.

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Term bank deposits earns interest ranged from 3.10% to 3.80%, 2.15% to 3.55% and 1.75% to 3.4%, respectively during the years ended 31 December 2023, 2024 and 2025. The pledged bank deposits and term bank deposits are deposited with creditworthy banks with no recent history of default. The Group has measured the impairment based on the 12-month ECL, and has assessed that the expected credit losses are immaterial.

29. TRADE, BILLS AND OTHER PAYABLES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Other payables	11,976	13,105	13,337
Current			
Trade payables	6,644,929	9,779,009	12,064,521
Bills payables	5,120,030	6,858,090	9,184,367
Construction payables	546,201	583,913	592,033
Other taxes payables	288,964	326,913	394,921
Payroll and welfare payables	1,223,092	1,396,445	1,494,774
Endorsed bills receivables to suppliers (note 25(b))	1,264,516	1,053,871	1,394,537
Provision (note 33)	—	—	83,383
Other payables	631,068	845,587	987,994
	15,718,800	20,843,828	26,196,530
	<u>15,730,776</u>	<u>20,856,933</u>	<u>26,209,867</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Trade payables	779,092	114,834	129,418
Bills payables	—	—	185,589
Construction payables	4,681	1,081	854
Amounts due to subsidiaries (note)	3,215,818	4,181,050	4,691,396
Other taxes payables	33,501	34,140	54,140
Payroll and welfare payables	210,337	144,867	166,491
Endorsed bills receivables to suppliers (note 25(b))	—	23,718	16,426
Other payables	62,691	40,305	70,867
	<u>4,306,120</u>	<u>4,539,995</u>	<u>5,315,181</u>

Note: The balances are unsecured and repayable in accordance with the payment terms stipulated in the contract.

The trade and bills payables are normally settled ranged from 30 days to 180 days.

The following is an aging analysis of trade payables presented based on the date of service provided and date of goods acceptance at the end of the reporting period.

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	6,581,873	9,697,352	11,944,351
1 to 2 years	43,075	46,075	78,005
2 to 3 years	9,259	15,973	16,846
Over 3 years	10,722	19,609	25,319
	<u>6,644,929</u>	<u>9,779,009</u>	<u>12,064,521</u>

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	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	768,989	114,023	127,623
1 to 2 years	9,857	368	1,127
2 to 3 years	50	236	246
Over 3 years	196	207	422
	<u>779,092</u>	<u>114,834</u>	<u>129,418</u>

30. CONTRACT LIABILITIES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of products	<u>871,304</u>	<u>904,702</u>	<u>777,850</u>
—Amounts shown under current liabilities	870,689	903,180	775,194
—Amounts shown under non-current liabilities	<u>615</u>	<u>1,522</u>	<u>2,656</u>

As at 1 January 2023, contract liabilities amounted to RMB993,270,000.

The Group receives certain amount of the contract value from customers when they place their purchase order or when they sign the sales contract. This gives rise to contract liabilities at the start of a contract until the Group transferred the control of goods to the customers.

Contract liabilities include unsatisfied performance obligation for pre-sale of the Group’s products.

31. BANK AND OTHER BORROWINGS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Discounted bills receivables (note 25(b))	1,046,067	200,630	704,064
Bank borrowings	<u>4,179,552</u>	<u>4,066,421</u>	<u>3,488,059</u>
Total	<u>5,225,619</u>	<u>4,267,051</u>	<u>4,192,123</u>
—Amounts shown under current liabilities	2,880,390	1,392,768	2,619,748
—Amounts shown under non-current liabilities	<u>2,345,229</u>	<u>2,874,283</u>	<u>1,572,375</u>

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- (b) Maturing profile of bank borrowings (excluding discounted bill receivables) (based on scheduled repayment dates set out in the loan agreements) is as follows:

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Within one year	1,834,323	1,192,138	1,915,684
Within a period of more than one year but not more than two years	1,190,388	523,328	1,046,069
Within a period of more than two years but not more than five years	939,097	1,476,900	323,461
Within a period of more than five years	<u>215,744</u>	<u>874,055</u>	<u>202,845</u>
	<u>4,179,552</u>	<u>4,066,421</u>	<u>3,488,059</u>

- (c) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s bank borrowings (excluding discounted bill receivables) are as follows:

	<u>2023</u>		<u>2024</u>		<u>2025</u>	
	<i>Effective interest rate (%)</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>RMB'000</i>
Floating rate	2.60%-4.00%	3,176,145	2.10%-4.00%	2,988,112	2.00%-4.23%	1,805,365
Fixed rate	1.41%-4.60%	<u>1,003,407</u>	0.55%-2.65%	<u>1,078,309</u>	1.41%-3.95%	<u>1,682,694</u>
		<u>4,179,552</u>		<u>4,066,421</u>		<u>3,488,059</u>

- (d) The Group’s bank borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
INR	6,240	5,902	5,583
South Korean Won (“KRW”)	56,794	—	9,963
EUR	692	2,252	104
USD	—	<u>201</u>	<u>358,304</u>
	<u>63,726</u>	<u>8,355</u>	<u>373,954</u>

- (e) Secured bank borrowings of the Group are secured by the Group’s property, plant and equipment, right-of-use assets and trade and bills receivables, which were set out in notes 15, 16 and 25, respectively.

- (f) As at 31 December 2023, 2024 and 2025, the Company granted financial guarantees to the extent of approximately RMB7,185,844,000, RMB6,950,000,000 and RMB7,800,000,000 respectively, to banks in respect of banking facilities granted to its subsidiaries, out of which approximately RMB1,268,014,000, RMB2,320,740,000 and RMB2,124,785,000 were utilized.

The Company

	<u>31 December</u>		
	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Discounted bills receivables (<i>note 25(b)</i>)	—	33,055	—
Bank borrowings	<u>3,276,856</u>	<u>2,841,166</u>	<u>1,765,403</u>
	<u>3,276,856</u>	<u>2,874,221</u>	<u>1,765,403</u>
—Amounts shown under current liabilities	1,528,156	878,121	733,903
—Amounts shown under non-current liabilities	<u>1,748,700</u>	<u>1,996,100</u>	<u>1,031,500</u>

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- (a) The effective interest rates and maturities of the bank borrowings (excluding discounted bill receivables) are as follows:

	As at 31 December 2023		
	Effect interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	2.00%~2.80%	2024	1,528,156
Non-current			
Bank loans – unsecured	2.60%~3.15%	2025~2027	1,748,700
Total			3,276,856
	As at 31 December 2024		
	Effect interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	2.10%~2.65%	2025	845,066
Non-current			
Bank loans – unsecured	2.35%~2.60%	2026~2027	1,996,100
Total			2,841,166
	As at 31 December 2025		
	Effect interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	2.00%~2.50%	2026	733,903
Non-current			
Bank loans – unsecured	2.00%~2.45%	2027	1,031,500
Total			1,765,403

- (b) Maturing profile of bank borrowings (excluding discounted bill receivables) (based on scheduled repayment dates set out in the loan agreements) is as follows:

	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within one year	1,528,156	845,066	733,903
Within a period of more than one year but not more than two years	960,000	519,200	1,031,500
Within a period of more than two years but not more than five years	788,700	1,476,900	—
Total	3,276,856	2,841,166	1,765,403

- (c) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company’s bank borrowings (excluding discounted bill receivables) are as follows:

	2023		2024		2025	
	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Floating rate	2.60%-3.15%	2,699,189	2.10%-2.60%	1,841,496	2.00%-2.50%	964,166
Fixed rate	2.00%-2.70%	577,667	2.20%-2.65%	999,670	2.00%-2.50%	801,237
Total		3,276,856		2,841,166		1,765,403

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32. LEASE LIABILITIES

The Group

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Lease liabilities payable:			
Within one year	46,238	89,223	133,035
Within a period of more than one year but not more than two years	38,594	69,491	69,872
Within a period of more than two years but not more than three years	34,697	34,340	48,741
Within a period of more than three years	<u>13,337</u>	<u>42,834</u>	<u>92,792</u>
Total	<u><u>132,866</u></u>	<u><u>235,888</u></u>	<u><u>344,440</u></u>
—Amount due for settlement within 12 months shown under current liabilities	46,238	89,223	133,035
—Amount due for settlement after 12 months shown under non-current liabilities	<u>86,628</u>	<u>146,665</u>	<u>211,405</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 4.5% to 4.8% per annum during the Track Record Period.

33. PROVISION

The Group

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
At the beginning of the year	229,890	488,863	650,253
Additional provision in the year	368,820	406,662	377,397
Utilisation	<u>(109,847)</u>	<u>(245,272)</u>	<u>(345,703)</u>
At the end of the year	<u><u>488,863</u></u>	<u><u>650,253</u></u>	<u><u>681,947</u></u>
—Amounts due for settlement within 12 months shown under current liabilities	—	—	83,383
—Amounts due for settlement after 12 months shown under non-current liabilities	<u>488,863</u>	<u>650,253</u>	<u>598,564</u>

The warranty provision represents management’s best estimate of the Group’s liability under warranties granted on new energy vehicles products, based on historical experience and industry averages for defective products.

34. DEFERRED INCOME

The Group

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Government grants	<u>281,581</u>	<u>372,680</u>	<u>382,441</u>

The amounts mainly represent subsidies received for the acquisition of plant and machinery as well as government grants of a revenue nature relating to operating activities. The capital-related grants will be transferred to profit or loss over the useful lives of the related assets upon the conditions attaching to the grants have been fulfilled. Grants of a revenue nature are recognised in profit or loss in the periods in which the related costs are incurred. During the years ended 31 December 2023, 2024 and 2025, the Group recognised income of RMB32,345,000, RMB58,726,000 and RMB64,595,000, respectively.

35. OTHER FINANCIAL LIABILITIES

The Group

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Liabilities to fund investors	<u>836,227</u>	<u>1,071,406</u>	<u>1,306,529</u>

The Group controls a technology industry investment fund, which is a structured entity managed and invested by the Group, as the Group has power over, is exposed to and has rights to variable returns from its involvement with the fund and has the ability to affect those returns through its power over the fund.

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For the amount raised from limited partners of the fund, the Group has contractual obligation to settle the liability with the limited partners according to the term of respective partnership agreement and the management designates it as other financial liability.

36. SHARE CAPITAL

All shares issued by the Company are fully paid domestic shares. The par value is RMB1. The Company’s number of shares issued and their nominal value are as follows:

	<u>Number of shares</u> <i>'000</i>	<u>Amount</u> <i>RMB'000</i>
Registered and fully paid		
At 1 January 2023	2,658,698	2,658,698
Issuance of shares under share option scheme	<u>18,006</u>	<u>18,006</u>
At 31 December 2023	2,676,704	2,676,704
Issuance of shares under share option scheme	<u>15,691</u>	<u>15,691</u>
At 31 December 2024	2,692,395	2,692,395
Issuance of shares under share option scheme	<u>14,599</u>	<u>14,599</u>
At 31 December 2025	<u><u>2,706,994</u></u>	<u><u>2,706,994</u></u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders’ meetings of the Company. All shares rank *pari passu* in all aspects.

37. TREASURY SHARE

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
At the beginning of the year	205,604	237,724	260,930
Repurchase of shares for share schemes	45,497	70,026	—
Additional obligation for repurchase of shares	—	—	32,907
Release of liability for repurchase of shares	(13,377)	(13,212)	(12,926)
Treasury shares transferred to the grantees or cancelled under share schemes	<u>—</u>	<u>(33,608)</u>	<u>(135,265)</u>
At the end of the year	<u><u>237,724</u></u>	<u><u>260,930</u></u>	<u><u>145,646</u></u>

During the year ended 31 December 2023, the Group’s repurchased treasury stock amounting to approximately RMB45,497,000. As at 31 December 2023, treasury stock mainly comprised treasury stock used for share schemes and restricted share incentive schemes amounting to approximately RMB198,910,000 and liability for repurchase of shares amounting to RMB38,814,000.

During the year ended 31 December 2024, the Group’s repurchased treasury stock amounting to approximately RMB70,026,000. As at 31 December 2024, treasury stock mainly comprised treasury stock used for share schemes and restricted share incentive schemes amounting to approximately RMB235,328,000 and liability for repurchase of shares amounting to RMB25,602,000.

During the year ended 31 December 2025, the Group’s repurchased treasury stock amounting to approximately RMB Nil. As at 31 December 2025, treasury stock mainly comprised treasury stock used for share schemes and restricted share incentive schemes amounting to approximately RMB100,063,000 that have not met vesting condition and liability for repurchase of shares amounting to RMB45,583,000.

As at 31 December 2023, 2024 and 2025, treasury shares of 425,442 shares, 1,644,142 shares and 809,392 shares, respectively, are reserved for issuance upon the exercise of share options under the Company’s future share option schemes and 3,974,994 shares, 3,068,894 shares and 2,007,888 shares, respectively, are reserved for share awards under the existing schemes that have vested in grantees.

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38. RESERVES

The amounts of the Group’s reserves and the movements therein during the Track Record Period are presented in the consolidated statements of changes in equity.

(a) Capital and other reserves

Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received on share issue.

Share-based payment reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 4 to the financial statements.

Capital reserve

Capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or the difference between the proceeds from disposal and the non-controlling interests disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control.

(b) Statutory reserve

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

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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	Capital and other reserves	Statutory reserve	Translation reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	5,617,258	1,071,730	56	5,041,663	11,730,707
Total comprehensive income for the year	—	—	1	1,706,728	1,706,729
Transferred to statutory reserve	—	170,673	—	(170,673)	—
Recognition of share-based payments	246,195	—	—	—	246,195
Exercise of restricted share units granted	635,068	—	—	—	635,068
Business combination under common control (<i>note</i>)	(820,814)	—	—	—	(820,814)
Dividend recognised as distribution	—	—	—	(957,624)	(957,624)
Other	628	—	—	29,015	29,643
At 31 December 2023 and 1 January 2024	5,678,335	1,242,403	57	5,649,109	12,569,904
Total comprehensive income for the year	—	—	7	2,054,938	2,054,945
Transferred to statutory reserve	—	103,794	—	(103,794)	—
Recognition of share-based payments	172,566	—	—	—	172,566
Exercise of restricted share units granted	558,683	—	—	—	558,683
Dividend recognised as distribution	—	—	—	(1,204,747)	(1,204,747)
At 31 December 2024 and 1 January 2025	6,409,584	1,346,197	64	6,395,506	14,151,351
Total comprehensive income for the year	—	—	(16)	2,157,771	2,157,755
Transferred to statutory reserve	—	7,300	—	(7,300)	—
Exercise of restricted share units granted (<i>note 34</i>)	614,357	—	—	—	614,357
Recognition of share-based payments	170,409	—	—	—	170,409
Dividend recognised as distribution	—	—	—	(1,104,397)	(1,104,397)
At 31 December 2025	<u>7,194,350</u>	<u>1,353,497</u>	<u>48</u>	<u>7,441,580</u>	<u>15,989,475</u>

Note: During the year ended 31 December 2023, the Company completed the absorption merger of its subsidiary, the acquisition was accounted for as an equity transaction and the difference between the consideration paid and the carrying amount of net assets of the subsidiary acquired of RMB820,814,000 was charged directly to capital reserve for the year ended 31 December 2023.

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39. SHARE-BASED PAYMENTS

Share-based compensation expenses during the Track Record Period are as follows:

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Equity settled share-based compensation	<u>296,280</u>	<u>206,522</u>	<u>252,857</u>

Stock option scheme

Pursuant to a stock option and restricted stock incentive plan approved at the extraordinary shareholders’ meeting on 12 August 2022 (the “**2022 Incentive Plan**”) to reward the contributions of certain eligible employees of the Group including middle-level management personnel and core technical (business) personnel, the Company granted 12,868,000 stock options to 847 incentive recipients on 12 August 2022 with an initial exercise price of RMB61.12 per share, which was further adjusted to RMB59.90 per share as a result of dividend distribution of the Company. According to the Company’s performance appraisal and individual performance appraisal, the stock options granted are exercisable in four exercise periods after 12 months from the grant date, with the maximum exercisable percentage for each period being 25%, 25%, 25%, and 25%, respectively.

On 9 August 2023, the Company completed the registration of the remaining grant under 2022 Incentive Plan and 1,414,370 stock options were rewarded to 245 incentive participants at an initial exercise price of RMB60.76 per share, which was further adjusted to RMB59.90 per share as a result of dividend distribution of the Company. Pursuant to the 2022 Incentive Plan, the stock options granted to middle-level management personnel and core technical (business) personnel will be unlocked in three periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 40%, 30% and 30% respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

Pursuant to a stock option and restricted stock incentive plan approved at the extraordinary shareholders’ meeting on 23 September 2024 (the “**2024 Incentive Plan**”) to reward the contributions of certain eligible employees of the Group including middle-level management personnel and core technical (business) personnel, the Company initial granted 30,892,200 stock options to 1,146 incentive recipients with an initial exercise price of RMB42.87 per share, which was further adjusted to RMB42.46 per share as a result of dividend distribution of the Company. According to the Company’s performance appraisal and individual performance appraisal, the stock options granted are exercisable in four exercise periods after 12 months from the grant date, with the maximum exercisable percentage for each period being 25%, 25%, 25%, and 25%, respectively.

On 1 August 2025, the Company completed the registration of the remaining grant under 2024 Incentive Plan and 2,627,000 stock options were rewarded to 133 incentive participants at an initial exercise price of RMB42.46 per share. Pursuant to the 2024 Incentive Plan, the stock options granted to management personnel will be unlocked in three periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 40%, 30% and 30% respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

A summary of activities of the service-based stock options is presented as follows:

	<u>Number of stock option</u>	<u>Weighted average exercise price</u>	<u>Weighted average Remaining contractual term</u>
As at 1 January 2023	12,902,000		2.17
Granted	1,414,370		
Exercised	(2,760,559)	30.25	
Lapsed	<u>(489,410)</u>		
As at 31 December 2023 and 1 January 2024	11,066,401		1.64
Granted	30,892,200		
Exercised	(2,529,524)	60.43	
Lapsed	<u>(531,623)</u>		
As at 31 December 2024 and 1 January 2025	38,897,454		2.05
Granted	2,627,000		
Exercised	(11,433,415)	49.52	
Lapsed	<u>(1,048,235)</u>		
As at 31 December 2025	<u>29,042,804</u>		<u>1.60</u>

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The fair value at grant date is determined using the Black-Scholes option pricing model, based on the following inputs:

	<u>2022 Incentive Plan</u>	<u>2024 Incentive Plan</u>
Share price at date of grant	RMB62.50	RMB43.45
Expected volatility	25.81%~27.39%	19.54%~21.10%
Expected option life	1~4 years	1~4 years
Expected dividend yield	0.41%~0.52%	0.61%~0.77%
Risk-free interest rate	1.50%~2.75%	1.38%~1.61%
Exercise price at date of grant	<u>RMB61.12</u>	<u>RMB42.87</u>

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Restricted Stock Incentive Plans

Pursuant to a stock option and restricted stock incentive plan approved at the extraordinary shareholders’ meeting on 13 October 2020 (the “**2020 Incentive Plan**”), the Company completed the registration of the initial grant of 32,656,000 restricted stocks with lock-up period to 621 incentive participants on 28 October 2020 at a grant price of RMB38.42 per share and RMB54.34 per share respectively, which were subsequently adjusted to RMB23.85 and RMB34.47 per share as a result of dividend distribution of the Company. Pursuant to the 2020 Incentive Plan, the restricted stock granted to directors, senior management, core management personnel and core technical (business) personnel will be unlocked in four periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 25% according to the Company’s performance appraisal and individual performance appraisal, etc.

On 31 March 2021, the Company completed the registration of the remaining grant under 2020 Incentive Plan and 5,820,000 restricted stocks were rewarded with lock-up period to 212 incentive participants at a grant price of RMB60.43 per share and RMB85.46 per share respectively, which were further adjusted to RMB39.39 and RMB55.62 per share as a result of dividend distribution of the Company. Pursuant to the 2020 Incentive Plan, the restricted stock granted to middle-level management personnel and core technical (business) personnel will be unlocked in three periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 40%, 30% and 30% respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

Pursuant to the 2022 Incentive Plan, the Company completed the registration of the initial grant of 7,014,000 Type 2 restricted stock were rewarded with lock-up period to 855 incentive participants on 12 August 2022 and 1,220,000 Type 1 restricted stock with lock-up period to 9 incentive participants on 23 August 2022, at a grant price of RMB42.78 per share, which was further adjusted to RMB41.56 per share as a result of dividend distribution of the Company. Pursuant to the 2022 Incentive Plan, the restricted stock granted to senior management and core technical (business) personnel will be unlocked in four periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 25% according to the Company’s performance appraisal and individual performance appraisal, etc.

On 9 August 2023, the Company completed the registration of the remaining grant under 2022 Incentive Plan and 696,630 Type 2 restricted stock with lock-up period to 245 incentive participants at a grant price of RMB42.42 per share, which was further adjusted to RMB41.56 per share as a result of dividend distribution of the Company. Pursuant to the 2022 Incentive Plan, the restricted stock granted to middle-level management personnel and core technical (business) personnel and core technical (business) personnel will be unlocked in three periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 40%, 30% and 30% respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

Pursuant to the 2024 Incentive Plan, the Company completed the registration of the grant of 283,000 Type 2 restricted stocks were rewarded with lock-up period to 14 incentive participants on 23 September 2024 at a grant price of RMB42.87 per share, which was further adjusted to RMB42.46 per share as a result of dividend distribution of the Company. Pursuant to the 2024 Incentive Plan, the restricted stock granted to core management and core sales personnel and will be unlocked in four periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 25% according to the Company’s performance appraisal and individual performance appraisal, etc.

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On 1 August 2025, the Company completed the registration of the remaining grant under 2024 Incentive Plan, 775,000 Type 1 restricted stock and 56,000 Type 2 restricted stock were rewarded with lock-up period to 5 and 3 incentive participants at a grant price of RMB42.46 per share. Pursuant to the 2024 Incentive Plan, the restricted stock granted to core management and core sales personnel will be unlocked in three periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 40%, 30% and 30% respectively, according to the Company’s performance appraisal and individual performance appraisal, etc.

	Year ended 31 December		
	2023	2024	2025
At the beginning of the year	35,892,060	19,757,220	5,920,616
Granted	696,630	283,000	831,000
Vested	(15,550,230)	(13,466,477)	(3,530,303)
Lapsed	(1,281,240)	(653,127)	(208,263)
At the end of the year	<u>19,757,220</u>	<u>5,920,616</u>	<u>3,013,050</u>

The fair values of Type 2 restricted stock granted under the 2022 Incentive Plan and 2024 Incentive Plan on the grant date were estimated as at the dates of grant using the Black-Scholes option pricing model.

Other than Type 2 restricted stock granted under 2022 Incentive Plan and 2024 Incentive Plan, the fair values of other restricted share units granted were determined based on the closing market price of the underlying shares on grant date, less the subscription price.

Restricted Stock Unit Plan

Pursuant to the restricted stock units plan approved at the annual shareholders’ meeting on 24 May 2021 (the “2021 RSUs Plan”), the Company completed the registration of the grant of 2,404,613 restricted stock units (“RSUs”) with lock-up period to 92 incentive participants on 1 August 2022 and 655,381 RSUs with lock-up period to 118 incentive participants on 25 September 2023. Pursuant to the 2021 RSUs Plan and revised restricted stock units plan approved at the extraordinary shareholders’ meeting on 12 August 2022, the restricted stock granted to non-independent directors, supervisors, senior management personnel and core employees will be unlocked in four periods after 12 months from the date of completion of the registration of the grant, and the maximum percentage of unlocking for each period will be 25% according to the Company’s performance appraisal and individual performance appraisal, etc.

	Year ended 31 December		
	2023	2024	2025
At the beginning of the year	2,404,613	3,059,994	2,468,563
Granted	655,381	—	—
Vested	—	(591,431)	(1,508,473)
At the end of the year	<u>3,059,994</u>	<u>2,468,563</u>	<u>960,090</u>

The fair value of each RSU granted is measured at grant date based on the average trading price of the underlying shares on grant date.

Stock option scheme adopted by a subsidiary

Pursuant to a stock option incentive plan approved by the board of directors and supervision committee of Inovance Automotive on 28 October 2021 (the “Inovance Automotive 2021 Incentive Plan”) to reward the contributions of certain eligible employees of Inovance Automotive including middle-level management personnel and core technical personnel as well as former employees of Inovance Technology’s Automotive Electronics Business Unit who have contributed to the development of Inovance Automotive, Inovance Automotive granted 88,142,500 stock options to incentive recipients on 28 October 2021 with an initial exercise price of RMB2.90 per share. According to Inovance Automotive’s performance appraisal and individual performance appraisal, the stock options granted are exercisable in two exercise periods after the listing of Inovance Automotive’s shares, with the exercisable percentage for each period being 50% and 50%, respectively. The first exercise period runs from the first trading day after Inovance Automotive’s stock listing to the last trading day within twelve months after listing.

Pursuant to the second equity incentive plan approved by the board of directors and the shareholders of Inovance Automotive on 26 December 2022 (the “Inovance Automotive 2022 Incentive Plan”) to reward the contributions of eligible employees of Inovance Automotive including middle-level management personnel and core technical personnel, Inovance Automotive granted equity interests corresponding to a registered capital of RMB81.278 million through 16 employee shareholding platforms to incentive recipients by way of capital contribution to Suzhou Lianyi Venture Capital Investment Partnership (Limited Partnership) (“蘇州聯益創投資管理合夥企業(有限合夥)”), which indirectly holds 3.84% of Inovance Automotive’s equity interests. According to Inovance Automotive’s performance appraisal and individual performance appraisal, the equity interests granted to individuals participated in the Inovance Automotive 2021 Incentive Plan will be unlocked after 12 months from the listing date of Inovance Automotive without separate exercise periods, and other equity interests granted will be unlocked in 3 periods after the listing date of Inovance Automotive, with the percentage of unlocking for each period being 30%, 30% and 40%, respectively.

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Pursuant to the third equity incentive plan approved by the first board of directors and the 2023 second extraordinary general meeting of Inovance Automotive on 13 October 2023 (the “**Inovance Automotive 2023 Incentive Plan**”) to reward the contributions of eligible employees of Inovance Automotive including middle-level management personnel and core technical personnel, Inovance Automotive granted equity interests corresponding to a registered capital of RMB31.438 million through 10 employee shareholding platforms to incentive recipients by way of capital contribution to Suzhou Lianfeng Venture Capital Investment Partnership (Limited Partnership) (“蘇州聯豐投資管理合夥企業(有限合夥)”), which indirectly holds 1.49% of Inovance Automotive’s equity interests. According to Inovance Automotive’s performance appraisal and individual performance appraisal, the equity interests granted are exercisable in three exercise periods after the listing of Inovance Automotive’s shares, with the exercisable percentage for each period being 30%, 30% and 40%, respectively, and the exercise date shall be the later of the specified anniversary of listing and the expiry of 36 months from the date of share grant.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in note 31, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as the issue of new debts or the redemption of existing debts.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Financial assets</i>			
Financial assets at amortised cost	22,321,008	26,171,943	31,168,577
Financial assets at FVTOCI	2,132,435	2,375,164	3,507,049
Financial assets at FVTPL	3,057,216	4,388,381	7,865,041
	<u>27,510,659</u>	<u>32,935,488</u>	<u>42,540,667</u>
<i>Financial liabilities</i>			
At amortised cost	19,432,363	23,387,521	28,415,575
Other financial liability	836,227	1,071,406	1,306,529
	<u>20,268,590</u>	<u>24,458,927</u>	<u>29,722,104</u>

The Company

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Financial assets</i>			
Financial assets at amortised cost	5,242,013	5,180,025	6,245,887
Financial assets at FVTOCI	168,515	4,073	143,679
Financial assets at FVTPL	1,352,470	1,116,015	1,111,526
	<u>6,762,998</u>	<u>6,300,113</u>	<u>7,501,092</u>
<i>Financial liabilities</i>			
At amortised cost	7,339,138	7,235,209	6,859,953

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(b) Financial risk management objectives and policies

The Group’s major financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade and bills receivables, other receivables and deposits, bank balances and cash, term deposits, pledged bank deposits, trade, bills and other payables, bank borrowings and financial liability at FVTPL. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk related primarily to its variable-rate bank borrowings and bank balances.

The Group is also exposed to fair value interest rate risk related primarily to fixed-rate bank borrowings. The Group currently does not enter any interest rate swaps to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate risk for its variable-rate bank borrowings at the end of the reporting period. The bank balances are not included in the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is minimal. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 100, 100 and 100 basis points increase or decrease is used for the years ended 31 December 2023, 2024 and 2025, respectively, when reporting cash flow interest rate risk internally to key management personnel and represents management’s assessment of the possible change in interest rates.

The Group

If interest rates had been 100, 100 and 100 basis points higher/lower with all other variables were held constant for the years ended 31 December 2023, 2024 and 2025, respectively, the Group’s post-tax profit for the years ended 31 December 2023, 2024 and 2025 would decrease/increase by approximately RMB27,032,000, RMB20,857,000 and RMB9,776,000 respectively.

The Company

If interest rates had been 100, 100 and 100 basis points higher/lower with all other variables were held constant for the years ended 31 December 2023, 2024 and 2025, respectively, the Company’s post-tax profit for the years ended 31 December 2023, 2024 and 2025 would decrease/increase by approximately RMB21,883,000, RMB12,338,000 and RMB4,685,000 respectively.

(ii) Foreign currency risk

The Group’s transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange rate risk arising from the assets and liabilities which are denominated in currencies other than the functional currency of the relevant group entity. The majority of the Group’s foreign currency transactions and balances are denominated in EUR, USD, INR and KRW. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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The Group’s foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting period and the carrying amounts are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Assets</i>			
USD	178,082	264,507	231,446
EUR	262,969	360,402	356,628
INR	101,866	140,743	144,664
KRW	31,161	45,089	37,326
	<u> </u>	<u> </u>	<u> </u>
<i>Liabilities</i>			
USD	241,261	258,749	759,209
EUR	19,136	66,498	65,717
INR	13,592	12,722	21,595
KRW	87,452	44,780	52,478
	<u> </u>	<u> </u>	<u> </u>

The Company’s foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting period and the carrying amounts are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Assets</i>			
USD	1,299	3,837	1,944
	<u> </u>	<u> </u>	<u> </u>
<i>Liabilities</i>			
EUR	4,889	3,666	2,059
	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The Group

The following table details the Group’s sensitivity to a 5%, 3% and 4% increase and decrease in RMB against the relevant foreign currencies including intra-group balances for the years ended 31 December 2023, 2024 and 2025, respectively. The sensitivity rates used represent management’s assessment of the reasonably possible change in foreign exchange rates. A positive number (negative number) below indicates a decrease in post-tax profit (an increase in post-tax profit) where RMB strengthens 5%, 3% and 4% against the relevant foreign currency for the years ended 31 December 2023, 2024 and 2025, respectively. For a 5%, 3% and 4% weakening of RMB against the relevant foreign currency for the years ended 31 December 2023, 2024 and 2025 respectively, there would be an equal and opposite impact on the post-tax profit.

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Profit for the year</i>			
USD	(2,843)	155	(18,999)
EUR	10,972	7,935	10,473
INR	3,972	3,457	4,430
KRW	(2,533)	8	(545)
	<u> </u>	<u> </u>	<u> </u>

Meanwhile, certain financial assets held by the Group’s associates and joint ventures are denominated in EUR, which exposes the Group and the Company to foreign currency risk arising from exchange rate volatility.

Assuming a 5%, 3% and 4% weakening of RMB against Euro respectively for the years ended 31 December 2023, 2024 and 2025, the post-tax profit of the Group and of the Company for those years would increase or decrease by approximately RMB93,866,000, RMB57,167,000 and RMB70,554,000 respectively in relation to these financial assets.

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The Company

The following table details the Company’s sensitivity to a 5%, 3% and 4% increase and decrease in RMB against the relevant foreign currencies including intra-group balances for the years ended 31 December 2023, 2024 and 2025, respectively. The sensitivity rates used represent management’s assessment of the reasonably possible change in foreign exchange rates. A positive number (negative number) below indicates a decrease in post-tax profit (an increase in post-tax profit) where RMB strengthens 5%, 3% and 4% against the relevant foreign currency for the years ended 31 December 2023, 2024 and 2025, respectively. For a 5%, 3% and 4% weakening of RMB against the relevant foreign currency for the years ended 31 December 2023, 2024 and 2025, respectively, there would be an equal and opposite impact on the post-tax profit.

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Profit for the year</i>			
USD	58	104	70
EUR	<u>(220)</u>	<u>(99)</u>	<u>(74)</u>

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments in financial assets at FVTPL. The Group currently does not have a hedging policy in relation to the price risk. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 41c. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1 or 2, the management of the Company consider that the exposure of price risk is insignificant.

Credit risk and impairment assessment

In order to minimise the credit risk of trade and bills receivables, contract assets and Financial assets at FVTOCI, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of these balances individually and/or collectively at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model in accordance with IFRS 9 on trade balances individually or based on provision matrix. For trade and bills receivables, contract assets and Financial assets at FVTOCI, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL based on historical credit loss experience adjusted by forward-looking estimates without undue cost or effort.

The credit risk of other receivables and deposits are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group performs impairment assessment under ECL model in accordance with IFRS 9 on these outstanding balances.

For other receivables and deposits, the Group measures the loss allowance at 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in likelihood or risk of a default occurring since initial recognition. Certain other receivables and deposits had significant increase in credit risk since initial recognition. The balances are monitored on an ongoing basis and the Group’s exposure to credit risk is not significant since the Group only trades with creditworthy third parties, and the Group does not require any collateral from other debtors.

The credit risk on liquid funds is low because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC. The management of the Company consider the probability of default is negligible on the basis of high credit-rating issuers during the Track Record Period.

There has been no significant changes to estimation techniques or assumptions made.

The concentration of credit risk in respect of trade receivables is minimal, as the Group has a large number of customers. The management of the Company continue to monitor and assess the financial status of the counterparties, and they believe the exposure to credit risk on these balances is not significant as the counterparties are of good financial position.

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The Group’s current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for recognising ECL</u>
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime-ECL—not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime-ECL—credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The management of the Company closely monitor the liquidity position and its compliance with lending covenants and expect to have adequate sources of funding to finance the Group’s operations.

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

The Group

	<u>On demand or within 1 year</u>	<u>1–5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Carrying amount</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
2023					
Trade, bills and other payables	14,206,744	—	—	14,206,744	14,206,744
Bank and other borrowings	<u>2,967,457</u>	<u>2,216,102</u>	<u>230,412</u>	<u>5,413,971</u>	<u>5,225,619</u>
	<u>17,174,201</u>	<u>2,216,102</u>	<u>230,412</u>	<u>19,620,715</u>	<u>19,432,363</u>
Lease liabilities	<u>49,625</u>	<u>89,769</u>	<u>4,822</u>	<u>144,216</u>	<u>132,866</u>
	<u>On demand or within 1 year</u>	<u>1–5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Carrying amount</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
2024					
Trade, bills and other payables	19,120,470	—	—	19,120,470	19,120,470
Bank and other borrowings	<u>1,482,299</u>	<u>2,155,724</u>	<u>906,551</u>	<u>4,544,574</u>	<u>4,267,051</u>
	<u>20,602,769</u>	<u>2,155,724</u>	<u>906,551</u>	<u>23,665,044</u>	<u>23,387,521</u>
Lease liabilities	<u>96,026</u>	<u>157,278</u>	<u>1,593</u>	<u>254,897</u>	<u>235,888</u>

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	On demand or within 1 year	1–5 years	Over 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2025					
Trade, bills and other payables	24,223,452	—	—	24,223,452	24,223,452
Bank borrowings	<u>2,672,258</u>	<u>1,422,567</u>	<u>208,092</u>	<u>4,302,917</u>	<u>4,192,123</u>
	<u>26,895,710</u>	<u>1,422,567</u>	<u>208,092</u>	<u>28,526,369</u>	<u>28,415,575</u>
Lease liabilities	<u>144,673</u>	<u>188,832</u>	<u>47,281</u>	<u>380,786</u>	<u>344,440</u>
<i>The Company</i>					
	On demand or within 1 year	1–5 years	Over 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2023					
Trade, bills and other payables	4,062,282	—	—	4,062,282	4,062,282
Bank and other borrowings	<u>2,189,633</u>	<u>1,172,004</u>	—	<u>3,361,637</u>	<u>3,276,856</u>
	<u>6,251,915</u>	<u>1,172,004</u>	—	<u>7,423,919</u>	<u>7,339,138</u>
Lease liabilities	<u>5,113</u>	<u>1,254</u>	—	<u>6,367</u>	<u>6,199</u>
	On demand or within 1 year	1–5 years	Over 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2024					
Trade, bills and other payables	4,360,988	—	—	4,360,988	4,360,988
Bank and other borrowings	<u>1,289,420</u>	<u>1,638,789</u>	—	<u>2,928,209</u>	<u>2,874,221</u>
	<u>5,650,408</u>	<u>1,638,789</u>	—	<u>7,289,197</u>	<u>7,235,209</u>
Lease liabilities	<u>1,045</u>	<u>2,032</u>	—	<u>3,077</u>	<u>2,881</u>
	On demand or within 1 year	1–5 years	Over 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2025					
Trade, bills and other payables	5,094,550	—	—	5,094,550	5,094,550
Bank borrowings	<u>763,221</u>	<u>1,041,320</u>	—	<u>1,804,541</u>	<u>1,765,403</u>
	<u>5,857,771</u>	<u>1,041,320</u>	—	<u>6,899,091</u>	<u>6,859,953</u>
Lease liabilities	<u>1,050</u>	<u>982</u>	—	<u>2,032</u>	<u>1,945</u>

The amounts included above for non-derivative financial liabilities with variable interest rate are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

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(c) Fair value measurement of financial instruments

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Some of the Group’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial instruments	Fair value as at 31 December			Fair value hierarchy	Valuation techniques and key inputs
	2023	2024	2025		
	RMB’000	RMB’000	RMB’000		
Financial assets at FVTOCI	2,132,435	2,375,164	3,507,049	Level 3	Fair values are estimated based on the expected cash inflow at the discount rate that reflects the market credit risk
Financial assets at FVTPL—unlisted investments	2,179,658	2,446,744	2,645,579	Level 3	The market approach using comparable company transaction multiples, or recent capital injection costs, adjusted for any relevant factors.
Financial assets at FVTPL—listed investments	157,672	158,774	60,646	Level 1	Closing price of listed investments based on Shanghai and Shenzhen Stock Exchanges at the end of the reporting period (or the nearest day of trading)
Financial assets at FVTPL—listed investments	47,999	—	31,244	Level 2	Closing price of listed investments based on Shanghai and Shenzhen Stock Exchanges at the end of the reporting period (or the nearest day of trading) and liquidity discounts
Financial assets at FVTPL—Wealth management plans and structured deposits	671,635	1,782,863	5,124,697	Level 2	The fair value of wealth management plans and structured deposits was determined with reference to the fair value or expected yields of underlying investments which are provided by the counterparty financial institutions
Financial assets at FVTPL—Derivatives	252	—	2,875	Level 2	The fair value was determined with reference to observable market forward exchange rates, interest rate yield curves and credit spreads, using discounted cash flow models.

There was no transfer between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2025. There was transfers of fair value measurements from Level 2 to Level 1 amounting to RMB186,060,000 and RMB47,999,000 during the year ended 31 December 2023 and 2024.

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The following table summarises the quantitative information about the significant unobservable inputs of major financial assets and liabilities used in level 3 fair value measurements:

Description	Fair value			Valuation technique(s)	Un-observable inputs	Range of inputs			Sensitivity of fair value to the input
	as at 31 December					As at 31 December			
	2023	2024	2025			2023	2024	2025	
	RMB'000	RMB'000	RMB'000						
Equity securities	234,200	449,547	360,853	Market approach	Enterprise Value/ Earnings Before Interest, Taxes (“EV/EBITA”)	11.97–182.89	10.58–284.13	14.41–167.03	1% increase (decrease) in EV/ EBITA ratio would result in increase (decrease) in fair value by 2023: RMB1,182,000 (RMB1,182,000) 2024: RMB1,690,000 (RMB1,690,000) 2025: RMB1,158,000 (RMB1,158,000)
					Enterprise Value/ Research And Development Expenses (“EV/R&D”)	28.24–75.53	19.36–103.46	17.81–68.26	1% increase (decrease) in EV/ R&D ratio would result in increase (decrease) in fair value by 2023: RMB822,000 (RMB822,000) 2024: RMB1,086,000 (RMB1,086,000) 2025: RMB771,000 (RMB771,000)
					Enterprise Value/Sales (“EV/S”)	2.11–2.11	2.30–7.50	1.70–24.15	1% increase (decrease) in EV/S ratio would result in increase (decrease) in fair value by 2023: RMB128,000 (RMB128,000) 2024: RMB854,000 (RMB854,000) 2025: RMB1,432,000 (RMB1,432,000)
					Price to book ratio (“P/B ratio”)	N/A	4.46–8.02	N/A	1% increase (decrease) in P/B ratio would result in increase (decrease) in fair value by 2023: RMB Nil 2024: (RMB460,000) RMB460,000 2025: RMB Nil
					Discount for lack of marketability (“DLOM”)	21.33%– 39.08%	21.78%– 50.16%	20.52%– 46.34%	1% increase (decrease) in DLOM ratio would result in increase (decrease) in fair value by 2023: (RMB3,095,000) RMB3,095,000 2024: (RMB6,491,000) RMB6,491,000 2025: (RMB5,288,000) RMB5,288,000
	55,266	51,906	62,237	Net asset value (note a)	N/A	N/A	N/A	N/A	N/A
	1,890,192	1,945,291	2,222,489	Consensus pricing	Offered quotes	1.70–911.10	1.70–627.07	1.70–773.02	1% increase (decrease) in Offered quotes ratio would result in increase (decrease) in fair value by 2023: RMB18,902,000 (RMB18,902,000) 2024: RMB19,453,000 (RMB19,453,000) 2025: RMB22,225,000 (RMB22,225,000)

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- (a) The Group determines the fair value as at the reporting date based on the reported net asset values.
- (b) Other than described above, there were no significant unobservable inputs that materially affect its fair values.

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The following table presents the reconciliation of Level 3 measurements of financial assets throughout the Track Record Period:

	<u>Unlisted investments</u> <i>RMB’000</i>	<u>Financial assets held for trading</u> <i>RMB’000</i>	<u>Total</u> <i>RMB’000</i>
At 1 January 2023 and 31 December 2022	1,651,501	26,534	1,678,035
Additions	260,927	—	260,927
Changes in fair value	321,612	(7,931)	313,681
Transfer to level 2 measurement of financial assets	(52,882)	—	(52,882)
Disposal	(1,500)	(18,603)	(20,103)
At 31 December 2023	2,179,658	—	2,179,658
Additions	274,486	—	274,486
Changes in fair value	(7,400)	—	(7,400)
At 31 December 2024	2,446,744	—	2,446,744
Additions	180,111	—	180,111
Changes in fair value	31,404	—	31,404
Disposal	(12,680)	—	(12,680)
At 31 December 2025	<u>2,645,579</u>	<u>—</u>	<u>2,645,579</u>

The management of the Group considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values at the end of each reporting period.

The Company

Some of the Company’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

<u>Financial instruments</u>	<u>Fair value as at 31 December</u>			<u>Fair value hierarchy</u>	<u>Valuation techniques and key inputs</u>
	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>		
Financial assets at FVTOCI	168,515	4,073	143,679	Level 3	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk
Financial assets at FVTPL—Unlisted investments	917,874	890,332	903,265	Level 3	Market approach considers comparable company enterprise value and discount for lack of marketability.
Financial assets at FVTPL—listed investments	—	35,640	36,918	Level 1	Closing price of listed investments based on Shanghai and Shenzhen Stock Exchanges at the end of the reporting period (or the nearest day of trading)

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Financial instruments	Fair value as at 31 December			Fair value hierarchy	Valuation techniques and key inputs
	2023	2024	2025		
	RMB'000	RMB'000	RMB'000		
Financial assets at FVTPL—listed investments	47,999	—	31,244	Level 2	Closing price of listed investments based on Shanghai and Shenzhen Stock Exchanges at the end of the reporting period (or the nearest day of trading) and liquidity discounts
Financial assets at FVTPL—Wealth management plans and structured deposits	386,489	190,043	139,005	Level 2	The fair value of wealth management plans and structured deposits was determined with reference to the fair value or expected yields of underlying investments which are provided by the counterparty financial institutions
Financial assets at FVTPL—Derivatives	108	—	1,094	Level 2	Quoted exchange rate published by the People’s Bank of China at the end of the reporting period (or the nearest day of trading)

The management of the Company considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair values at the end of each reporting period.

42. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2023

During the year ended 31 December 2023, the Group acquired following subsidiaries at a total consideration of approximately RMB359,691,000. These transactions have been accounted for as business combinations using acquisition accounting. Upon completion of the acquisitions, following companies became subsidiaries of the Company. The principal activities of acquired subsidiaries are engaged in the production of rail transit equipment and industry camera.

Details of acquisitions of subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Acquisition completed in	Equity interest acquired	Total consideration RMB'000
Changchun Jingwei Rail Transit Equipment Co., Ltd. (“Changchun Jingwei”) (长春市經緯轨道交通設備有限公司)	PRC	January 2023	30% (note)	—
Zhongke Lingtu SBC Linear Co., Ltd.	PRC	July 2023	100%	130,000
	Republic of Korea	May 2023	100%	229,691
				<u>359,691</u>

Note: Prior to the acquisition, Changchun Jingwei was held by the Group and other investor with the equity interest of 70% and 30% respectively, and Changchun Jingwei was accounted by the Group as investment in joint ventures as unanimous consent on key operating and financing decision was required among shareholders. Changchun Jingwei became a wholly-owned subsidiary of the Group after this acquisition.

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For the years ended 31 December 2024

During the year ended 31 December 2024, the Group acquired following subsidiaries at a total consideration of approximately RMB56,430,000. These transactions have been accounted for as business combinations using acquisition accounting. Upon completion of the acquisitions, following companies became subsidiaries of the Company. The principal activities of acquired subsidiaries are engaged in the software development.

Details of acquisitions of subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation/ registration</u>	<u>Acquisition completed in</u>	<u>Equity interest acquired</u>	<u>Total consideration</u> <i>RMB'000</i>
Kade Intelligence Technology Co., Ltd. (北京楷德智繪科技有限 公司)	PRC	April 2024	100%	33,198
INNOVATION RECHERCHE AUTOMATISME INFORMATIQUE	France	July 2024	100%	23,232
				<u>56,430</u>

For the years ended 31 December 2025

There was no acquisition of subsidiaries during the year ended 31 December 2025.

Acquisition-related costs were insignificant and have been recognised as an expense for the year ended 31 December 2023, 2024 and 2025 and included in the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Aggregate fair values of assets acquired and liabilities recognised at the dates of acquisitions are as follows:

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>
Property, plant and equipment (<i>note 15</i>)	154,278	—
Right-of-use assets (<i>note 16</i>)	329	—
Intangible assets (<i>note 19</i>)	24,315	58,527
Deferred tax assets (<i>note 22</i>)	4	—
Inventories	81,715	—
Trade and other receivables	39,575	1,239
Financial assets at FVTPL	305	79
Financial assets at FVTOCI	7,517	—
Bank balances and cash	12,228	5,993
Trade and other payables	(39,818)	(370)
Contract liabilities	(1,302)	(12)
Tax liabilities	(371)	—
Bank borrowings	(97,322)	(112)
Deferred tax liabilities (<i>note 22</i>)	(6,340)	(8,502)
Fair value of net identifiable assets	<u>175,113</u>	<u>56,842</u>

The fair value of trade and other receivables at the date of acquisition for the years ended 31 December 2023 and 2024 amounted to approximately RMB39,575,000 and RMB1,239,000, respectively, in which the amount approximates the best estimate at acquisition date of the contractual cash flows expected to be collected.

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>
Cash consideration paid	359,691	56,430
Less: fair values of net assets acquired	<u>175,113</u>	<u>56,842</u>
Goodwill/(gain on bargain purchase) arising on acquisitions of subsidiaries	<u>184,578</u>	<u>(412)</u>

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	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>
Net cash outflow arising on acquisition:		
Total consideration	359,691	56,430
Less: Consideration payable due within one year included		
in trade and other payables	(13,600)	(18,523)
Bank balances and cash acquired	<u>(12,228)</u>	<u>(5,993)</u>
Bank balances and cash acquired	<u>333,863</u>	<u>31,914</u>

For the years ended 31 December 2023

Included in the profit for the year ended 31 December 2023 was a loss of approximately RMB16,191,000 attributable to the additional business generated by the acquired subsidiaries. Revenue for the year ended 31 December 2023 includes approximately RMB100,058,000 generated from the acquired subsidiaries.

Had the acquisition been completed on 1 January 2023, the Group’s revenue for the year ended 31 December 2023 would have been approximately RMB30,460,394,000, and profit for the year ended 31 December 2023 would have been approximately RMB4,768,459,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

For the years ended 31 December 2024

Included in the profit for the year ended 31 December 2024 was a loss of approximately RMB5,301,000 attributable to the additional business generated by the acquired subsidiaries. Revenue for the year ended 31 December 2024 includes approximately RMB2,073,000 generated from the acquired subsidiaries.

Had the acquisition been completed on 1 January 2024, the Group’s revenue for the year ended 31 December 2024 would have been approximately RMB37,015,659,000, and profit for the year ended 31 December 2024 would have been approximately RMB4,347,257,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

43. ACQUISITIONS OF ADDITIONAL INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2023

The Group acquired additional equity interests in Nanjing Huichuan Industrial Visual Technology Development Co., Ltd. (“**NH Industrial Visual**”) for a consideration of RMB300,000,000. Upon the completion of the acquisition, the Group holds 100% equity interests in NH Industrial Visual.

The acquisition has been accounted for as equity transaction and the difference between the consideration paid and the carrying amount of the attributable non-controlling interest acquired of RMB289,995,000 had been charged directly in capital reserve for the year ended 31 December 2023.

For the year ended 31 December 2024

The Group acquired additional equity interests in Nanjing Cizhahui Electric Motor Co., Ltd. (“**Nanjing Cizhahui**”) for a consideration of RMB20,000,000. Upon the completion of the acquisition, the Group holds 90% equity interests in Nanjing Cizhahui.

The Group acquired additional equity interests in Dalian Huichuan Technology Co., Ltd. (“**Dalian Huichuan**”) for a consideration of RMB410,490,000. Upon the completion of the acquisition, the Group holds 100% equity interests in Dalian Huichuan.

These acquisitions have been accounted for as equity transaction and the difference between the consideration paid and the carrying amount of the attributable non-controlling interest acquired of RMB289,891,000 had been charged directly in capital reserve for the year ended 31 December 2024.

For the year ended 31 December 2025

There was no acquisition of additional interest in subsidiaries during the year ended 31 December 2025.

44. DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

For the year ended 31 December 2023

During the year ended 31 December 2023, two independent third parties injected capital amounting to RMB479,158,000 to Inovance Automotive, resulting in the dilution of equity interest in Inovance Automotive held by the Group from 100% to 94.67%. The Group continuously controls Inovance Automotive after the partial disposal.

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The difference between the capital injected by the independent third parties and the attributable equity interests in Inovance Automotive disposed of RMB273,602,000 had been charged directly in capital reserve for the year ended 31 December 2023.

For the year ended 31 December 2024

There was no deemed disposal of partial interest in subsidiaries without loss of control during the year ended 31 December 2024.

For the year ended 31 December 2025

During the year ended 31 December 2025, the shares of Inovance Automotive were listed on the ChiNext Market of the Shenzhen Stock Exchange on 25 September 2025, resulting in the dilution of equity interest in Inovance Automotive held by the Group from 94.67% to 83.31%. The Group continuously control Inovance Automotive after the partial disposal.

The difference between the attributable equity interests in Inovance Automotive before completion of the transaction and after completion of the transaction of RMB2,305,912,000 had been credited directly in capital reserve for the year ended 31 December 2025.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group entered into new lease agreements and recognised right-of-use assets for buildings of approximately RMB51,948,000, RMB163,054,000 and RMB198,977,000 and lease liabilities for buildings of approximately RMB51,948,000, RMB163,054,000 and RMB198,977,000, respectively.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings	Lease liabilities	Other financial liability	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	5,252,853	128,801	466,486	5,848,140
Finance cost for the year	171,151	7,001	—	178,152
Fair value changes	—	—	48,405	48,405
Acquisition of subsidiaries (note 42)	97,322	—	—	97,322
Cash flows used in financing activities	(359,408)	(54,063)	318,500	(94,971)
Cash flows used in operating activities	91,742	—	—	91,742
Non-cash changes	<u>(28,041)</u>	<u>51,127</u>	<u>2,836</u>	<u>25,922</u>
At 31 December 2023	5,225,619	132,866	836,227	6,194,712
Finance cost for the year	150,045	9,849	—	159,894
Fair value changes	—	—	6,179	6,179
Acquisition of subsidiaries (note 42)	112	—	—	112
Cash flows used in financing activities	(896,817)	(59,922)	229,000	(727,739)
Cash flows used in operating activities	13,853	—	—	13,853
Non-cash changes	<u>(225,761)</u>	<u>153,095</u>	<u>—</u>	<u>(72,666)</u>
At 31 December 2024	4,267,051	235,888	1,071,406	5,574,345
Finance cost for the year	131,343	14,386	—	145,729
Fair value changes	—	—	11,623	11,623
Cash flows used in financing activities	(342,855)	(110,523)	223,500	(229,878)
Cash flows used in operating activities	80,200	—	—	80,200
Non-cash changes	<u>56,384</u>	<u>204,689</u>	<u>—</u>	<u>261,073</u>
At 31 December 2025	<u>4,192,123</u>	<u>344,440</u>	<u>1,306,529</u>	<u>5,843,092</u>

(c) Total cash outflow for leases:

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

	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	30,543	27,938	54,929
Within financing activities	<u>54,063</u>	<u>59,922</u>	<u>110,523</u>

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46. CONTINGENT LIABILITIES

As at 31 December 2023, 2024 and 2025, the Group issued financial guarantees to banks in respect of banking facilities granted to certain customers of the Group. The aggregate amounts that could be required to be paid if the guarantees were called upon in their entirety amounted to RMB600,000,000, RMB900,000,000 and RMB900,000,000 as at 31 December 2023, 2024 and 2025, respectively. As at 31 December 2023, 2024 and 2025, approximately RMB441,435,000, RMB480,503,000 and RMB632,613,000 have been utilised by the customers of the Group, respectively.

As at the end of each of the Track Record Period, no liabilities has been recognised in the consolidated statement of financial position as the default risk is low.

As at the end of each Track Record Period, no other significant contingent liabilities have been identified by the Group and the Company.

47. PLEDGE OF ASSETS

Details of the Group’s and the Company’s assets pledged for the Group’s bank borrowings, which are secured by the Group’s and the Company’s assets, are included in notes 15, 16, 25 and 31 to this Historical Financial Information, respectively.

48. RETIREMENT BENEFITS PLANS

According to the relevant laws and regulations in the PRC, the Company’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administered by the local municipal government. The Group’s PRC subsidiaries contribute funds which are based on a certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of a trustee. The Group contributes 5% of relevant payroll costs to the scheme and the same amount is matched by employees.

In addition, certain overseas subsidiaries of the Group participate in local defined contribution pension plans in compliance with applicable local laws and regulations. Contributions are made at rates stipulated by local authorities. The Group’s obligations in respect of these plans are limited to the contributions payable as required.

The Group recognised the retirement benefit contributions of approximately RMB267,605,000, RMB374,540,000 and RMB430,462,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

49. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of entity	Relationship
Suzhou Kenbo Optoelectronic Technology Co., Ltd. (“ Kenbo Optoelectronic ”)	Associate of the Group
Shenzhen Huichuang Huaxin Venture Capital Partnership (Limited Partnership) (“ Huichuang Huaxin ”)	Associate of the Group
Changzhou Huichuang Xinqu Equity Investment Partnership (Limited Partnership) (“ Huichuang Xinqu ”)	Associate of the Group
Changzhou Huixiang New Energy Automobile Parts Co., Ltd. (“ Changzhou Huixiang ”)	Associate of the Group
Wuxi Tongyuan Electric Technology Co., Ltd. (“ Wuxi Tongyuan ”)	Associate of the Group
Xiamen Aerospace Sierte Robot System Co., Ltd. (“ Sierte ”)	Associate of the Group
Saichuan Electromechanical Co., Ltd. (“ Saichuan Electromechanical ”)	Joint venture of the Group
Haitong Kechuang (Shenzhen) Co., Ltd. (“ Haitong Kechuang ”)	Associate of the Group

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Other than as disclosed elsewhere in the Historical Financial Information, the Group had material transactions during the Track Record Period, with related parties as follows:

Related party	Nature of transaction	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Kenbo Optoelectronic	Purchases of raw finished goods	5,023	1,748	1,709
Haitong Kechuang	Purchases of finished goods and acquisition of services	—	745	—
Changzhou Huixiang	Rental income	2,114	5,110	4,923
Changzhou Huixiang	Utilities expenses paid on behalf	2,388	4,828	3,790
Changzhou Huixiang	Purchase of assets	—	—	15,500
Changzhou Huixiang	Asset transfer	—	151	—
Changzhou Huixiang	Sales of finished goods and provision of services	1,625,986	4,068,461	2,429,784
Huichuang Huaxin	Provision of services	151	151	151
Huichuang Xinqu	Provision of services	425	—	—
Wuxi Tongyuan	Sales of finished goods	810	6,331	8,305
Wuxi Tongyuan	Acquisition of services	—	—	183
Haitong Kechuang	Sales of finished goods	—	1,773	5,411

(b) Outstanding balances with related parties:

The Group

Amounts due from related parties included in trade and bills receivables

	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Amounts due from associates	1,067,329	1,558,332	488,028
Impairment	(53,515)	(78,032)	(24,430)
	1,013,814	1,480,300	463,598

The Group performs impairment assessment under ECL model on due from related parties, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. During the years ended 31 December 2023, 2024 and 2025, impairment of approximately RMB52,673,000, RMB24,517,000 and reversal of impairment of approximately RMB53,602,000, respectively were recognised in respect of the amounts due from related parties.

The balances due from related parties were trade in nature, unsecured, non-interest-bearing and repayable based on credit terms stipulated in the agreements. The aging of balances due from related parties was within one year at the end of each of the Track Record Period.

Associates issued bills of exchange to settle payment of goods and amount remained outstanding at year end and included in bills receivables at FVTOCI as follows:

	31 December		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Amounts due from associates	—	300,000	508

Amounts due to related parties included in contract liabilities

	31 December		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Sales of products	—	2,800	299

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Amounts due from related parties included in prepayments and other receivables

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Amounts due from associates	693	913	805
Less: Expected credit losses	<u>(35)</u>	<u>(46)</u>	<u>(39)</u>
	<u>658</u>	<u>867</u>	<u>766</u>
Trade-related	—	—	34
Non-trade related	<u>658</u>	<u>867</u>	<u>732</u>
	<u><u>658</u></u>	<u><u>867</u></u>	<u><u>766</u></u>

The balances due from related parties were unsecured, non-interest-bearing and repayable on demand.

Amounts due to related parties included in trade and other payables

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Trade-related	<u>1,637</u>	<u>2,330</u>	<u>18,102</u>

The balances due to related parties as at 31 December 2023, 2024 and 2025 were unsecured, non-interest-bearing and repayable on demand. The aging of balances due to related parties was within one year at the end of each of the Track Record Period.

The Company

Amounts due from subsidiaries included in trade receivables

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Amounts due from subsidiaries	<u>1,996,295</u>	<u>870,713</u>	<u>1,045,636</u>

The Company performs impairment assessment under ECL model on due from related parties, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. During the years ended 31 December 2023, 2024 and 2025, no impairment loss were recognised in respect of the amounts due from related parties.

The balances were unsecured, non-interest-bearing and repayable based on credit terms stipulated in the agreements. The aging of balances due from related parties was within one year at the end of each of the Track Record Period.

Amounts due from subsidiaries included in prepayments and other receivables

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Trade-related	—	399	723
Non-trade related	124,645	357,888	587,389
Less: impairment	<u>—</u>	<u>—</u>	<u>(11,545)</u>
	<u>124,645</u>	<u>358,287</u>	<u>576,567</u>

The balances due from subsidiaries were unsecured and repayable on demand. The Company performs impairment assessment under ECL model on amounts due from subsidiaries, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. As at 31 December 2025, impairment losses of RMB11,545,000, were recognised in respect of the amounts due from subsidiaries.

Amounts due to subsidiaries included in trade and other payables

	<u>2023</u> <i>RMB’000</i>	<u>2024</u> <i>RMB’000</i>	<u>2025</u> <i>RMB’000</i>
Trade-related	732,609	92,325	120,784
Non-trade related	<u>3,215,818</u>	<u>4,181,050</u>	<u>4,691,396</u>
	<u><u>3,948,427</u></u>	<u><u>4,273,375</u></u>	<u><u>4,812,180</u></u>

The balances were unsecured and repayable on demand.

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(c) The remuneration of key management personnel during the Track Record Period, is as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term benefits	27,918	28,080	27,577
Retirement benefit scheme contributions	565	583	607
Share-base payment expense	<u>44,465</u>	<u>28,871</u>	<u>20,737</u>
	<u>72,948</u>	<u>57,534</u>	<u>48,921</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

50. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group as at 31 December 2023, 2024 and 2025 that have material non-controlling interests:

Name of subsidiary	Place establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Total comprehensive income allocated to non-controlling interests			Accumulated non-controlling interests		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Inovance Automotive	The PRC	5.33%	5.33%	16.69%	4,846	49,297	111,296	211,882	257,578	1,601,601
Other subsidiaries with non-controlling interests					28,876	11,055	12,908	307,216	177,175	180,218
					<u>33,722</u>	<u>60,352</u>	<u>124,204</u>	<u>519,098</u>	<u>434,753</u>	<u>1,781,819</u>

The summarised financial information in respect of non-wholly owned subsidiaries of the Group that has material non-controlling interests is set out below. The summarised financial information/consolidated financial information below represents amounts before intergroup eliminations.

Inovance Automotive

	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	<u>3,255,025</u>	<u>4,760,330</u>	<u>7,324,418</u>
Current assets	<u>9,041,633</u>	<u>13,311,827</u>	<u>18,473,723</u>
Current liabilities	<u>7,826,351</u>	<u>11,626,234</u>	<u>14,930,467</u>
Non-current liabilities	<u>590,313</u>	<u>1,609,967</u>	<u>1,269,835</u>
Equity attributable to the owner of Inovance Automotive	<u>3,668,112</u>	<u>4,578,378</u>	<u>7,996,238</u>
Equity attributable to the NCI of Inovance Automotive	<u>211,882</u>	<u>257,578</u>	<u>1,601,601</u>
Revenue	<u>9,365,403</u>	<u>16,177,531</u>	<u>20,697,000</u>
Expenses	<u>(9,179,539)</u>	<u>(15,241,620)</u>	<u>(19,563,639)</u>
Profit for the year	<u>185,864</u>	<u>935,911</u>	<u>1,133,361</u>
Profit attributable to owners of Inovance Automotive	<u>181,032</u>	<u>886,062</u>	<u>1,023,577</u>
Profit attributable to the NCI of Inovance Automotive	<u>4,832</u>	<u>49,849</u>	<u>109,784</u>
Profit and total comprehensive income	<u>186,252</u>	<u>925,549</u>	<u>1,156,021</u>
Profit and total comprehensive income attributable to owners of Inovance Automotive	<u>181,406</u>	<u>876,252</u>	<u>1,044,725</u>
Profit and total comprehensive income attributable to NCI of Inovance Automotive	<u>4,846</u>	<u>49,297</u>	<u>111,296</u>
Net cash (outflow)/inflow from operating activities	<u>(96,955)</u>	<u>2,652,611</u>	<u>2,929,155</u>
Net cash outflow from investing activities	<u>(31,200)</u>	<u>(2,969,390)</u>	<u>(5,329,628)</u>
Net cash inflow from financing activities	<u>605,532</u>	<u>654,198</u>	<u>3,582,452</u>
Net cash inflow	<u>477,377</u>	<u>337,419</u>	<u>1,181,979</u>

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51. COMMITMENTS

The Group

The Group had the following contracted commitments at the end of each of the Track Record Period:

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Property, plant, and equipment	<u>412,482</u>	<u>298,777</u>	<u>604,179</u>

The Company

The Company had the following contracted commitments at the end of each of the Track Record Period:

	<u>2023</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>	<u>2025</u> <i>RMB'000</i>
Property, plant and equipment	<u>2,207</u>	<u>455</u>	<u>238</u>

52. SUBSEQUENT EVENTS

[No significant events that require additional disclosure or adjustments occurred after the Track Record Period.]

53. 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.