

APPENDIX I

ACCOUNTANTS’ REPORT

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

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN CHUANGZHI SEMI-LINK TECHNOLOGY CO., LTD, HAITONG INTERNATIONAL CAPITAL LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shenzhen Chuangzhi Semi-link Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [4] to [74], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at end of each of the Relevant Periods and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[74] 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 [REDACTED] of the shares of the Company on the [REDACTED] of [REDACTED] (the “[REDACTED]”).

Directors’ Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants’ Responsibility

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

APPENDIX I

ACCOUNTANTS' REPORT

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

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

Opinion

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

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

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

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APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	5	311,651	409,924	635,850
Cost of sales		(201,677)	(234,669)	(390,175)
Gross profit		109,974	175,255	245,675
Other income and gains	5	4,288	3,513	5,092
Selling and distribution expenses		(28,735)	(34,800)	(41,474)
Administrative expenses		(33,292)	(41,521)	(64,475)
Research and development expenses	7	(30,053)	(38,823)	(50,524)
Impairment losses on financial and contract assets, net	7	(903)	(3,116)	(9,933)
Other expenses		(515)	(1,228)	(6,148)
Finance costs	6	(1,490)	(2,065)	(2,249)
Share of profits of an associate		–	2,957	5,697
PROFIT BEFORE TAX	7	19,274	60,172	81,661
Income tax credit/(expense)	10	147	(7,466)	(8,451)
PROFIT FOR THE YEAR		19,421	52,706	73,210
Attributable to:				
Owners of the parent		19,421	54,448	73,763
Non-controlling interests		–	(1,742)	(553)
		19,421	52,706	73,210
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		–	–	47
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		19,421	52,706	73,257
Attributable to:				
Owners of the parent		19,421	54,448	73,810
Non-controlling interests		–	(1,742)	(553)
		19,421	52,706	73,257
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB per share)	12	0.18	0.48	0.64

For the details of pre-[REDACTED] investments, please refer to note 30 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	458,695	512,979	549,126
Right-of-use assets	15	30,962	37,045	27,859
Intangible assets	14	70	474	744
Deferred tax assets	20	4,784	3,318	3,256
Investment in an associate	16	45,000	48,270	53,967
Prepayment, deposits and other receivables	22	17,355	3,836	10,388
Total non-current assets		556,866	605,922	645,340
CURRENT ASSETS				
Inventories	19	54,421	90,333	120,151
Trade and bills receivables	21	171,959	227,508	315,565
Contract assets	24	328	139	1,577
Prepayments, deposits and other receivables	22	25,061	7,454	30,378
Financial assets at fair value through profit and loss	23	71,359	20,025	—
Debt investments at fair value through other comprehensive income	18	12,574	13,073	6,094
Restricted bank deposits	25	—	7,950	9,020
Cash and cash equivalents	25	62,802	86,511	90,359
Total current assets		398,504	452,993	573,144
CURRENT LIABILITIES				
Trade and bills payables	26	14,814	41,586	40,190
Contract liabilities	29	2,771	10,396	8,271
Other payables and accruals	27	63,918	48,015	65,851
Interest-bearing bank and other borrowings	28	2,900	19,775	71,750
Lease liabilities	15	828	1,072	1,117
Tax payable		3,396	4,165	2,012
Total current liabilities		88,627	125,009	189,191
NET CURRENT ASSETS		309,877	327,984	383,953
TOTAL ASSETS LESS CURRENT LIABILITIES				
		866,743	933,906	1,029,293

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other				
borrowings	28	41,225	36,450	29,700
Lease liabilities	15	4,053	2,981	1,865
Deferred tax liabilities	20	38	29	25
Total non-current liabilities		45,316	39,460	31,590
Net assets		821,427	894,446	997,703
EQUITY				
Equity attributable to owners of				
the parent				
Share capital	30	112,500	113,389	114,723
Reserves	31	708,927	782,551	882,980
		821,427	895,940	997,703
Non-controlling interests		—	(1,494)	—
Total equity		821,427	894,446	997,703

For the details of pre-[REDACTED] investments, please refer to note 30 to this report.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Share capital	Capital reserve	Safety production fund	Statutory surplus reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 31)	(note 31)	(note 31)		
As at 1 January 2023	8,911	703,481	–	3,146	26,468	742,006
Profit for the year	–	–	–	–	19,421	19,421
Total comprehensive income for the year	–	–	–	–	19,421	19,421
Issue of shares	216	59,784	–	–	–	60,000
Transfer from capital reserve . .	103,373	(103,373)	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	2,835	(2,835)	–
Appropriation of safety fund . .	–	–	31	–	(31)	–
Utilisation of safety fund	–	–	(31)	–	31	–
As at 31 December 2023	<u>112,500</u>	<u>659,892*</u>	<u>–*</u>	<u>5,981*</u>	<u>43,054*</u>	<u>821,427</u>

	Attributable to owners of the parent							
	Share capital	Capital reserve	Safety production fund	Statutory surplus reserve	Other reserve	Retained profits	Total	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 31)	(note 31)	(note 31)	(note 31)			
As at 1 January 2024	112,500	659,892	–	5,981	–	43,054	821,427	–
Profit for the year	–	–	–	–	–	54,448	54,448	(1,742)
Total comprehensive income for the year	–	–	–	–	–	54,448	54,448	(1,742)
Issue of shares	889	19,111	–	–	–	–	20,000	–
Capital contribution to a non-wholly owned subsidiary	–	(248)	–	–	–	–	(248)	248
Share of other reserve of an associate	–	–	–	–	313	–	313	–
Transfer to statutory surplus reserve	–	–	–	5,529	–	(5,529)	–	–
Appropriation of safety fund . .	–	–	2,668	–	–	(2,668)	–	–
Utilisation of safety fund	–	–	(169)	–	–	169	–	–
As at 31 December 2024	<u>113,389</u>	<u>678,755*</u>	<u>2,499*</u>	<u>11,510*</u>	<u>313*</u>	<u>89,474*</u>	<u>895,940</u>	<u>(1,494)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve	Safety production fund	Statutory surplus reserve	Other reserve	Retained profits	Total		
	RMB'000 (note 30)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2025	113,389	678,755	2,499	11,510	313	89,474	895,940	(1,494)	894,446
Profit for the year	–	–	–	–	–	73,763	73,763	(553)	73,210
Exchange differences on translation of foreign operations	–	–	–	–	47	–	47	–	47
Total comprehensive income for the year	–	–	–	–	47	73,763	73,810	(553)	73,257
Issue of shares	1,334	28,666	–	–	–	–	30,000	–	30,000
Transfer to statutory surplus reserve	–	–	–	6,378	–	(6,378)	–	–	–
Appropriation of safety fund	–	–	2,971	–	–	(2,971)	–	–	–
Utilisation of safety fund	–	–	(762)	–	–	762	–	–	–
Deregistration of a non-wholly owned subsidiary	–	(2,047)	–	–	–	–	(2,047)	2,047	–
As at 31 December 2025	<u>114,723</u>	<u>705,374*</u>	<u>4,708*</u>	<u>17,888*</u>	<u>360*</u>	<u>154,650*</u>	<u>997,703</u>	<u>–</u>	<u>997,703</u>

* The reserve accounts comprise the consolidated reserves of RMB708,927,000, RMB782,551,000, and RMB882,980,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		19,274	60,172	81,661
Adjustments for:				
Bank interest income	5	(593)	(556)	(435)
Finance costs	6	1,490	2,065	2,249
Loss on disposal of items of property, plant and equipment	7	179	420	3,012
Loss on disposal of an item of land use rights	15	—	—	2,280
Loss on early termination of a lease . .	7	39	—	—
Depreciation of property, plant and equipment	7	12,317	21,145	24,489
Amortisation of intangible assets	7	120	155	273
Impairment losses on financial and contract assets, net	7	903	3,116	9,933
(Reversal of write-down)/write-down of inventories to net realisable value	7	(1,008)	1,387	1,636
Depreciation of right-of-use assets . . .	15	2,679	1,708	1,551
Investment income from financial assets at fair value through profit or loss	5	(746)	(113)	(545)
Fair value gains on financial assets at fair value through profit or loss	5	(1,431)	(571)	—
Share of profits of an associate		—	(2,957)	(5,697)
		33,223	85,971	120,407
Decrease/(increase) in inventories		46,353	(37,299)	(31,454)
Increase in restricted bank deposits . . .		—	(7,950)	(1,070)
Increase in trade and bills receivables .		(24,388)	(54,228)	(100,376)

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Increase)/decrease in contract assets . .		(259)	192	(1,459)
(Increase)/decrease in prepayments, deposits and other receivables		(2,449)	28,317	(13,400)
(Decrease)/increase in trade and bills payables		(2,356)	26,772	(1,396)
(Decrease)/increase in other payables and accruals		(4,963)	5,768	5,995
(Decrease)/increase in contract liabilities		(5,402)	7,625	(2,125)
(Increase)/decrease in debt investments at fair value through other comprehensive income		(10,495)	(499)	(6,818)
Cash generated from/(used in) operations		29,264	54,669	(31,696)
Income tax paid		(656)	(5,240)	(10,825)
Interests received		593	556	435
Net cash flows from/(used in) operating activities		29,201	49,985	(42,086)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(72,823)	(84,343)	(45,168)
Purchase of land use right		–	(7,791)	–
Purchase of intangible assets		–	(559)	(543)
Purchases of investment in an associate	16	–	(15,000)	–
Proceeds from disposal of property, plant and equipment		1,746	192	1,357
Purchase of financial assets at fair value through profit or loss		(83,000)	(56,000)	(135,000)
Proceeds from disposal of financial assets at fair value through profit or loss		94,165	108,018	155,570
Net cash flows used in investing activities		(59,912)	(55,483)	(23,784)

APPENDIX I

ACCOUNTANTS’ REPORT

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(2,084)	(1,878)	(2,102)
Capital contribution by shareholders . .		30,000	20,000	30,000
Deferred [REDACTED] paid		[REDACTED]	[REDACTED]	[REDACTED]
New Interest-bearing bank and other borrowings		—	15,000	115,000
Lease payments		(2,171)	(1,015)	(1,218)
Repayment of bank and other borrowings		(2,900)	(2,900)	(69,775)
Net cash flows from financing activities		22,845	29,207	69,798
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
		(7,866)	23,709	3,928
Cash and cash equivalents at beginning of year		70,668	62,802	86,511
Effect of foreign exchange rate changes, net		—	—	(80)
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		62,802	86,511	90,359
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		62,802	86,511	90,359
Cash and cash equivalents as stated in the consolidated statements of financial position	25	62,802	86,511	90,359

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	27,515	32,807	45,183
Right-of-use assets	15	4,529	3,541	2,553
Intangible assets	14	70	316	554
Deferred tax assets	20	415	904	1,319
Investment in subsidiaries	17	108,099	108,649	126,974
Investment in an associate	16	45,000	48,270	53,967
Prepayment, deposits and other receivables	22	3,956	919	864
Total non-current assets		189,584	195,406	231,414
CURRENT ASSETS				
Inventories	19	30,621	50,604	44,041
Trade and bills receivables	21	122,817	145,465	182,839
Amounts due from subsidiaries	36(f)	477,253	565,145	613,608
Contract assets	24	—	—	1,534
Prepayment, deposits and other receivables	22	2,328	2,428	5,717
Financial assets at fair value through profit and loss	23	50,637	20,025	—
Debt investments at fair value through other comprehensive income	18	11,973	12,148	3,558
Restricted bank deposits	25	—	7,950	2,000
Cash and cash equivalents	25	30,300	40,452	37,398
Total current assets		725,929	844,217	890,695
CURRENT LIABILITIES				
Trade and bills payables	26	5,906	13,059	12,650
Contract liabilities	29	1,177	8,878	1,827
Other payables and accruals	27	22,002	9,573	15,421
Amounts due to subsidiaries	36(g)	51,202	96,743	91,210
Lease liabilities	15	828	1,072	1,117
Tax payable		2,785	4,152	1,073
Total current liabilities		83,900	133,477	123,298
NET CURRENT ASSETS		642,029	710,740	767,397
TOTAL ASSETS LESS CURRENT LIABILITIES				
		831,613	906,146	998,811

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	15	4,053	2,981	1,865
Total non-current liabilities		4,053	2,981	1,865
Net assets		827,560	903,165	996,946
EQUITY				
Share capital	30	112,500	113,389	114,723
Reserves	31	715,060	789,776	882,223
Total equity		827,560	903,165	996,946

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shenzhen Chuangzhi Semi-link Technology Co., Ltd. (the “Company”) was incorporated in Shenzhen, the People’s Republic of China (the “PRC”) on 11 November 2006 as a limited liability company under the PRC laws and converted into a joint stock company with limited liability in September 2022. The registered office address of the Company is C2802, Building BC, Huizhi R&D Center, Longteng Community, Xixiang Subdistrict, Bao’an District, Shenzhen, the PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) was principally engaged in (i) R&D, manufacturing and sale of specialized wet process plating chemicals, and (ii) the provision of process solutions and plating services for wet process plating chemicals with semiconductor wafer-level packaging and board-level packaging.

In the opinion of the directors, Mr. YAO Cheng, Dr. YAO Yu, Qianhai Lvzhiyuan, Zhiyuanxin, Zhiyuan Xinchuang and Zhiyuan Xinke are collectively considered as the controlling shareholders of the Group as of the end of the Relevant Periods.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of principal subsidiaries are set out below:

Name	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangsu Xizhi Semiconductor Technology Co., Ltd. 江蘇矽智半導體科技有限公司* (note (a)).	Chinese Mainland 4 September 2019	RMB50,000,000	100%	–	R&D and sale of electronic chemicals and rendering of plating service
Zhuhai Chuangzhi Chenggong Technology Co., Ltd. 珠海市創智成功科技有限公司* (note (b)).	Chinese Mainland 3 January 2020	RMB10,000,000	100%	–	R&D and Manufacture of electronic chemicals
Zhuhai Chuangzhixin Technology Co., Ltd. 珠海市創智芯科技有限公司* (note (a))	Chinese Mainland 15 April 2020	RMB50,000,000	100%	–	Sale of electronic chemicals and rendering of plating service

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company (the “Directors”) to translate the Chinese names as these companies have not been registered with any official English names.

(a) As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

(b) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared in accordance with China Accounting Standards of Business Enterprises have been audited by Huajian Certified Public Accountants Co., Ltd. (華健會計師事務所(深圳)有限責任公司), a certified public accounting firm registered in the PRC.

APPENDIX I

ACCOUNTANTS’ REPORT

2.1 BASIS OF PREPARATION

For ordinary shares issued to pre-[REDACTED] investors, pursuant to the supplemental agreements entered into between the Company and the pre-[REDACTED] Investors in relation to the termination of redemption rights granted by the Company, which are void ab initio as described in note 30 to this report, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplementary agreements, the directors considered that it is appropriate to present the pre-[REDACTED] Investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 30 of this report.

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

1 No mandatory effective date yet determined but available for adoption

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

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

The Group is in the process of making an assessment of the impact of these new and amended HKFRS Accounting Standards upon initial application. HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group’s presentation of the statement of profit or loss and other comprehensive income and disclosures of the Group’s financial performance. So far, the Group considers that these new and amended HKFRS Accounting Standards may result in changes in accounting policies and are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it 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 over those policies.

The Group’s investment in an associate is stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group’s investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investment in an associate.

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or

APPENDIX I

ACCOUNTANTS' REPORT

liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives	
Buildings		3.17%
Machinery.		9.5%
Motor vehicles		19%
Furniture and fixture		19%-31.67%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

APPENDIX I

ACCOUNTANTS’ REPORT

Intangible assets

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

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	3 to 5 years
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Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
Land use rights	50 years

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

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office and employee dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

APPENDIX I

ACCOUNTANTS’ REPORT

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

Simplified approach

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

Classification as equity and financial liabilities

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

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

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

APPENDIX I

ACCOUNTANTS' REPORT

Income tax

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

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

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

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

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is normally recognised as deduction to the expense item on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. If the expense item cannot be identified, the grant is recognised as other income.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customers, generally when the products are accepted by the end customers and the contract amount is determinable.

A significant portion of the sales of specialized wet process plating chemicals for PCB industry is on Vendor Managed Inventory (“VMI”) arrangements where the products are delivered to the customers’ locations for their use. The control of the products is transferred when the products are used by the customers.

Under the VMI arrangements, the consideration is usually calculated based on the actual plating areas that have been completed by the customers after using the chemicals. As the plating areas are highly susceptible to factors outside the Group’s influence, such as products type of the customers, the actions or experiences of customers’ staff performing the plating and the plating capacity of the customers, etc., and there is a broad range of possible plating areas that can be completed by different customers in the past, the Group determines that the consideration under this calculation basis is fully constrained until the Group receives the monthly statement from the customers, that is when the uncertainty related to the variable consideration is resolved and the contract amount is determinable. The Group obtains the monthly statement from customers on regular basis.

(b) Provision of services

The Group provides plating services to customers. Revenue is recognised at a point in time when the service is completed and accepted by the customer.

Upon the customers’ requests, the Group provides tailored equipment to the customers as well as related design, testing and validation services. The Group determines that the promised equipment and related services represent one performance obligation, because these promises are highly interdependent, and the customer is unable to derive significant benefits from the access to an individual promise for the intended purposes without receipt of the other goods or services. Revenue is recognised at a point in time when the validation is completed and equipment is accepted by the customer.

Other income

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

APPENDIX I

ACCOUNTANTS’ REPORT

Contract assets

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

Contract liabilities

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

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Group operates employee incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“Equity-settled Transactions”).

The cost of Equity-settled Transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations. Further details are included in note 32 to the Historical Financial Information.

The cost of Equity-settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity.

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

Other employee benefits

Pension scheme

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

APPENDIX I

ACCOUNTANTS’ REPORT

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

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

Events after the reporting period

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

Safety production expenses

Provisions for the Group’s obligations for safety operations are based on the Group’s revenue arising from hazardous chemicals manufacturing. Safety production expenses accrued based on the related PRC rules and regulations are treated as an appropriation to reserves. The reserve funds could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of reserve funds utilised would be transferred from the reserve funds account to retained earnings.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development expenses

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

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group’s key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed. In determining whether cash flows are going to be realised by collecting the financial assets’ contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details are contained in note 20 to the Historical Financial Information.

Assessing the constraint of variable consideration for sales of products under VMI arrangements

The consideration for the sales of specialized wet process plating chemicals under VMI arrangements is usually calculated based on the actual plating areas that have been completed by the customers after using the chemicals, which give rise to variable consideration.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined whether the estimates of variable consideration are constrained based on its historical experience, current negotiations with customers and the current economic conditions.

Estimation uncertainty

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

APPENDIX I

ACCOUNTANTS’ REPORT

Provision for expected credit losses on trade and bills receivables and contract assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade and bills receivables and contract assets is disclosed in note 21 and note 24 to the financial statements, respectively.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories at the end of each reporting period and makes provisions against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Such sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of the plating chemical industry. Management estimates the net realisable value for those obsolete and slow-moving inventories based primarily on the latest invoice prices and current market conditions. The estimation is reassessed at the end of each reporting period. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognized in the periods in which such estimates have been changed.

Leases — Estimating the incremental borrowing rate

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

Impairment of non-financial assets

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

APPENDIX I

ACCOUNTANTS’ REPORT

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and products and only has one reportable operating segment.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	308,628	404,091	626,580
Outside Chinese Mainland	3,023	5,833	9,270
Total	<u>311,651</u>	<u>409,924</u>	<u>635,850</u>

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

(b) Non-current assets

Most of the Group’s non-current assets are located in Chinese Mainland. Thus, no geographic information is presented.

Information about a major customer

No sales to a single external customer accounted for 10% or more of the Group’s revenue during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers.	<u>311,651</u>	<u>409,924</u>	<u>635,850</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Plating chemicals	274,925	328,839	456,202
Plating services	36,726	81,085	179,648
Timing of revenue recognition			
Plating chemicals transferred at a point in time . .	274,925	328,839	456,202
Plating services transferred at a point in time . . .	36,726	81,085	179,648
Total revenue from contracts with customers . . .	311,651	409,924	635,850

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:			
Sale of plating services	7,889	302	8,829

(b) Performance obligations

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

Sales of products

The performance obligation is satisfied when the products are accepted by the end customers and the contract amount is determinable. Payment is due within 120 days after the acceptance of products.

Provision of services

The performance obligation is satisfied at the point in time when services are completed and accepted by the customer. Payment is generally due within 120 days from the date of billing, except for ancillary equipment provided in the plating services where the advance payment is required.

APPENDIX I

ACCOUNTANTS’ REPORT

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:			
Within one year	8,319	24,108	15,935
Total	<u>8,319</u>	<u>24,108</u>	<u>15,935</u>

The amounts of transaction prices allocated to the remaining performance obligations relate to some plating services. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	593	556	435
Government grants	302	153	801
Additional deduction of value-added tax	1,104	1,506	3,142
Investment income from financial assets at fair value through profit or loss	746	113	545
Others	44	504	169
Total Other income	<u>2,789</u>	<u>2,832</u>	<u>5,092</u>
Gains			
Fair value gains on financial assets at fair value through profit or loss	1,431	571	–
Foreign exchange gains, net	68	110	–
Total Gains	<u>1,499</u>	<u>681</u>	<u>–</u>
	<u>4,288</u>	<u>3,513</u>	<u>5,092</u>

APPENDIX I

ACCOUNTANTS’ REPORT

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings	2,084	1,878	2,102
Interest on lease liabilities	166	187	147
Total interest expense on financial liabilities . . .	2,250	2,065	2,249
Less: Interest capitalised	(760)	–	–
Total	1,490	2,065	2,249

During the year ended 31 December 2023, interest expenses have been capitalised on qualifying assets at average rate of 4.64%.

For the details of pre-[REDACTED] investments, please refer to note 30 to this report.

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of plating chemicals sold*		165,777	170,480	251,286
Cost of plating services provided		35,900	64,189	138,889
Research and development costs				
– Current year expenditure		31,557	43,739	54,326
– Less: Government grants released****		(1,504)	(4,916)	(3,802)
– Net current year expenditure		30,053	38,823	50,524
Depreciation of property, plant and equipment**	13	12,317	21,145	24,489
Depreciation of right-of-use assets**	15	2,679	1,708	1,551
Amortisation of intangible assets**	14	120	155	273
Loss on disposal of an item of land use rights***	22	–	–	2,280
Loss on disposal of property, plant and equipment***		179	420	3,012
Loss on early termination of a lease***		39	–	–
Fair value gains on financial assets at fair value through profit or loss		(1,431)	(571)	–
Foreign exchange (gains)/losses, net***		(68)	(110)	274
Lease payments in respect of short-term leases and low-value leases		1,174	1,258	1,504
Impairment losses of financial and contract assets, net:				
– Impairment losses of trade and bills receivables	21	900	3,118	9,912
– Impairment losses of contract assets	24	3	(2)	21
Impairment losses with data for respective year:				
Total		903	3,116	9,933
(Reversal of write-down)/write-down of inventories to net realisable value*		(1,008)	1,387	1,636
Auditor’s remuneration		25	107	41
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expenses (excluding directors’ and chief executive’s remuneration (note 8))				
– Wages and salaries		48,038	67,313	86,684
– Pension scheme contributions		2,232	3,193	4,540
Total		50,270	70,506	91,224

APPENDIX I

ACCOUNTANTS’ REPORT

- * The amounts disclosed for cost of plating chemicals sold included the write-down/(reversal of write-down) of inventories to net realisable value.
- ** The depreciation of property, plant and equipment, amortisation of intangible assets, and the amortisation of right-of-use assets are included in “Cost of sales”, “Selling and distribution expenses”, “Administrative expenses”, and “Research and development expenses” in the profit or loss.
- *** The amounts are included in “Other income and gains” and “Other expense” in the profit or loss.
- **** Various government grants have been received for setting up research activities. The government grants received have been deducted from the research and development costs to which they relate.

8. DIRECTORS’ AND SUPERVISORS’ REMUNERATION

Directors’ and supervisors’ remuneration as recorded during the Relevant Periods disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	12	185	186
Other emoluments:			
Salaries, allowances and benefits in kind	2,506	2,264	2,904
Pension scheme contributions	117	91	103
	<u>2,635</u>	<u>2,540</u>	<u>3,193</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Ms. Gao Jing	4	25	–
Mr. Yang Xiao	4	60	60
Mr. Fang Liang	4	60	30
Ms. Wang Yu	–	40	60
Mr. Luo Ye	–	–	36
	<u>12</u>	<u>185</u>	<u>186</u>

The independent non-executive directors of the Company were appointed in December 2023 except for Ms. Wang Yu who was appointed in June 2024 and Mr. Luo Ye was appointed in May 2025, respectively. Ms. Gao Jing resigned as independent non-executive director with effect from June 2024.

(b) Executive directors and supervisors

Year ended 31 December 2023

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors and supervisors:				
Directors:				
Mr. Yao Cheng (<i>note (i)</i>)	–	363	24	387
Dr. Yao Yu (<i>note (ii)</i>)	–	337	26	363
Mr. Liu Ke (<i>note (ii)</i>)	–	294	13	307
Mr. Hong Xueping (<i>note (ii)</i>)	–	335	23	358
Mr. Chen Jianlong (<i>note (ii)</i>)	–	290	8	298
Subtotal	–	<u>1,619</u>	<u>94</u>	<u>1,713</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:				
Mr. Yang Yongjian (<i>note (iii)</i>)	—	264	—	264
Mr. Wang Jiandong (<i>note (iii)</i>)	—	180	6	186
Mr. Deng Feng (<i>note (iii)</i>)	—	—	—	—
Mr. Zhang Dayu (<i>note (iii)</i>)	—	245	11	256
Ms. Meng Yan (<i>note (iii)</i>)	—	198	6	204
Subtotal	—	887	23	910
Total	—	2,506	117	2,623

Year ended 31 December 2024

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors and supervisors:				
Directors:				
Mr. Yao Cheng (<i>note (i)</i>)	—	409	—	409
Dr. Yao Yu (<i>note (ii)</i>)	—	427	38	465
Mr. Liu Ke (<i>note (ii)</i>)	—	421	16	437
Mr. Chen Jianlong (<i>note (ii)</i>)	—	242	8	250
Subtotal	—	1,499	62	1,561
Supervisors:				
Mr. Deng Feng (<i>note (iii)</i>)	—	—	—	—
Mr. Zhang Dayu (<i>note (iii)</i>)	—	261	13	274
Ms. Meng Yan (<i>note (iii)</i>)	—	256	7	263
Ms. Yang Ming (<i>note (iii)</i>)	—	248	9	257
Subtotal	—	765	29	794
Total	—	2,264	91	2,355

Year ended 31 December 2025

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors and supervisors:				
Directors:				
Mr. Yao Cheng (<i>note (i)</i>)	—	548	—	548
Dr. Yao Yu (<i>note (ii)</i>)	—	580	41	621
Mr. Liu Ke (<i>note (ii)</i>)	—	630	17	647
Mr. Chen Jianlong (<i>note (ii)</i>)	—	315	9	324
Subtotal	—	2,073	67	2,140
Supervisors*:				
Mr. Zhang Dayu (<i>note (iii)</i>)	—	290	14	304
Ms. Meng Yan (<i>note (iii)</i>)	—	256	10	266
Ms. Yang Ming (<i>note (iii)</i>)	—	285	12	297
Subtotal	—	831	36	867
Total	—	2,904	103	3,007

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Mr. Yao Cheng was appointed as a director and the chief executive officer of the Company and the chairman of the Board with effect from November 2006.
- (ii) Dr. Yao Yu was appointed as a director of the Company with effect from September 2022. Mr. Liu Ke was appointed as a director of the Company with effect from September 2022. Mr. Hong Xueping was appointed as a director of the Company with effect from September 2022 to December 2023. Mr. Chen Jianlong was appointed as a director of the Company with effect from September 2022.
- (iii) Mr. Yang Yongjian was appointed as a supervisor of the Company with effect from September 2022 to December 2023. Mr. Wang Jiandong was appointed as a supervisor of the Company with effect from September 2022 to December 2023. Mr. Deng Feng was appointed as a supervisor of the Company with effect from November 2022 to June 2024. Mr. Zhang Dayu was appointed as a supervisor of the Company with effect from December 2023. Ms. Meng Yan was appointed as a supervisor of the Company with effect from December 2023. Ms. Yang Ming was appointed as a supervisor of the Company with effect from June 2024.

* The Company had dissolved the supervisory committee from May 2025.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 3, 3 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining 2, 2, and 2 highest paid employees who are neither a director nor chief executive or a supervisor of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	808	1,002	1,400
Pension scheme contributions	42	22	27
	<u>850</u>	<u>1,024</u>	<u>1,427</u>

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

	Year ended 31 December		
	2023	2024	2025
	Number of employees		
Below HKD1,000,000	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>

10. INCOME TAX

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

Chinese Mainland

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company was approved as a “High and New Technology Enterprise” and entitled to a preferential income tax rate of 15% during the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Jiangsu Xizhi Semiconductor Technology Co., Ltd., a subsidiary of the Group in Chinese Mainland, is qualified as a “High and New Technology Enterprise” and was subject to income tax at a preferential tax rate of 15% for the Relevant Periods.

Zhuhai Chuangzhi Chenggong Technology Co., Ltd., a subsidiary of the Group in Chinese Mainland, is qualified as a “High and New Technology Enterprise” and was subject to income tax at a preferential tax rate of 15% for the year ended 31 December 2025.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	2,216	6,009	8,393
Deferred income tax	(2,363)	1,457	58
Total tax (credit)/expense for the year	<u>(147)</u>	<u>7,466</u>	<u>8,451</u>

A reconciliation of the expected income tax calculated at the statutory rate of 25% and profit before tax, with the actual income tax at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	19,274	60,172	81,661
Tax charge at the statutory rate of 25%	4,819	15,043	20,415
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	(2,160)	(7,987)	(10,726)
Profits and losses attributable to an associate	–	(444)	(855)
Additional deductible allowance for qualified research and development expenses	(5,562)	(7,574)	(8,006)
Temporary differences and tax losses not recognised	2,224	7,069	6,860
Utilisation of previously unrecognised tax losses	(759)	–	–
Expenses not deductible for tax	1,291	1,359	763
Tax (credit)/expense at the Group’s effective tax rate	<u>(147)</u>	<u>7,466</u>	<u>8,451</u>

The share of tax attributable to an associate amounting to nil, RMB212,000 and RMB682,000 during the Relevant Periods, respectively, is included in “Share of profits of an associate” in profit or loss.

Based on Public Notice 2023 No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises were eligible for an additional 100% deduction of eligible R&D expenses from 1 January 2023.

11. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods. The additional shares transferred from capital reserve in 2023 are treated as if it had occurred before the beginning of 2023, the earliest period presented, for the earnings per share calculation.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue.

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

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (<i>RMB'000</i>)	19,421	54,448	73,763
Shares			
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation (<i>'000</i>)	110,351	112,502	114,515

For the details of pre-[REDACTED] investments, please refer to note 30 to this report.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Motor vehicles	Furniture and fixture	Lease-hold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023							
At 1 January 2023							
Cost	9,128	34,730	7,970	1,276	3,451	351,088	407,643
Accumulated depreciation	(151)	(8,238)	(3,143)	(661)	(2,625)	–	(14,818)
Net carrying amount	8,977	26,492	4,827	615	826	351,088	392,825
At 1 January 2023, net of accumulated depreciation	8,977	26,492	4,827	615	826	351,088	392,825
Additions	6,125	7,123	868	355	2,368	63,273	80,112
Disposals	–	(1,887)	(2)	(36)	–	–	(1,925)
Depreciation provided during the year (<i>note 7</i>)	(4,871)	(4,721)	(1,338)	(437)	(950)	–	(12,317)
Transfers	308,208	28,499	–	2,721	–	(339,428)	–
At 31 December 2023, net of accumulated depreciation	318,439	55,506	4,355	3,218	2,244	74,933	458,695
At 31 December 2023							
Cost	323,461	67,621	8,834	3,875	4,428	74,933	483,152
Accumulated depreciation	(5,022)	(12,115)	(4,479)	(657)	(2,184)	–	(24,457)
Net carrying amount	318,439	55,506	4,355	3,218	2,244	74,933	458,695

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Motor vehicles	Furniture and fixture	Lease-hold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	323,461	67,621	8,834	3,875	4,428	74,933	483,152
Accumulated depreciation	(5,022)	(12,115)	(4,479)	(657)	(2,184)	–	(24,457)
Net carrying amount	<u>318,439</u>	<u>55,506</u>	<u>4,355</u>	<u>3,218</u>	<u>2,244</u>	<u>74,933</u>	<u>458,695</u>
At 1 January 2024, net of accumulated depreciation	318,439	55,506	4,355	3,218	2,244	74,933	458,695
Additions	4,230	8,048	427	375	1,007	62,955	77,042
Government grants received*	–	(1,000)	–	–	–	–	(1,000)
Disposals	–	(603)	(10)	–	–	–	(613)
Depreciation provided during the year (note 7)	(11,157)	(7,157)	(1,282)	(820)	(729)	–	(21,145)
Transfers	<u>59,471</u>	<u>15,155</u>	<u>–</u>	<u>19</u>	<u>–</u>	<u>(74,645)</u>	<u>–</u>
At 31 December 2024, net of accumulated depreciation	<u>370,983</u>	<u>69,949</u>	<u>3,490</u>	<u>2,792</u>	<u>2,522</u>	<u>63,243</u>	<u>512,979</u>
At 31 December 2024							
Cost	387,162	88,541	9,067	4,269	5,435	63,243	557,717
Accumulated depreciation	(16,179)	(18,592)	(5,577)	(1,477)	(2,913)	–	(44,738)
Net carrying amount	<u>370,983</u>	<u>69,949</u>	<u>3,490</u>	<u>2,792</u>	<u>2,522</u>	<u>63,243</u>	<u>512,979</u>
	Buildings	Machinery	Motor vehicles	Furniture and fixture	Lease -hold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025							
Cost	387,162	88,541	9,067	4,269	5,435	63,243	557,717
Accumulated depreciation	(16,179)	(18,592)	(5,577)	(1,477)	(2,913)	–	(44,738)
Net carrying amount	<u>370,983</u>	<u>69,949</u>	<u>3,490</u>	<u>2,792</u>	<u>2,522</u>	<u>63,243</u>	<u>512,979</u>
At 1 January 2025, net of accumulated depreciation	370,983	69,949	3,490	2,792	2,522	63,243	512,979
Additions	–	2,202	740	170	–	63,797	66,909
Disposals	–	(3,124)	–	(46)	(6)	(3,097)	(6,273)
Depreciation provided during the year (note 7)	(12,747)	(8,734)	(1,341)	(844)	(823)	–	(24,489)
Transfers	<u>8,299</u>	<u>14,792</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(23,091)</u>	<u>–</u>
At 31 December 2025, net of accumulated depreciation	<u>366,535</u>	<u>75,085</u>	<u>2,889</u>	<u>2,072</u>	<u>1,693</u>	<u>100,852</u>	<u>549,126</u>
At 31 December 2025							
Cost	395,461	100,740	9,807	4,370	5,430	100,852	616,660
Accumulated depreciation	(28,926)	(25,655)	(6,918)	(2,298)	(3,737)	–	(67,534)
Net carrying amount	<u>366,535</u>	<u>75,085</u>	<u>2,889</u>	<u>2,072</u>	<u>1,693</u>	<u>100,852</u>	<u>549,126</u>

As at the end of each of the Relevant Periods, certain of the Group’s buildings, machinery, and construction in progress with a net carrying value of RMB158,933,000, RMB157,356,000 and RMB151,755,000 were pledged for bank and other borrowings (note 28).

* For the year ended 31 December 2024, the Group received government grant of RMB1,000,000, which was deducted from the carrying amount of the asset that the grant was related to.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Machinery</u>	<u>Motor vehicles</u>	<u>Furniture and fixture</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023					
At 1 January 2023					
Cost	27,865	4,394	969	2,741	35,969
Accumulated depreciation	(7,553)	(2,370)	(618)	(1,916)	(12,457)
Net carrying amount	<u>20,312</u>	<u>2,024</u>	<u>351</u>	<u>825</u>	<u>23,512</u>
At 1 January 2023, net of accumulated depreciation	20,312	2,024	351	825	23,512
Additions	5,659	743	248	2,368	9,018
Disposals	(475)	(2)	(37)	–	(514)
Depreciation provided during the year	(2,777)	(665)	(109)	(950)	(4,501)
At 31 December 2023, net of accumulated depreciation	<u>22,719</u>	<u>2,100</u>	<u>453</u>	<u>2,243</u>	<u>27,515</u>
At 31 December 2023					
Cost	32,663	5,133	739	4,428	42,963
Accumulated depreciation	(9,944)	(3,033)	(286)	(2,185)	(15,448)
Net carrying amount	<u>22,719</u>	<u>2,100</u>	<u>453</u>	<u>2,243</u>	<u>27,515</u>

	<u>Machinery</u>	<u>Motor vehicles</u>	<u>Furniture and fixture</u>	<u>Leasehold improvements</u>	<u>Construction in progress</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>
31 December 2024						
At 1 January 2024						
Cost	32,663	5,133	739	4,428	–	42,963
Accumulated depreciation	(9,944)	(3,033)	(286)	(2,185)	–	(15,448)
Net carrying amount	<u>22,719</u>	<u>2,100</u>	<u>453</u>	<u>2,243</u>	<u>–</u>	<u>27,515</u>
At 1 January 2024, net of accumulated depreciation	22,719	2,100	453	2,243	–	27,515
Additions	6,677	428	55	92	4,040	11,292
Government grants received*	(1,000)	–	–	–	–	(1,000)
Disposals	(421)	(10)	–	–	–	(431)
Depreciation provided during the year	(3,318)	(606)	(131)	(514)	–	(4,569)
Transfer	21	–	–	–	(21)	–
At 31 December 2024, net of accumulated depreciation	<u>24,678</u>	<u>1,912</u>	<u>377</u>	<u>1,821</u>	<u>4,019</u>	<u>32,807</u>
At 31 December 2024						
Cost	37,540	5,366	795	4,520	4,019	52,240
Accumulated depreciation	(12,862)	(3,454)	(418)	(2,699)	–	(19,433)
Net carrying amount	<u>24,678</u>	<u>1,912</u>	<u>377</u>	<u>1,821</u>	<u>4,019</u>	<u>32,807</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery	Motor vehicles	Furniture and fixture	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025						
At 1 January 2025						
Cost	37,540	5,366	795	4,520	4,019	52,240
Accumulated depreciation . . .	(12,862)	(3,454)	(418)	(2,699)	–	(19,433)
Net carrying amount	<u>24,678</u>	<u>1,912</u>	<u>377</u>	<u>1,821</u>	<u>4,019</u>	<u>32,807</u>
At 1 January 2025, net of						
accumulated depreciation . .	24,678	1,912	377	1,821	4,019	32,807
Additions	1,780	386	153	–	16,036	18,355
Disposals	(1,028)	–	–	–	(13)	(1,041)
Depreciation provided during the period	(3,589)	(687)	(141)	(521)	–	(4,938)
Transfer	<u>6,210</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,210)</u>	<u>–</u>
At 31 December 2025, net of						
accumulated depreciation . .	<u>28,051</u>	<u>1,611</u>	<u>389</u>	<u>1,300</u>	<u>13,832</u>	<u>45,183</u>
At 31 December 2025						
Cost	43,640	5,752	948	4,520	13,832	68,692
Accumulated depreciation . . .	(15,589)	(4,141)	(559)	(3,220)	–	(23,509)
Net carrying amount	<u>28,051</u>	<u>1,611</u>	<u>389</u>	<u>1,300</u>	<u>13,832</u>	<u>45,183</u>

* For the year ended 31 December 2024, the Company received government grant of RMB1,000,000, which was deducted from the carrying amount of the asset that the grant was related to.

14. INTANGIBLE ASSETS

The Group

	Software		
	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at 1 January	190	70	474
Additions	–	559	543
Amortisation provided during the year	(120)	(155)	(273)
Carrying amount at 31 December	<u>70</u>	<u>474</u>	<u>744</u>
Analysed into:			
Cost	360	919	1,461
Accumulated amortisation	(290)	(445)	(717)

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Software		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January.	190	70	316
Additions	–	366	431
Amortisation provided during the year	(120)	(120)	(193)
Carrying amount at 31 December	<u>70</u>	<u>316</u>	<u>554</u>
Analysed into:			
Cost	360	726	1,156
Accumulated amortisation	<u>(290)</u>	<u>(410)</u>	<u>(602)</u>

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights and buildings. Leases of buildings generally have lease terms between 2 and 5 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

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

The Group

	Land use rights	Buildings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023.	26,996	3,073	30,069
Additions	–	4,941	4,941
Early termination	–	(1,369)	(1,369)
Depreciation charge (note 7)	(563)	(2,116)	(2,679)
At 31 December 2023	<u>26,433</u>	<u>4,529</u>	<u>30,962</u>
At 1 January 2024.	26,433	4,529	30,962
Additions	7,791	–	7,791
Depreciation charge (note 7)	(720)	(988)	(1,708)
At 31 December 2024	<u>33,504</u>	<u>3,541</u>	<u>37,045</u>
At 1 January 2025.	33,504	3,541	37,045
Disposal (note 22).	(7,635)	–	(7,635)
Depreciation charge (note 7)	(563)	(988)	(1,551)
At 31 December 2025	<u>25,306</u>	<u>2,553</u>	<u>27,859</u>

As at end of each of the Relevant Periods, certain of the Group’s land use rights with a net carrying value of RMB9,075,000, RMB8,879,000 and RMB8,683,000 were pledged for bank and other borrowings (note 28).

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Buildings
	<i>RMB'000</i>
At 1 January 2023.	2,745
Additions	4,941
Early termination	(1,369)
Depreciation charge.	(1,788)
At 31 December 2023	<u>4,529</u>
At 1 January 2024.	4,529
Depreciation charge.	(988)
At 31 December 2024	<u>3,541</u>
At 1 January 2025.	3,541
Depreciation charge.	(988)
At 31 December 2025	<u>2,553</u>

(b) Lease liabilities

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

The Group

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at 1 January.	3,275	4,881	4,053
Additions	4,941	–	–
Accretion of interest recognised during the year.	166	187	147
Lease payment	(2,171)	(1,015)	(1,218)
Early termination	(1,330)	–	–
Carrying amount at 31 December	<u>4,881</u>	<u>4,053</u>	<u>2,982</u>
Analysed into:			
Current portion.	828	1,072	1,117
Non-current portion	<u>4,053</u>	<u>2,981</u>	<u>1,865</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	2,915	4,881	4,053
Additions	4,941	–	–
Accretion of interest recognised during the year	163	187	147
Lease payment	(1,808)	(1,015)	(1,218)
Early termination	(1,330)	–	–
Carrying amount at 31 December	<u>4,881</u>	<u>4,053</u>	<u>2,982</u>
Analysed into:			
Current portion	828	1,072	1,117
Non-current portion	<u>4,053</u>	<u>2,981</u>	<u>1,865</u>

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

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease payments in respect of short-term leases and low-value leases	1,174	1,258	1,504
Loss on early termination of a lease	39	–	–
Loss on disposal of an item of land use rights	–	–	2,280
Interest on lease liabilities	166	187	147
Depreciation charge of right-of-use assets	<u>2,679</u>	<u>1,708</u>	<u>1,551</u>
Total amount recognised in profit or loss	<u>4,058</u>	<u>3,153</u>	<u>5,482</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease payments in respect of short-term leases and low-value leases	809	644	725
Loss on early termination of a lease	39	–	–
Interest on lease liabilities	163	187	147
Depreciation charge of right-of-use assets	<u>1,788</u>	<u>988</u>	<u>988</u>
Total amount recognised in profit or loss	<u>2,799</u>	<u>1,819</u>	<u>1,860</u>

APPENDIX I

ACCOUNTANTS’ REPORT

16. INVESTMENT IN AN ASSOCIATE

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	19,821	23,091	28,788
Goodwill on acquisition	25,179	25,179	25,179
	<u>45,000</u>	<u>48,270</u>	<u>53,967</u>

The Group’s shareholding in an associate, Shenzhen Yicheng Electronic Technology Co., Ltd. (“Yicheng Electronic”), is held through the Company. The particular of the Group’s associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Yicheng Electronic Technology Co., Ltd. (“Yicheng Electronic”) . . .	Registered capital of RMB1 each	PRC/Chinese Mainland	15%	R&D and sale of electronic chemicals

In December 2023, the Company entered into an investment agreement with the shareholder of Yicheng Electronic, pursuant to the agreement, the Company acquired 15% equity interest in Yicheng Electronic at a total consideration of RMB45 million which consists of 108,232 shares of the Company with the fair value of RMB30 million and cash of RMB15 million. The acquisition was completed in December 2023 and the cash consideration was paid in January 2024.

Although the Company holds less than 20% of the equity voting rights in Yicheng Electronic, it has significant influence over Yicheng Electronic as it has the power to participate in the financial and operating policy decisions of Yicheng Electronic by appointing a director in the board.

The following table illustrates the summarised financial information of Yicheng Electronic adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	178,003	179,964	235,015
Non-current assets	24,927	27,504	26,176
Current liabilities	67,588	53,216	60,002
Non-current liabilities	3,205	312	9,271
Net assets	<u>132,137</u>	<u>153,940</u>	<u>191,918</u>
Reconciliation to the Group’s interest in the associate:			
Proportion of the Group’s ownership	15.00%	15.00%	15.00%
Group’s share of net assets of the associate	19,821	23,091	28,788
Goodwill on acquisition	25,179	25,179	25,179
Carrying amount of the investment	<u>45,000</u>	<u>48,270</u>	<u>53,967</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	188,893	188,422	240,865
Profit for the year	15,074	19,714	37,978
Total comprehensive income for the year	15,074	19,714	37,978

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Jiangsu Xizhi Semiconductor Technology Co., Ltd.	59,636	59,636	59,636
Zhuhai Chuangzhi Chenggong Technology Co., Ltd.	11,663	11,663	11,663
Zhuhai Chuangzhixin Technology Co., Ltd.	35,800	35,800	50,000
Nantong Xipan Semiconductor Technology Co., Ltd.	1,000	1,000	1,000
Zhuhai Haobo Optoelectronic Technology Co., Ltd.	—	550	—
Chuangzhi SEMI-LINK Technology (Thailand) Co., Ltd.	—	—	4,675
	108,099	108,649	126,974

Jiangsu Xizhi Semiconductor Technology Co., Ltd., Zhuhai Chuangzhi Chenggong Technology Co., Ltd. and Zhuhai Chuangzhixin Technology Co., Ltd. are manufacturing platforms of the Group. Jiangsu Xizhi Semiconductor Technology Co., Ltd. and Zhuhai Chuangzhi Chenggong Technology Co., Ltd. have turned profitable at the end of the Relevant Periods and there were no impairment indicators. The Group performed the impairment test for investment in Zhuhai Chuangzhixin Technology Co., Ltd. as the indication of impairment existed. The recoverable amount of investment in Zhuhai Chuangzhixin Technology Co., Ltd. exceeds its carrying amount, and no impairment loss is recognised during the Relevant Periods. Zhuhai Haobo Optoelectronic Technology Co., Ltd was dissolved on 19 May 2025.

18. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivables at fair value through other comprehensive income	12,574	13,073	6,094

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivables at fair value through other comprehensive income.	11,973	12,148	3,558

The above bank acceptance bills are issued by reputable banks in Chinese Mainland. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling. The fair value approximates to the carrying value due to the short maturity.

19. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	16,295	23,399	51,252
Finished goods	16,644	21,465	31,135
Dispatched goods and contract costs	21,482	45,469	37,764
Total	54,421	90,333	120,151

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	15,555	17,266	24,613
Dispatched goods and contract costs	15,066	33,338	19,428
Total	30,621	50,604	44,041

APPENDIX I

ACCOUNTANTS’ REPORT

20. DEFERRED TAX

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

Deferred tax assets

The Group

	Unrealised profits	Deductible tax losses	Provision for impairment for inventory and bad-debt provision	Leases liabilities	Provision and Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	708	1,093	362	455	242	290	3,150
Credited/(debited) to profit or loss	142	2,248	(23)	277	43	(30)	2,657
As at 31 December 2023	<u>850</u>	<u>3,341</u>	<u>339</u>	<u>732</u>	<u>285</u>	<u>260</u>	<u>5,807</u>
As at 31 December 2023 and 1 January 2024	850	3,341	339	732	285	260	5,807
Credited/(debited) to profit or loss	402	(2,433)	409	(124)	(104)	115	(1,735)
As at 31 December 2024	<u>1,252</u>	<u>908</u>	<u>748</u>	<u>608</u>	<u>181</u>	<u>375</u>	<u>4,072</u>
As at 31 December 2024 and 1 January 2025	1,252	908	748	608	181	375	4,072
(Debited)/credited to profit or loss	(298)	(908)	1,141	(161)	22	(39)	(243)
As at 31 December 2025	<u>954</u>	<u>–</u>	<u>1,889</u>	<u>447</u>	<u>203</u>	<u>336</u>	<u>3,829</u>

The Company

	Provision for impairment for inventory and bad-debt provision	Leases liabilities	Provision and Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	275	437	223	290	1,225
(Debited)/credited to profit or loss	(50)	295	(2)	(30)	213
As at 31 December 2023	<u>225</u>	<u>732</u>	<u>221</u>	<u>260</u>	<u>1,438</u>
As at 31 December 2023 and 1 January 2024	225	732	221	260	1,438
Credited/(debited) to profit or loss	378	(124)	(149)	115	220
As at 31 December 2024	<u>603</u>	<u>608</u>	<u>72</u>	<u>375</u>	<u>1,658</u>
As at 31 December 2024 and 1 January 2025	603	608	72	375	1,658
Credited/(debited) to profit or loss	440	(161)	(9)	(36)	234
As at 31 December 2025	<u>1,043</u>	<u>447</u>	<u>633</u>	<u>39</u>	<u>1,892</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

The Group

	Right-of-use assets	Fair value adjustments	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023	428	18	321	767
Debited/(credited) to profit or loss.	251	78	(35)	294
As at 31 December 2023.	<u>679</u>	<u>96</u>	<u>286</u>	<u>1,061</u>
As at 31 December 2023 and 1 January 2024	679	96	286	1,061
Credited to profit or loss.	(148)	(92)	(38)	(278)
As at 31 December 2024.	<u>531</u>	<u>4</u>	<u>248</u>	<u>783</u>
As at 31 December 2024 and 1 January 2025.	531	4	248	783
Credited to profit or loss.	(148)	(4)	(33)	(185)
As at 31 December 2025	<u>383</u>	<u>–</u>	<u>215</u>	<u>598</u>

The Company

	Right-of-use assets	Fair value adjustments	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023	412	18	279	709
Debited/(credited) to profit or loss.	267	78	(31)	314
As at 31 December 2023.	<u>679</u>	<u>96</u>	<u>248</u>	<u>1,023</u>
As at 31 December 2023 and 1 January 2024.	679	96	248	1,023
Credited to profit or loss.	(148)	(92)	(29)	(269)
As at 31 December 2024.	<u>531</u>	<u>4</u>	<u>219</u>	<u>754</u>
As at 31 December 2024 and 1 January 2025.	531	4	219	754
Credited to profit or loss.	(148)	(4)	(29)	(181)
As at 31 December 2025	<u>383</u>	<u>–</u>	<u>190</u>	<u>573</u>

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position . . .	4,784	3,318	3,256
Net deferred tax liabilities recognised in the consolidated statement of financial position. . .	<u>38</u>	<u>29</u>	<u>25</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position	<u>415</u>	<u>904</u>	<u>1,319</u>

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	20,275	46,285	64,231
Deductible temporary differences	284	1,732	1,659

The Group has accumulated tax losses in Chinese Mainland of RMB20,275,000, RMB46,285,000 and RMB63,908,000 in aggregate as at end of each of the Relevant Periods respectively, which will expire in one to ten years to offset against future taxable profits of the companies in which losses were incurred.

The Group has accumulated tax losses in Thailand of RMB323,000 in aggregate as at 31 December 2025, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

APPENDIX I

ACCOUNTANTS’ REPORT

21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
Third parties	154,481	208,750	293,921
Less: impairment of trade receivables	(1,917)	(4,704)	(10,449)
Trade receivables, net	<u>152,564</u>	<u>204,046</u>	<u>283,472</u>
Bills receivables*			
Third parties	19,445	23,498	32,134
Less: impairment of bills receivables	(50)	(36)	(41)
Bills receivables, net	<u>19,395</u>	<u>23,462</u>	<u>32,093</u>
Net carrying amount	<u>171,959</u>	<u>227,508</u>	<u>315,565</u>
Analysed into:			
Current portion	<u>171,959</u>	<u>227,508</u>	<u>315,565</u>

As at end of each of the Relevant Periods, certain of the Group’s trade receivables with a net carrying amount of RMB2,421,000, RMB1,277,000 and RMB6,505,000 were pledged for bank borrowings. As at 31 December 2024 and 31 December 2025, Group’s trade receivables with a net carrying amount of RMB135,060,000 and RMB238,198,000 was pledged for discounted letter of credit (note 28).

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
Third parties	107,824	130,551	177,353
Less: impairment of trade receivables	(1,397)	(3,856)	(5,368)
Trade receivables, net	<u>106,427</u>	<u>126,695</u>	<u>171,985</u>
Bills receivables*			
Third parties	16,420	18,802	10,895
Less: impairment of bills receivables	(30)	(32)	(41)
Bills receivables, net	<u>16,390</u>	<u>18,770</u>	<u>10,854</u>
Net carrying amount	<u>122,817</u>	<u>145,465</u>	<u>182,839</u>
Analysed into:			
Current portion	<u>122,817</u>	<u>145,465</u>	<u>182,839</u>

* Bills receivables are with a maturity period of within six months.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s trading terms with its certain customers are on credit, and the credit period is generally 90-120 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the afore mentioned and the fact that the Group’s trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 6 months	149,211	196,602	270,809
6 months to 1 year	13,100	15,838	32,062
1 to 2 years	9,610	14,396	12,694
2 to 3 years	38	672	–
	<u>171,959</u>	<u>227,508</u>	<u>315,565</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 6 months	100,584	118,506	144,767
6 months to 1 year	12,584	12,520	27,628
1 to 2 years	9,610	13,767	10,444
2 to 3 years	39	672	–
	<u>122,817</u>	<u>145,465</u>	<u>182,839</u>

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	1,067	1,967	4,740
Impairment losses, net	900	3,118	9,912
Amount written off as uncollectible	–	(345)	(4,162)
At end of year	<u>1,967</u>	<u>4,740</u>	<u>10,490</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	769	1,427	3,888
Impairment losses, net	658	2,806	4,389
Amount written off as uncollectible	—	(345)	(2,868)
At end of year	<u>1,427</u>	<u>3,888</u>	<u>5,409</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables. The Group overall considers the credit risk and aging of the trade and bills receivables to measure the expected credit losses. Trade and bills receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided full impairment for the defaulted receivables.

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

The Group

	As at 31 December 2023		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
On collective basis	173,926	1.13%	1,967
Total	<u>173,926</u>	<u>1.13%</u>	<u>1,967</u>

	As at 31 December 2024		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
On collective basis	230,001	1.08%	2,493
On individual basis	<u>2,247</u>	<u>100.00%</u>	<u>2,247</u>
Total	<u>232,248</u>	<u>2.04%</u>	<u>4,740</u>

	As at 31 December 2025		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
On collective basis	319,409	1.20%	3,844
On individual basis	<u>6,646</u>	<u>100.00%</u>	<u>6,646</u>
Total	<u>326,055</u>	<u>3.22%</u>	<u>10,490</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December 2023		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
On collective basis	124,244	1.15%	1,427
Total	<u>124,244</u>	<u>1.15%</u>	<u>1,427</u>

	As at 31 December 2024		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
On collective basis	147,106	1.12%	1,641
On individual basis	<u>2,247</u>	<u>100.00%</u>	<u>2,247</u>
Total	<u>149,353</u>	<u>2.60%</u>	<u>3,888</u>

	As at 31 December 2025		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
On collective basis	185,387	1.37%	2,548
On individual basis	<u>2,861</u>	<u>100.00%</u>	<u>2,861</u>
Total	<u>188,248</u>	<u>2.87%</u>	<u>5,409</u>

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Tax recoverable	20,256	3,078	7,123
Prepayments	2,224	1,904	11,526
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables and deposits (i)	2,492	2,404	9,156
Right-of-return assets	<u>89</u>	<u>68</u>	<u>40</u>
	<u>25,061</u>	<u>7,454</u>	<u>30,378</u>
Non-current			
Tax recoverable	10,476	–	–
Other receivables and deposits	876	642	763
Prepayments for property, plant and equipment	6,003	3,194	6,359
Prepayments for freehold land	<u>–</u>	<u>–</u>	<u>3,266</u>
	<u>17,355</u>	<u>3,836</u>	<u>10,388</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) In August 2025, Zhuhai Zhi Cheng Yuan Technology Co., Ltd, one of the subsidiaries of the Group, terminated its operations and disposed the land use right with the net carrying amount of RMB7,635,000 to the government at the consideration of RMB5,355,000 which was recognised as other receivables as at 31 December 2025, resulting in a loss on disposal of RMB2,280,000 (note 7). In addition, due to the termination of the construction project, the infrastructure and construction fees paid to the government in the amount of RMB1,933,000 will be refunded accordingly. The amount was transferred from the construction in progress and recorded as other receivables as at 31 December 2025.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Tax recoverable	18	6	–
Prepayments	1,115	1,301	2,151
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables and deposits	1,195	1,121	1,033
	<u>2,328</u>	<u>2,428</u>	<u>5,717</u>
Non-Current			
Other receivables and deposits	478	374	403
Prepayments for property, plant and equipment	3,478	545	461
	<u>3,956</u>	<u>919</u>	<u>864</u>

The other receivables and deposits are interest-free and unsecured.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Certificates of deposits	61,348	–	–
Structured deposits	10,011	–	–
Wealth management products	–	20,025	–
	<u>71,359</u>	<u>20,025</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Certificates of deposits	40,626	—	—
Structured deposits	10,011	—	—
Wealth management products	—	20,025	—
	<u>50,637</u>	<u>20,025</u>	<u>—</u>
	<u><u>50,637</u></u>	<u><u>20,025</u></u>	<u><u>—</u></u>

The above unlisted investments were issued by banks in Chinese Mainland. The structured deposits and wealth management products are classified and measured at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The certificates of deposits are classified and measured at fair value through profit or loss as they are not held within the business model with the objective to collect contractual cashflows nor the business model with the objective of both collecting contractual cashflows and selling.

24. CONTRACT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets arising from:			
Warranty retention receivables	332	140	1,599
Less: Impairment of contract assets	(4)	(1)	(22)
	<u>328</u>	<u>139</u>	<u>1,577</u>
	<u><u>328</u></u>	<u><u>139</u></u>	<u><u>1,577</u></u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets arising from:			
Warranty retention receivables	—	—	1,553
Less: Impairment of contract assets	—	—	(19)
	<u>—</u>	<u>—</u>	<u>1,534</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>1,534</u></u>

Contract assets are initially recognised for the revenue earned from sales of the process solutions services and the receipt of retention consideration is conditional on expiration of the warranty period of the tailored ancillary equipment. Upon expiration of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for all the contract assets at the end of each of the Relevant Periods is within one year.

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in the impairment of contract assets are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	1	4	1
Impairment losses, net	3	(3)	21
At end of year	4	1	22
	=	=	=

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	–	–	–
Impairment losses, net	–	–	19
At end of year	–	–	19
	=	=	=

25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	62,802	86,511	90,359
Restricted bank deposits	–	7,950	9,020
	62,802	94,461	99,379
	=	=	=
Less:			
Restricted bank deposits	–	(7,950)	(9,020)
Cash and cash equivalents	62,802	86,511	90,359
	=	=	=
Denominated in			
RMB	62,802	86,511	85,682
USD	–	–	3,349
THB	–	–	1,328
	=	=	=

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2024 and 31 December 2025, the restricted bank deposits represented guarantee deposits for the issuance of letter of credit and bank acceptance notes.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	30,300	40,452	37,398
Restricted bank deposits	—	7,950	2,000
	<u>30,300</u>	<u>48,402</u>	<u>39,398</u>
Less:			
Restricted bank deposits	—	(7,950)	(2,000)
Cash and cash equivalents	30,300	40,452	37,398
Denominated in			
RMB	30,300	40,452	34,049
USD	—	—	3,349
	<u>—</u>	<u>—</u>	<u>3,349</u>

26. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	14,814	32,586	40,190
Bills payables	—	9,000	—
	<u>14,814</u>	<u>41,586</u>	<u>40,190</u>

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on date of the goods acceptance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	11,876	38,208	31,709
Over 1 year.	2,938	3,378	8,481
	<u>14,814</u>	<u>41,586</u>	<u>40,190</u>

The trade and bills payables are non-interest-bearing and save for ancillary equipment, are normally settled within 1 year.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	<u>5,906</u>	<u>13,059</u>	<u>12,650</u>

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

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	3,030	10,081	6,085
Over 1 year	2,876	2,978	6,565
	<u>5,906</u>	<u>13,059</u>	<u>12,650</u>

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payables for property, plant and equipment	25,512	14,402	21,816
Payable for endorsed bills receivable that are not derecognised (<i>note a</i>)	12,735	17,173	21,601
Payroll payable	4,395	8,772	13,921
Other tax payables	2,034	2,269	2,584
Payable for investment in an associate (<i>note 16</i>)	15,000	–	–
Refund liabilities (<i>note b</i>)	95	63	64
Output value added tax to be transferred	380	321	337
[REDACTED] payable.	[REDACTED]	[REDACTED]	[REDACTED]
Other payables and accruals.	<u>3,767</u>	<u>5,015</u>	<u>5,102</u>
	<u>63,918</u>	<u>48,015</u>	<u>65,851</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payables for property, plant and equipment	981	780	4,855
Payable for endorsed bills receivable that are not derecognised (<i>note a</i>)	120	1,756	1,015
Payroll payable	1,669	3,709	6,268
Other tax payables	1,343	832	828
Payable for investment in an associate (<i>note 16</i>)	15,000	–	–
Output value added tax to be transferred	152	150	115
[REDACTED] payable.	[REDACTED]	[REDACTED]	[REDACTED]
Other payables and accruals.	<u>2,737</u>	<u>2,346</u>	<u>1,914</u>
	<u>22,002</u>	<u>9,573</u>	<u>15,421</u>

- (a) For the endorsed bills receivable that the Group neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the bills receivables and associated liabilities. Further details are contained in note 40 to the Historical Financial Information.
- (b) Some of the contracts provide customers with right to return the goods within a specified period. The Group estimates the provision for liabilities based on the expected returns with the corresponding changes recognised in revenue.
- (c) Other payables are non-interest-bearing and have no fixed terms of settlement.

APPENDIX I

ACCOUNTANTS’ REPORT

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

At 31 December									
2023				2024			2025		
Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	
Current									
Current portion of long-term									
bank borrowings – secured	4.5%	2024	2,900	4.4%	2025	4,775	3.8%	2026	6,750
Other borrowings – secured	NA	NA	–	1%-1.7%	2025	15,000	1.03%-1.7%	2026	65,000
Total – current.			2,900			19,775			71,750
Non-current									
		2025-		2026-			2027-		
Bank borrowings – secured*.	4.5%	2030	41,225	4.4%	2030	36,450	3.8%	2030	29,700
Total – non-current			41,225			36,450			29,700
Total.			44,125			56,225			101,450

As at 31 December		
2023	2024	2025
RMB'000	RMB'000	RMB'000

Analysed into:

Bank borrowings repayable:

Within one year	2,900	19,775	71,750
In the second year	4,775	6,750	10,800
In the third to fifth years, inclusive	28,350	29,700	18,900
Beyond five years	8,100	–	–
	44,125	56,225	101,450

The bank borrowings were secured by:

- Guaranteed by the Company, one of the subsidiaries of the Group, and Mr. YAO Cheng (note 36);
- The pledge of the Company’s 100% of shares interest in Zhuhai Chuangzhixin Technology Co., Ltd.;
- The pledge of certain of the Group’s trade and bills receivables with a net carrying value of RMB2,421,000, RMB1,277,000 and RMB6,505,000 as at 31 December 2023, 2024, and 2025 (note 21);
- Land use rights with a net carrying value of RMB9,075,000, RMB8,879,000, and RMB8,683,000 as at 31 December 2023, 2024, and 2025 (note 15);
- Buildings, machinery, and construction owned by Group with a net carrying value of RMB158,933,000, RMB157,356,000 and RMB151,755,000 as at 31 December 2023, 2024, and 2025 (note 13).

APPENDIX I

ACCOUNTANTS’ REPORT

The other borrowings as at 31 December 2024 and 2025 were letters of credit discounted at the bank, secured by:

- (i) The pledge of certain of the Group’s trade receivables of RMB135,060,000 and RMB238,198,000 (note 21);
- (ii) The bank deposits of RMB7,950,000 and RMB9,020,000 (note 25);
- (iii) Guaranteed by certain subsidiaries of the Group.

All the bank and other borrowings of the Group were dominated in RMB as at 31 December 2023, 2024 and 2025.

29. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advances from customers			
Plating services	2,771	10,396	8,271
Analysed for reporting purposes as:			
Current liabilities	2,771	10,396	8,271

Contract liabilities mainly arise from the advance payments received for the ancillary equipment provided in the process solution services.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advances from customers			
Plating services	1,177	8,878	1,827
Analysed for reporting purposes as:			
Current liabilities	1,177	8,878	1,827

APPENDIX I

ACCOUNTANTS’ REPORT

30. SHARE CAPITAL

The Group and the Company

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

	Number of shares in issue	Share capital
	(in thousand)	RMB'000
As at 1 January 2023	8,911	8,911
Capital contribution by shareholders.	216	216
Transfer from capital reserve*	103,373	103,373
As at 31 December 2023.	112,500	112,500
Capital contribution by shareholders**	889	889
As at 31 December 2024	113,389	113,389
Capital contribution by shareholders***	1,334	1,334
As at 31 December 2025.	114,723	114,723

During the year ended 31 December 2023, the Company received capital contributions of RMB30,000,000 from two investors. The capital contribution increased the share capital and capital reserve by RMB108,000 and RMB29,892,000 respectively. In addition, the Group issued 108,232 shares as part of the consideration for the investment in an associate (note 16), which has increased share capital and capital reserve amounted to RMB108,000 and RMB29,892,000, respectively.

* As approved in the extraordinary general meeting held on 8 December 2023, the Company has transferred capital reserve of RMB103,373,000 to share capital with a nominal value of RMB1 per share.

** During the year ended 31 December 2024, the Company received capital contributions of RMB20,000,000 from an investor. The capital contribution increased the share capital and capital reserve by RMB889,000 and RMB19,111,000 respectively.

*** During the year ended 31 December 2025, the Company received capital contributions of RMB30,000,000 from an investor. The capital contribution increased the share capital and capital reserve by RMB1,334,000 and RMB28,666,000 respectively.

Pursuant to the shareholders’ agreements and share subscription agreements (collectively, the “Pre-[REDACTED] Investors Agreements”) with various pre-[REDACTED] Investors (collectively, the “Pre-[REDACTED] Investors”), the Company issued a total of 33,440,006 ordinary shares with a total consideration of approximately RMB576.43 million (collectively the “Pre-[REDACTED] Investments”). Pursuant to the Pre-[REDACTED] Investors Agreements, the Pre-[REDACTED] Investors were granted by the Company with redemption rights.

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

On 30 April 2025 and 6 June 2025, the Company and the Pre-[REDACTED] Investors subsequently entered into supplemental agreements, agreeing that the redemption rights granted by the Company to Pre-[REDACTED] investors, have been irrecoverably terminated and shall be void ab initio. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplemental agreements, the directors considered that it is appropriate to present the Pre-[REDACTED] Investments as equity throughout the Relevant Periods.

Had the redemption rights granted by the Company to the Pre-[REDACTED] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the supplemental agreements, the redemption financial liabilities, total non-current liabilities, and net assets would have been:

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December	
	2023	2024
	RMB'000	RMB'000
Redemption financial liabilities	588,143	634,213
Total non-current liabilities	633,459	673,673
Net assets	233,284	260,233

The finance costs associated with the redemption financial liabilities, the net profit for the year, basic and dilutive earning per share would have been:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial costs associated with the redemption financial liabilities	24,286	25,761	11,802
Total net (loss) profit	(4,865)	26,945	61,408
Basic and dilutive (loss)/earnings per share (expressed in RMB)	(0.04)	0.25	0.54

31. RESERVES

The Group

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

(i) Capital reserve

The capital reserve of the Group represents the difference between the value of the paid-up capital and the consideration received, the reserves resulting from transactions with non-controlling interests, and the share-based payment compensation reserve due to equity-settled share-based payment transactions.

(ii) Safety production fund

Pursuant to the regulations issued by the Ministry of Finance and the State Administration of Work Safety of Chinese Mainland, Zhuhai Chuangzhi Chenggong Technology Co., Ltd, one subsidiary of the Group, is required to set aside an amount for maintenance, production and other similar funds. The funds can be used for maintenance of production facilities and improvements of safety measures and are not available for distribution to shareholders.

(iii) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(iv) Other reserve

The other reserve of the Group represents the share of the associate’s other reserves and the exchange differences arising from the translation of the financial statement of foreign operations.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented as follows:

	Capital reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	703,813	–	3,146	23,343	730,302
Profit for the year	–	–	–	28,347	28,347
Total comprehensive income for the year . . .	–	–	–	28,347	28,347
Issue of shares	59,784	–	–	–	59,784
Transfer from capital reserve	(103,373)	–	–	–	(103,373)
Transfer to statutory surplus reserve	–	–	2,835	(2,835)	–
At 31 December 2023 . . .	660,224	–	5,981	48,855	715,060
At 1 January 2024	660,224	–	5,981	48,855	715,060
Profit for the year	–	–	–	55,292	55,292
Total comprehensive income for the year . . .	–	–	–	55,292	55,292
Share of other reserves of an associate	–	313	–	–	313
Issue of shares	19,111	–	–	–	19,111
Transfer to statutory surplus reserve	–	–	5,529	(5,529)	–
At 31 December 2024 . . .	679,335	313	11,510	98,618	789,776
At 1 January 2025	679,335	313	11,510	98,618	789,776
Profit for the year	–	–	–	63,781	63,781
Total comprehensive income for the year . . .	–	–	–	63,781	63,781
Issue of shares	28,666	–	–	–	28,666
Transfer to statutory surplus reserve	–	–	6,378	(6,378)	–
At 31 December 2025 . . .	708,001	313	18,148	156,021	882,223

32. SHARE-BASED PAYMENTS

The Group approved and adopted the employee incentive scheme (the “Employee Incentive Scheme”) for certain employees of the Group (“Share Incentive Participants”) in order to recognise the contributions of the Share Incentive Participants to the growth and development of the Group, and incentivise them to further promote the development of the Group.

In order to implement the Employee Incentive Scheme, Shenzhen Zhiyuanxin Investment Consulting Partnership Enterprise (Limited Partnership) (“Zhiyuanxin Consulting”) Shenzhen Zhiyuanxinke Investment Consulting Partnership Enterprise (Limited Partnership) (“Zhiyuanxinke Consulting”) and Shenzhen Zhiyuanxinchuang Investment Consulting Partnership Enterprise (Limited Partnership) (“Zhiyuanxinchuang Consulting”) were established and designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platforms.

On 30 July 2020, Zhiyuanxin Consulting subscribed for 700,000 shares (equal to 8,627,692 shares after capital reserve converted into share capital in December 2024) of the Company at a subscribed price of RMB1.00. On 30 July 2020, Zhiyuanxinke Consulting subscribed for 235,600 shares (equal to 2,903,835 shares after capital reserve converted into share capital in December 2024) of the Company at a subscribed price of RMB105.26. On 30

APPENDIX I

ACCOUNTANTS’ REPORT

September 2020, Zhiyuanxinchuang Consulting subscribed for 312,740 shares (equal to 3,854,606 shares after capital reserve converted into share capital in December 2024) of the Company at a subscribed price of RMB105.26. All the shares held by the share incentive platforms had been granted to the Share Incentive Participants and vested in full as at the beginning of the Relevant Periods.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,941,000, in respect of lease arrangements for office premises.

During the year ended 31 December 2023, the Group had non-cash additions to its share capital and capital reserve amounted to RMB108,000 and RMB29,892,000 and its investment in an associates amounted to RMB30,000,000 respectively.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	Interest-bearing bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023.	47,025	3,275	50,300
Changes from financing cash flow	(4,984)	(2,171)	(7,155)
Changes from non-financing cash flow	–	3,611	3,611
Accretion of interest	2,084	166	2,250
At 31 December 2023 and 1 January 2024.	44,125	4,881	49,006
Changes from financing cash flow	10,222	(1,015)	9,207
Accretion of interest	1,878	187	2,065
At 31 December 2024 and 1 January 2025.	56,225	4,053	60,278
Changes from financing cash flow	43,123	(1,218)	41,905
Accretion of interest	2,102	147	2,249
At 31 December 2025	101,450	2,982	104,432

(c) Total cash outflow for leases

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities.	1,174	1,258	1,504
Within financing activities.	2,171	1,015	1,218
	3,345	2,273	2,722

34. PLEDGE OF ASSETS

Details of the Group’s pledged assets are included in note 13, 15, 21 and 25 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

35. COMMITMENTS

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Purchase of items of property, plant and equipment	17,654	35,324	30,288

36. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of the related parties

Name	Relationship
Ms. Yang Ming	Supervisor
Yicheng Electronic	Associate of the Group
Shenzhen Taozhi Dihao Technology Co., Ltd. 深圳市滔智地浩科技有限公司	A company controlled by a close family member of the Controlling Shareholders
Shenzhen Wanlian Jingtai Technology Co., Ltd. 深圳市萬聯景泰科技有限公司	A company controlled by a close family member of the Controlling Shareholders

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of products to:			
Yicheng Electronic	55	698	1,150
Sales of equipment and furniture to:			
Yicheng Electronic	133	13	—
Purchase of raw materials from:			
Yicheng Electronic	147	4,009	3,861
Leases of low-value assets from:			
Shenzhen Taozhi Dihao Technology Co., Ltd. .	6	6	—
Shenzhen Wanlian Jingtai Technology Co., Ltd.	84	7	—

The above transactions with the related parties were made according to the published prices and conditions which are similar to other customers or suppliers.

(c) Other related party transactions

During the years ended 31 December 2023 and 2024, the Group’s banking facilities were guaranteed by Mr. YAO Cheng, with the guaranteed amount of RMB100,000,000, and RMB100,000,000, respectively, for the duration period from 2021 to 2029. The guarantee arrangement was released in May 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Outstanding balances with related parties:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from related parties:			
Trade receivables (trade in nature)			
Yicheng Electronic	23	351	594
Other receivables			
Ms. Yang Ming (non-trade in nature).	22	10	–
Shenzhen Taozhi Dihao Technology			
Co., Ltd (trade in nature)	12	–	–
Shenzhen Wanlian Jingtai Technology			
Co., Ltd. (trade in nature)	14	–	–
	48	10	–
Amounts due to a related party:			
Trade payables (trade in nature)			
Yicheng Electronic	155	852	1,213
	155	852	1,213

The amounts due from/to related parties were unsecured, interest-free and repayable on similar credit terms offered to other customers or suppliers.

(e) **Compensation of key management personnel of the Group**

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind.	3,074	3,309	3,266
Pension scheme contributions	145	123	102
	3,219	3,432	3,368

Further details of directors’ and the chief executive’s and supervisors’ remuneration are included in note 8 to the Historical Financial Information.

(f) **Due from subsidiaries**

As at the end of each of the Relevant Periods, amounts due from subsidiaries are mainly trade in nature, unsecured, interest free and repayable on demand. The carrying amounts of balances due from subsidiaries approximate their fair values. The Company assessed that the credit risks for the amounts due from subsidiaries were minimal.

(g) **Due to subsidiaries**

As at the end of each of the Relevant Periods, amounts due to subsidiaries are mainly trade in nature, unsecured, interest free and repayable on demand. The carrying amounts of balances due to subsidiaries approximate their fair values.

APPENDIX I

ACCOUNTANTS’ REPORT

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at fair value through profit or loss:			
Certificates of deposits	61,348	—	—
Structured deposits	10,011	—	—
Wealth management products	—	20,025	—
	<u>71,359</u>	<u>20,025</u>	<u>—</u>
Debt investments at fair value through other comprehensive income:			
Bills receivables	<u>12,574</u>	<u>13,073</u>	<u>6,094</u>
Financial assets at amortised cost:			
Trade and bills receivables	171,959	227,508	315,565
Financial assets included in other receivables and other assets	3,368	3,046	9,919
Restricted bank deposits	—	7,950	9,020
Cash and cash equivalents	<u>62,802</u>	<u>86,511</u>	<u>90,359</u>
	<u>238,129</u>	<u>325,015</u>	<u>424,863</u>
Financial liabilities at amortised cost:			
Trade and bills payables	14,814	41,586	40,190
Financial liabilities included in other payables and accruals	57,014	36,590	48,945
Lease liabilities	4,881	4,053	2,982
Interest-bearing bank and other borrowings	<u>44,125</u>	<u>56,225</u>	<u>101,450</u>
	<u>120,834</u>	<u>138,454</u>	<u>193,567</u>

For the details of pre-[REDACTED] investments, please refer to note 30 to this report.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group’s financial instruments approximate to their fair values due to the short-term maturities of these instruments.

The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value hierarchy

Financial assets:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit and loss.	–	71,359	–	71,359
Debt investments at fair value through other comprehensive income	–	12,574	–	12,574
	–	83,933	–	83,933
	–	–	–	–

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit and loss.	–	20,025	–	20,025
Debt investments at fair value through other comprehensive income	–	13,073	–	13,073
	–	33,098	–	33,098
	–	–	–	–

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Debt investments at fair value through other comprehensive income	–	6,094	–	6,094
	–	–	–	–

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

APPENDIX I

ACCOUNTANTS’ REPORT

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the interest-bearing bank with floating interest rates. The Group’s policy is to manage its interest cost using variable rate debts. At the end of each of the Relevant Periods, the Group’s other borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group’s profit before tax (through the impact on floating rate borrowings) and the Group’s equity.

Year	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax	Increase/(decrease) in equity*
		RMB’000	RMB’000
Year ended 31 December 2023			
RMB	50	(221)	—
RMB	(50)	221	—
Year ended 31 December 2024			
RMB	50	(281)	—
RMB	(50)	281	—
Year ended 31 December 2025			
RMB	50	(507)	—
RMB	(50)	507	—

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. The credit risk of the Group’s other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

APPENDIX I

ACCOUNTANTS’ REPORT

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables**	—	—	—	173,926	173,926
Debt investments at fair value through other comprehensive income . .	12,574	—	—	—	12,574
Contract assets	—	—	—	332	332
Financial assets included in other receivables and other assets*	3,368	—	—	—	3,368
Cash and cash equivalents .	62,802	—	—	—	62,802
	78,744	—	—	174,258	253,002
	<u>78,744</u>	<u>—</u>	<u>—</u>	<u>174,258</u>	<u>253,002</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables**	—	—	—	232,248	232,248
Debt investments at fair value through other comprehensive income . .	13,073	—	—	—	13,073
Contract assets	—	—	—	140	140
Financial assets included in other receivables and other assets*	3,046	—	—	—	3,046
Restricted bank balances . .	7,950	—	—	—	7,950
Cash and cash equivalents .	86,511	—	—	—	86,511
	110,580	—	—	232,388	342,968
	<u>110,580</u>	<u>—</u>	<u>—</u>	<u>232,388</u>	<u>342,968</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables**	—	—	—	326,055	326,055
Debt investments at fair value through other comprehensive income . .	6,094	—	—	—	6,094
Contract assets	—	—	—	1,599	1,599
Financial assets included in other receivables and other assets*	9,919	—	—	—	9,919
Restricted bank balances . .	9,020	—	—	—	9,020
Cash and cash equivalents .	90,359	—	—	—	90,359
	<u>115,392</u>	<u>—</u>	<u>—</u>	<u>327,654</u>	<u>443,046</u>

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

** For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 24 to the Historical Financial Information, respectively.

At the end of each of the Relevant Periods, the Group had no significant concentrations of credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	14,814	—	—	14,814
Financial liabilities included in other payables and accruals	57,014	—	—	57,014
Lease liabilities	1,045	4,338	—	5,383
Interest-bearing bank and other borrowings	4,812	38,681	8,456	51,949
	<u>77,685</u>	<u>43,019</u>	<u>8,456</u>	<u>129,160</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	41,586	–	41,586
Financial liabilities included in other payables and accruals	36,590	–	36,590
Lease liabilities	1,219	3,148	4,367
Interest-bearing bank and other borrowings	21,589	40,549	62,138
	<u>100,984</u>	<u>43,697</u>	<u>144,681</u>

As at 31 December 2025

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	40,190	–	40,190
Financial liabilities included in other payables and accruals	48,945	–	48,945
Lease liabilities	1,219	1,930	3,149
Interest-bearing bank and other borrowings	73,354	32,195	105,549
	<u>163,708</u>	<u>34,125</u>	<u>197,833</u>

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total assets	<u>955,370</u>	<u>1,058,915</u>	<u>1,218,484</u>
Total liabilities	<u>133,943</u>	<u>164,469</u>	<u>220,781</u>
Asset-liability ratio*	<u>14%</u>	<u>16%</u>	<u>18%</u>

* The asset-liability ratio is calculated by dividing total liabilities by total assets.

APPENDIX I

ACCOUNTANTS’ REPORT

40. TRANSFERS OF FINANCIAL ASSETS

(a) Transferred financial assets that are not derecognised in their entirety

At the end of each of the Relevant Periods, the Group endorsed certain bills receivables accepted by banks in Chinese Mainland (the “Endorsed Bills”) with a carrying amount of RMB12,735,000, RMB17,173,000 and RMB21,601,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB25,013,000, RMB39,288,000 and RMB51,616,000 as at the end of each of the Relevant Periods.

(b) Transferred financial assets that are derecognised in their entirety

At the end of each of the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB19,715,000, RMB42,580,000 and RMB53,015,000. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

41. EVENTS AFTER THE RELEVANT PERIODS

The Group had no significant events subsequent to 31 December 2025.

42. SUBSEQUENT FINANCIAL STATEMENTS

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