

APPENDIX I

ACCOUNTANTS’ REPORT

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

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WUHAN SILICON INTEGRATED CO., LTD., HAITONG INTERNATIONAL CAPITAL LIMITED AND CITIC SECURITIES (HONGKONG) LIMITED

Introduction

We report on the historical financial information of Wuhan Silicon Integrated Co., Ltd.* (武漢聚芯微電子股份有限公司) (previously known as Wuhan Silicon Integrated Co., Ltd.* (武漢市聚芯微電子有限責任公司)) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages I-4 to I-63, which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2025 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

Opinion

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

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

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	6	242,048	666,580	854,704
Cost of sales		(185,022)	(510,353)	(646,678)
Gross profit		57,026	156,227	208,026
Other income	7	15,522	4,173	23,876
Other gains and losses	8	9,593	2,280	1,314
Loss on fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)	23	(41,290)	(40,468)	(16,498)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(336)	(2,633)	2,671
Selling and distribution expenses		(40,587)	(48,000)	(49,188)
General and administrative expenses		(28,445)	(24,672)	(32,082)
Research and development expenses	10	(81,451)	(77,103)	(90,389)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	9	(162)	(747)	(1,261)
(Loss) profit before tax		(110,130)	(30,943)	26,110
Income tax credit	11	–	40,677	380
(Loss) profit for the year		(110,130)	9,734	26,490
Other comprehensive income (expense)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		14	(222)	415
<i>Item that will not be reclassified to profit or loss</i>				
Fair value (loss) gain on investment in the equity instrument at fair value through other comprehensive income (“FVTOCI”), net of income tax		–	(376)	111
Other comprehensive income (expense) for the year		14	(598)	526
Total comprehensive (expense) income for the year		(110,116)	9,136	27,016
(Loss) earnings per share	14			
– Basic (RMB)		(5.58)	0.49	1.10
– Diluted (RMB)		(5.58)	0.49	1.10

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property and equipment	15	34,303	51,889	53,138
Right-of-use assets	16	2,173	5,494	9,649
Intangible assets		416	199	8,979
Equity instrument at FVTOCI	17	6,441	5,999	6,129
Prepayment and other receivables	20	2,268	2,480	2,371
Deferred tax assets	19	–	40,747	41,160
		<u>45,601</u>	<u>106,808</u>	<u>121,426</u>
Current assets				
Inventories	18	113,317	283,920	206,265
Trade receivables, prepayments and other receivables	20	185,947	313,542	154,009
Cash and cash equivalents	21	186,582	33,899	717,257
		<u>485,846</u>	<u>631,361</u>	<u>1,077,531</u>
Current liabilities				
Trade and other payables	22	61,877	124,548	89,469
Contract liabilities		3,005	3,047	3,480
Borrowings	24	–	70,000	–
Tax payable		64	71	26
Financial liabilities at FVTPL	23	1,012,806	1,053,274	–
Lease liabilities	25	849	2,222	3,147
		<u>1,078,601</u>	<u>1,253,162</u>	<u>96,122</u>
Net current (liabilities) assets		<u>(592,755)</u>	<u>(621,801)</u>	<u>981,409</u>
Total assets less current liabilities. . .		<u>(547,154)</u>	<u>(514,993)</u>	<u>1,102,835</u>
Non-current liability				
Lease liabilities	25	1,494	3,649	7,058
Net (liabilities) assets.		<u>(548,648)</u>	<u>(518,642)</u>	<u>1,095,777</u>
Capital and reserves				
Paid-in capital	26	8,247	8,247	–
Share capital	26	–	–	30,000
Reserves		<u>(556,895)</u>	<u>(526,889)</u>	<u>1,065,777</u>
Total (deficits) equity.		<u>(548,648)</u>	<u>(518,642)</u>	<u>1,095,777</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property and equipment	15	33,135	50,874	52,356
Right-of-use assets		19	692	5,169
Intangible assets		416	199	8,979
Equity instrument at FVTOCI	17	6,441	5,999	6,129
Investments in subsidiaries	34A	3,526	5,466	41,672
Prepayment and other receivables	20	1,947	2,128	2,026
Deferred tax assets	19	–	40,747	41,160
		<u>45,484</u>	<u>106,105</u>	<u>157,491</u>
Current assets				
Inventories	18	113,317	283,693	206,143
Trade receivables, prepayments and other receivables	20	168,534	265,072	145,026
Cash and cash equivalents	21	<u>177,930</u>	<u>15,076</u>	<u>709,105</u>
		<u>459,781</u>	<u>563,841</u>	<u>1,060,274</u>
Current liabilities				
Trade and other payables	22	34,888	56,906	112,467
Contract liabilities		3,005	3,047	3,480
Borrowings	24	–	70,000	–
Financial liabilities at FVTPL	23	1,012,806	1,053,274	–
Lease liabilities		<u>20</u>	<u>818</u>	<u>1,626</u>
		<u>1,050,719</u>	<u>1,184,045</u>	<u>117,573</u>
Net current (liabilities) assets		<u>(590,938)</u>	<u>(620,204)</u>	<u>942,701</u>
Total assets less current liabilities. . .		<u>(545,454)</u>	<u>(514,099)</u>	<u>1,100,192</u>
Non-current liability				
Lease liabilities		<u>–</u>	<u>–</u>	<u>3,851</u>
Net (liabilities) assets		<u>(545,454)</u>	<u>(514,099)</u>	<u>1,096,341</u>
Capital and reserves				
Paid-in capital	26	8,247	8,247	–
Share capital	26	–	–	30,000
Reserves	34B	<u>(553,701)</u>	<u>(522,346)</u>	<u>1,066,341</u>
Total (deficits) equity		<u>(545,454)</u>	<u>(514,099)</u>	<u>1,096,341</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Share capital	Share premium	Other reserve	Capital reserve	Translation reserve	Share-based payments reserve	(Accumulated losses) retained earnings	Total (deficits) equity
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Note a)								
As at January 1, 2023	8,247	–	–	(341,182)	636,132	1,152	45,594	(831,859)	(481,916)
Loss for the year . .	–	–	–	–	–	–	–	(110,130)	(110,130)
Other comprehensive income for the year	–	–	–	–	–	14	–	–	14
Profit (loss) and total comprehensive income (expense) for the year . . .	–	–	–	–	–	14	–	(110,130)	(110,116)
Recognition of equity-settled share-based payments (Note 27)	–	–	–	–	–	–	43,384	–	43,384
Restricted shares units vested . . .	–	–	–	44,029	–	–	(44,029)	–	–
As at December 31, 2023	8,247	–	–	(297,153)	636,132	1,166	44,949	(941,989)	(548,648)
Profit for the year . .	–	–	–	–	–	–	–	9,734	9,734
Other comprehensive expense for the year	–	–	–	(376)	–	(222)	–	–	(598)
(Loss) profit and total comprehensive (expense) income for the year . . .	–	–	–	(376)	–	(222)	–	9,734	9,136
Recognition of equity-settled share-based payments (Note 27)	–	–	–	–	–	–	20,870	–	20,870
Restricted shares units vested . . .	–	–	–	26,460	–	–	(26,460)	–	–

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	Paid-in capital	Share capital	Share premium	Other reserve	Capital reserve	Translation reserve	Share-based payments reserve	Accumulated losses	Total (deficits) equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)								
As at December 31, 2024	8,247	–	–	(271,069)	636,132	944	39,359	(932,255)	(518,642)
Profit for the year	–	–	–	–	–	–	–	26,490	26,490
Other comprehensive income for the year	–	–	–	111	–	415	–	–	526
Profit and total comprehensive income for the year	–	–	–	111	–	415	–	26,490	27,016
Capital injection from investors with preferential rights (Note 23)	875	–	–	(509,600)	508,725	–	–	–	–
Termination of the Company's obligations arising from preferential rights granted to the Investors (Note 23)	–	–	–	1,579,372	–	–	–	–	1,579,372
Recognition of equity-settled share-based payments (Note 27)	–	–	–	–	–	–	8,031	–	8,031
Restricted shares units vested	–	–	–	9,895	–	–	(9,895)	–	–
Conversion into a joint stock company (Note 26)	(9,122)	30,000	1,063,406	(808,598)	(1,144,857)	–	(35,101)	904,272	–
As at December 31, 2025	<u>–</u>	<u>30,000</u>	<u>1,063,406</u>	<u>111</u>	<u>–</u>	<u>1,359</u>	<u>2,394</u>	<u>(1,493)</u>	<u>1,095,777</u>

Note:

- (a) Other reserve represented (i) net changes on investment in the equity instrument at FVTOCI; (ii) the Company's obligation arising from the preferential rights granted to the investors, and (iii) transfer from share-based payment reserve as a result of vesting of restricted shares units granted to employees.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES			
(Loss) profit before tax	(110,130)	(30,943)	26,110
Adjustments for:			
Finance costs	162	747	1,261
Interest income	(557)	(560)	(1,150)
Shared-based payment expenses	43,384	20,870	8,031
Allowance for inventories	18,919	22,781	21,654
Depreciation of property and equipment. . .	2,989	3,281	3,250
Depreciation of right-of-use assets	1,820	2,110	2,566
Amortisation of intangible assets	185	217	1,265
Impairment losses under ECL model, net of reversal	336	2,633	(2,671)
Net gain on fair value change of financial assets at FVTPL	(8,584)	(1,576)	(4,177)
Loss on fair value change of financial liabilities measured at FVTPL	41,290	40,468	16,498
Net foreign exchange gain	(1,072)	(925)	(980)
Net (gain) loss on disposal of property and equipment and early termination of leases	(4)	(120)	28
Operating cash flows before movements in working capital.	(11,262)	58,983	71,685
(Increase) decrease in inventories	(100,078)	(187,163)	63,479
(Increase) decrease in trade receivables	(24,291)	(113,126)	71,200
(Increase) decrease in prepayments and other receivables	(72,758)	(15,185)	101,746
Increase (decrease) in trade and other payables	14,681	73,174	(39,423)
Increase in contract liabilities	3,005	42	433
Cash used in operations	(190,703)	(183,275)	269,120
Tax paid	–	(2,123)	(97)
Interest received	557	560	1,150
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(190,146)	(184,838)	270,173

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	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
INVESTING ACTIVITIES			
Purchase of property and equipment	(13,048)	(36,998)	(12,354)
Purchase of intangible assets	(288)	–	(10,045)
Proceeds on the disposal of property and equipment	–	104	680
Rental deposits received	21	87	84
Payments for rental deposits	(80)	(198)	(320)
Purchase of financial assets at FVTPL	(986,000)	(452,000)	(681,990)
Proceeds on the disposal of financial assets at FVTPL	1,285,730	453,576	686,167
Prepayment for the acquisition of property and equipment	(7,247)	(75)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	279,088	(35,504)	(17,778)
FINANCING ACTIVITIES			
Interest paid	(20)	(475)	(1,006)
Payments of lease liabilities	(1,963)	(2,010)	(2,591)
New bank borrowings raised	8,000	110,000	50,000
Repayment of bank borrowings	(8,000)	(40,000)	(120,000)
Issue cost paid	–	–	(5,283)
Capital contribution from new shareholders	–	–	509,600
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,983)	67,515	430,720
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,959	(152,827)	683,115
Cash and cash equivalents at beginning of the year	99,473	186,582	33,899
Effect of foreign exchange rate changes	150	144	243
Total cash and cash equivalents at end of the year	186,582	33,899	717,257

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered in the PRC on January 22, 2016 as a limited liability company and previously known as Wuhan Silicon Integrated Co., Ltd.* (武漢市聚芯微電子有限責任公司). On September 18, 2025, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC and change the name to Wuhan Silicon Integrated Co., Ltd.* (武漢聚芯微電子股份有限公司) (the “Conversion”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the Document. Mr. Liu Deheng (“Mr. Liu”)* (劉德珩) directly held shareholdings of the Company and Mr. Liu is the general partner of the Share Incentive Platforms (defined in Note 27). Mr. Liu and Share Incentive Platforms are the controlling shareholders under the Hong Kong listing rules.

The Group is principally engaged in the research, development and sales of intelligent sensing, machine vision and imaging technology that involve high-performance chips and driver products and deep optimization algorithm software.

The presentation currency of the Historical Financial Information is Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards issued by the IASB.

The statutory financial statements of the Company for each of the year ended December 31, 2023 and 2024 were prepared in accordance with Chinese Accounting Standards for Business Enterprises (“CASBE”) issued by the Ministry of Finance of the People’s Republic of China and were audited by Wuhan Jing Hia Certified Public Accountants LLP*(“武漢京華會計師事務所”), certified public accountants registered in the PRC. No audited statutory financial statements of the Company have been prepared for the year ended December 31, 2025.

The directors of the Company have a reasonable expectation that the Group will have adequate resources to continue in operational existence at least the twelve months from the date of the Historical Financial Information. The Historical Financial Information has been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

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

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

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

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

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

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all the amendments to IFRS Accounting Standards will have no material impact on the Group’s consolidated financial statements in foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

Basis of consolidation

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

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

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

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

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Investments in subsidiaries

Investments in subsidiaries are included in the statements of financial position of the Company at cost less accumulated impairment losses, if any.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Note 6.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes the amounts of the initial measurement of the lease liabilities and any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate, a country-specific risk adjustment, a credit risk adjustment, and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

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

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Restricted share units (“RSUs”) granted to employees.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For RSUs that vest immediately at the date of grant, the fair value of RSUs granted is expensed immediately to profit or loss.

When RSUs granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property and equipment

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

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

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

Research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

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- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets

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

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units (“CGUs”) for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

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

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

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Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

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

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in business combination to which IFRS 3 *Business Combination* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is transferred to retained profits/accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

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(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

Lifetime ECL for trade receivables are assessed on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the other reserve is not reclassified to profit or loss, but is transferred to retained profits/accumulated losses.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

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

Derecognition of financial liabilities

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

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Deferred tax assets

The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

At December 31, 2023, 2024 and 2025, the carrying amounts of deferred tax asset is nil, RMB40,747,000 and RMB41,160,000, respectively. Details of recognition of deferred tax assets are disclosed in Note 19.

Allowance for inventories

The Group estimates the net realisable value of inventories and reviews the condition of its inventories at the end of each reporting period and makes provisions against the inventory items of which the estimated cost is higher than net realisable values, and 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 semiconductor industry. Management estimates the net realisable value for the 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 the 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 recognised in the periods in which such estimates have been changed. As at December 31, 2023, 2024 and 2025, the carrying amounts of inventories is RMB113,317,000, RMB283,920,000 and RMB206,265,000, after taking into account the allowance for inventories of RMB26,939,000, RMB45,229,000 and RMB48,216,000.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contract with customers

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or service			
Intelligent sensing products	236,487	573,557	708,004
Machine vision products	751	46,434	70,724
Imaging technology products	11	46,501	71,192
Others*	4,799	88	4,784
	<u>242,048</u>	<u>666,580</u>	<u>854,704</u>

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
A point in time.	242,048	666,580	854,704

* Others primarily include provision of software development services.

(ii) Performance obligations for contracts with customers and revenue recognition policies

Revenue represents the amounts received and receivable from the sale of sensor and driver products under intelligent sensing, machine vision and imaging technology and provision of software development service net of sales related taxes, during the Track Record Period.

Sales of sensor and driver products under intelligent sensing, machine vision and imaging technology

The Group sells the sensor and driver products under intelligent sensing, machine vision and imaging technology to the distributors and direct customers.

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

Revenue from sales of goods to distributors and direct customers is recognised at a point in time when the goods are delivered to the specified location designated by or accepted by the distributors and direct customers since only by that time the Group passes control of the goods to the distributors and direct customers. Transportation and handling activities that occur before distributors and direct customers obtain control are considered as fulfilment activities. The credit term granted to distributors and direct customers is 0-90 days.

Under the Group’s standard contract terms, distributors and direct customers have a right to return/replace for products with quality issues within typically 12 or 24 months warranty period. Sales-related warranties associated with sensor and driver products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS37.

Provision of software development services

The Group provides software development services to the customers. The provision of solutions on software development services includes a comprehensive set of activities in the contract, such as project design, implementation, installation, trial launch and/or acceptance, which are highly interdependent and highly interrelated as a single performance obligation. As the Group does not meet the IFRS15.35, the performance obligation is satisfied at a point in time.

The transaction price received by the Group is recognised as a contract liability for provision of software development services in which revenue has yet been recognised.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The amount of performance obligation that is not satisfied or partially satisfied is not disclosed as the Group’s contract for the sales of sensor and driver has an original expected duration of less than one year.

(iv) Segment information

For the purpose of resource allocation and assessment of segment performance, the chief operating decision maker of the Company, who is also identified as the chief executive officer of the Group, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

As at December 31, 2023, 2024 and 2025, substantially all of the Group’s non-current assets were located in the PRC. The geographical information of the Group’s revenue, determined based on geographical location of the distributors and direct customers, during the Track Record Period is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	141,902	428,194	632,309
Hong Kong	100,146	238,386	222,395
	<u>242,048</u>	<u>666,580</u>	<u>854,704</u>

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	*	68,767	96,398
Customer B	—	*	93,462
Customer C	33,761	*	—
Customer D	41,723	175,740	*
Customer E	59,033	119,039	131,852
Customer F	60,482	*	—
Customer G	—	119,105	316,151

* The corresponding revenue contributed to the total revenue of the Group is less than 10%.

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7. OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants (<i>note</i>)	14,902	3,320	9,981
Value-added tax additional deduction	—	—	12,494
Interest income.	557	560	1,150
Others	63	293	251
	<u>15,522</u>	<u>4,173</u>	<u>23,876</u>

Note: The amount represents the incentives provided by local government authorities in the PRC, including various forms of government financial incentives rewarding the Group’s support and contribution for the development of local economies.

8. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net gain on fair value changes of financial assets measured at FVTPL.	8,584	1,576	4,177
Net gain (loss) on disposal of property and equipment and early termination of leases. . . .	4	120	(28)
Net foreign exchange gain.	1,014	606	1,411
Provision for litigation (<i>Note 22</i>)	—	—	(4,201)
Others	(9)	(22)	(45)
	<u>9,593</u>	<u>2,280</u>	<u>1,314</u>

9. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings.	20	475	1,006
Interest on lease liabilities.	142	272	255
	<u>162</u>	<u>747</u>	<u>1,261</u>

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10. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging (crediting):

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation of property and equipment	3,588	9,502	10,728
Depreciation of right-of-use assets	1,820	2,110	2,566
Amortisation of intangible assets	185	217	1,265
	<u>5,593</u>	<u>11,829</u>	<u>14,559</u>
Capitalise in inventories	<u>(599)</u>	<u>(6,221)</u>	<u>(7,478)</u>
Total depreciation and amortisation charge to profit or loss	<u>4,994</u>	<u>5,608</u>	<u>7,081</u>
Directors’ remuneration (<i>Note 12</i>)	4,050	5,154	2,904
Other staff costs:			
– salaries and other benefits	62,541	74,828	88,624
– retirement benefit scheme contributions	7,178	9,838	12,168
– share-based payment expenses	41,399	17,822	7,689
	<u>115,168</u>	<u>107,642</u>	<u>111,385</u>
Capitalise in inventories	<u>(2,033)</u>	<u>(3,390)</u>	<u>(4,582)</u>
Total staff costs charge to profit or loss	<u>113,135</u>	<u>104,252</u>	<u>106,803</u>
Analysed as:			
– charged in general and administrative expenses	18,469	13,133	14,505
– charged in selling and distribution expenses	33,694	36,214	38,049
– charged in research and development expenses	60,972	54,905	54,249
	<u>113,135</u>	<u>104,252</u>	<u>106,803</u>
Write-down of inventories (include in cost of sales)	18,919	22,781	21,654
Cost of inventories recognised in cost of sales	118,807	284,205	363,634
Research and development expenses			
– Staff costs	60,972	54,905	54,249
– Depreciation and amortisation	1,390	1,040	848
– Materials consumed	17,853	20,022	33,568
– Others	1,236	1,136	1,724
	<u>81,451</u>	<u>77,103</u>	<u>90,389</u>
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

11. INCOME TAX (CREDIT) EXPENSE

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Hong Kong Income Tax	–	4	52
Deferred tax credit	–	(40,681)	(432)
	–	<u>(40,677)</u>	<u>(380)</u>
	–	<u>–</u>	<u>–</u>

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

Under the PRC Law on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, the tax rate for PRC subsidiaries is 25% unless they are subject to preferential tax as set out below during the Track Record Period.

Certain subsidiaries qualify as small and low-profit enterprises under the tax regulations of the PRC. Under the preferential tax policy effective from 2022 to 2027, for annual taxable income not exceeding RMB3,000,000, 25% of such income is included in the taxable base, which is then subject to enterprise income tax (EIT) at a reduced rate of 20%, resulting in an effective tax rate of 5%. This preferential tax rate has been applied to the years ended December 31, 2023, 2024 and 2025.

The Company has been accredited as a “High and New Technology Enterprise” by the Science and Technology Bureau of Hubei Province and relevant authorities, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate of 3 years from 2021 to 2023 while such entitlement is renewed in December 2024 of 3 years from 2024 to 2026.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Income tax (credit) expenses for the year can be reconciled to (loss) profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Loss) profit before tax	(110,130)	(30,943)	26,110
Tax at the applicable PRC tax rate of 25%.	(27,533)	(7,736)	6,528
Tax effect of expenses not deductible for tax purposes	21,815	21,559	15,914
Tax effect of tax losses not recognised	15,895	6,170	–
Utilisation of tax losses previously not recognised	–	(136)	(2,032)
Utilisation of deductible temporary differences previously not recognised	(63)	(7)	(226)
Tax effect of the recognition of deductible temporary differences and tax losses previously not recognised	–	(42,374)	–
Tax effect of deductible temporary differences not recognised	4,839	148	14
Tax effect attributable to the additional qualified tax deduction relating to research and development expenses (<i>note</i>)	(14,953)	(17,164)	(20,760)
Effect of preferential tax rate	–	(1,130)	289
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(7)	(107)
Income tax credit	–	(40,677)	(380)

Note: Pursuant to the relevant laws and regulations in the PRC, the Company enjoyed a super deduction of 100% on qualified research and development expenditures for the years ended December 31, 2023, 2024 and 2025.

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

Directors’, supervisor’s and chief executive officer’s emoluments

Details of the emoluments paid or payable to the individuals who were appointed as the directors, supervisor and chief executive officer of the Company, during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

Year ended December 31, 2023

	Date of appointment	Fee	Salaries and other benefits	Performance-based bonuses	Retirement benefit scheme contributions	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Liu (chief executive officer)	January 27, 2016	–	413	196	33	1,103	1,745
Mr. Kong Fanxiao (孔繁曉)	January 27, 2016	–	492	126	97	882	1,597
Mr. Zhan Wanxing (詹萬幸)	January 27, 2016	–	354	331	23	–	708
		–	1,259	653	153	1,985	4,050
Supervisor:							
Mr. Yu Feng Gao (於奉高)	April 2, 2019	–	–	–	–	–	–
		–	1,259	653	153	1,985	4,050
		–	–	–	–	–	–

Year ended December 31, 2024

	Date of appointment	Fee	Salaries and other benefits	Performance-based bonuses	Retirement benefit scheme contributions	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:							
Mr. Liu (chief executive officer)	January 27, 2016	–	531	300	36	3,048	3,915
Mr. Kong Fanxiao (孔繁曉)	January 27, 2016	–	534	144	95	–	773
Mr. Zhan Wanxing (詹萬幸)	January 27, 2016	–	354	89	23	–	466
		–	1,419	533	154	3,048	5,154
Supervisor:							
Mr. Yu Feng Gao (於奉高)	April 2, 2019	–	–	–	–	–	–
		–	1,419	533	154	3,048	5,154
		–	–	–	–	–	–

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Year ended December 31, 2025

	Date of appointment	Directors’ fee	Salaries and other benefits	Performance-based bonuses	Retirement benefit scheme contributions	Share-based payments	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:							
Mr. Liu (chief executive officer)	January 27, 2016	–	569	300	66	152	1,087
Mr. Kong Fanxiao (孔繁曉)	January 27, 2016	–	660	144	118	–	922
Mr. Zhan Wanxing (詹萬幸)	January 27, 2016	–	372	144	29	76	621
Ms. Yu Hong (余虹) (note i)	September 8, 2025	–	94	48	8	124	274
		–	–	–	–	–	–
		–	1,695	636	221	352	2,904
		–	–	–	–	–	–
Non-executive directors:							
Mr. Liu Kai (劉凱) (note i)	September 8, 2025	–	–	–	–	–	–
Mr. Wang Fuyu (王馥宇) (note i)	September 8, 2025	–	–	–	–	–	–
		–	–	–	–	–	–
		–	–	–	–	–	–
		–	–	–	–	–	–
Independent Non-executive Directors:							
Ms. Wang Mingkun (王明坤) (note i)	September 8, 2025	–	–	–	–	–	–
Dr. Gao Teng (高騰) (note i)	September 8, 2025	–	–	–	–	–	–
Dr. Xing Xinpeng (辛新鵬) (note i)	September 8, 2025	–	–	–	–	–	–
		–	–	–	–	–	–
		–	–	–	–	–	–
		–	–	–	–	–	–
Supervisor:							
Mr. Yu Feng Gao (於奉高) (note ii)	April 2, 2019	–	–	–	–	–	–
		–	–	–	–	–	–
		–	1,695	636	221	352	2,904
		–	–	–	–	–	–

Notes:

- (i) The respective emoluments of Ms. Yu Hong (余虹), Mr. Liu Kai (劉凱), Mr. Wang Fuyu (王馥宇), Dr. Gao Teng (高騰), Ms. Wang Mingkun (王明坤) and Dr. Xing Xinpeng* (辛新鵬) represented the emoluments after their appointment as directors of the Company on September 8, 2025.
- (ii) Mr. Yu Feng Guo (於奉高) was resigned as supervisor of the Company on September 8, 2025.

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

The supervisor’s emoluments were for his services as supervisor of the Company during the Track Record Period.

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

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There are no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended December 31, 2023, 2024 and 2025 or at any time during the Track Record Period.

During the years ended December 31, 2023, 2024 and 2025, certain directors were granted restricted shares units, in respect of their services to the Pre-[REDACTED] RSUs Plans (defined in Note 27) Group under the Share Incentive Scheme of the Company. Details of the Pre-[REDACTED] RSUs Plans are set out in Note 27 to the Historical Financial Information.

Performance-based bonuses are determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

Five highest paid employees

The five highest paid employees of the Group included 1, 1 and nil director of the Company, details of whose emoluments are set out above for Track Record Period. Details of the remuneration of the remaining 4, 4 and 5 individuals, respectively, for the years ended December 31, 2023, 2024 and 2025, respectively, are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries and other benefits	2,244	2,765	5,577
Performance-related bonuses (<i>note</i>)	590	890	439
Retirement benefit scheme contributions	139	143	360
Share-based payment expenses	16,222	8,063	2,619
	<u>19,195</u>	<u>11,861</u>	<u>8,995</u>

Note: Performance-based bonuses are determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

The numbers of the five highest paid individuals (including directors of the Company) are within the following bands (presented in Hong Kong Dollar (“HK\$”)):

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
HK\$1,500,001 to HK\$2,000,000	1	2	3
HK\$2,000,001 to HK\$2,500,000	1	1	2
HK\$2,500,001 to HK\$3,000,000	–	1	–
HK\$3,000,001 to HK\$3,500,000	1	–	–
HK\$4,000,001 to HK\$4,500,000	1	1	–
HK\$9,500,001 to HK\$10,000,000	<u>1</u>	<u>–</u>	<u>–</u>
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the five highest paid employees of the Group has waived or agreed to waive any emoluments during the Track Record Period.

During the years ended December 31, 2023, 2024 and 2025, certain non-director and non-chief executive highest paid employees were granted restricted shares units, in respect of their services to the Group under the Pre-[REDACTED] RSUs Plans. Details of the Pre-[REDACTED] RSUs Plans are set out in Note 27 to the Historical Financial Information.

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13. DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Loss) earnings (RMB'000):			
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	(110,130)	9,734	26,490
Number of shares ('000):			
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	19,725	19,725	24,074

The Company converted from a limited liability company into a joint stock company with limited liability on September 18, 2025. The Company converted net assets value of RMB1,090,147,000 as at July 31, 2025 into 30,000,000 ordinary shares with a par value of RMB1 each. For the purpose of determining basic (loss) earnings per share, the number of shares in issue before the Company’s conversion into a joint stock limited liability company were deemed to be the weighted average number of ordinary shares as if the above conversion had occurred on January 1, 2023 at the conversion ratio according to the resolutions of the shareholders on September 8, 2025.

The shareholders with preferential rights, which are recorded as financial liabilities at FVTPL in Note 23, are not treated as outstanding shares and thus are excluded in the calculation of basic (loss) earnings per share until the preferential rights were legally terminated on July 31, 2025.

Diluted (loss) earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume incremental shares that would have to be issued to satisfy the obligations arising from preferential rights based on the average fair value of the shares over the period. For the years ended December 31, 2023, 2024 and 2025, the Company had the shares of the Investors (as defined and detailed under Note 23) which are potential ordinary shares. The potential ordinary shares were not included in the calculation of diluted (loss) earnings per share as their inclusion would be anti-dilutive for each of three years ended December 31, 2025. Accordingly, diluted (loss) earnings per share for each of three years ended December 31, 2025 is the same as basic (loss) earnings per share for the year.

15. PROPERTY AND EQUIPMENT

The Group

	Machinery equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
As at January 1, 2023 . . .	1,389	10,253	368	2,558	14,568
Additions	27,472	3,656	—	77	31,205
Exchange realignment . . .	—	46	—	—	46

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	Machinery equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2023 .	28,861	13,955	368	2,635	45,819
Additions	24,443	1,992	265	419	27,119
Disposals	–	–	(368)	–	(368)
Exchange realignment . . .	–	(42)	–	–	(42)
As at December 31, 2024 .	53,304	15,905	265	3,054	72,528
Additions	4,285	5,144	882	2,313	12,624
Disposals	(774)	–	(742)	–	(1,516)
Exchange realignment . . .	–	100	–	–	100
As at December 31, 2025 .	56,815	21,149	405	5,367	83,736
ACCUMULATED DEPRECIATION					
As at January 1, 2023 . . .	110	6,138	357	1,303	7,908
Provided for the year . . .	480	2,409	–	699	3,588
Exchange realignment . . .	–	20	–	–	20
As at December 31, 2023 .	590	8,567	357	2,002	11,516
Provided for the year . . .	6,233	2,677	43	549	9,502
Eliminated on disposals . .	–	–	(356)	–	(356)
Exchange realignment . . .	–	(23)	–	–	(23)
As at December 31, 2024 .	6,823	11,221	44	2,551	20,639
Provided for the year . . .	7,523	2,570	94	541	10,728
Eliminated on disposals . .	(721)	–	(113)	–	(834)
Exchange realignment . . .	–	65	–	–	65
As at December 31, 2025 .	13,625	13,856	25	3,092	30,598
CARRYING VALUES					
As at December 31, 2023 .	28,271	5,388	11	633	34,303
As at December 31, 2024 .	46,481	4,684	221	503	51,889
As at December 31, 2025 .	43,190	7,293	380	2,275	53,138

The Company

	Machinery equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST					
As at January 1 ,2023 . . .	1,389	8,673	368	2,418	12,848
Additions	27,472	3,140	–	77	30,689
As at December 31, 2023 .	28,861	11,813	368	2,495	43,537
Additions	24,303	1,687	265	419	26,674
Disposals	–	–	(368)	–	(368)
As at December 31, 2024 .	53,164	13,500	265	2,914	69,843
Additions	4,285	4,923	882	2,313	12,403
Disposals	(774)	–	(742)	–	(1,516)
As at December 31, 2025 .	56,675	18,423	405	5,227	80,730

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	Machinery equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION					
As at January 1, 2023 . . .	110	5,626	357	1,257	7,350
Provided for the year . . .	480	1,919	—	653	3,052
As at December 31, 2023 .	590	7,545	357	1,910	10,402
Provided for the year . . .	6,221	2,149	43	510	8,923
Eliminated on disposals . .	—	—	(356)	—	(356)
As at December 31, 2024 .	6,811	9,694	44	2,420	18,969
Provided for the year . . .	7,478	2,134	94	533	10,239
Eliminated on disposals . .	(721)	—	(113)	—	(834)
As at December 31, 2025 .	13,568	11,828	25	2,953	28,374
CARRYING VALUES					
As at December 31, 2023 .	28,271	4,268	11	585	33,135
As at December 31, 2024 .	46,353	3,806	221	494	50,874
As at December 31, 2025 .	43,107	6,595	380	2,274	52,356

The above items of property and equipment are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	Useful lives
Machinery equipment	3-10 years
Electronic devices, furniture and office equipment	3-5 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of the term of the lease, or 3 years

16. RIGHT-OF-USE ASSETS

The Group

	Office premises
	RMB'000
COST	
As at January 1, 2023	5,264
Additions	614
Derecognition	(1,137)
Early termination of lease	(718)
Exchange realignment	133
As at December 31, 2023	4,156
Additions	5,682
Derecognition	(327)
Early termination of lease	(579)
Exchange realignment	(134)

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	Office premises
	<i>RMB'000</i>
As at December 31, 2024	8,798
Additions and lease modifications	6,475
Derecognition	(32)
Exchange realignment	368
As at December 31, 2025	15,609
ACCUMULATED DEPRECIATION	
As at January 1, 2023	1,826
Depreciation charge	1,820
Eliminated on derecognition	(1,137)
Eliminated on the early termination of lease	(556)
Exchange realignment	30
As at December 31, 2023	1,983
Depreciation charge	2,110
Eliminated on derecognition	(327)
Eliminated on the early termination of lease	(427)
Exchange realignment	(35)
As at December 31, 2024	3,304
Depreciation charge	2,566
Derecognition	(32)
Exchange realignment	122
As at December 31, 2025	5,960
CARRYING VALUES	
As at December 31, 2023	2,173
As at December 31, 2024	5,494
As at December 31, 2025	9,649

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	310	57	205
Total cash outflow for leases	2,353	2,265	3,116

During the Track Record Period, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 1 to 5.8 years for the years ended December 31, 2023, 2024 and 2025. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters. As at December 31, 2023, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, the lease liabilities of RMB2,343,000, RMB5,871,000 and RMB10,205,000 are recognised with related right-of-use assets of RMB2,173,000, RMB5,494,000 and RMB9,649,000 as at December 31, 2023, 2024 and 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased office premises may not be used as security for borrowing purposes.

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17. EQUITY INSTRUMENT AT FVTOCI

The Group and the Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unlisted equity investment	6,441	5,999	6,129

The amount represented the Group’s equity interests in a private entity. The investment was not held for trading purposes. The directors of the Company had elected to designate the investment in equity instrument at FVTOCI as they believed that recognising short-term fluctuations in the investment’s fair value in profit or loss would not be consistent with the Group’s strategy of holding the investment for long-term purposes and realising its performance potential in the long run.

18. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	26,993	24,902	38,480
Work in progress	72,563	152,218	95,242
Finished goods	12,965	106,004	68,336
Contract cost	796	796	4,207
	<u>113,317</u>	<u>283,920</u>	<u>206,265</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	26,993	24,902	38,480
Work in progress	72,563	152,218	95,242
Finished goods	12,965	105,777	68,214
Contract cost	796	796	4,207
	<u>113,317</u>	<u>283,693</u>	<u>206,143</u>

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19. DEFERRED TAX ASSETS/LIABILITIES

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following are the deferred tax balances recognised and movements thereon during the Track Record Period:

	Accelerated depreciation	Allowance for ECL provision	Changes in fair value of equity instrument at FVOCI	Right-of- use assets	Lease liabilities	Provision for inventories	Tax losses	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023 . . .	-	-	(216)	(635)	635	-	216	-	-
Credit (charge) to profit or loss	-	-	-	224	(224)	-	-	-	-
As at December 31, 2023 .	-	-	(216)	(411)	411	-	216	-	-
Credit (charge) to profit or loss	293	428	(-)	(643)	662	6,784	33,157	-	40,681
Charge to other comprehensive income . .	-	-	66	-	-	-	-	-	66
As at December 31, 2024 .	293	428	(150)	(1,054)	1,073	6,784	33,373	-	40,747
Credit (charge) to profit or loss	47	(278)	-	(596)	624	447	(920)	1,108	432
Credit to other comprehensive income . .	-	-	(19)	-	-	-	-	-	(19)
As at December 31, 2025 .	340	150	(169)	(1,650)	1,697	7,231	32,453	1,108	41,160

As at December 31, 2023, 2024 and 2025, the Group has unused tax losses of approximately RMB335,351,000, RMB327,349,000, and RMB306,745,000, respectively, available for offset against future profits. The deferred tax asset has been recognised in respect of approximately RMB1,440,000, RMB222,488,000 and RMB216,352,000 of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB333,911,000, RMB104,861,000 and RMB90,393,000 either due to the unpredictability of future profit streams or it is not probable that taxable profit will be available against which the tax losses can be utilised.

At 31 December 2023, 2024 and 2025, the Group has deductible temporary differences, except for the unused tax losses, of RMB30,491,000, RMB56,913,000 and RMB69,242,000, respectively. At 31 December 2023, 2024 and 2025, deferred tax assets have been recognised in respect of RMB2,173,000, RMB55,899,000 and RMB69,075,000, of such deductible temporary differences respectively. No deferred tax asset has been recognised in relation to the remaining deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The expiry dates of the unrecognised tax losses are disclosed in the following table. Remaining losses may be carried forward indefinitely.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2024	2,854	-	-
2025	11,864	11,864	-
2026	11,346	10,841	9,751
2027	23,708	14,129	14,102
2028	32,324	22,843	22,214
2029	48,490	30,612	29,754
2030	20,625	3,894	3,894

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2031	56,799	3,370	3,370
2032	86,364	4,498	4,498
2033	38,994	2,810	2,810
Indefinite	543	—	—
	<u>333,911</u>	<u>104,861</u>	<u>90,393</u>

The Company

For the purpose of presentation in the statements of financial position, certain deferred tax assets and liabilities have been offset. The following are the deferred tax balances recognised and movements thereon during the Track Record Period:

	Accelerated depreciation	Allowance for ECL provision	Changes in fair value of equity instrument at FVOCI	Right-of-use assets	Lease liabilities	Provision for inventories	Tax losses	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	—	—	(216)	(88)	88	—	216	—	—
Credit (charge) to profit or loss	—	—	—	85	(85)	—	—	—	—
As at December 31, 2023	—	—	(216)	(3)	3	—	216	—	—
Credit (charge) to profit or loss	293	428	—	(101)	120	6,784	33,157	—	40,681
Charge to other comprehensive income	—	—	66	—	—	—	—	—	66
As at December 31, 2024	293	428	(150)	(104)	123	6,784	33,373	—	40,747
(Charge) credit to profit or loss	47	(278)	—	(671)	699	447	(920)	1,108	432
Credit to other comprehensive income	—	—	(19)	—	—	—	—	—	(19)
As at December 31, 2025	<u>340</u>	<u>(150)</u>	<u>(169)</u>	<u>(775)</u>	<u>822</u>	<u>7,231</u>	<u>32,453</u>	<u>1,108</u>	<u>41,160</u>

20. TRADE RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables (<i>note i</i>)	47,311	159,738	88,707
Less: loss allowance for trade receivables	(847)	(2,820)	(852)
	<u>46,464</u>	<u>156,918</u>	<u>87,855</u>
Prepayment to suppliers	70,812	33,266	32,587
Prepayment for the utilities and others	468	394	837
Prepaid income tax	—	2,123	—
Value-added tax recoverable	10,568	17,140	145
Rental deposits	520	631	867
Others receivables from Share Incentive Platform (defined in Note 27) (<i>Note 31</i>) (<i>note ii</i>)	31,226	31,226	—
Deferred issue costs (<i>note iv</i>)	—	—	8,871
Amounts due from a related party (<i>Note 31</i>)	—	—	858

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	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Others	1,849	1,874	1,829
Other receivables from the independent customs brokers (<i>note iii</i>)	26,670	73,497	22,843
Less: loss allowance for other receivables from the independent customs brokers	(362)	(1,047)	(312)
Total prepayment and other receivables	141,751	159,104	68,525
	188,215	316,022	156,380
Analysed as:			
Current	185,947	313,542	154,009
Non-current	2,268	2,480	2,371
	188,215	316,022	156,380

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables (<i>note i</i>)	56,486	183,970	102,696
Less: loss allowance for trade receivables	(928)	(2,854)	(997)
	55,558	181,116	101,699
Prepayment to suppliers	70,812	33,266	32,588
Prepayment for the utilities and others	372	295	716
Prepaid income tax	–	2,123	–
Value-added tax recoverable	10,480	17,041	–
Rental deposits	198	279	523
Others receivables from Share Incentive Platform (defined in Note 27) (<i>Note 31</i>) (<i>note ii</i>)	31,226	31,226	–
Deferred issue costs (<i>note iv</i>)	–	–	8,871
Amounts due from a related party (<i>Note 31</i>)	–	–	858
Others	1,835	1,854	1,797
Total prepayment and other receivables	114,923	86,084	45,353
	170,481	267,200	147,052
Analysed as:			
Current	168,534	265,072	145,026
Non-current	1,947	2,128	2,026
	170,481	267,200	147,052

Notes:

- (i) As at January 1, 2023, the Group’s and Company’s trade receivables from contracts with customers amounted to RMB22,805,000 and RMB27,139,000 (net of loss allowance of RMB490,000 and RMB367,000), respectively.
- (ii) The amount represents the outstanding receivables from Share Incentive Platform related to respective shareholdings paid-in capital of the Company in the amount of RMB31,226,000. Such amounts were settled in July 2025.

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- (iii) The Group entered into various sales and purchase agreements with independent customs brokers, pursuant to which the independent customs brokers would provide export custom services (including export customs clearance, tax declarations, and the storage of the goods) to the Group, assisting the Group in exporting goods from Chinese Mainland to Hong Kong. At Group level, as the independent customs brokers were assessed only as agents to the Group, apart from the necessary transaction costs and handling charges, the Group entities’ sales to and purchases from the independent customs brokers would be fully eliminated, while balances of the transactions would be gross settled according to credit terms as stipulated in the separate sales and purchase agreements with the independent customs brokers. Accordingly, any unsettled balances would result in other receivables from and other payables to the independent customs brokers at Group level.
- (iv) Deferred issue costs represent the qualifying portion of issue costs incurred up to December 31, 2025, which will be debited to equity of the Group as share issue costs in respect of the issue of new shares upon the [REDACTED] of the H shares of the Company on The Main Board of the Stock Exchange of Hong Kong Limited (the “[REDACTED]”).

The Group allows a credit period of 0-90 days to its customers. The following is an aged analysis of trade receivables, net of loss allowance, presented based on the revenue recognition date at the end of each reporting period.

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	46,464	156,918	87,855

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	55,558	181,116	101,699

As at December 31, 2023, 2024 and 2025, none of the Group’s and Company’s trade receivables balance are past due.

Details of impairment assessment of trade and other receivables are set out in Note 29.

The carrying amount of Group’s trade receivables that were denominated in currency other than the functional currency of the relevant group entities are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Denominated in United States dollar (“USD”). . .	17,213	48,251	8,854

21. CASH AND CASH EQUIVALENTS

The Group

The Group’s bank balances carry interest at market rates ranging from 0.0001% to 0.2%, 0.0001% to 0.1% and 0.0001% to 0.05% per annum as at December 31, 2023, 2024 and 2025, respectively.

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The Group’s cash and cash equivalents that were denominated in currencies other than functional currency of the relevant group entities are set at below:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Denominated in USD	6,250	17,163	837
Denominated in HK\$	—	—	91
	<u> </u>	<u> </u>	<u> </u>

The Company

The Company’s bank balances carry interest at market rates 0.0001% to 0.2%, 0.0001% to 0.1% and 0.0001% to 0.05% per annum as at December 31, 2023, 2024 and 2025, respectively.

The Company’s cash and cash equivalent were mainly denominated in its functional currency.

22. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	12,688	41,240	40,016
Other payable to the independent customs brokers (<i>note ii</i>)	21,898	57,961	5,580
Accrued payroll and welfares	14,857	17,543	21,719
Accrued issue costs	—	—	3,588
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Payables for acquisition of property and equipment	9,993	75	225
Deposits received from a customer (<i>note i</i>)	—	5,683	—
Other tax payables	306	379	3,216
Provision for litigation (<i>note iii</i>)	—	—	4,201
Other payables	2,135	1,667	1,873
	<u>49,189</u>	<u>83,308</u>	<u>49,453</u>
	<u>61,877</u>	<u>124,548</u>	<u>89,469</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables			
– to the subsidiaries	—	2,302	36,048
– to independent third parties	12,688	41,240	40,016
	<u>12,688</u>	<u>43,542</u>	<u>76,064</u>
Accrued payroll and welfare	10,964	12,262	14,891
Accrued issue costs	—	—	3,588
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Payables for acquisition of property and equipment	9,993	75	225
Other tax payables	295	377	3,216
Provision for litigation (<i>note iii</i>)	—	—	4,201
Other payables	948	650	1,231
	<u>22,200</u>	<u>13,364</u>	<u>36,403</u>
	<u>34,888</u>	<u>56,906</u>	<u>112,467</u>

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Notes:

- (i) The amount represents deposits received with no specific purchase orders placed which will either be offset with future purchase order transaction price or released to the customers upon maturity of the framework agreement. Such amounts are fully settled during the year ended December 31, 2025.
- (ii) Details of other payable to the independent customs brokers is disclosed in Note 20.
- (iii) As disclosed in the section headed “Business — Legal proceedings and compliance”, the Company were involved in three ongoing legal proceedings as a defendant concerning the Company’s three products. These three legal proceedings were filed by a same independent third party, including two in 2025 (Legal Proceeding A and Legal Proceeding B) and one in 2024 (Legal Proceeding C). No provision related to Legal Proceeding C as at December 31, 2024 or Legal Proceeding A and Legal Proceeding B as at December 31, 2025 were recognised, as the management of the Group assessed that the related obligation would not probably require an outflow of resources as at the respective year end date based on the relevant legal opinion prepared by external legal advisors to the Company. In December 2025, the Company received the court’s judgment of first instance for Legal Proceeding C, pursuant to which the Company were ordered to compensate the plaintiff company for its economic losses totaled RMB4,201,000. Provision was recognised for Legal Proceeding C accordingly during the year ended December 31, 2025.

The suppliers generally allow the credit period ranged from 0 to 30 days to the Group.

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

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	12,688	41,240	40,016

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	12,688	43,542	76,064

23. FINANCIAL LIABILITIES AT FVTPL

The Company entered into several investment agreements with independent investors (the “Investors”), pursuant to which the Company issued shares with preferential rights to the Investors as follows:

	Date of subscription	Total registered capital issued	Subscription price per registered capital	Total subscription price
		In '000	RMB	RMB'000
Series A+	April 12, 2019	398	71.81	28,546
Series B	May 7, 2020	634	157.79	100,000
Series B+	May 29, 2020	145	171.83	25,000
Series C	July 15, 2021	557	222.60	123,990
Series D	January 26, 2022	515	582.05	300,000
Series D+	June 30, 2025	875	582.05	509,600

The below preferential rights were granted to the Investors according to these shareholders agreements, under which the obligations of the Company were subsequently terminated on July 31, 2025. The management represented that the Company did not provide any guarantee related to the redemption rights granted by the Controlling

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Shareholders, in which the Company is not a party to the relevant agreements during the Track Record Period. Further details of the special rights and termination agreement were set out in the section headed “History, Development and Corporate Structure — Pre-[REDACTED] Investments — Rights of the Pre-[REDACTED] Investors” to this Documents.

Upon termination of obligations arising from preferential rights, all financial liabilities were derecognised and credited to other reserve.

(a) Liquidation preferences

In the event of any liquidation including deemed liquidation, whether voluntary or involuntary, the Investors shall be entitled to receive the liquidation preference amount, calculated as 108% of the original investment from the Investors, in the following order: (1) Series D+ Investors and Series D Investors; (2) Series C Investors; (3) Series B+ Investors and Series B Investors. All of the remaining proceeds available for distribution to shareholders shall be distributed pro rata among all shareholders of the Company.

(b) Redemption rights

The shareholding hold by the Investors shall be redeemed jointly by the founders of the Company and the Company at the option of the Investors, upon the occurrence of certain contingent events, mainly including:

- material integrity issues of the founders of the Company and/or senior management of the Company, which cause significant negative impact to the Company;
- the CEO’s resignation from the Company or substantially termination of serving the Company, or engaging in other business which has competition with the Company;
- failure to complete filing process for historical equity changes and obtain necessary approvals from the relevant regulatory authorities;
- material violations of laws by the Group, which have material negative impact to the business operation of the Group;
- the Company’s failure to complete a qualified [REDACTED] before December 31, 2028. A qualified [REDACTED] refers to the [REDACTED] in the stock exchange agreed by majority of the Investors and the founders of the Company;
- failure to complete the [REDACTED] due to lack of cooperation from the management of the Company, despite that the Company meet all required quantitative indicators required for a qualified [REDACTED] and the board of the Company has approved the plan for the [REDACTED];
- change of the controlling shareholder of the Company prior to the completion of a qualified [REDACTED] due to the reduction of equity interests by the Controlling Shareholder on his own decision, which cause significant negative impact to the business operation of the Company or the [REDACTED] of the Company.

The repurchase price will be the higher of:

- (i) 110% of the original investment from the Investors plus any accrued but unpaid dividends; and
- (ii) the fair value of the equity interests of the Company hold by the Investors as determined by external valuers designated by both the Investors and the founders.

The Group designated these shares with preferential rights as financial liabilities at FVTPL on initial recognition, and revalued prior to the cease of the preferential rights with fair value changes recognised in “loss on fair value changes of financial liabilities at FVTPL” in profit or loss.

The fair value of the abovementioned financial liabilities were assessed by the management of the Group with reference to an independent valuation carried out by Avista Business Consulting (Shanghai) Co., Ltd with registered address of Unit C, 23/F, Phase II, Sino-Ocean Tower, No. 618 East Yan An Road, Huangpu District, Shanghai, PRC, 200001, which has appropriate qualifications and experiences in valuation of similar instruments.

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The Company used the discounted cash flow model (“DCF Model”) to determine the underlying equity value of the Company as at December 31, 2023, 2024 and performed an equity allocation based on an option pricing method (“OPM Model”) to arrive at the fair value of the financial liabilities as at December 31, 2023, 2024.

Key valuation assumptions are set out as follows:

	As at December 31,	
	2023	2024
Volatility	52.8%	49.3%
Discount rate	14.9%	14.6%
Discount for lack of marketability	22.0%	20.0%
Possibility under stock conversion scenario	25.0%	25.0%
Possibility under redemption scenario	37.5%	37.5%
Possibility under liquidation scenario	37.5%	37.5%
Time to expiration	4.0	3.0

Volatility was determined by reference to the comparable companies in the industry.

The movements of the Group’s and the Company’s redeemable shares with preferential rights are set out below:

The Group and the Company

	RMB’000
As at January 1, 2023	971,516
Changes in fair value	41,290
As at December 31, 2023	1,012,806
Changes in fair value	40,468
As at December 31, 2024	1,053,274
Capital injection from investors with preferential rights	509,600
Changes in fair value	16,498
Termination of the Company’s obligations arising from preferential rights granted to the Investors	(1,579,372)
As at December 31, 2025	—

24. BORROWINGS

The Group and the Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Unsecured and unguaranteed (note)	—	70,000	—
	—	—	—

Note: The borrowings are originally due within one year. The loans carried interests at fixed market rates at 2.75% per annum for the year ended December 31, 2024.

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25. LEASE LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
Within one year	849	2,222	3,147
Within a period of more than one year but not exceeding two years	379	1,304	2,549
Within a period of more than two years but not exceeding five years	1,115	2,345	4,509
	2,343	5,871	10,205
Less: Amount due for settlement within one year shown under current liabilities	849	2,222	3,147
Amount shown under non-current liabilities	1,494	3,649	7,058

The Group’s incremental borrowing rates applied to lease liabilities is at 2.40% to 4.75%, 2.55% to 4.45% and 3.00% to 4.20% per annum for the years ended December 31, 2023, 2024 and 2025.

26. PAID-IN/SHARE CAPITAL

As disclosed in Note 1, the Company converted into a joint stock limited liability company on September 18, 2025. The balance as at January 1, 2023, December 31, 2023, 2024 represented the paid-in capital of the Company prior to the conversion of the Company. The balance as at December 31, 2025 represented the issued share capital of the Company. The summary of movements in the Company’s pain-in capital and share capital are set out as below:

Paid-in capital

	Shown in Historical Financial Information as
	RMB'000
As at January 1, 2023 and December 31, 2023 and 2024	8,247

Share capital

	Number of shares	Nominal value of shares
		RMB'000
Ordinary shares of RMB1 each		
Authorised and issued		
As at January 1, 2023, December 31, 2023 and 2024	NA	NA
Issue of ordinary shares upon conversion into a joint stock company	30,000,000	30,000
As at December 31, 2025	30,000,000	30,000

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27. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share scheme of the Company

The Company’s Pre-[REDACTED] share incentive plan (“Pre-[REDACTED] RSUs Plans”) were adopted pursuant to resolutions passed in July 2017 and November 2021, respectively. Wuhan Silicon Integrated Enterprise Management Consultancy Partnership (Limited Partnership) (“Juxinwei Enterprise”)* (武漢聚芯微企業管理諮詢合夥企業(有限合夥)), Wuhan Zhike Silicon Integrated Enterprise Management Consultancy Partnership (Limited Partnership) (“Zhike Juxin”)* (武漢致科聚芯企業管理諮詢合夥企業(有限合夥)), Wuhan Zhituo Silicon Integrated Enterprise Management Consultancy Partnership (Limited Partnership) (“Zhituo Juxin”)* (武漢致拓聚芯企業管理諮詢合夥企業(有限合夥)), Wuhan Zhihui Silicon Integrated Enterprise Management Consultancy Partnership (Limited Partnership) (“Zhihui Juxin”)* (武漢致匯聚芯企業管理諮詢合夥企業(有限合夥)) and Wuhan Zhixin Enterprise Management Consultancy Partnership (Limited Partnership) (“Zhixin Enterprise”)* (武漢致芯企業管理諮詢合夥企業(有限合夥)) (collectively, the “Share Incentive Platforms”) were established as the share incentive platforms. The primary purpose of these incentive plans is to promote the success of the Company and the interests of its shareholders by providing a mean through which equity-based incentives may be granted to attract, motivate, retain and reward employees and directors and to further link the eligible persons’ interests with those of the Company’s shareholders generally. The underlying registered paid-in capital held by Share Incentive Platforms is approximately RMB2,110,000 (equivalent to 6,939,090 shares after adjustment for the effect of the Conversion). Pursuant to the Pre-[REDACTED] RSU Plans, the general partner of the Share Incentive Platforms, who is Mr Liu, has a right to repurchase the underlying restricted shares from the directors and/or employees at the original subscription price plus interests calculated at an interest rate of 7% per annum if the directors and/or employees resigned from the Group before the restricted shares are vested.

The vesting of the RSUs granted is subject to the eligible person remaining at all time from the date of granting to the end of the vesting period. The vesting schedules for RSUs are 100% immediately vested on the grant date or third to ninth anniversary of grant date.

The grantees may not have any interest or right in the RSUs granted until such RSUs have been vested. The RSUs granted to the eligible person under the Pre-[REDACTED] RSUs Plan shall be restricted to eligible person only and shall not be assignable to other person. No eligible person may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the award.

The following table summarised the Group’s RSUs and movement during the Track Record Period:

For the year ended December 31, 2023

Employees

RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2023
		RMB	RMB					
Batch A . . .	March 1, 2018	37.44 – 40.24	2.0 – 4.8	57,600	–	(43,600)	–	14,000
Batch B . . .	June 30, 2018	37.44 – 39.04	3.2 – 4.8	98,800	–	(9,000)	–	89,800
Batch C . . .	January 1, 2019	67.01 – 68.61	3.2 – 4.8	131,500	–	(2,000)	–	129,500
Batch D . . .	March 1, 2019	67.01 – 68.61	3.2 – 4.8	18,250	–	–	–	18,250
Batch E . . .	October 24, 2019	68.61	3.2	116,250	–	–	–	116,250
Batch F . . .	September 30, 2020	66.15 – 73.75	3.2 – 10.8	190,250	–	(86,500)	–	103,750
Batch G . . .	June 1, 2021	109.17 – 120.57	4.8 – 16.2	98,500	–	–	–	98,500
Batch H . . .	December 1, 2021	300.77 – 312.17	4.8 – 16.2	34,750	–	–	–	34,750
Batch I . . .	September 30, 2022	289.42 – 313.22	7.2 – 31.0	38,410	–	–	–	38,410
Batch J . . .	December 1, 2023	294.01	31.0	–	144,306	(107,896)	–	36,410
				<u>784,310</u>	<u>144,306</u>	<u>(248,996)</u>	<u>–</u>	<u>679,620</u>

* English name is for identification purpose only.

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Directors

RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2023
		RMB	RMB					
Batch J	December 1, 2023	294.01	31.0	–	3,753	(3,753)	–	–
				=	=	=	=	=

For the year ended December 31, 2024

Employees

RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2024	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2024
		RMB	RMB					
Batch A	March 1, 2018	37.44 – 40.24	2.0 – 4.8	14,000	–	(6,000)	–	8,000
Batch B	June 30, 2018	37.44 – 39.04	3.2 – 4.8	89,800	–	(9,000)	–	80,800
Batch C	January 1, 2019	67.01 – 68.61	3.2 – 4.8	129,500	–	(2,000)	–	127,500
Batch D	March 1, 2019	67.01 – 68.61	3.2 – 4.8	18,250	–	–	(7,000)	11,250
Batch E	October 24, 2019	68.61	3.2	116,250	–	–	–	116,250
Batch F	September 30, 2020	66.15 – 73.75	3.2 – 10.8	103,750	–	(26,576)	–	77,174
Batch G	June 1, 2021	109.17 – 120.57	4.8 – 16.2	98,500	–	(13,625)	(9,250)	75,625
Batch H	December 1, 2021	300.77 – 312.17	4.8 – 16.2	34,750	–	(2,739)	(12,000)	20,011
Batch I	September 30, 2022	289.42 – 313.22	7.2 – 31.0	38,410	–	(1,894)	(18,000)	18,516
Batch J	December 1, 2023	294.01	31.0	36,410	–	(621)	(12,650)	23,139
Batch K	May 31, 2024	300.05	31.0	–	61,490	(38,893)	–	22,597
Batch L	December 1, 2024	300.05	31.0	–	25,000	(5,880)	–	19,120
				679,620	86,490	(107,228)	(58,900)	599,982
				=	=	=	=	=

Directors

RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2024	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2024
		RMB	RMB					
Batch L	December 1, 2024	280.05 – 295.85	16.2 – 31.0	–	9,750	(9,750)	–	–
				=	=	=	=	=

For the year ended December 31, 2025

Employees

RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2025	Granted before the Conversion Issue	Vested before the Conversion Issue	Forfeited before the Conversion Issue	Issue upon the Conversion	Granted after the Conversion Issue	Vested after the Conversion Issue	Forfeited after the Conversion Issue	Outstanding at December 31, 2025
		RMB	RMB									
Batch A . . .	March 1, 2018	37.44 – 40.24	2 – 4.8	8,000	–	–	–	18,309	–	–	–	26,309
Batch B . . .	June 30, 2018	37.44 – 39.04	3.2 – 4.8	80,800	–	(75,800)	–	11,443	–	–	–	16,443
Batch C . . .	January 1, 2019	67.01 – 68.61	3.2 – 4.8	127,500	–	(127,500)	–	–	–	–	–	–
Batch D . . .	March 1, 2019	67.01 – 68.61	3.2 – 4.8	11,250	–	(11,250)	–	–	–	–	–	–
Batch E . . .	October 24, 2019	68.61	3.2	116,250	–	–	–	266,058	–	(382,308)	–	–
Batch F . . .	September 30, 2020	66.15 – 73.75	3.2 – 10.8	77,174	–	–	–	176,626	–	(213,763)	–	40,037
Batch G . . .	June 1, 2021	109.17 – 120.57	4.8 – 16.2	75,625	–	(16,375)	(1,000)	133,315	–	–	–	191,565
Batch H . . .	December 1, 2021	300.77 – 312.17	4.8 – 16.2	20,011	–	–	(2,000)	41,221	–	(3,289)	–	55,943
Batch I . . .	September 30, 2022	289.42 – 313.22	7.2 – 31.0	18,516	–	–	(750)	40,660	–	(6,577)	(1,520)	50,329
Batch J . . .	December 1, 2023	294.01	31.0	23,139	–	–	(3,750)	44,375	–	–	–	63,764
Batch K . . .	May 31, 2024	300.05	31.0	22,597	–	–	(500)	50,573	–	–	(1,520)	71,150

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RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2025	Granted before the Conversion Issue	Vested before the Conversion Issue	Forfeited before the Conversion Issue	Issue upon the Conversion	Granted after the Conversion Issue	Vested after the Conversion Issue	Forfeited after the Conversion Issue	Outstanding at December 31, 2025
		RMB	RMB									
Batch L	December 1, 2024	300.05	31.0	19,120	–	–	(3,500)	35,749	–	–	–	51,369
Batch M	July 1, 2025	303.44	31.0	–	23,500	–	–	53,784	–	–	–	77,284
Batch N	December 31, 2025	303.44	31.0	–	–	–	–	–	3,040	–	–	3,040
				599,982	23,500	(230,925)	(11,500)	872,113	3,040	(605,937)	(3,040)	647,233

Directors

RSU Granted	Date of Grant	Fair value of RSU granted (note i)	Subscription price (note i)	Outstanding at January 1, 2025	Granted before the Conversion Issue	Vested before the Conversion Issue	Forfeited before the Conversion Issue	Issue upon the Conversion	Granted after the Conversion Issue	Vested after the Conversion Issue	Forfeited after the Conversion Issue	Outstanding at December 31, 2025
		RMB										
Batch M	July 1, 2025	303.44	31.0	–	750	(750)	–	–	–	–	–	–

Note:

- (i) This has not taken consideration of the effect of the Conversion. The fair value of the RSU granted and subscription price should be divided by 3.29 after the adjustment of the effect of the Conversion.

The directors have used the DCF Model to determine the underlying equity value of the Company as at December 31, 2023, 2024 and used the back-solve method to determine the underlying equity value of the Company as at December 31, 2025 and performed an equity allocation based on an OPM Model to determine the fair value of the underlying ordinary shares. The variables and assumptions used in computing the fair value of the RSUs are based on the directors’ of the Company best estimate. Changes in variables and assumptions may result in changes in the fair value of the RSUs. The corresponding inputs into the model were as follows:

For the year ended December 31, 2023

RSU granted	Expected volatility	Risk-free rate	Expected dividend yield
Batch J	52.8%	2.3%	0%

For the year ended December 31, 2024

RSU granted	Expected volatility	Risk-free rate	Expected dividend yield
Batch K & L	49.3%	1.2%	0%

For the year ended December 31, 2025

RSU granted	Expected volatility	Risk-free rate	Expected dividend yield
Batch M & N	49.6%	N/A	N/A

For the years ended December 31, 2023, 2024 and 2025, the Group’s total share-based payment expenses recognised in the consolidated statement of profit or loss and other comprehensive income is RMB43,384,000, RMB20,870,000 and RMB8,031,000.

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28. RECONCILIATION OF 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 financing activities are those for which cash flows were or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowing	Lease liabilities	Financial liabilities at FVTPL	Accrued issue costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023 . . .	–	3,611	971,516	–	975,127
Net financing cash flows. .	(20)	(1,963)	–	–	(1,983)
<i>Non-cash change</i>					
New leases entered and early termination of lease.	–	416	–	–	416
Finance costs.	20	142	–	–	162
Loss on fair value change of financial liabilities at FVTPL	–	–	41,290	–	41,290
Exchange realignment . . .	–	137	–	–	137
As at December 31, 2023 .	–	2,343	1,012,806	–	1,015,149
Net financing cash flows. .	69,525	(2,010)	–	–	67,515
<i>Non-cash changes</i>					
New leases entered and early termination of lease.	–	5,329	–	–	5,329
Finance costs.	475	272	–	–	747
Exchange realignment . . .	–	(63)	–	–	(63)
Loss on fair value change of financial liabilities at FVTPL	–	–	40,468	–	40,468
As at December 31, 2024 .	70,000	5,871	1,053,274	–	1,129,145
Net financing cash flows. .	(71,006)	(2,591)	509,600	(5,283)	430,720
<i>Non-cash changes</i>					
New leases entered and lease modification	–	6,475	–	–	6,475
Termination of the Company’s obligations arising from preferential rights granted to the Investors	–	–	(1,579,372)	–	(1,579,372)
Finance costs.	1,006	255	–	–	1,261
Exchange realignment . . .	–	195	–	–	195
Loss on fair value change of financial liabilities at FVTPL	–	–	16,498	–	16,498
Deferred issue costs. . . .	–	–	–	8,871	8,871
As at December 31, 2025 .	–	10,205	–	3,588	13,793

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29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
At amortised cost	292,949	296,998	831,071
At FVTOCI	6,441	5,999	6,129
	<u>299,390</u>	<u>302,997</u>	<u>837,200</u>
Financial liabilities			
At amortised cost	46,714	176,626	47,694
At FVTPL	1,012,806	1,053,274	–
	<u>1,059,520</u>	<u>1,229,900</u>	<u>47,694</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
At amortised cost	266,747	229,551	813,888
At FVTOCI	6,441	5,999	6,129
	<u>273,188</u>	<u>235,550</u>	<u>820,017</u>
Financial liabilities			
At amortised cost	23,629	114,267	77,520
At FVTPL	1,012,806	1,053,274	–
	<u>1,036,435</u>	<u>1,167,541</u>	<u>77,520</u>

b. Financial risk management objectives and policies

The Group’s and the Company’s major financial instruments include trade and other receivables, equity instruments at FVTOCI, cash and cash equivalents, trade and other payables, bank borrowing and financial liabilities at FVTPL. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances and cash and trade receivables are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The carrying amounts of the Company’s monetary assets are denominated in its functional currency at the end of each reporting period.

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The carrying amounts of the Group’s monetary assets which are denominated in a currency other than the functional currency of the relevant group entities at the end of each reporting period are as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Assets			
USD	23,463	65,414	9,691
HK\$	—	—	91
	<u> </u>	<u> </u>	<u> </u>

The Group currently does not have a foreign currency hedging policy, but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

No sensitivity analysis on currency risk is presented as the management of the Group considered that there would not be a significant change of prevailing exchange rate and the exposure of currency rate risk of the Group is insignificant.

Interest rate risk

The Group and the Company is exposed to fair value interest rate risk in relation to bank borrowings and lease liabilities (details are set out in Notes 24 and 25, respectively). The Group currently does not have formal interest rate hedging policies. The management of the Group monitors the Group’s exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group and the Company is also exposed to cash flow interest rate risk in relation to cash and cash equivalents (details are set out in Note 21).

No sensitivity analysis is presented since the management of the Group and the Company consider the exposure of cash flow interest rate risk arising from cash and cash equivalents is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s and the Company’s counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group’s and the Company’s credit risk exposures are primarily attributable to its trade and other receivables and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses allowance are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group’s credit risk is significantly reduced.

The Group has concentration of credit risk as 34%, 13% and nil of the total trade receivables was due from the Group’s largest customer at December 31, 2023, 2024 and 2025, respectively. Also, the Group has concentration of credit risk as 61%, 29%, and 55% of the total trade receivables was due from the Group’s five largest customers at December 31, 2023, 2024 and 2025, respectively. In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, that are subjected to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the impairment loss allowance based on lifetime ECL rather than 12m ECL.

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Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. The Group determines the ECL on these items on a collective basis for customers, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimise credit risk, the Group have delegated a team responsible for determination of the Group’s credit risk gradings to categorise exposures according to their degree of risk of default.

Other receivables and deposits

The management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of IFRS 9. The Group measures the loss allowance of other receivables at 12m ECL and recognised RMB685,000 during the year ended December 31, 2024 and reversed RMB4,000 and 735,000 during the years ended December 31, 2023 and 2025, respectively.

Bank balances

Bank balances are determined to have low credit risk at the end of each reporting period. The credit risk on bank balances is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk.	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL not credit-impaired	12m ECL
Doubtful.	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL not credit-impaired	Lifetime ECL not credit-impaired
Loss	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets which are subject to ECL assessment:

The Group

	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
				As at December 31		
				2023	2024	2025
				RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	NA	Note	Lifetime ECL (not- credit- impaired)	47,311	159,738	88,707
Bank balances	A1-Baa3 (Moody's Ratings)	NA	12m ECL	186,582	33,899	717,257
Other receivables and deposits.	NA	Low risk	12m ECL	60,265	107,228	26,272

The Company

	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
				As at December 31		
				2023	2024	2025
				RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	NA	Note	Lifetime ECL (not- credit- impaired)	56,486	183,970	102,696
Bank balances	A1-Baa3 (Moody's Ratings)	NA	12m ECL	177,930	15,076	709,105
Other receivables and deposits.	NA	Low risk	12m ECL	33,259	33,359	3,084

Note: For trade receivables, the Group determines the ECL on a collective basis, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect estimates of future economic conditions. The Group determines the ECL based on their historical credit loss experience to reflect current conditions and estimates of future economic conditions. As at December 31, 2023, 2024 and 2025, the credit loss rate of trade receivable of the Group are 1.79%, 1.77% and 0.96%, respectively.

Movements of impairment loss allowance at lifetime ECL on trade receivables

The Group

	Lifetime ECL not credit impaired
	RMB’000
As at January 1, 2023	490
Impairment loss allowance recognised	340
Exchange realignment	17

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	Lifetime ECL not credit impaired
	<i>RMB’000</i>
As at December 31, 2023	847
Impairment loss allowance recognised	1,948
Exchange realignment	25
As at December 31, 2024	2,820
Impairment loss allowance reversed	(1,936)
Exchange realignment	(32)
As at December 31, 2025	852

The Company

	Lifetime ECL not credit impaired
	<i>RMB’000</i>
As at January 1, 2023	367
Impairment loss allowance recognised	561
As at December 31, 2023	928
Impairment loss allowance recognised	1,926
As at December 31, 2024	2,854
Impairment loss allowance reversed	(1,857)
As at December 31, 2025	997

Liquidity risk

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

The following table details the Group’s and the Company’s remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Total carrying amounts
	<i>%</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As December 31, 2023						
Trade and other payables	–	46,714	–	–	46,714	46,714
Lease liabilities	4.50	902	426	1,166	2,494	2,343
Financial liabilities at FVTPL	–	1,012,806	–	–	1,012,806	1,012,806
		<u>1,060,422</u>	<u>426</u>	<u>1,166</u>	<u>1,062,014</u>	<u>1,061,863</u>

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	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Total carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As December 31, 2024						
Trade and other						
payables	–	106,626	–	–	106,626	106,626
Bank borrowings	2.75	70,527	–	–	70,527	70,000
Lease liabilities	3.83	2,297	1,340	2,617	6,254	5,871
Financial liabilities at						
FVTPL	–	1,053,274	–	–	1,053,274	1,053,274
		<u>1,232,724</u>	<u>1,340</u>	<u>2,617</u>	<u>1,236,681</u>	<u>1,235,771</u>

As December 31, 2025						
Trade and other						
payables	–	47,694	–	–	47,694	47,694
Lease liabilities	3.53	3,453	2,851	4,610	10,914	10,205
		<u>51,147</u>	<u>2,851</u>	<u>4,610</u>	<u>58,608</u>	<u>57,899</u>

The Company

	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Total carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As December 31, 2023						
Trade and other						
payables	–	23,629	–	–	23,629	23,629
Lease liabilities	4.75	21	–	–	21	20
Financial liabilities at						
FVTPL	–	1,012,806	–	–	1,012,806	1,012,806
		<u>1,036,456</u>	<u>–</u>	<u>–</u>	<u>1,036,456</u>	<u>1,036,455</u>

As December 31, 2024						
Trade and other						
payables	–	44,267	–	–	44,267	44,267
Bank borrowings	2.75	70,527	–	–	70,527	70,000
Lease liabilities	4.20	841	–	–	841	818
Financial liabilities at						
FVTPL	–	1,053,274	–	–	1,053,274	1,053,274
		<u>1,168,909</u>	<u>–</u>	<u>–</u>	<u>1,168,909</u>	<u>1,168,359</u>

As December 31, 2025						
Trade and other						
payables	–	77,520	–	–	77,520	77,520
Lease liabilities	3.50	1,790	1,925	2,070	5,785	5,477
		<u>79,310</u>	<u>1,925</u>	<u>2,070</u>	<u>83,305</u>	<u>82,997</u>

c. Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their corresponding fair values. The management of the Group have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

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In estimating the fair value of financial instruments, the Group and the Company uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under level 3, the Group and the Company establish the appropriate valuation techniques and inputs to the model.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The Group and the Company

	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial asset:				
Equity instruments at FVTOCI	December 31, 2023: RMB6,441,000 December 31, 2024: RMB5,999,000 December 31, 2025: RMB6,129,000	As at December 31, 2023 and 2024: Level 2; As at December 31, 2025: Level 3	Recent transaction price Market approach	N/A Discounts for lack of marketability (“DLOM”) (note i)
Financial liabilities:				
Financial liabilities at FVTPL	December 31, 2023: RMB1,012,806,000 December 31, 2024: RMB1,053,274,000 December 31, 2025: nil	Level 3	DCF model, back-solve method and OPM model: Key inputs: (Note 23)	Discount rate, discount for lack of marketability, probability of stock conversion (note ii)

Notes:

- (i) A 1% increase or decrease in DLOM holding all other variables keep constant would decrease or increase the carrying amount of the equity instruments at FVTOCI as at December 31, 2025 by RMB84,000.
- (ii) If the Company’s key valuation assumptions used to determine the fair value of the financial liabilities at FVTPL had increased/decreased certain percentage, while all other variables keep constant, the estimated fair value changes from carrying amount ended December 31, 2023, 2024 and 2025, respectively, listed in below table.

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Discount rate + 1%	(10,800)	(10,006)	N/A
Discount rate – 1%	11,098	10,282	N/A

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Discount for lack of marketability + 1% . .	(1,653)	(1,451)	N/A
Discount for lack of marketability – 1% . .	1,653	1,451	N/A

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Probability of stock conversion + 5%	2,396	2,232	N/A
Probability of stock conversion – 5%	(2,396)	(2,227)	N/A

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(iii) There were no transfers between level 1 and 2 during the Track Record Period.

The Group held equity interest in a private entity as at December 31, 2023, 2024 and 2025 that is classified as investment at FVTOCI. The fair value of the investment as at December 31, 2023 and 2024 amounted to RMB6,441,000 and RMB5,999,000 respectively. The fair value of the investment as at December 31, 2023 and 2024 were measured using recent transaction price and hence were classified as Level 2 of the fair value hierarchy. Recent transaction price of share of the private entity was not available for its fair value determination as at December 31, 2025, and therefore, the fair value of the investment as at December 31, 2025 was determined based on market approach and was classified as Level 3 of the fair value hierarchy.

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI
	<i>RMB'000</i>
At December 31, 2024	—
Transfers into level 3 due to change of valuation technique	5,999
Total gains in other comprehensive income	130
At December 31, 2025	<u>6,129</u>

Included in other comprehensive income during the year ended December 31, 2025, is an amount of RMB111,000 gain, net of income tax, relating to the unlisted equity securities classified as equity instruments at FVTOCI held at December 31, 2025 and is reported as other reserve.

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes financial liabilities measured at FVTPL, bank borrowing and lease liabilities and disclosed in Notes 23, 24 and 25, respectively, net of cash and cash equivalents and equity, comprising paid-in capital, accumulated losses and reserves.

The directors of the Company review the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and raise of new loan borrowings.

31. RELATED PARTY TRANSACTIONS AND BALANCES

Except as disclosed elsewhere in the Historical Financial Statements, the Group also entered into the following transactions and balances during the Track Record Period with certain related parties.

(a) Related party balances

The Group and the Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Liu (<i>note i</i>)	—	—	858
Juxin Enterprise (<i>note ii</i>)	4,667	4,667	—
Zhike Juxin (<i>note ii</i>)	11,368	11,368	—
Zhituo Juxin (<i>note ii</i>)	10,792	10,792	—
Zhuhui Juxin (<i>note ii</i>)	2,592	2,592	—
Zhixin Juxin (<i>note ii</i>)	1,807	1,807	—
	<u>31,226</u>	<u>31,226</u>	<u>858</u>

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Notes:

- (i) These amounts are included in “amounts due from a related party” as set out in Note 20. The amounts are non-trade nature, unsecured, unguaranteed and repayable on demand and as represented by directors of the Company that these balances will be settled prior to the [REDACTED]. The maximum outstanding balances for the years ended December 31, 2023, 2024 and 2025 were nil, nil and RMB858,000, respectively.
- (ii) These amounts are included in “other receivables from Share Incentive Platform” as set out in Note 20. The amounts are non-trade nature, unsecured, unguaranteed and repayable on demand. Such amounts are fully settled in July 2025.

(b) Compensation of key management personnel

The remuneration of directors, which are the key management, and a supervisor of the Group during the Track Record Period were as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	1,534	1,701	1,899
Performance-based bonuses	717	653	732
Retirement benefit scheme contributions	177	179	238
Share-based payments expenses	2,475	4,138	622
	<u>4,903</u>	<u>6,671</u>	<u>3,491</u>

32. RETIREMENT BENEFIT PLANS

The employees of the Group in PRC are members of a state-managed retirement benefit plan operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authorities to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions under the plan. The retirement benefits cost charged to profit or loss for the years ended December 31, 2023 and 2024 and 2025 amounted to RMB7,331,000, RMB9,992,000 and RMB12,389,000, respectively.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at the date of this report, the Company has direct equity interests in the following subsidiaries:

Name of subsidiaries	Places of incorporate and operation	Dates of incorporation/ establishment	Paid-in capital/ registered capital	Equity interest attributable to the Group directly			At the date of this report	Principal activity
				At December 31,				
				2023	2024	2025		
Shenzhen Silicon Integrated Co., Ltd.* (深圳芯聚微电子有限公司) (note i)	PRC	November 30, 2017	RMB1,000,000	100%	100%	100%	[100%]	Research of semiconductor products
Shanghai Silicon Integrated Co., Ltd.* (上海颯新微电子有限公司) (note i)	PRC	December 4, 2019	RMB3,000,000	100%	100%	100%	[100%]	Research of semiconductor products
Beijing Silicon Integrated Co., Ltd.* (北京颯新微电子有限公司) (note i)	PRC	August 20, 2020	RMB1,000,000	100%	100%	100%	[100%]	Research of semiconductor products

* English name is for identification purpose only.

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Name of subsidiaries	Places of incorporate and operation	Dates of incorporation/ establishment	Paid-in capital/ registered capital	Equity interest attributable to the Group directly			At the date of this report	Principal activity
				At December 31,				
				2023	2024	2025		
Silicon Integrated B.V.* (note i)	Netherlands	May 13, 2019	EUR20,000	100%	100%	100%	[100%]	Research of semiconductor products
Silicon Integrated (HK) Co., Ltd.* (聚芯微電子(香港)有限公司) (note ii)	Hong Kong	August 27, 2020	HK\$10,000	100%	100%	100%	[100%]	Sale of semiconductor products
Suzhou Silicon Integrated Co., Ltd.* (蘇州聚芯微電子有限公司) (note i)	PRC	May 31, 2021	RMB5,000,000	100%	100%	100%	[100%]	Research of semiconductor products
Silicon Integrated (Singapore) Pte. Ltd. (note i)	Singapore	March 17, 2025	SGD1	N/A	N/A	100%	[100%]	Research of semiconductor products

Notes (i): No audited statutory financial statements were prepared for the entities for the years ended December 31, 2023, 2024 and 2025 as there are no statutory audit requirements.

(ii) The statutory financial statements of the subsidiary were audited by TC. Professional CPA Limited in Hong Kong in accordance with HKFRS Accounting Standards for the years ended December 31, 2023, 2024. No audited statutory financial statements were prepared for the year ended December 31, 2025.

34. FINANCIAL INFORMATION OF THE COMPANY

(A) Investments in subsidiaries

				As at December 31,		
				2023	2024	2025
				RMB'000	RMB'000	RMB'000
Cost of investments in subsidiaries				148,829	186,835	223,041
Accumulated impairment loss				(145,303)	(181,369)	(181,369)
				3,526	5,466	41,672

(B) Movement of the Company’s reserves

	Share premium	Other reserve	Capital reserve	Share-based payments reserve	(Accumulated losses) retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	—	(341,182)	636,132	45,594	(829,593)	(489,049)
Loss and total comprehensive expense for the year	—	—	—	—	(108,036)	(108,036)
Recognition of equity-settled share-based payments	—	—	—	43,384	—	43,384
Restricted shares units vested	—	44,029	—	(44,029)	—	—
As at December 31, 2023	—	(297,153)	636,132	44,949	(937,629)	(553,701)
(Loss) profit and total comprehensive (expense) income for the year	—	(376)	—	—	10,861	10,485
Recognition of equity-settled share-based payments	—	—	—	20,870	—	20,870
Restricted shares units vested	—	26,460	—	(26,460)	—	—

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	Share premium	Other reserve	Capital reserve	Share-based payments reserve	(Accumulated losses) retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024	–	(271,069)	636,132	39,359	(926,768)	(522,346)
Profit and total comprehensive income for the year	–	111	–	–	22,926	23,037
Capital injection from investors with preferential rights (Note 23)	–	(509,600)	508,725	–	–	(875)
Termination of the Company’s obligations arising from preferential rights granted to the Investors (Note 23)	–	1,579,372	–	–	–	1,579,372
Recognition of equity-settled share-based payments	–	–	–	8,031	–	8,031
Restricted shares units vested . .	–	9,895	–	(9,895)	–	–
Conversion into a joint stock company (Note 26)	1,063,406	(808,598)	(1,144,857)	(35,101)	904,272	(20,878)
As at December 31, 2025	<u>1,063,406</u>	<u>111</u>	<u>–</u>	<u>2,394</u>	<u>430</u>	<u>1,066,341</u>

35. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in the Historical Financial Information, the Group also has the following events after December 31, 2025.

In February 2026, the Company entered into share purchase agreements with three independent third parties (the “Sellers”), pursuant to which, the Company would acquire about 20.07% equity interests in a company, which is principally engaged in the R&D and production of micro-electromechanical system oscillators, for a total cash consideration of RMB6,021,000 (the “Equity Transfer”). The Equity Transfer was completed in February 2026.

36. SUBSEQUENT FINANCIAL STATEMENTS

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