The following is the text of a report set out on pages I–1 to I–[•], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING DYNAFLOW LAB SOLUTIONS CO., LTD. (北京戴納實驗科技股份有限公司) AND CMB INTERNATIONAL CAPITAL LIMITED AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Beijing Dynaflow Lab Solutions Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I–3 to I–[•], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2023, 2024 and 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–3 to I–[•] 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].

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal 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.

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 and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 29(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

[•]
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

		Year ended 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	4	614,076	554,027	644,913
Cost of sales		(515,513)	(423,097)	(463,721)
Gross profit		98,563	130,930	181,192
Other income and losses, net	5	22,464	3,114	5,677
Selling and marketing expenses		(19,635)	(24,972)	(32,461)
Administrative expenses		(37,548)	(39,646)	(42,683)
Research and development costs		(45,374)	(44,611)	(59,395)
Impairment loss on trade and other receivables and contract assets		(9,508)	(7,550)	(28,613)
Profit from operations		8,962	17,265	23,717
Finance costs	6(a)	(6,714)	(10,248)	(7,518)
Share of losses of joint ventures		(4,173)	(3,929)	(1,884)
(Loss)/profit before taxation	6	(1,925)	3,088	14,315
Income tax	7	4,283	1,808	2,082
Profit and total comprehensive income for the year		2,358	4,896	16,397
Profit and total comprehensive income for the year attributable to:				
Equity shareholders of the Company		2,359	4,904	16,397
Non-controlling interests		(1)	(8)	—
Earnings per share				
Basic and diluted earnings per share (RMB)	10	0.05	0.09	0.31

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in RMB)

		At 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	11	63,340	61,164	62,854
Right-of-use assets	12	21,253	25,638	23,920
Intangible assets	13	835	466	384
Interest in joint ventures	15	9,675	5,822	4,015
Deferred tax assets	27(b)	9,731	12,691	15,430
		104,834	105,781	106,603
Current assets				
Inventories	16	219,320	58,079	34,645
Contract assets	17(a)	99,201	112,775	220,234
Trade and bills receivables	18	272,214	244,229	294,747
Deposits, prepayments and other receivables	19	47,939	39,832	38,017
Restricted bank deposits	20	1,765	1,326	1,224
Cash and cash equivalents	21(a)	62,447	75,165	78,209
		702,886	531,406	667,076
Current liabilities				
Trade and bills payables	22	186,282	155,342	193,116
Contract liabilities	17(b)	237,192	49,027	33,357
Interest-bearing bank loans and other borrowings	23	168,777	200,231	217,513
Lease liabilities	25	613	2,819	2,668
Other payables	24	31,858	34,244	40,678
Current taxation	27(a)	—	10	657
		624,722	441,673	487,989
Net current assets		78,164	89,733	179,087
Total assets less current liabilities		182,998	195,514	285,690
Non-current liabilities				
Other borrowings	23(b)	—	5,811	—
Lease liabilities	25	439	3,128	1,868
Deferred income		1,855	1,587	1,318
Provisions	28	7,713	5,557	5,292
		10,007	16,083	8,478
NET ASSETS		172,991	179,431	277,212

		At 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES				
Paid-in capital/share capital	29(c)	54,858	54,858	58,871
Reserves	29(d)	118,134	124,582	218,350
Total equity attributable to equity shareholders of the Company		172,992	179,440	277,221
Non-controlling interests		(1)	(9)	(9)
TOTAL EQUITY		172,991	179,431	277,212

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		At 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	11	4,225	3,824	3,314
Right-of-use assets		1,287	5,504	4,665
Intangible assets		815	466	384
Investments in subsidiaries	14	61,423	59,231	59,276
Interests in joint ventures		8,153	5,822	4,015
Deferred tax assets		5,955	8,107	11,819
		81,858	82,954	83,473
Current assets				
Inventories	16	85,435	52,685	26,689
Contract assets	17(a)	99,201	112,775	220,234
Trade and bills receivables	18	245,036	232,441	291,729
Deposits, prepayments and other receivables	19	195,866	99,883	72,769
Restricted bank deposits	20	792	792	1,046
Cash and cash equivalents	21(a)	48,444	58,378	72,898
		674,774	556,954	685,365
Current liabilities				
Trade and bills payables	22	184,127	174,601	215,169
Contract liabilities		236,286	48,900	33,195
Interest-bearing bank loans	23	163,777	184,884	206,780
Lease liabilities		613	2,819	2,668
Other payables	24	30,105	83,008	70,946
Current taxation		—	10	—
		614,908	494,222	528,758
Net current assets		59,866	62,732	156,607
Total assets less current liabilities		141,724	145,686	240,080

		At 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Lease liabilities		439	2,595	1,759
Provisions		7,316	5,158	4,876
		7,755	7,753	6,635
NET ASSETS		133,969	137,933	233,445
CAPITAL AND RESERVES				
Paid-in capital/Share capital	29(c)	54,858	54,858	58,871
Reserves	29(d)	79,111	83,075	174,574
Total equity		133,969	137,933	233,445

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Paid in capital/share capital RMB'000 (Note 29(c))	Capital reserve RMB'000 (Note 29(d)(i))	Statutory reserve RMB'000 (Note 29(d)(ii))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		54,858	44,311	2,357	122,207	223,733	—	223,733
Changes in equity for 2023:								
Profit for the year		—	—	—	2,359	2,359	(1)	2,358
Total comprehensive income		—	—	—	2,359	2,359	(1)	2,358
Equity settled share-based payment	26	—	1,400	—	—	1,400	—	1,400
Appropriation to statutory reserves		—	—	5,087	(5,087)	—	—	—
Dividends declared	29(b)	—	—	—	(54,500)	(54,500)	—	(54,500)
Balance at 31 December 2023 and 1 January 2024		54,858	45,711	7,444	64,979	172,992	(1)	172,991
Changes in equity for 2024:								
Profit for the year		—	—	—	4,904	4,904	(8)	4,896
Total comprehensive income		—	—	—	4,904	4,904	(8)	4,896
Equity settled share-based payment	26	—	1,544	—	—	1,544	—	1,544
Conversion into a joint stock limited liability company	29(c)(i)	—	21,343	(6,888)	(14,455)	—	—	—
Appropriation to statutory reserves		—	—	242	(242)	—	—	—
Balance at 31 December 2024 and 1 January 2025		54,858	68,598	798	55,186	179,440	(9)	179,431
Changes in equity for 2025:								
Profit for the year		—	—	—	16,397	16,397	—	16,397
Total comprehensive income		—	—	—	16,397	16,397	—	16,397
Capital injections from investors	29(c)(ii)	4,013	74,987	—	—	79,000	—	79,000
Equity settled share-based payment	26	—	2,384	—	—	2,384	—	2,384
Appropriation to statutory reserves		—	—	1,413	(1,413)	—	—	—
Balance at 31 December 2025		58,871	145,969	2,211	70,170	277,221	(9)	277,212

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS
(Expressed in RMB)

		At 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Cash used in operations	21(b)	(75,197)	(2,598)	(66,220)
Tax paid	27(a)	(22,999)	(1,989)	(1,712)
Net cash used in operating activities		(98,196)	(4,587)	(67,932)
Investing activities				
Loans repaid by related parties		20,000	—	—
Purchases of property, plant and equipment and intangible assets		(6,810)	(4,450)	(8,832)
Loans paid to joint venture of the Group		(700)	(2,800)	—
Net cash generated from/(used in) investing activities		12,490	(7,250)	(8,832)
Financing activities				
Proceeds from new interest-bearing bank loans	21(c)	216,327	194,884	234,026
Repayment of interest-bearing bank loans	21(c)	(154,230)	(168,777)	(217,130)
Interest paid for interest-bearing bank loans	21(c)	(3,730)	(5,976)	(5,168)
Other financial costs paid	21(c)	(2,973)	(3,838)	(1,575)
Capital element of lease rentals paid	21(c)	(3,411)	(2,499)	(3,181)
Interest element of lease rentals paid	21(c)	(51)	(234)	(231)
Proceeds from shares issuance	29(c)	—	—	79,000
Dividends paid	29(b)	(54,500)	—	—
Proceeds from other borrowings	21(c)	—	11,000	—
Repayment of other borrowings	21(c)	—	—	(5,425)
Interest paid on other borrowings	21(c)	—	—	(508)
Net cash (used in)/generated from financing activities		(2,568)	24,560	79,808
Net (decrease)/increase in cash and cash equivalents		(88,274)	12,723	3,044
Cash and cash equivalents at January 1		150,721	62,447	75,165
Effect of foreign exchange rate changes		—	(5)	—
Cash and cash equivalents at December 31		62,447	75,165	78,209

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Beijing Dynaflow Lab Solutions Co., Ltd. (the "**Company**") was incorporated in People's Republic of China ("**PRC**") and converted into a joint stock limited liability company under the Company Laws of the PRC on 25 March 2024.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in providing full-lifecycle laboratory solutions encompassing the planning, design, implementation and maintenance of intelligent laboratories.

The financial statements of the Company and the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The statutory financial statements of the Company for the years ended 31 December 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Huiya Haozheng (Beijing) Certified Public Accountants Co., Ltd. (匯亞昊正(北京)會計師事務所有限公司). As at the date of this report, no statutory financial statements have been prepared for the Company for the year ended 31 December 2025.

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries:

Company name	Place and date of incorporation/ establishment	Particulars of issued shares/ paid-up capital	Proportion of ownership interest as at 31 December 2023	31 December 2024	31 December 2025	At the date of this report	Principal activity	*Name of auditor*
Dynaflow Smart Manufacturing and Industrial Equipment (Hebei) Co., Ltd. 戴納智造河北工業設備有限公司*(Note(c))*	Hebei Province, PRC/ 8 February 2020	RMB50,000,000	100%	100%	100%	100%	Manufacturing and sale product or service	*Note(a)*
Beijing Dynaflow Scientific and Innovations Co., Ltd. 北京戴納科創科技有限公司*(Note(c))*	Beijing, PRC/ 10 March 2022	RMB15,000,000	100%	100%	100%	100%	Investment	*Note(b)*
Jilin Dynaflow Intelligent Manufacturing Technology Co., Ltd. 吉林戴納智造科技有限公司*(Note(c))*	Jilin Province, PRC/ 13 July 2023	RMB20,000,000	100%	100%	100%	100%	Manufacturing and sale product or service	*Note(b)*
Beijing Dynaflow Aurora Technology Co., Ltd. 北京戴納極光科技有限公司*(Note(c))*	Beijing, PRC/ 9 August 2021	RMB10,000,000	100%	100%	100%	100%	Research, development	*Note(b)*
Dynaflow Scientific International Co., Limited 戴納科技國際股份有限公司	Hong Kong, PRC/ 4 November 2024	2,000,000 shares	/	100%	100%	100%	Manufacturing and sale product or service	*Note(b)*
Jilin Dynaflow Qiyuan Biotechnology Co., Ltd. 吉林戴納啟源生物科技有限公司 *(Note(c))*	Jilin Province, PRC/ 6 February 2024	RMB1,000,000/ RMB50,000	/	70%	70%	70%	Manufacturing and sale product or service	*Note(b)*
Dynaflow Microchip Electronic Technology (Beijing) Co., Ltd. 戴納微芯電子科技(北京)有限公司*(Note(c))*	Beijing, PRC/30 November 2022	RMB5,000,000/ RMB50,000	90%	90%	90%	90%	Research, development	*Note(b)*

Notes:

(a) The statutory financial statements of this entity for the year ended 31 December 2023 were audited by Beijing Zhongheng Certified Public Accountants Co., Ltd. and no audited statutory financial statements for the years ended 31 December 2024 and 2025 was issued.

(b) No audited statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 was issued.

(c) The official names of these entities are in Chinese. The English names are for identification purpose only.

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

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2025 are set out in note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

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

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Business combination

Business combination is accounted for under the acquisition method except for business combination under common control.

The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Business combination arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the period or, if later, at the date that common control was established. The assets acquired and liabilities assumed are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's perspective. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognised directly in equity.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Joint ventures

A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). It is initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which joint control ceases.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in a joint venture is stated at cost less impairment losses (see note 2(j))), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— Fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 2(j)).

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 2(j)):

— right-of-use assets arising from leases over freehold or leasehold properties where the group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write-off the cost of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for property, plant and equipment are as follows:

— The group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful live.

— Plant & buildings	20 years
— Machinery & equipment	5–10 years
— Transportation vehicles	5 years
— Office & electronic equipment	3–5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets with finite useful lives, including software acquired by the Group, are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for intangible assets are as follows:

— Software	3 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets

The Group recognises a loss allowance for expected credit losses ("**ECL**"s) on:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables);

— contract assets (see note 2(l)); and

— non-equity securities measured at FVOCI (recycling) (see note 2(f))

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date;

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition; and

— Other receivables unless there has been a significant increase in credit risk.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 180 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as or past due event;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories include the cost of raw materials waiting to be assigned to specific construction contracts. The cost of inventories includes design costs, costs of purchase, direct labour, other direct costs and production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered.

Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 2(j)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)(i)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(u).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of share option granted to employees is measured using the Binomial Tree Model. The grant-date fair value of restricted shares is based on the latest external investor subscription price or the latest valuation of the Company on the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

The fair value of equity-settled share-based payment awards is generally recognised as an expense, with a corresponding increase in capital reserve within equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(j)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contract

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on construction and maintenance services under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group also typically agrees to a retention period for certain of the contract value which the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist.

(ii) Sale of products

Revenue arising from the sales of products is recognised when the customer takes possession of and accepts the products.

(iii) Service income

Service income from the rendering of services is recognised when the related services are rendered.

(iv) Interest income

Interest income is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group,

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segment, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, or assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group determined that it only has one operating segment during the Track Record Period.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant sources of estimation and uncertainty are as follows:

(a) Revenue recognition

As explained in accounting policy note 2(t), revenue from construction contracts is recognised over time. Such revenue and profit recognition on incomplete projects is dependent on estimating the total budgeted contract costs of the contract, as well as the contract costs incurred to date. The actual outcomes in the terms of total cost may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in the future years as an adjustment to the amounts recorded to date.

(b) Impairment of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in business environment and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting period.

(c) Expected credit losses on trade receivables and contract assets

The Group determines the ECLs on an individual basis for debtors with specific risk characteristics, the ECLs for remaining debtors with common risk characteristics are assessed collectively by using a provision matrix. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 30(a) to the Historical Financial Information.

(d) Warranty provisions

As explained in note 28, the Group makes provisions under the warranties it gives on construction and sales of product contracts, taking into account the Group's recent claim experience. The construction required by customers become more complex, the actual payment incurred for warranties provided may be different from the estimated at the end of the reporting period, which would affect profit or loss in future years.

(e) Taxation

Determining tax provision involves judgement on tax treatment of certain transactions. The Group evaluates tax implication of transactions and tax provision are set up accordingly. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the tax provision in the year in which such determination is made.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are to provide full-lifecycle laboratory solutions encompassing the planning, design, implementation and maintenance of intelligent laboratories.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by business lines			
Intelligent laboratory solutions			
— Intelligent laboratory integrated solution	501,416	249,056	334,701
— Modular laboratories and components	86,419	232,876	108,530
— Design, operation and maintenance	26,241	35,866	30,991
Self-driving laboratory solutions	—	36,229	170,691
Total	614,076	554,027	644,913
Disaggregated by timing of revenue			
— Over time	574,899	316,153	499,422
— Point in time	39,177	237,874	145,491
Total	614,076	554,027	644,913

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(b)(i).

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Track Record Period is set out below. Details of concentrations of credit risk arising from these customers are set out in note 30(a).

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	109,495	98,971	*
Customer B	75,677	*	*
Customer C	72,231	*	*
Customer D	*	*	98,390
Customer E	*	*	102,967
Customer F	*	184,002	*

* *Less than 10% of the Group's revenue in the respective year.*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, 2024 and 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB282,818,000, RMB384,088,000 and RMB291,642,000. This amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

The group has also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts such that the above information does not include information about revenue that the group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales that had an original expected duration of one year or less.

(b) Segment reporting

For management purposes, the Group is organised into one single business unit that includes primarily providing full-lifecycle laboratory solutions encompassing the planning, design, implementation and maintenance.

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

(i) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	614,076	554,027	640,606
Hong Kong	—	—	2,767
Overseas	—	—	1,540
	614,076	554,027	644,913

5 OTHER INCOME AND LOSSES, NET

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	1,597	2,969	5,339
Interest income	257	238	167
Net losses on disposal of property, plant and equipment	(1)	(17)	—
Net income from sales of one-off medical equipment	20,558	—	—
Foreign exchange loss	—	(5)	—
Others	53	(71)	171
	22,464	3,114	5,677

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance costs			
Interest on interest-bearing bank loans *(note 21(c))*	3,633	5,977	5,168
Interest on other borrowings *(note 21(c))*	—	157	508
Interest on lease liabilities *(note 21(c))*	108	276	267
Other finance costs	2,973	3,838	1,575
	6,714	10,248	7,518

(b) Staff costs

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	78,868	88,401	113,854
Contributions to defined contribution retirement plan (i)	7,871	9,405	11,557
Equity-settled share-based payment expenses	1,323	1,466	2,308
	88,062	99,272	127,719

(i) Employees of the Company and its PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation and amortisation			
— property, plant and equipment *(note 11)*	6,006	6,361	6,919
— right-of-use assets *(note 12)*	3,769	2,967	3,452
— intangible assets *(note 13)*	593	619	305
Increase in provision for warranties *(note 28)*	3,859	3,087	5,173
[REDACTED]	—	—	601

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
— Provision for the year *(note 27(a))*	—	1,152	657
Deferred tax			
Origination and reversal of temporary differences *(note 27(b))*	(4,283)	(2,960)	(2,739)
	(4,283)	(1,808)	(2,082)

All PRC subsidiaries of the Group are subject to the statutory enterprise income tax rate of 25%.

During the Track Record Period, the main tax preferential entitled by the Group are as follows:

(i) Under the PRC Enterprise Income Tax Laws (the "**EIT Law**"), entities that qualified as High and New Technology Enterprise (the "**HNTE**") are entitled to a preferential tax rate of 15%. The Company and two of its subsidiaries, Beijing Dynaflow Aurora Technology Co., Ltd. and Dynaflow Smart Manufacturing and Industrial Equipment (Hebei) Co., Ltd. were qualified as HNTEs and entitled for a preferential tax rate of 15% from 2023 to 2025.

(ii) Under the PRC EIT Law and its relevant regulations, 100% additional deduction from taxable income is allowed for qualified research and development costs incurred during the Track Record Period.

(iii) The provision for Hong Kong profits tax for the year ended 31 December 2025 is calculated at 16.5% of the estimated assessable profits for the year, except for Dynaflow Scientific International Co., Limited which is a qualifying corporation under the two-tiered profits tax rate regime, i.e. the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation	(1,925)	3,088	14,315
Tax at the PRC enterprise income tax rate of 15%	(289)	463	2,147
Effect of different tax rates applied by subsidiaries	158	529	(296)
Effect of non-deductible costs, expense and losses	133	68	453
Effect of deductible losses of deferred tax assets not recognised in the prior period	—	—	(81)
Tax effect of share of results of joint ventures	370	742	283
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised at the end of this year	558	1,650	3,067
The impact of additional deduction for research and development expenses	(5,213)	(5,260)	(7,655)
Actual tax expense	(4,283)	(1,808)	(2,082)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments during the Track Record Period are as follows:

	Year ended 31 December 2023						
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman of the Board							
Mr. Chi Haipeng	—	932	—	65	997	—	997
Executive directors							
Mr. Zhang Huaidong	—	908	—	65	973	—	973
Mr. Gong Changhua	—	830	—	65	895	—	895
Mr. Zhang Jingjun	—	830	—	65	895	—	895
Mr. Xing Xixue	—	830	—	65	895	—	895
Supervisors							
Ms. Zhang Yidi	—	269	—	39	308	67	375
Mr. Wang Chunxin	—	482	—	59	541	107	648
	—	5,081	—	423	5,504	174	5,678

	Year ended 31 December 2024						
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman of the Board							
Mr. Chi Haipeng	—	1,079	—	68	1,147	—	1,147
Executive directors *(Note (i))*							
Mr. Li Kun	—	515	—	51	566	—	566
Mr. Zhang Huaidong	—	1,031	—	68	1,099	—	1,099
Mr. Gong Changhua	—	953	—	68	1,021	—	1,021
Mr. Zhang Jingjun	—	953	—	68	1,021	—	1,021
Mr. Xing Xixue	—	953	—	68	1,021	—	1,021
Supervisors							
Ms. Zhang Yidi	—	270	—	41	311	(155)	156
Mr. Wang Chunxin	—	478	—	68	546	107	653
	—	6,232	—	500	6,732	(48)	6,684

	Year ended 31 December 2025						
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman of the Board							
Mr. Chi Haipeng	—	1,081	—	70	1,151	—	1,151
Executive directors							
Mr. Li Kun	—	688	—	70	758	—	758
Mr. Zhang Huaidong	—	1,033	—	70	1,103	—	1,103
Mr. Gong Changhua	—	955	—	70	1,025	—	1,025
Mr. Zhang Jingjun	—	955	—	70	1,025	—	1,025
Mr. Xing Xixue	—	955	—	70	1,025	—	1,025
Supervisors							
Ms. Zhang Yidi	—	267	—	38	305	—	305
Mr. Wang Chunxin	—	456	—	69	525	107	632
	—	6,390	—	527	6,917	107	7,024

Notes:

(i) On 25 March 2024, Mr. Li Kun was appointed as executive director of the Company. Prior to being the executive director of the Company, the aggregate emoluments of Mr. Li Kun for the period from 1 January 2024 to 24 March 2024 amounted to RMB189,000.

(ii) Mr. Luan Yizheng, Ms. Hao Bin and Ms. Wong Ka Ki were appointed as independent non-executive Director of the Company with effect from 24 April 2026.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, five, five, and five individuals' emoluments are disclosed in note 8 and the emoluments in respect of the remaining nil, nil and one individual are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	—	—	664
Retirement scheme contributions	—	—	70
Equity-settled share-based payments	—	—	479
	—	—	1,213

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December		
	2023	**2024**	**2025**
	Number of individuals	**Number of individuals**	**Number of individuals**
Nil–HK$1,000,000	—	—	—
HK$1,000,001–HK$1,500,000	—	—	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As described in note 29(c), the Company was converted into a joint stock company with limited liability and 54,858,000 shares at RMB1.00 each were issued on 25 March 2024. For the purpose of computing basic and diluted earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2023, at the exchange ratio established in the conversion on 25 March 2024.

The weighted average number of ordinary shares does not take into account the impact of the share subdivision that will become effective immediately prior to the [REDACTED] (note 32).

Profit of the year attributable to ordinary equity shareholders of the Company

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to ordinary equity shareholders of the Company	2,359	4,904	16,397

Weighted average number of ordinary shares

	Year ended 31 December		
	2023	**2024**	**2025**
	'000	*'000*	*'000*
Issued ordinary shares at January 1 (i)	54,858	54,858	54,858
Effect of new shares issued *(note 29(c))*	—	—	2,007
Weighted average number of ordinary shares at December 31	54,858	54,858	56,865

(b) Diluted earnings per share

There are no dilutive potential shares outstanding during the Track Record Period. Hence, the diluted earnings per share are the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant & buildings *RMB'000*	Machinery & equipment *RMB'000*	Transportation vehicles *RMB'000*	Office & electronic equipment *RMB'000*	Construction in Progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2023	45,687	13,662	2,164	4,428	1,178	67,119
Additions	368	1,588	123	895	3,412	6,386
Transfers from construction in progress	3,510	1,080	—	—	(4,590)	—
Disposals	—	—	—	(28)	—	(28)
At 31 December 2023 and 1 January 2024	49,565	16,330	2,287	5,295	—	73,477
Additions	736	2,474	48	790	152	4,200
Transfers from construction in progress	—	115	—	—	(115)	—
Disposals	—	—	(91)	—	—	(91)
At 31 December 2024 and 1 January 2025	50,301	18,919	2,244	6,085	37	77,586
Additions	709	5,014	362	1,163	1,361	8,609
Transfers from construction in progress	998	400	—	—	(1,398)	—
At 31 December 2025	52,008	24,333	2,606	7,248	—	86,195
Accumulated depreciation:						
At 1 January 2023	(1,062)	(953)	(405)	(1,739)	—	(4,159)
Charge for the year	(2,841)	(1,578)	(421)	(1,166)	—	(6,006)
Written back on Disposals	—	—	—	28	—	28
At 31 December 2023 and 1 January 2024	(3,903)	(2,531)	(826)	(2,877)	—	(10,137)
Charge for the year	(2,858)	(1,849)	(438)	(1,216)	—	(6,361)
Written back on Disposals	—	—	76	—	—	76
At 31 December 2024 and 1 January 2025	(6,761)	(4,380)	(1,188)	(4,093)	—	(16,422)
Charge for the year	(2,963)	(2,249)	(411)	(1,296)	—	(6,919)
At 31 December 2025	(9,724)	(6,629)	(1,599)	(5,389)	—	(23,341)
Net book value:						
At 31 December 2023	45,662	13,799	1,461	2,418	—	63,340
At 31 December 2024	43,540	14,539	1,056	1,992	37	61,164
At 31 December 2025	42,284	17,704	1,007	1,859	—	62,854

Note: As at 31 December 2023, 2024 and 2025, the carrying amount of plant and equipment pledged under the sale and leaseback arrangement of Dynaflow Smart Manufacturing and Dynaflow Smart Manufacturing and Industrial Equipment (Hebei) Co., Ltd. (戴納智造河北工業設備有限公司) amounted to nil, RMB10,141,000 and RMB8,850,000, respectively.

The Company

	Plant & buildings *RMB'000*	Machinery & equipment *RMB'000*	Transportation vehicles *RMB'000*	Office & electronic equipment *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2023	971	2,576	883	2,221	6,651
Additions	368	328	—	852	1,548
Disposals	—	—	—	(28)	(28)
At 31 December 2023 and 1 January 2024	1,339	2,904	883	3,045	8,171
Additions	579	320	—	538	1,437
Disposals	—	—	(91)	—	(91)
At 31 December 2024 and 1 January 2025	1,918	3,224	792	3,583	9,517
Additions	—	337	—	843	1,180
At 31 December 2025	1,918	3,561	792	4,426	10,697
Accumulated depreciation:					
At 1 January 2023	—	(908)	(64)	(1,064)	(2,036)
Charge for the year	(717)	(387)	(172)	(662)	(1,938)
Written back on Disposals	—	—	—	28	28
At 31 December 2023 and 1 January 2024	(717)	(1,295)	(236)	(1,698)	(3,946)
Charge for the year	(567)	(407)	(167)	(682)	(1,823)
Written back on Disposals	—	—	76	—	76
At 31 December 2024 and 1 January 2025	(1,284)	(1,702)	(327)	(2,380)	(5,693)
Charge for the year	(371)	(459)	(150)	(710)	(1,690)
At 31 December 2025	(1,655)	(2,161)	(477)	(3,090)	(7,383)
Net book value:					
At 31 December 2023	622	1,609	647	1,347	4,225
At 31 December 2024	634	1,522	465	1,203	3,824
At 31 December 2025	263	1,400	315	1,336	3,314

12 RIGHT-OF-USE ASSETS

The Group

	Plant & buildings *RMB'000*	land use right *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2023	8,044	21,507	29,551
Additions	1,224	—	1,224
Expiration of lease term	(927)	—	(927)
At 31 December 2023 and 1 January 2024	8,341	21,507	29,848
Additions	7,352	—	7,352
Expiration of lease term	(7,117)	—	(7,117)
At 31 December 2024 and 1 January 2025	8,576	21,507	30,083
Additions	1,734	—	1,734
At 31 December 2025	10,310	21,507	31,817
Accumulated depreciation:			
At 1 January 2023	(4,642)	(1,111)	(5,753)
Charge for the year	(3,339)	(430)	(3,769)
Expiration of lease term	927	—	927
At 31 December 2023 and 1 January 2024	(7,054)	(1,541)	(8,595)
Charge for the year	(2,537)	(430)	(2,967)
Expiration of lease term	7,117	—	7,117
At 31 December 2024 and 1 January 2025	(2,474)	(1,971)	(4,445)
Charge for the year	(3,022)	(430)	(3,452)
At 31 December 2025	(5,496)	(2,401)	(7,897)
Net book value:			
At 31 December 2023	1,287	19,966	21,253
At 31 December 2024	6,102	19,536	25,638
At 31 December 2025	4,814	19,106	23,920

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at 31 December		
	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Interest on lease liabilities	108	276	267
Depreciation charge of right-of-use assets	3,769	2,967	3,452
Short-term lease of houses	3,132	4,976	3,510

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 21(d) and 25, respectively.

13 INTANGIBLE ASSETS

The Group

	Software		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
As at 1 January	2,055	2,479	2,729
Additions	424	250	223
As at 31 December	2,479	2,729	2,952
Accumulated amortisation:			
As at 1 January	(1,051)	(1,644)	(2,263)
Charge for the year	(593)	(619)	(305)
As at 31 December	(1,644)	(2,263)	(2,568)
Net book value:	835	466	384

14 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost	61,423	59,231	59,276

The particulars of subsidiaries which principally affected the results of the Group have been disclosed in Note 1.

15 INTERESTS IN JOINT VENTURES

Details of the Group's interest in the joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interests in joint ventures	9,675	5,822	4,015

Note: The two joint ventures of the Group are Hunan MGI Dynaflow Smart Manufacturing Technology Co., Ltd. (湖南華大戴納智造科技有限公司) ("**Hunan MGI**") and DNYUNTU (BEIJING) TECHNOLOGY CO., LTD. (戴納雲圖(北京)科技有限公司) ("**DNYUNTU**"). As of 31 December 2024 and 2025, the Group's interest in DNYUNTU was reduced to nil.

The following list contains only the particulars of joint ventures, which is [REDACTED] corporate entity whose quoted market price is not available:

Name of joint ventures	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest At 31 December 2023	2024	2025	Held by the Company At 31 December 2023	2024	2025	Held by a subsidiary At 31 December 2023	2024	2025	Principal activity
Hunan MGI Dynaflow Smart Manufacturing Technology Co., Ltd.	Incorporated	Chinese Mainland	RMB10,000,000	51%	51%	51%	51%	51%	51%	—	—	—	Manufacturing
DNYUNTU (BEIJING) TECHNOLOGY CO., LTD.	Incorporated	Chinese Mainland	RMB5,000,000	60%	60%	60%	—	—	—	60%	60%	60%	Software development

Note: The Group's interest in Hunan MGI and DNYUNTU are 51% and 60%, respectively. Due to the fact that the Group does not have control over the two joint ventures but can form joint control, Hunan MGI and DNYUNTU are accounted for as joint ventures using the equity method.

Aggregate information of joint ventures that are not individually material:

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	9,675	5,822	4,015
Aggregate amounts of the Group's share of these joint ventures'			
— Losses from continuing operations	(4,173)	(3,929)	(1,884)

The Group's share of unrecognised excess losses of joint ventures for the years ended 31 December 2023, 2024 and 2025 amounted to nil, RMB475,230 and RMB876,012, respectively.

16 INVENTORIES

The Group

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
— Raw materials	74,900	44,899	30,627
— Work in progress	5,473	4,539	4,810
— Finished goods	5,663	8,297	7,504
— Goods in transit	144,759	14,612	6,391
Write down of inventories	(11,475)	(14,268)	(14,687)
	219,320	58,079	34,645

The Company

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
— Raw materials	65,739	37,353	18,902
— Goods in transit	19,696	15,332	7,787
Write down of inventories	—	—	—
	85,435	52,685	26,689

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	515,513	423,097	463,721
Write down of inventories	1,918	3,439	885
	517,431	426,536	464,606

The Company

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	510,423	447,788	467,112
Write down of inventories	—	—	—
	510,423	447,788	467,112

17 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Group and the Company

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under construction contracts	103,757	116,635	237,664
Less: loss allowance	(4,556)	(3,860)	(17,430)
	99,201	112,775	220,234

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. This amount is included in contract assets until the end of the retention period after the completion of construction contracts.

(b) Contract liabilities

The Group

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
— Billings in advance of performance	237,192	49,027	33,357

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

Movements in contract liabilities

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	88,319	237,192	49,027
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(31,164)	(221,439)	(30,833)
Net increase in contract liabilities during the year	180,037	33,274	15,163
Balance at 31 December	237,192	49,027	33,357

18 TRADE AND BILLS RECEIVABLES

The Group

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	271,570	255,038	331,600
Bills receivables	19,236	12,977	1,794
Less: loss allowance	(18,592)	(23,786)	(38,647)
	272,214	244,229	294,747

The Company

	At 31 December 2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Trade receivables	238,528	234,701	321,955
Bills receivables	15,841	12,677	1,712
Less: loss allowance	(9,333)	(14,937)	(31,938)
	245,036	232,441	291,729

As of the end of each reporting period, the ageing analysis of trade and bills receivable, based on the invoice date and net of loss allowance, is as follows:

The Group

	At 31 December 2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Within 1 year	236,504	152,765	211,270
Over 1 year but within 2 years	40,857	85,422	44,967
Over 2 years but within 3 years	2,598	20,413	60,123
Over 3 years but within 4 years	8,469	2,237	13,126
Over 4 years but within 5 years	1,859	4,965	2,189
Over 5 years	519	2,213	1,719
	290,806	268,015	333,394
Less: loss allowance	(18,592)	(23,786)	(38,647)
	272,214	244,229	294,747

The Company

	At 31 December 2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Within 1 year	223,891	145,750	220,051
Over 1 year but within 2 years	24,521	86,254	46,573
Over 2 years but within 3 years	2,753	10,333	48,918
Over 3 years but within 4 years	2,109	2,221	4,317
Over 4 years but within 5 years	576	1,890	2,089
Over 5 years	519	930	1,719
	254,369	247,378	323,667
Less: loss allowance	(9,333)	(14,937)	(31,938)
	245,036	232,441	291,729

The Group generally requires customers to settle progress billings and retentions receivable in accordance with contracted terms. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 30(a).

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for:			
— Material and service	28,153	30,109	30,096
— Amounts due from a related party	—	1,887	—
— Others	72	12	26
	28,225	32,008	30,122
Other receivables:			
— Amounts due from a related party	700	3,500	3,500
— Deposits	12,890	6,597	5,199
— VAT recoverable	6,271	426	291
— Prepaid income taxes	296	847	1,702
— Prepayment for costs incurred in connection with the proposed [REDACTED]	—	—	201
— Others	1,162	1,111	1,841
	21,319	12,481	12,734
Less: loss allowance	(1,605)	(4,657)	(4,839)
Deposits, prepayments and other receivables	47,939	39,832	38,017

The Company

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for:			
— Material and service	107,447	27,454	26,955
— Amounts due from a related party	—	1,887	—
— Others	24	12	—
	107,471	29,353	26,955
Other receivables:			
— Amounts due from subsidiaries	77,888	65,870	40,216
— Amounts due from a related party	700	3,500	3,500
— Deposits	9,378	3,759	2,943
— VAT recoverable	—	224	277
— Prepaid income taxes	296	—	807
— Prepayment for costs incurred in connection with the proposed [REDACTED]	—	—	201
— Others	1,017	958	1,689
	89,279	74,311	49,633
Less: loss allowance	(884)	(3,781)	(3,819)
Deposits, prepayments and other receivables	195,866	99,883	72,769

20 RESTRICTED BANK DEPOSITS

The Group

		At 31 December	
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits	1,765	1,326	1,224

The Company

		At 31 December	
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits	792	792	1,046

The Group's and the Company's restricted bank deposits are deposited to banks for the letters of guarantee for project performance bond. The restricted bank deposits will be released upon the settlement of letters of guarantee.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

		At 31 December	
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand (i)	64,212	76,491	79,433
Restricted bank deposits	(1,765)	(1,326)	(1,224)
Cash and cash equivalents	62,447	75,165	78,209

(i) The cash and cash equivalents in Chinese Mainland as at 31 December 2023, 2024 and 2025 are RMB62,447,000, RMB74,939,000 and RMB77,976,000 respectively. And the cash and cash equivalents outside Chinese Mainland as at 31 December 2023, 2024 and 2025 are nil, RMB226,000 and RMB233,000 respectively. Remittance from Chinese Mainland must comply with relevant rules and regulations on foreign exchange management.

The Company

		At 31 December	
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	48,444	58,378	72,898

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

		At 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit before taxation		(1,925)	3,088	14,315
Adjustments for:				
Depreciation	6(c)	9,775	9,328	10,371
Amortisation of intangible assets	13	593	619	305
Net losses on disposal of property, plant and equipment	5	1	17	—
Finance costs	6(a)	6,714	10,248	7,518
Amortisation of deferred income		(268)	(268)	(268)
Impairment loss of inventories	16(a)	1,918	3,439	885
Impairment loss on trade and other receivables and contract assets		9,508	7,550	28,613
Equity-settled share-based payment expenses		1,323	1,466	2,308
Share of losses of joint ventures		4,173	3,929	1,884
		31,812	39,416	65,931
Changes in working capital:				
(Increase)/decrease in inventories		(49,751)	157,803	22,548
Decrease/(increase) in trade and bill receivables		35,062	22,617	(67,019)
Increase in contract assets		(82,849)	(12,706)	(119,388)
(Increase)/decrease in prepayment, deposits and other receivables		(16,631)	2,408	2,798
Decrease in restricted bank deposits		1,890	438	102
Increase/(decrease) in trade and bill payables		28,683	(30,940)	37,774
Increase/(decrease) in contract liabilities		4,392	(188,165)	(15,669)
Decrease in provisions		(284)	(2,156)	(265)
(Decrease)/increase in other payables		(27,521)	8,687	6,968
Cash used in operations		(75,197)	(2,598)	(66,220)

(c) Reconciliation of liabilities arising from financing activities

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

	Interest-bearing bank loans and other borrowings *RMB'000* *(Note 23)*	**Dividend payables** *RMB'000* *(Note 26)*	**Lease liabilities** *RMB'000* *(Note 25)*	**Total** *RMB'000*
At 1 January 2023	106,777	—	3,182	109,959
Changes from financing cash flows:				
Proceeds from new interest-bearing bank loans	216,327	—	—	216,327
Repayment of interest-bearing bank loans	(154,230)	—	—	(154,230)
Interest-bearing bank borrowing interests paid	(3,730)	—	—	(3,730)
Capital element of lease rentals paid	—	—	(3,411)	(3,411)
Interest element of lease rentals paid	—	—	(51)	(51)
Other financial costs paid	(2,973)	—	—	(2,973)
Dividends paid	—	(54,500)	—	(54,500)
Total changes from financing cash flows	55,394	(54,500)	(3,462)	(2,568)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	1,224	1,224
Interest expenditure	3,633	—	108	3,741
Other financial costs	2,973	—	—	2,973
Dividends declared	—	54,500	—	54,500
Total other changes	6,606	54,500	1,332	62,438
At 31 December 2023	168,777	—	1,052	169,829

	Interest-bearing bank loans and other borrowings *RMB'000* *(Note 23)*	**Lease liabilities** *RMB'000* *(Note 26)*	**Total** *RMB'000*
At 1 January 2024	168,777	1,052	169,829
Changes from financing cash flows:			
Proceeds from new interest-bearing bank loans	194,884	—	194,884
Repayment of interest-bearing bank loans	(168,777)	—	(168,777)
Interest-bearing bank borrowing interests paid	(5,976)	—	(5,976)
Capital element of lease rentals paid	—	(2,499)	(2,499)
Interest element of lease rentals paid	—	(234)	(234)
Other financial costs paid	(3,838)	—	(3,838)
Income from other borrowings	11,000	—	11,000
Total changes from financing cash flows	27,293	(2,733)	24,560
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	7,352	7,352
Interest expenditure	6,134	276	6,410
Other financial costs	3,838	—	3,838
Total other changes	9,972	7,628	17,600
At 31 December 2024	206,042	5,947	211,989

	Interest-bearing bank loans and other borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 26)*	Total *RMB'000*
At 1 January 2025	206,042	5,947	211,989
Changes from financing cash flows:			
Proceeds from new interest-bearing bank loans	234,026	—	234,026
Repayment of interest-bearing bank loans	(217,130)	—	(217,130)
Interest-bearing bank borrowing interests paid	(5,168)	—	(5,168)
Capital element of lease rentals paid	—	(3,181)	(3,181)
Interest element of lease rentals paid	—	(231)	(231)
Other financial costs paid	(1,575)	—	(1,575)
Repayment of sale and leaseback of property, plant and equipment	(5,425)	—	(5,425)
Interest element of sale and leaseback of property, plant and equipment	(508)	—	(508)
Total changes from financing cash flows	4,220	(3,412)	808
Other changes:			
Net increase in lease liabilities	—	1,734	1,734
Interest expenditure	5,676	267	5,943
Other financial costs	1,575	—	1,575
Total other changes	7,251	2,001	9,252
At 31 December 2025	217,513	4,536	222,049

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	At 31 December 2023 *RMB'000*	 2024 *RMB'000*	 2025 *RMB'000*
Within operating cash flows	(3,132)	(4,976)	(3,510)
Within financing cash flows	(3,462)	(2,738)	(3,412)
	(6,594)	(7,714)	(6,922)

22 TRADE AND BILLS PAYABLES

The Group

	At 31 December 2023 *RMB'000*	 2024 *RMB'000*	 2025 *RMB'000*
Bills payable	—	500	—
Payable for materials and services	186,282	154,842	193,116
	186,282	155,342	193,116

As of the end of each reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December 2023 *RMB'000*	 2024 *RMB'000*	 2025 *RMB'000*
Within 1 year	137,995	113,150	147,401
Over 1 year but within 2 years	34,826	16,658	21,263
Over 2 years but within 3 years	13,461	14,400	6,544
Over 3 years	—	11,134	17,908
	186,282	155,342	193,116

The Company

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bills payable	—	5,500	—
Payable for materials and services	184,127	169,101	215,169
	184,127	174,601	215,169

As of the end of each reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	143,772	128,495	173,682
Over 1 year but within 2 years	26,953	20,656	13,813
Over 2 years but within 3 years	13,402	14,358	9,858
Over 3 years	—	11,092	17,816
	184,127	174,601	215,169

23 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

(a) The analysis of the repayment schedule of interest-bearing bank loans and other borrowings is as follows:

The Group

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	168,777	200,231	217,513
After 1 year but within 2 years	—	5,811	—
	168,777	206,042	217,513

The Company

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	163,777	184,884	206,780

(b) Assets pledged as security and covenants for interest-bearing bank loans

At the end of each reporting period, the interest-bearing bank loans and other borrowing were secured as follows:

The Group

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Interest-bearing bank loans			
— Guaranteed but not secured (i)	94,777	54,453	70,000
— Unsecured and unguaranteed	74,000	140,431	141,780
Other borrowing (ii)	—	5,347	5,733
	168,777	200,231	217,513
Non-current:			
Other borrowing (ii)	—	5,811	—
	168,777	206,042	217,513

The Company

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Interest-bearing bank loans			
— Guaranteed but not secured (i)	94,777	54,453	70,000
— Unsecured and unguaranteed	69,000	130,431	136,780
	163,777	184,884	206,780

(i) As at 31 December 2023, 2024 and 2025, the interest-bearing bank loans are guaranteed by the related parties of the Group (see Note 31(e)) amounted to RMB94,777,000, RMB54,453,000 and RMB70,000,000, respectively.

(ii) In 2024, The Company's subsidiary, Dynaflow Smart Manufacturing and Industrial Equipment (Hebei) Co., Ltd., entered into a sale and leaseback arrangement for plant and equipments with Zhongguancun Technology Leasing Co., Ltd.. The transaction was classified as secured loan financing instead of disposal of the underlying assets as the transfers of the plant and equipments to the buyer-lessor do not satisfy the requirements to be accounted for as a sale of the assets.

All of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand. The Group did not identify any difficulties complying with the covenants.

24 OTHER PAYABLES

The Group

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	6,900	8,075	9,988
Other tax payables	22,104	23,645	28,650
Payables for costs incurred in connection with the proposed issuance of the Company's H shares	—	—	850
Others	2,854	2,524	1,190
	31,858	34,244	40,678

The Company

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	5,938	6,888	8,760
Other tax payables	21,394	19,182	24,566
Payables for costs incurred in connection with the proposed issuance of the Company's H shares	—	—	850
Amounts due to subsidiaries	—	54,862	35,743
Others	2,773	2,076	1,027
	30,105	83,008	70,946

25 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were repayable as follows:

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	613	2,819	2,668
After 1 year but within 2 years	439	2,161	1,499
After 2 years but within 5 years	—	967	369
	439	3,128	1,868
	1,052	5,947	4,536

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 19 July 2021 (the "**Adoption Date**"), the shareholders' Meeting of the Company approved a Share Incentive Plan ("**the Plan**"), providing additional incentives to eligible participants who contribute to the success of the Company's business. Eligible participants of the Plan may include directors, supervisor and employees of the Company, the Company's subsidiaries or the Group's joint venture. According to the Plan, the Company implemented both a Share option scheme and Restricted Share Unit Scheme.

(a) Share option scheme

(i) The terms and conditions of the grants are as follows:

	Number of instruments	**Vesting conditions**	**Contractual life**
Options:			
granted to directors:			
in August 2021	278,000	12 months from the date of grant	2 years
granted to employees:			
in August 2022	100,000	3 months from the date of grant	21 months
	378,000		

(ii) The number and weighted average exercise prices of share option are as follows:

	At 31 December 2023 Weighted average exercise price	2023 Number of options	2024 Weighted average exercise price	2024 Number of options	2025 Weighted average exercise price	2025 Number of options
	RMB	*'000*	*RMB*	*'000*	*RMB*	*'000*
Options:						
Outstanding at the beginning of the year	4.23	378	6.00	100	—	—
Exercised during the year	3.60	(278)	6.00	(100)	—	—
Outstanding at the end of the year	6.00	100	—	—	—	—
Exercisable at the end of the year	6.00	100	—	—	—	—

(iii) Fair value of share options and assumptions

	Share-based plan adopted in 2021	Share-based plan adopted in 2022
Fair value of share options and assumptions		
Fair value at measurement date	7.91	7.00
Share price	11.35	12.75
Exercise price	3.60	6.00
Expected volatility (expressed as weighted average volatility used in the modeling under Binomial Tree model)	34.38%	34.02%
Option life (expressed as weighted average life used in the modeling under Binomial Tree model)	2 years	21 months
Expected dividend yield	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.53%	2.11%

(b) Restricted Share Unit Scheme

(i) The terms and conditions of the grants are as follows:

	Number of Restricted shares	Vesting conditions	Contractual life
Restricted shares: granted to Group and a joint venture's employees:			
in August 2021	1,155,174	3 or 5 years from the date of grant and a Qualified [REDACTED]	No Contractual life
in January 2023	347,611	3 years from the date of grant and a Qualified [REDACTED]	No Contractual life
in December 2023	429,579	3 years from the date of grant and a Qualified [REDACTED]	No Contractual life
in February 2024	12,313	3 years from the date of grant and a Qualified [REDACTED]	No Contractual life
in December 2024	277,358	3 years from the date of grant and a Qualified [REDACTED]	No Contractual life
	2,222,035		

(ii) Movements of the restricted shares granted are as follows:

	2023 Number of restricted shares *('000)*	2024 Number of restricted shares *('000)*	2025 Number of restricted shares *('000)*
At January 1	985	1,735	1,555
Granted during the year	777	290	—
Lapsed during the year	(27)	(470)	(155)
At December 31	1,735	1,555	1,400

(iii) Fair value of restricted shares granted

The fair value per share of restricted shares is based on the latest external investor subscription price or the latest valuation of the Company on the grant date.

27 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	22,703	—	10
Provision for current income tax	—	1,152	657
Payments during the year	(22,999)	(1,989)	(1,712)
Reclassification to prepaid income tax	296	847	1,702
At 31 December	—	10	657

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets arising from:	Provision for impairment of assets	Provisions	Deferred income	Deductible tax losses	Lease liabilities	Accrued expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	3,356	1,200	319	734	451	75	—	6,135
Credited/(charged) to profit or loss	2,078	(43)	(40)	1,644	(293)	389	242	3,977
At 31 December 2023 and 1 January 2024	5,434	1,157	279	2,378	158	464	242	10,112
Credited/(charged) to profit or loss	1,551	(323)	(41)	(2,378)	654	3,616	473	3,552
At 31 December 2024 and 1 January 2025	6,985	834	238	—	812	4,080	715	13,664
Credited/(charged) to profit or loss	4,181	(39)	(41)	1,573	(148)	(2,244)	(710)	2,572
At 31 December 2025	11,166	795	197	1,573	664	1,836	5	16,236

Deferred tax liabilities arising from:	Right-of-use assets	Asset depreciation and amortisation	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	(458)	(229)	(687)
Credited to profit or loss	265	41	306
At 31 December 2023 and 1 January 2024	(193)	(188)	(381)
(Charged)/credited to profit or loss	(633)	41	(592)
At 31 December 2024 and 1 January 2025	(826)	(147)	(973)
Credited to profit or loss	126	41	167
At 31 December 2025	(700)	(106)	(806)

(ii) Reconciliation to the consolidated statements of financial position

	At 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset in the consolidated statements of financial position	9,731	12,691	15,430
Net deferred tax liability in the consolidated statements of financial position	—	—	—
	9,731	12,691	15,430

(c) Deferred tax assets not recognised

According to the accounting policy specified in note 2 (r), the Group has not yet recognised deferred tax assets related to cumulative tax losses for 2023, 2024, and 2025, which are RMB698,395, RMB621,956, and RMB2,771,763 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire in 5 or 10 years from the respective year of loss.

28 PROVISIONS

Provision for warranties

	RMB'000
At 1 January 2023	7,847
Additional provisions made	3,859
Provisions utilised	(3,993)
At 31 December 2023 and 1 January 2024	7,713
Additional provisions made	3,087
Provisions utilised	(5,243)
At 31 December 2024 and 1 January 2025	5,557
Additional provisions made	5,173
Provisions utilised	(5,438)
At 31 December 2025	5,292

Under the terms of the Group's construction and sales of product contracts with its customers, the Group will rectify any defects arising within one to three years from the date of completion of the contracts, as required by industry regulations in respective jurisdictions and depending on the terms negotiated with each customer. Provision is therefore made for the best estimate of the expected settlement under these contracts in respect of contracts completed within one to three years prior to the end of the reporting period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

Provision for onerous contracts

	RMB'000
At 1 January 2023	1,660
Additional provisions made	—
Provisions utilised	(866)
At 31 December 2023 and 1 January 2024	794
Additional provisions made	—
Provisions utilised	(1)
At 31 December 2024 and 1 January 2025	793
Additional provisions made	—
Provisions utilised	(793)
At 31 December 2025	—

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

	Paid in capital/share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2023	54,858	44,311	2,357	34,668	136,194
Changes in equity for 2023:					
Profit for the year	—	—	—	50,875	50,875
Total comprehensive income for the year	—	—	—	50,875	50,875
Equity-settled share-based payment	—	1,400	—	—	1,400
Appropriation to statutory reserves	—	—	5,087	(5,087)	—
Dividends paid in respect of the previous year	—	—	—	(54,500)	(54,500)
Balance at 31 December 2023 and 1 January 2024	54,858	45,711	7,444	25,956	133,969
Changes in equity for 2024:					
Profit for the year	—	—	—	2,420	2,420
Total comprehensive income for the year	—	—	—	2,420	2,420
Equity-settled share-based payment	—	1,544	—	—	1,544
Conversion into a joint stock limited liability company	—	21,343	(6,888)	(14,455)	—
Appropriation to statutory reserves	—	—	242	(242)	—
Balance at 31 December 2024 and 1 January 2025	54,858	68,598	798	13,679	137,933
Changes in equity for 2025:					
Profit for the year	—	—	—	14,128	14,128
Total comprehensive income for the year	—	—	—	14,128	14,128
Shares issuance	4,013	74,987	—	—	79,000
Equity-settled share-based payment	—	2,384	—	—	2,384
Appropriation to statutory reserves	—	—	1,413	(1,413)	—
Balance at 31 December 2025	54,871	145,969	2,211	26,394	233,445

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

On 3 March 2023, the shareholders' meeting of the Company approved a distribution of a dividend of RMB0.9935 per share based on paid-in capital RMB54,858,000 as at 31 December 2022, totalling RMB54,500,000.

(c) Paid-in capital/share capital

(i) Paid-in capital

For the purpose of the Historical Financial Information, the paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	54,858	54,858	—
Conversion into a joint stock limited liability company	—	(54,858)	—
Balance at the end of the year	54,858	—	—

On 25 March 2024, the Company was converted into a joint stock limited liability company and issued 54,858,155 shares with a par value of RMB1.00 each.

(ii) Share capital

	At 31 December					
	2023		**2024**		**2025**	
	No. of shares *('000)*	*RMB'000*	**No. of shares** *('000)*	*RMB'000*	**No. of shares** *('000)*	*RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	—	—	—	—	54,858	54,858
Issuance of new shares upon conversion into a joint stock limited liability company	—	—	54,858	54,858	—	—
Shares issued (i)	—	—	—	—	4,013	4,013
At 31 December	—	—	54,858	54,858	58,871	58,871

(i) On 27 June 2025, the Company received capital injection of RMB70,000,000 from CICC Zhirun (Xuzhou) Private Equity Investment Partnership by issuance of 3,555,621 ordinary shares of the Company, of which RMB3,556,000 was accounted for share capital and RMB66,444,000 was accounted for capital reserve.

On 3 July 2025, the Company received capital injection from Dongtai Ruihonghe Investment Partnership (Limited Partnership) of RMB9,000,000 by issuance of 457,151 ordinary shares of the Company, of which RMB457,000 was accounted for share capital and RMB8,543,000 was accounted for capital reserve.

On 31 March 2026, the Company received capital injection from Beijing New Material Industry Investment Fund (Limited Partnership) and Beijing Fengze Zhiyuan Industrial Cultivation Equity Investment Fund Partnership (Limited Partnership) of RMB50,000,000 and RMB20,000,000 by issuance of 1,839,717 and 735,887 ordinary shares of the Company, respectively.

As detailed in the section headed "History, Development and Corporate Structure" to this Document, [REDACTED] investors had been granted certain special rights by the Controlling Shareholders, including, among others, share redemption rights and liquidation preference rights. The directors of the Company have confirmed that (i) the Company does not have any obligation to fulfil the abovementioned special rights granted by the Controlling Shareholders, including the redemption rights and liquidation preference rights; and (ii) the Company has not provided any guarantee for the abovementioned special rights granted by the Controlling Shareholders in the event of a default by the Controlling Shareholders. Accordingly, no financial liability has been recorded in the Historical Financial Information with respect to these special rights granted to the [REDACTED] investors by the Controlling Shareholders.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises: (i) the differences between the net considerations received and the nominal amount of share capital issued by the Company; (ii) the differences between the net assets received and the total amount of the par value of shares issued in relation to the conversion into a joint stock company; (iii) the portion of the grant date fair value of unexercised share options and restricted shares granted to directors, supervisor and employees of the Group and the Group's joint venture that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(ii).

(ii) Statutory reserve

Pursuant to the articles of association of the Company, appropriations to the statutory reserve fund should be made at a certain percentage of profit after taxation determined in accordance with the accounting standards and regulations of the PRC, until the statutory reserve fund was equal to or more than 50% of the Company's registered capital.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, contract assets and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits, bank acceptance bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any financial guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2023, 2024 and 2025, 43%, 46%, and 45% of the total trade receivables was due from the Group's five largest debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and contract assets and is adjusted for forward-looking estimates.

When there is objective evidence indicating that a certain trade receivable has been impaired, the Group shall recognise provision for impairment of the trade receivable individually. As at 31 December 2023, 2024 and 2025, the amount of trade receivables with specific credit risk was RMB10,809,000, RMB10,209,000, and RMB10,209,000 respectively. The Group measures their credit risk individually and recognised loss allowances amounting to RMB5,105,000, RMB5,105,000, and RMB5,105,000 respectively.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	At 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	2.06%	304,174	6,270
After 1 year but within 2 years	9.34%	37,444	3,496
After 2 years but within 3 years	24.79%	12,053	2,988
After 3 years but within 4 years	40.83%	8,469	3,458
After 4 years but within 5 years	70.58%	1,859	1312
After 5 years	100.00%	519	519
		364,518	18,043

	At 31 December 2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	1.78%	229,739	4,083
After 1 year but within 2 years	7.76%	108,177	8,397
After 2 years but within 3 years	22.13%	14,133	3,127
After 3 years but within 4 years	57.26%	2,237	1,281
After 4 years but within 5 years	69.28%	4,965	3,440
After 5 years	100.00%	2,213	2,213
		361,464	22,541

	At 31 December 2025		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	3.47%	386,816	13,422
After 1 year but within 2 years	12.20%	85,901	10,480
After 2 years but within 3 years	26.48%	75,583	20,018
After 3 years but within 4 years	54.24%	6,847	3,714
After 4 years but within 5 years	73.96%	2,189	1,619
After 5 years	100.00%	1,719	1,719
		559,055	50,972

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	13,328	23,148	27,646
Impairment losses recognised	9,820	4,498	28,431
Balance at 31 December	23,148	27,646	56,077

Other receivables

The Group measures loss allowances for other receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk. Movement in the loss allowance account in respect of other receivables of the Group during the Track Record Period is as follows:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,917	1,605	4,657
Impairment losses (reversed)/recognised	(312)	3,052	182
Balance at 31 December	1,605	4,657	4,839

(b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Group's policy is to maintain sufficient cash to meet maturing obligations. Liquidity risk is centralised controlled by the Company's finance department. The finance department monitors cash balances, readily realisable marketable securities, supplier finance arrangements with banks and supply chain financial institutions and rolling forecasts of cash flows over the next 12 months to ensure that the Company has sufficient funds to repay debts under all reasonable forecasts.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As disclosed in note 23(b), all of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand, The Group did not identify any difficulties complying with the covenants.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31,
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans and other borrowings	174,365	—	—	—	174,365	168,777
Trade and bills payables	186,282	—	—	—	186,282	186,282
Other payables	2,854	—	—	—	2,854	2,854
Lease liabilities	647	452	—	—	1,099	1,052
	364,148	452	—	—	364,600	358,965

	At 31 December 2024 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31,
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans and other borrowings	204,711	5,811	—	—	210,522	206,042
Trade and bills payables	155,342	—	—	—	155,342	155,342
Other payables	2,524	—	—	—	2,524	2,524
Lease liabilities	3,040	2,257	976	—	6,273	5,947
	365,617	8,068	976	—	374,661	369,855

	At 31 December 2025 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31,
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans and other borrowings	219,220	—	—	—	219,220	217,513
Trade and bills payables	193,116	—	—	—	193,116	193,116
Other payables	2,040	—	—	—	2,040	2,040
Lease liabilities	2,706	1,535	373	—	4,614	4,536
	417,082	1,535	373	—	418,990	417,205

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is primarily arising from variable-rate bank balances and variable-rate borrowings. The Group has not yet formulated a policy to manage its interest rate risk, but the management will closely monitor interest rate risk to achieve the expected interest rate structure. Although this measure cannot completely prevent the Company from the risk that the interest rate paid exceeds the current market interest rate, nor can it completely eliminate the cash flow risk associated with fluctuations in interest income and expenditure, the management believes that this measure achieves a reasonable balance between these risks. The Group's interest rate risk profile as monitored by management is shown below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of each reporting period:

	At 31 December					
	2023		2024		2025	
	Effective interest rate%	*RMB'000*	Effective interest rate%	*RMB'000*	Effective interest rate%	*RMB'000*
Fixed rate financial instruments:						
Lease liabilities	4.75–4.9	1,052	4.75–4.9	11,294	4.75–4.9	10,268
Other borrowing	—	—	5.6	11,157	5.6	5,732
		1,052		22,451		16,000
Variable rate financial instruments:						
Interest-bearing bank loans	3.55–4.45	168,972	2.5–4.2	190,254	2.4–3.5	206,780
		168,972		190,254		206,780

(ii) Sensitivity analysis

At 31 December 2023, 2024 and 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax by approximately RMB1,436,000, RMB1,617,000 and RMB1,758,000, respectively.

The sensitivity analysis above indicates he exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of each reporting period. The impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the Track Record Period.

(d) Currency risk

The Group is exposed to exchange risk arising from various currency exposures, primarily with respect to USD, EUR and HKD. The Company periodically reviews liquid assets and liabilities held in currencies other than RMB to ensure that net exposure is kept at an acceptable level.

Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. It manages its foreign currency risks by performing regular review and monitoring its foreign currency exposures. The management considers the Company's exposure to foreign currency risk is minimal.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

As at 31 December 2023, 2024 and 2025, there are no significant financial assets or liabilities of the Group measured at fair value.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2024 and 2025.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8, is as follows:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	6,316	6,964	6,947
Retirement scheme contributions	554	590	599
Equity-settled share-based payments	174	(48)	107
	7,044	7,506	7,653

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Names and the relationships of the related parties that had material transactions with the Group during the Track Record Period:

Name of related parties	Relationship
Hunan MGI Dynaflow Smart Manufacturing Technology Co., Ltd.	Joint venture of the Company
DNYUNTU (BEIJING) TECHNOLOGY CO., LTD.	Joint venture of the Group
Mr. Chi Haipeng	Chairman, one of the Company's shareholders
Mr. Zhang Huaidong	Director, one of the Company's shareholders
Ms. Jin Hui	One of the Company's shareholders
Mr. Zhang Jingjun	Director, one of the Company's shareholders
Mr. Xing Xixue	Director, one of the Company's shareholders
Mr. Xing Xiaodong	One of the Company's shareholders

(c) Transactions with related parties

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods	234	325	22
Rendering of services	40	94	—
Purchases of services	2,584	1,755	7,768
Purchases of materials	581	353	68
Loans to a joint venture	700	2,800	—
Repayment of loans by related parties	20,000	—	—

(d) Balances with related parties

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade nature:			
Trade and bills receivables			
— Joint venture of the Group	143	353	183
Deposits, prepayments and other receivables			
— Joint venture of the Group	—	1,887	—
Trade and bills payables			
— Joint venture of the Group	1,670	1,716	3,186
Non-trade nature:			
Deposits, prepayments and other receivables			
— Joint venture of the Group (i)	700	3,500	3,500

(i) As at 31 December 2023, 2024 and 2025, the Company had loan balances due from the joint venture DNYUNTU, which have been fully impaired as at 31 December 2024.

(e) Guarantee provided by related parties during the Track Record Period

During the Track Record Period, Mr. Chi Haipeng and other related parties provided guarantees to the Group for its bank facilities. As at 31 December 2023, 2024, and 2025, the outstanding guarantees provided by related parties amounted to RMB300,000,000, RMB275,000,000, and RMB390,000,000, respectively, while the corresponding outstanding guaranteed loans were RMB94,777,000, RMB54,453,000 and RMB70,000,000 (see note 23), respectively.

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolutions of the Company's Shareholders dated 24 April 2026, each of the Company's Share with nominal value of RMB1.00 will be subdivided into ten Shares with nominal value of RMB0.1 each immediately prior to the [REDACTED]. Upon completion of such Share Subdivision, the registered capital of the Company, which is RMB61,446,531, will be divided into 614,465,310 Shares of par valueRMB0.1 each.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information. These developments include:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, *Financial instruments and IFRS 7, Financial instruments: disclosures — Contracts referencing nature-dependent electricity*	1 January 2026
Amendments to IFRS 9, *Financial instruments and IFRS 7, Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

SUBSEQUENT FINANCIAL STATEMENTS

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