

APPENDIX I

ACCOUNTANTS’ REPORT

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

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI FULLHAN MICROELECTRONICS CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Shanghai Fullhan Microelectronics Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-70, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

Opinion

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

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

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong

[date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	1,822,382	1,790,007	1,688,230
Cost of sales		(1,136,711)	(1,123,382)	(1,070,902)
Gross profit		685,671	666,625	617,328
Other income and gains	5	82,570	116,053	95,976
Selling expenses		(20,943)	(27,318)	(48,058)
Administrative expenses		(128,430)	(126,409)	(138,090)
Research and development expenses		(334,815)	(349,898)	(351,419)
(Impairment losses)/reversal of impairment losses on financial assets, net		(1,095)	(228)	739
Other expenses		(1,306)	(23,006)	(26,484)
Finance costs	7	(33,149)	(29,830)	(31,343)
Share of loss of associates	17	(1,429)	(1,794)	(3,522)
PROFIT BEFORE TAX	6	247,074	224,195	115,127
Income tax credit	10	5,293	7,765	5,213
PROFIT FOR THE YEAR		252,367	231,960	120,340
Attributable to:				
Owners of the parent		252,492	257,650	144,952
Non-controlling interests		(125)	(25,690)	(24,612)
		252,367	231,960	120,340
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic earnings per share (RMB)	12	1.10	1.12	0.63
Diluted earnings per share (RMB)	12	1.10	1.12	0.63

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>252,367</u>	<u>231,960</u>	<u>120,340</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>—</u>	<u>(19)</u>	<u>(327)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates	<u>—</u>	<u>—</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>—</u>	<u>(19)</u>	<u>(328)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>252,367</u>	<u>231,941</u>	<u>120,012</u>
Attributable to:			
Owners of the parent	252,492	257,640	144,784
Non-controlling interests	<u>(125)</u>	<u>(25,699)</u>	<u>(24,772)</u>
	<u>252,367</u>	<u>231,941</u>	<u>120,012</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	255,443	250,081	230,998
Right-of-use assets	14	12,648	6,495	13,386
Goodwill	15	271,837	250,653	250,653
Other intangible assets	16	334,582	256,216	166,643
Investments in associates	17	40,103	44,059	67,427
Deferred tax assets	19	—	1,122	2,295
Investments measured at fair value				
through profit or loss	24	57,544	87,615	175,001
Equity investments designated at fair value through other comprehensive income	20	188	188	188
Prepayments, other receivables and other assets	23	18,801	17,644	17,266
Total non-current assets		991,146	914,073	923,857
CURRENT ASSETS				
Inventories	21	353,061	485,657	439,030
Trade and bills receivables	22	460,133	532,593	476,396
Prepayments, other receivables and other assets	23	69,490	102,606	147,846
Investments measured at fair value				
through profit or loss	24	120,854	100,338	—
Derivative financial instruments	30	—	265	—
Pledged deposits		—	—	58,596
Cash and bank balances	25	1,682,654	1,746,378	2,102,034
Total current assets		2,686,192	2,967,837	3,223,902
CURRENT LIABILITIES				
Trade and bills payables	26	90,215	112,162	158,309
Contract liabilities	28	19,628	30,132	57,969
Other payables and accruals	27	84,890	90,346	110,157
Derivative financial instruments	30	918	—	—
Interest-bearing bank and other borrowings	31	108,160	85,840	106,387
Convertible bonds	29	2,354	3,529	4,705
Lease liabilities	14	7,141	5,637	5,552
Tax payable		3,720	170	3,605
Total current liabilities		317,026	327,816	446,684
NET CURRENT ASSETS		2,369,166	2,640,021	2,777,218
TOTAL ASSETS LESS				
CURRENT LIABILITIES		3,360,312	3,554,094	3,701,075
NON-CURRENT LIABILITIES				
Lease liabilities	14	7,596	2,180	7,940
Convertible bonds	29	518,609	538,758	557,028
Deferred tax liabilities	19	44,977	34,793	26,037
Deferred income	32	4,925	6,565	11,042

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	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current liabilities		576,107	582,296	602,047
Net assets		2,784,205	2,971,798	3,099,028
EQUITY				
Equity attributable to owners				
of the parent				
Share capital	33	230,587	231,807	232,533
Treasury shares	33	–	(70,624)	(70,624)
Reserves	35	2,315,037	2,597,855	2,749,131
		2,545,624	2,759,038	2,911,040
Non-controlling interests		238,581	212,760	187,988
Total equity		<u>2,784,205</u>	<u>2,971,798</u>	<u>3,099,028</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent									Non-controlling interests	Total equity
	Share capital	Share premium*	Other equity instruments*	Treasury shares	Exchange fluctuation reserve*	Statutory reserves*	Retained profits*	Share based payment reserve*	Other reserve*		
	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000	RMB'000
As at 1 January 2023	229,622	451,950	92,355	–	1,409	102,695	1,247,186	140,551	4,343	238,706	2,508,817
Profit for the year	–	–	–	–	–	–	252,492	–	–	(125)	252,367
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	252,492	–	–	(125)	252,367
Conversion of convertible bonds	2	87	(22)	–	–	–	–	–	–	–	67
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	27,459	–	–	27,459
Exercise of share options	963	50,189	–	–	–	–	–	(14,226)	–	–	36,926
Appropriation to surplus reserve	–	–	–	–	–	12,599	(12,599)	–	–	–	–
Dividends distribution	–	–	–	–	–	–	(41,438)	–	–	–	(41,438)
Share of other capital reserves of associates	–	–	–	–	–	–	–	–	7	–	7
As at 31 December 2023	230,587	502,226	92,333	–	1,409	115,294	1,445,641	153,784	4,350	238,581	2,784,205

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Year ended 31 December 2024

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium*	Other equity instruments*	Treasury shares	Exchange fluctuation reserve*	Statutory reserves*	Retained profits*	Share based payment reserve*	Other reserve*	Total		
	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000	RMB'000	RMB'000
As at 1 January 2024	230,587	502,226	92,333	–	–	115,294	1,445,641	153,784	4,350	2,545,624	238,581	2,784,205
Profit for the year	–	–	–	–	–	–	257,650	–	–	257,650	(25,690)	231,960
Exchange differences on translation of foreign operations	–	–	–	–	(10)	–	–	–	–	(10)	(9)	(19)
Total comprehensive income for the year	–	–	–	–	(10)	–	257,650	–	–	257,640	(25,699)	231,941
Conversion of convertible bonds	2	215	(37)	–	–	–	–	–	–	180	–	180
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	8,647	–	8,647	–	8,647
Exercise of share options	1,218	45,082	–	–	–	–	–	(1,303)	–	44,997	–	44,997
Shares repurchased	–	–	–	(70,624)	–	–	–	–	–	(70,624)	–	(70,624)
Appropriation to surplus reserve	–	–	–	–	–	610	(610)	–	–	–	–	–
Dividends distribution	–	–	–	–	–	–	(27,428)	–	–	(27,428)	–	(27,428)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	2	2	(122)	(120)
As at 31 December 2024	231,807	547,523	92,296	(70,624)	1,399	115,904	1,675,253	161,128	4,352	2,759,038	212,760	2,971,798

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Year ended 31 December 2025

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium*	Other equity instruments*	Treasury shares	Exchange fluctuation reserve*	Statutory reserves*	Retained profits*	Share based payment reserve*	Other reserve*	Total		
	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000	RMB'000	RMB'000
As at 1 January 2025	231,807	547,523	92,296	(70,624)	1,399	115,904	1,675,253	161,128	4,352	2,759,038	212,760	2,971,798
Profit for the year	–	–	–	–	–	–	144,952	–	–	144,952	(24,612)	120,340
Share of other comprehensive loss of associates	–	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Exchange differences on translation of foreign operations	–	–	–	–	(167)	–	–	–	–	(167)	(160)	(327)
Total comprehensive income for the year	–	–	–	–	(167)	–	144,952	–	(1)	144,784	(24,772)	120,012
Conversion of convertible bonds . . .	1	104	(20)	–	–	–	–	–	–	85	–	85
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	3,078	–	3,078	–	3,078
Exercise of share options	725	39,958	–	–	–	–	–	(9,020)	–	31,663	–	31,663
Appropriation to surplus reserve . . .	–	–	–	–	–	363	(363)	–	–	–	–	–
Dividends distribution	–	–	–	–	–	–	(27,608)	–	–	(27,608)	–	(27,608)
As at 31 December 2025	232,533	587,585	92,276	(70,624)	1,232	116,267	1,792,234	155,186	4,351	2,911,040	187,988	3,099,028

* These reserve accounts represent the total consolidated reserves of RMB2,315,037,000, RMB2,597,855,000 and RMB2,749,131,000, in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		247,074	224,195	115,127
Adjustments for:				
Finance costs	7	33,149	29,830	31,343
Interest income		(28,591)	(37,223)	(47,211)
Impairment of goodwill	6	–	21,184	–
Impairment losses/(reversal of impairment losses) on financial assets, net	22, 23	1,095	228	(739)
Impairment of inventories	6	12,159	4,470	3,368
Depreciation of property, plant and equipment	6, 13	63,499	65,953	63,524
Amortisation of other intangible assets	6, 16	97,898	103,283	99,794
Depreciation of right-of-use assets	6, 14	6,287	6,298	6,325
Share-based payment	6	27,459	8,647	3,078
Loss/(gain) on disposal of long-term assets, net	6	25	86	(9)
Fair value changes in investments measured at fair value through profit or loss, net	6	(3,522)	(3,866)	4,614
Fair value changes in derivative financial instruments, net	6	918	(265)	–
Gain on disposal of investment measured at fair value through profit or loss, net	5	(3,603)	(3,046)	(2,616)
Loss/(gain) on settlement of derivative financial instruments	6	(142)	(918)	265
Share of losses of associates		1,429	1,794	3,522
Foreign exchange (gain)/loss, net		(3,068)	848	20,986
		452,066	421,498	301,371
Changes in operating assets and liabilities:				
Decrease/(increase) in inventories		138,995	(137,066)	43,259
(Increase)/decrease in trade and bills receivables		(149,717)	(71,012)	55,505
(Increase)/decrease in prepayments, other receivables and other assets		(13,018)	(16,835)	(43,494)
Increase in trade and bills payables		9,900	21,947	46,147
Increase in other payables and accruals		20,193	22,758	21,618
(Decrease)/increase in contract liabilities		(29,266)	10,504	27,837
Increase in deferred income		4,925	1,640	4,477
Increase in pledged deposits		–	–	(58,596)
Cash generated from operations		434,078	253,434	398,124
Interest received		28,591	37,223	47,211
Income tax paid		(9,467)	(7,091)	(1,281)
Net cash flows from operating activities.		453,202	283,566	444,054

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments measured at fair value through profit or loss		395,373	873,900	750,131
Dividends received from an associate . . .		651	250	250
Purchases of items of property, plant and equipment		(74,149)	(79,608)	(41,968)
Additions to other intangible assets		(61,215)	(24,917)	(17,811)
Disposal of items of property, plant and equipment		215	(17)	170
Purchases of investments measured at fair value through profit or loss		(300,000)	(876,543)	(739,000)
Purchase shares in associates		—	(6,000)	(27,140)
Net cash flows used in investing activities		(39,125)	(112,935)	(75,368)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		36,533	31,990	46,383
New bank loans		115,587	174,301	157,551
Repayment of bank loans		(145,728)	(198,100)	(135,522)
Interest paid		(10,583)	(8,670)	(11,309)
Dividends paid		(41,438)	(27,428)	(27,608)
Lease payments	14(b)	(6,347)	(7,631)	(7,927)
Repurchase of treasury shares		—	(70,624)	—
Payment of [REDACTED]		—	—	[REDACTED]
Acquisition of non-controlling interests .		—	(120)	—
Net cash flows (used in)/from financing activities		(51,976)	(106,282)	8,610
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS .				
Cash and cash equivalents at beginning of year		362,101	64,349	377,296
Effect of foreign exchange rate changes, net		1,316,680	1,682,654	1,746,378
		3,873	(625)	(21,640)
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		1,682,654	1,746,378	2,102,034
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		1,682,654	1,746,378	2,102,034
Cash and cash equivalents as stated in the statements of cash flows		1,682,654	1,746,378	2,102,034

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	220,183	226,232	201,319
Right-of-use assets	14	5,096	2,056	6,910
Other intangible assets	16	76,270	66,322	35,161
Investments in associates	17	40,103	38,451	55,249
Investments in subsidiaries	18	596,022	596,174	613,115
Investments measured at fair value through profit or loss	24	57,544	87,615	175,001
Prepayments, other receivables and other assets	23	14,252	15,244	15,465
Total non-current assets		<u>1,009,470</u>	<u>1,032,094</u>	<u>1,102,220</u>
CURRENT ASSETS				
Inventories	21	235,793	330,692	267,899
Trade and bills receivables	22	327,662	458,851	350,859
Amounts due from subsidiaries	22	10,099	3,478	28,145
Prepayments, other receivables and other assets	23	32,617	54,386	83,385
Investments measured at fair value through profit or loss	24	120,854	100,338	–
Derivative financial instruments	30	–	265	–
Pledged deposits		–	–	45,050
Cash and bank balances	25	1,581,008	1,653,410	1,978,284
Total current assets		<u>2,308,033</u>	<u>2,601,420</u>	<u>2,753,622</u>
CURRENT LIABILITIES				
Trade and bills payables	26	63,543	100,158	130,299
Amounts due to subsidiaries	26	18,662	24,907	21,770
Contract liabilities	28	12,510	19,617	49,509
Other payables and accruals	27	49,724	62,754	71,874
Derivative financial instruments	30	796	–	–
Interest-bearing and other bank borrowings	31	80,060	61,540	23,986
Convertible bonds	29	2,354	3,529	4,705
Lease liabilities	14	3,276	2,247	2,630
Tax payable		3,656	–	–
Total current liabilities		<u>234,581</u>	<u>274,752</u>	<u>304,773</u>
NET CURRENT ASSETS		<u>2,073,452</u>	<u>2,326,668</u>	<u>2,448,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,082,922</u>	<u>3,358,762</u>	<u>3,551,069</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14	2,247	–	3,851
Deferred tax liabilities	19	8,730	6,785	6,266
Convertible bonds	29	518,609	538,758	557,028
Deferred income	32	4,925	4,925	9,402
Total non-current liabilities		<u>534,511</u>	<u>550,468</u>	<u>576,547</u>
Net assets		<u>2,548,411</u>	<u>2,808,294</u>	<u>2,974,522</u>
EQUITY				
Share capital	33	230,587	231,807	232,533
Treasury shares	33	–	(70,624)	(70,624)
Reserves	35	2,317,824	2,647,111	2,812,613
Total equity		<u>2,548,411</u>	<u>2,808,294</u>	<u>2,974,522</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on 6 April 2004. The Company’s ordinary shares were listed on the Shenzhen Stock Exchange on 20 February 2017. The registered office of the Company is located at 6th Floor, No. 717, Yishan Road, Xuhui District, Shanghai, the PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) were involved in the fabless design of chip products specializing in intelligent vision technologies.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, and the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/registration and operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Shanghai YG Electronics Technology Co., Ltd.	(1), (2)	PRC/Chinese Mainland 11 May 2015	RMB6,000,000	52.5	–	Research, develop and transfer of service
Molchip Technology (Shanghai) Co., Ltd.	(3)	PRC/Chinese Mainland 29 March 2018	RMB79,340,077	51	–	Design of integrated circuit

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the names of these companies as they do not have official English names.

Notes:

- (1) The statutory financial statements of this entity for the year ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by BDO (立信會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC. The statutory financial statements of this entity for the years ended 31 December 2024 and 2025 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.
- (2) The Group held a 51% equity interest in Shanghai YG Electronics Technology Co., Ltd upon the of this entity. On 31 July 2024, the Group acquired 1.5% non-controlling interests in Shanghai YG Electronics Technology Co., Ltd.
- (3) The statutory financial statements of this entity for the years ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by BDO (立信會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC and the statutory financial statements of this entity for the years ended 31 December 2024 and 2025 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for investments measured at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value.

Basis of consolidation

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

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume II</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

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

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

3 No mandatory effective date yet determined but available for adoption

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required.

The application of IFRS 18 will have no material impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss. Except for IFRS 18, the directors of the Company anticipate that the application of these new and revised IFRS Accounting Standards will have no material impact on the Group’s financial performance and financial position in the foreseeable future.

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2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. 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.

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its structured deposits, derivative financial instruments and certain debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value

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measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

Property, plant and equipment and depreciation

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

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

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

Buildings	1.90% to 4.75%
Machinery	9.50% to 31.67%
Electronic devices	19.00% to 31.67%
Office equipment	19.00% to 31.67%
Vehicles	19.00% to 31.67%
Others	10.00% to 50.00%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Patents and non-patented technology

Purchased patents and non-patented technology is stated at cost less any impairment losses and is amortised on the straight-line basis over the shorter of expected useful life and the authorisation life. The amortization period of patents and non-patented technology ranges from 2 to 7 years.

Research and development expenses

All research and development expenses are charged to profit or loss as incurred.

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Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 5 years
Motor vehicles	5 years

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

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and debt investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the debt investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

Simplified approach

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

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Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, and derivative financial instruments.

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

The Group’s financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments, interest-bearing bank and other borrowings and convertible bonds.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency swap contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

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Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises material cost and manufacturing cost arising from outsourcing wafer fabrication, chip packaging and testing. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash on hand and deposit at banks.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and highly liquid deposits that are readily convertible into known amounts of cash, subject to insignificant risk of changes in value and held for the purpose of meeting short-term cash commitment, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Income tax

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

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

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

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

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the products is transferred to the customer, generally on acceptance of the delivered products.

(b) Provision of technical services

Revenue from the provision of technical services is recognised at a point in time upon completion of the provision of services as none of the following criteria are met: (i) the customer simultaneously receives and consumes the benefits as the Group performs; (ii) the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the asset delivered has no alternative use and the Group has an enforceable right to payment for performance completed to date.

Other income

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

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

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

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by management valuation using the Black-Scholes model or stock market price, or based on investors’ recent investment price, further details of which are given in note 34 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which

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the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

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

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

Other employee benefits

Pension schemes

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

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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Judgements

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

Principal versus agent considerations

The Group needs to determine whether it is a principal or an agent in revenue transactions by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised goods before transferring the goods to the customer. Otherwise, the Group is an agent and records as revenue the net amount if its role is to arrange to provide the goods. To assess whether the Group controls the goods before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group (i) is the principal in the arrangement, (ii) has general inventory risk, (iii) has latitude in establishing the selling price and (iv) has significant involvement in the determination of product and service specifications.

Deferred tax assets

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

The Group has tax losses of RMB373,542,000, RMB474,457,000 and RMB602,659,000 as at the end of each of the Relevant Periods, respectively. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on deferred taxes are disclosed in note 19 to the Historical Financial Information.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were RMB271,837,000, RMB250,653,000 and RMB250,653,000 as at the end of each of the Relevant Periods, respectively. Further details are given in note 15 to the Historical Financial Information.

Share-based payments

Certain employee incentive schemes were in place for the purpose of providing incentives to the Company’s directors and the Group’s employees. The grant date fair value of the shares of the employee incentive schemes was mainly determined by Black-Scholes Model, or stock market price, or based on investors’ recent investment price. Further details are contained in note 34 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future.

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Impairment of inventories

The Group periodically assesses the net realisable value of its inventories and provides for inventory impairment based on the difference between the cost of the inventories and the net realisable value. When estimating the net realisable value of inventories, management considers the purpose for which the inventories are held, as well as future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and write-down of inventories in the period in which such estimates have been changed.

Fair value measurement for unlisted investments

The Group made unlisted debt and equity investments and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and the Group exercises judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Further details are included in note 42 to the Historical Financial Information. The valuation requires the Group to determine the comparable companies and select the price multiple, or recent transaction price. The Group classifies the fair value of these investments as Level 3. Should any of the estimates and assumptions change, it may lead to a material change in the fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and sale of chip products and the provision of technical services. Information reported to the Group’s chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	1,656,414	1,652,472	1,516,951
Overseas	165,968	137,535	171,279
Total revenue	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>

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

(b) Non-current assets

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

Information about major customers

External customers that individually contributed over 10% of the total revenue of the Group during each of the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	1,301,626	1,193,909	951,049
Customer B	258,319	284,029	310,303

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>

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Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of products	1,747,738	1,743,572	1,664,050
Technical services	74,644	46,435	24,180
Total	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>
Geographical markets			
Chinese Mainland	1,656,414	1,652,472	1,516,951
Overseas	165,968	137,535	171,279
Total	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>
Timing of revenue recognition			
Transferred at a point in time	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	<u>48,894</u>	<u>19,628</u>	<u>30,132</u>

(b) Performance obligations

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

Sale of products

The performance obligation is satisfied upon acceptance of delivered products and payment generally varies between 60 days and 90 days.

Provision of services

The performance obligation is satisfied at the point in time once the services are completed and accepted by customers. Contract price is usually paid by customers within 60 to 90 days.

All amounts of transaction prices allocated to the performance obligations of sale of products and provision of services are expected to be recognised as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration of more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Government grants	33,863	38,861	22,979
Interest income	28,591	37,223	47,211
Value-added tax additional deduction	9,595	31,590	21,381
Others	186	284	1,780
Total other income	<u>72,235</u>	<u>107,958</u>	<u>93,351</u>

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gains			
Gain on disposal of investment measured at fair value through profit or loss, net	3,603	3,046	2,616
Gain on settlement of derivative financial instruments	142	918	–
Fair value gains, net:			
– Investments measured at fair value through profit or loss, net.	3,522	3,866	–
Fair value gains, net:			
– Derivative financial instruments	–	265	–
Gain on disposal of property, plant and equipment . .	–	–	9
Foreign exchange gains, net	3,068	–	–
Total gains	10,335	8,095	2,625
Total other income and gains	82,570	116,053	95,976

6. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales of goods and services	1,124,552	1,118,912	1,067,534
Depreciation of property, plant and equipment* 13	63,499	65,953	63,524
Amortisation of other intangible assets* 16	97,898	103,283	99,794
Depreciation of right-of-use assets* 14(a)	6,287	6,298	6,325
Research and development expenses	334,815	349,898	351,419
Lease payments not included in the measurement of lease liabilities 14(c)	1,168	762	370
Employee benefit expense (including directors’, chief executive’s and supervisors’ remuneration (note 8))**:			
Wages and salaries	253,654	276,226	290,694
Share-based payments	27,459	8,647	3,078
Pension scheme contributions, social welfare and other welfare	42,170	45,616	66,669
Impairment losses/(reversal of impairment losses) of trade receivables and other receivables 22, 23	1,095	228	(739)
Impairment losses on inventories	12,159	4,470	3,368
Impairment of goodwill	–	21,184	–
Interest income	(28,591)	(37,223)	(47,211)
Gain on disposal of investment measured at fair value through profit or loss, net . . .	(3,603)	(3,046)	(2,616)
Loss/(gain) on disposal of items of property, plant and equipment, and other intangible assets, net.	25	86	(9)
Fair value changes in derivative financial instruments	918	(265)	–
Fair value (gains)/losses on investment measured at fair value through profit or loss, net	(3,522)	(3,866)	4,614
(Gain)/loss on settlement of derivative financial instruments.	(142)	(918)	265
Foreign exchange (gains)/losses, net	(3,068)	848	20,986

* The depreciation of property, plant and equipment, amortisation of other intangible assets and depreciation of right-of-use assets are included in “Cost of sales”, “Selling expenses”, “Administrative expenses”, and “Research and development expenses” in profit or loss.

** The wages and salaries, share-based payment and pension scheme contributions, social welfare and other welfare are included in “Cost of sales”, “Selling expenses”, “Administrative expenses”, and “Research and development expenses” in profit or loss.

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	4,533	1,938	2,365
Interest on convertible bonds	26,181	27,293	28,237
Interest on bills discounting	1,546	72	431
Interest on lease liabilities	848	522	307
Other finance costs	41	5	3
Total	<u>33,149</u>	<u>29,830</u>	<u>31,343</u>

8. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

The remuneration, including fees, salaries, allowances, benefits in kind and pension scheme contributions and social welfare contributed by the Group and by the individuals, paid or payable to directors and supervisors of the Company during the years ended 31 December 2023, 2024 and 2025 is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	<u>288</u>	<u>288</u>	<u>308</u>
Other emoluments:			
Salaries, allowances and bonuses	2,605	3,337	3,091
Pension scheme contributions and social welfare	1,477	1,223	828
Subtotal	<u>4,082</u>	<u>4,560</u>	<u>3,919</u>
Total	<u>4,370</u>	<u>4,848</u>	<u>4,227</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the years ended 31 December 2023, 2024, and 2025 were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Mr. Zhang Wenjun	96	96	96
Ms. Fang Ying	96	96	96
Mr. Zhang Zhanping	96	96	96
Mr. Zhao Yan	—	—	20
Total	<u>288</u>	<u>288</u>	<u>308</u>

Notes:

- (i) Mr. Zhang Wenjun was appointed as an independent director of the Company with effect from May 2021 to Jan 2026.
- (ii) Ms. Fang Ying was appointed as an independent director of the Company with effect from May 2021.
- (iii) Mr. Zhang Zhanping was appointed as an independent director of the Company with effect from May 2021.
- (iv) Mr. Zhao Yan was appointed as an independent director of the Company with effect from October 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

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ACCOUNTANTS’ REPORT

(b) Chief executive, directors and supervisors

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023			
Directors:			
Mr. Yang Xiaoqi (i)	551	258	809
Mr. Chen Hao (i)	—	—	—
Mr. Li Peng (i)	—	—	—
Mr. Wan Jianjun (i)	547	258	805
Mr. Li Yuan (i)	619	258	877
Mr. Yang Xiaohe (i)	—	—	—
Subtotal	1,717	774	2,491
Supervisors:			
Mr. Chen Xiaochun (ii)	402	258	660
Mr. Zhuang Sihong (ii)	187	187	374
Mr. Tang Yong (ii)	299	258	557
Subtotal	888	703	1,591
Total	2,605	1,477	4,082

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024			
Directors:			
Mr. Yang Xiaoqi (i)	751	—	751
Mr. Chen Hao (i)	—	—	—
Mr. Li Peng (i)	—	—	—
Mr. Wan Jianjun (i)	630	266	896
Mr. Li Yuan (i)	703	266	969
Mr. Yang Xiaohe (i)	—	—	—
Subtotal	2,084	532	2,616
Supervisors:			
Mr. Chen Xiaochun (ii)	556	266	822
Mr. Zhuang Sihong (ii)	277	159	436
Mr. Tang Yong (ii)	420	266	686
Subtotal	1,253	691	1,944
Total	3,337	1,223	4,560

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025			
Directors:			
Mr. Yang Xiaoqi (i)	750	—	750
Mr. Chen Hao (i)	—	—	—
Mr. Li Peng (i)	—	—	—
Mr. Ning Min (i)	—	—	—
Mr. Wan Jianjun (i)	733	268	1,001
Mr. Li Yuan (i)	1,069	268	1,337
Mr. Yang Xiaohe (i)	—	—	—
Subtotal	2,552	536	3,088

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ACCOUNTANTS’ REPORT

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Supervisors:			
Mr. Chen Xiaochun (ii)	256	111	367
Mr. Zhuang Sihong (ii)	117	70	187
Mr. Tang Yong (ii)	166	111	277
Subtotal	539	292	831
Total	3,091	828	3,919

Notes:

- (i) Mr. Yang Xiaoqi was appointed as chairman of the board with effect from April 2004, and was appointed as Chief Executive Officer of the Company with effect from September 2011.
- Mr. Chen Hao was appointed as a director of the Company with effect from March 2019 to October 2025.
- Mr. Li Peng was appointed as a director of the Company with effect from December 2020 to October 2025.
- Mr. Ning Min was appointed as a director of the Company with effect from October 2025.
- Mr. Wan Jianjun was appointed as a director with effect from September 2021, and was appointed as deputy general manager with effect from August 2021.
- Mr. Li Yuan was appointed as a director with effect from May 2022, was appointed as a deputy general manager with effect from October 2021.
- Mr. Yang Xiaohe was appointed as a director from December 2022.
- (ii) Mr. Chen Xiaochun was appointed as a supervisor of the Company with effect from April 2013 to May 2025.
- Mr. Zhuang Sihong was appointed as a supervisor of the Company with effect from January 2015 to May 2025.
- Mr. Tang Yong was appointed as a supervisor of the Company with effect from January 2015 to May 2025.

9. FIVE HIGHEST PAID EMPLOYEES

None of the five individuals with the highest emoluments in the Group during the years ended 31 December 2023, 2024 and 2025 were directors or supervisors. Details of the remuneration for the Relevant Periods of the highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and bonuses	5,918	6,073	8,220
Share-based payment expenses	839	467	89
Pension scheme contributions	1,291	1,142	1,340
Total	8,048	7,682	9,649

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

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HKD1,000,000	—	—	—
HKD1,000,001 to HKD1,500,000	—	2	—
HKD1,500,001 to HKD2,000,000	4	2	1
HKD2,000,001 to HKD2,500,000	1	1	4
Total	5	5	5

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ACCOUNTANTS’ REPORT

10. INCOME TAX

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

Chinese Mainland

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax for the Group entities is calculated based on the statutory tax rate of 25% during the Relevant Periods, except for the Company and certain subsidiaries of the Group in Chinese Mainland set out below.

The Company was qualified as recognised as an integrated circuit design enterprise and entitled to a preferential corporate income tax rate of 10% from 2023 to 2024 and was qualified as a High and New Technology Enterprise (“HNTE”) and entitled to a preferential tax rate of 15% during 2025.

Molchip Technology (Shanghai) Co., Ltd. was qualified as a High and New Technology Enterprise (“HNTE”) and entitled to a preferential tax rate of 15% during the Relevant Periods. Moreover, Molchip Technology (Shanghai) Co., Ltd. was entitled to an exemption from income tax for the first two years, commencing from the first year that it generates taxable profit, and a deduction of 50% on the income tax rate for the following three years.

Shanghai YG Electronics Technology Co., Ltd was qualified as Small and Micro Enterprises and entitled to a preferential income tax rate of 20% during the Relevant Periods.

The income tax expense/(credit) of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current – Chinese Mainland.	7,327	3,541	4,716
Deferred tax expense (<i>note 19</i>)	(12,620)	(11,306)	(9,929)
Total tax credit for the year	<u>(5,293)</u>	<u>(7,765)</u>	<u>(5,213)</u>

A reconciliation of the tax credit applicable to profit before tax at the preferential tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax credit at the effective tax rate, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	247,074	224,195	115,127
Tax at the preferential tax rate	24,707	22,420	17,269
Impact of different tax rates on subsidiaries	2,781	44	452
Expenses not deductible for tax.	261	686	1,077
Effect of tax rate changes on opening deferred tax balance	–	–	3,443
Tax losses and deductible temporary differences not recognised.	9,219	13,355	17,464
Additional deduction on research and development costs	(42,261)	(44,270)	(44,918)
Tax credit at the Group’s effective tax rate	<u>(5,293)</u>	<u>(7,765)</u>	<u>(5,213)</u>

11. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Final dividends in respect of the previous year, declared or paid during the year	41,438	27,428	27,608
Total	<u>41,438</u>	<u>27,428</u>	<u>27,608</u>

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ACCOUNTANTS’ REPORT

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

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares that remained unexercised under share option incentive plans assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	252,492	257,650	144,952
Shares			
Weighted average number ('000) of ordinary shares outstanding during the year used in the basic earnings per share calculation	230,104	229,811	229,940
Earnings per share			
Basic earnings per share (RMB)	1.10	1.12	0.63
Diluted earnings per share (RMB)	1.10	1.12	0.63

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023								
At 1 January 2023								
Cost.	153,331	163,928	79,701	3,998	1,182	9,517	843	412,500
Accumulated depreciation.	(16,559)	(84,615)	(46,260)	(2,724)	(633)	(3,479)	–	(154,270)
Net carrying amount	136,772	79,313	33,441	1,274	549	6,038	843	258,230
At 1 January 2023, net of accumulated depreciation	136,772	79,313	33,441	1,274	549	6,038	843	258,230
Additions	–	32,378	27,888	250	217	–	219	60,952
Transfers	–	–	–	–	–	1,062	(1,062)	–
Disposals	–	(195)	(14)	(31)	–	–	–	(240)
Depreciation provided during the year.	(3,368)	(28,322)	(29,170)	(377)	(210)	(2,052)	–	(63,499)
At 31 December 2023, net of accumulated depreciation	133,404	83,174	32,145	1,116	556	5,048	–	255,443
At 31 December 2023								
Cost.	153,331	195,952	107,419	4,181	1,399	10,579	–	472,861
Accumulated depreciation.	(19,927)	(112,778)	(75,274)	(3,065)	(843)	(5,531)	–	(217,418)
Net carrying amount	133,404	83,174	32,145	1,116	556	5,048	–	255,443

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	Buildings	Machinery	Electronic devices	Office Equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024								
At 1 January 2024								
Cost.	153,331	195,952	107,419	4,181	1,399	10,579	–	472,861
Accumulated depreciation. . . .	(19,927)	(112,778)	(75,274)	(3,065)	(843)	(5,531)	–	(217,418)
Net carrying amount	133,404	83,174	32,145	1,116	556	5,048	–	255,443
At 1 January 2024, net of accumulated depreciation	133,404	83,174	32,145	1,116	556	5,048	–	255,443
Additions	–	37,599	22,945	72	–	–	–	60,616
Disposals	–	–	(23)	(2)	–	–	–	(25)
Depreciation provided during the year.	(3,368)	(40,091)	(19,917)	(330)	(195)	(2,052)	–	(65,953)
At 31 December 2024, net of accumulated depreciation	130,036	80,682	35,150	856	361	2,996	–	250,081
At 31 December 2024								
Cost.	153,331	233,551	130,064	4,195	1,399	10,579	–	533,119
Accumulated depreciation. . . .	(23,295)	(152,869)	(94,914)	(3,339)	(1,038)	(7,583)	–	(283,038)
Net carrying amount	130,036	80,682	35,150	856	361	2,996	–	250,081
	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025								
At 1 January 2025								
Cost.	153,331	233,551	130,064	4,195	1,399	10,579	–	533,119
Accumulated depreciation. . . .	(23,295)	(152,869)	(94,914)	(3,339)	(1,038)	(7,583)	–	(283,038)
Net carrying amount	130,036	80,682	35,150	856	361	2,996	–	250,081
At 1 January 2025, net of accumulated depreciation	130,036	80,682	35,150	856	361	2,996	–	250,081
Additions	–	35,131	8,751	202	–	505	–	44,589
Disposals	–	–	(147)	(1)	–	–	–	(148)
Reclassification	–	(6,174)	6,174	–	–	–	–	–
Depreciation provided during the year.	(3,368)	(37,915)	(19,742)	(364)	(195)	(1,940)	–	(63,524)
At 31 December 2025, net of accumulated depreciation	126,668	71,724	30,186	693	166	1,561	–	230,998
At 31 December 2025								
Cost.	153,331	253,355	151,673	4,381	1,399	11,084	–	575,223
Accumulated depreciation. . . .	(26,663)	(181,631)	(121,487)	(3,688)	(1,233)	(9,523)	–	(344,225)
Net carrying amount	126,668	71,724	30,186	693	166	1,561	–	230,998

The Company

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023								
At 1 January 2023								
Cost.	153,331	125,592	57,870	2,622	1,182	5,169	843	346,609
Accumulated depreciation. . . .	(16,559)	(69,990)	(36,185)	(2,217)	(633)	(2,159)	–	(127,743)
Net carrying amount	136,772	55,602	21,685	405	549	3,010	843	218,866

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	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023, net of accumulated depreciation	136,772	55,602	21,685	405	549	3,010	843	218,866
Additions	–	16,837	27,258	245	216	–	219	44,775
Transfers	–	–	–	–	–	1,062	(1,062)	–
Disposals	–	(195)	(14)	–	–	–	–	(209)
Depreciation provided during the year.	(3,368)	(14,810)	(23,655)	(125)	(210)	(1,081)	–	(43,249)
At 31 December 2023, net of accumulated depreciation	133,404	57,434	25,274	525	555	2,991	–	220,183
At 31 December 2023								
Cost	153,331	142,076	84,959	2,866	1,398	6,231	–	390,861
Accumulated depreciation	(19,927)	(84,642)	(59,685)	(2,341)	(843)	(3,240)	–	(170,678)
Net carrying amount	133,404	57,434	25,274	525	555	2,991	–	220,183

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	153,331	142,076	84,959	2,866	1,398	6,231	390,861
Accumulated depreciation	(19,927)	(84,642)	(59,685)	(2,341)	(843)	(3,240)	(170,678)
Net carrying amount	133,404	57,434	25,274	525	555	2,991	220,183
At 1 January 2024, net of accumulated depreciation	133,404	57,434	25,274	525	555	2,991	220,183
Additions	–	33,508	22,466	72	–	–	56,046
Disposals	–	–	(23)	(2)	–	–	(25)
Depreciation provided during the year.	(3,368)	(29,377)	(15,843)	(109)	(194)	(1,081)	(49,972)
At 31 December 2024, net of accumulated depreciation	130,036	61,565	31,874	486	361	1,910	226,232
At 31 December 2024							
Cost	153,331	175,584	107,124	2,881	1,398	6,231	446,549
Accumulated depreciation	(23,295)	(114,019)	(75,250)	(2,395)	(1,037)	(4,321)	(220,317)
Net carrying amount	130,036	61,565	31,874	486	361	1,910	226,232

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025							
Cost	153,331	175,584	107,124	2,881	1,398	6,231	446,549
Accumulated depreciation	(23,295)	(114,019)	(75,250)	(2,395)	(1,037)	(4,321)	(220,317)
Net carrying amount	130,036	61,565	31,874	486	361	1,910	226,232
At 1 January 2025, net of accumulated depreciation	130,036	61,565	31,874	486	361	1,910	226,232
Additions	–	18,966	5,052	201	–	505	24,724
Disposals	–	–	(147)	(1)	–	–	(148)
Depreciation provided during the year.	(3,368)	(30,924)	(13,761)	(143)	(195)	(1,098)	(49,489)
At 31 December 2025, net of accumulated depreciation	126,668	49,607	23,018	543	166	1,317	201,319
At 31 December 2025							
Cost	153,331	194,550	109,711	3,066	1,399	6,736	468,793
Accumulated depreciation	(26,663)	(144,943)	(86,693)	(2,523)	(1,233)	(5,419)	(267,474)
Net carrying amount	126,668	49,607	23,018	543	166	1,317	201,319

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Leases of buildings and motor vehicles generally have lease terms between 1 and 5 years. Other buildings generally have lease terms of 12 months or less and are individually of short-term leases.

(a) Right-of-use assets

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

The Group

	Buildings	Motor vehicles	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2023	17,165	51	17,216
Additions	1,719	–	1,719
Depreciation charge	(6,236)	(51)	(6,287)
At 31 December 2023 and 1 January 2024	12,648	–	12,648
Additions	277	–	277
Depreciation charge	(6,298)	–	(6,298)
Lease modification	(132)	–	(132)
At 31 December 2024 and 1 January 2025	6,495	–	6,495
Additions	10,864	489	11,353
Depreciation charge	(6,243)	(82)	(6,325)
Lease modification	1,863	–	1,863
At 31 December 2025	12,979	407	13,386

The Company

	Buildings	Motor vehicles	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2023	7,489	51	7,540
Additions	568	–	568
Depreciation charge	(2,961)	(51)	(3,012)
At 31 December 2023 and 1 January 2024	5,096	–	5,096
Depreciation charge	(3,040)	–	(3,040)
At 31 December 2024 and 1 January 2025	2,056	–	2,056
Additions	7,592	489	8,081
Depreciation charge	(3,145)	(82)	(3,227)
At 31 December 2025	6,503	407	6,910

(b) Lease liabilities

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at the beginning of the year.	18,517	14,737	7,817
New leases.	1,719	277	11,353
Lease modification	–	(88)	1,942
Accretion of interest recognised during the year	848	522	307
Payments.	(6,347)	(7,631)	(7,927)
Carrying amount at the end of the year	14,737	7,817	13,492
Analysed into:			
Current portion	7,141	5,637	5,552
Non-current portion	7,596	2,180	7,940

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	7,874	5,523	2,247
New leases	568	—	8,081
Accretion of interest recognised during the year . . .	317	185	115
Payments	(3,236)	(3,461)	(3,962)
Carrying amount at the end of the year	<u>5,523</u>	<u>2,247</u>	<u>6,481</u>
Analysed into:			
Current portion	3,276	2,247	2,630
Non-current portion	<u>2,247</u>	<u>—</u>	<u>3,851</u>

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	848	522	307
Depreciation charge of right-of-use assets	6,287	6,298	6,325
Expenses relating to short-term leases and leases of low-value assets	1,168	762	370
Total amount recognised in profit or loss	<u>8,303</u>	<u>7,582</u>	<u>7,002</u>

- (d) The total cash outflows for leases are disclosed in note 37(c) to the Historical Financial Information.

The Group as a lessor

The Group leases its certain equipments under operating lease arrangements. Rental income recognised by the Group during the years ended 31 December 2023, 2024 and 2025 was nil, RMB360,000, and RMB1,468,000, respectively.

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	—	360	1,341
	<u>—</u>	<u>360</u>	<u>1,341</u>

15. GOODWILL

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost	276,158	276,158	276,158
Accumulated impairment	(4,321)	(25,505)	(25,505)
Net carrying amount	<u>271,837</u>	<u>250,653</u>	<u>250,653</u>

The goodwill mainly arose from acquisitions of two subsidiaries in 2015 and 2021 with original amount of RMB4,321,000 (which was fully impaired) and RMB271,837,000, respectively.

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The movements in provision

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	4,321	4,321	25,505
Impairment losses recognised	—	21,184	—
Carrying amount at the end of the year	<u>4,321</u>	<u>25,505</u>	<u>25,505</u>

The impairment loss recognised was included in “Other expenses” in the consolidated statements of profit or loss.

Impairment tests for goodwill

The goodwill balance as of 31 December 2023, 2024 and 2025 was related to the acquisition of a subsidiary in 2021 which the Group holds 51% shareholdings. The goodwill is allocated to the group of assets of that subsidiary and impairment review was conducted by the management as at each year end. For the purpose of impairment review, the recoverable amount is determined based on higher of FVLCD and VIU. VIU is used based on management’s assessment. The VIU calculations are conducted by management using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rates. There were no material changes in the methodology applied in the VIU calculations among the years of 2023, 2024 and 2025. As of 31 December 2025, there is no further impairment indicator or significant changes of that subsidiary from the last impairment assessment made in end of 2024.

The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill. The pre-tax discount rates applied to the cash flow projections were 12.1%, 12.5% and 12.2% as at 31 December 2023, 2024 and 2025, respectively. The compound growth rate of revenue over the forecast period were 12%, 12% and 11% as at 31 December 2023, 2024 and 2025, respectively. The growth rates used to extrapolate revenue beyond the five-year period were 2%, 2% and 2% as at 31 December 2023, 2024 and 2025, respectively.

Sensitivity to change in key assumption:

Management of the Company has performed sensitivity test to consider whether any reasonably possible change in any of these assumptions would result in impairment. If the there would be 1% of the growth rate or increasing 0.5% of pre-tax discount rate, with all other assumptions held constant, the headroom will be removed. The impacts on the amount by which the CGU’s recoverable amount above its carrying amount (headroom) would be as below:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Headroom (attributed to the Company by holding 51% shares)	10,874	(21,184)	4,563
Impact by decreasing the growth rate	(8,592)	(6,630)	(4,506)
Impact by increasing pre-tax discount rate	(4,643)	(3,570)	(4,551)

Based on the results of the impairment assessment, the Company determines that except for the impairment loss amounting to RMB21.18 million was recognized during the year ended 31 December 2024, there is no impairment on goodwill as for 31 December 2023 and 2025, respectively.

16. OTHER INTANGIBLE ASSETS

The Group

	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	44,168	556,174	18,427	618,769
Accumulated amortisation	(24,770)	(210,140)	(14,594)	(249,504)
Net carrying amount	<u>19,398</u>	<u>346,034</u>	<u>3,833</u>	<u>369,265</u>
Cost at 1 January 2023, net of accumulated amortisation	19,398	346,034	3,833	369,265
Additions	12,116	51,099	—	63,215
Amortisation provided during the year	(12,208)	(82,771)	(2,919)	(97,898)
At 31 December 2023	<u>19,306</u>	<u>314,362</u>	<u>914</u>	<u>334,582</u>

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	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023:				
Cost	56,284	607,273	18,427	681,984
Accumulated amortisation	(36,978)	(292,911)	(17,513)	(347,402)
Net carrying amount	19,306	314,362	914	334,582
31 December 2024				
At 1 January 2024:				
Cost	56,284	607,273	18,427	681,984
Accumulated amortisation	(36,978)	(292,911)	(17,513)	(347,402)
Net carrying amount	19,306	314,362	914	334,582
Cost at 1 January 2024, net of accumulated amortisation	19,306	314,362	914	334,582
Additions	20,200	4,717	–	24,917
Amortisation provided during the year . . .	(14,145)	(88,224)	(914)	(103,283)
At 31 December 2024	25,361	230,855	–	256,216
At 31 December 2024:				
Cost	76,484	611,990	18,427	706,901
Accumulated amortisation	(51,123)	(381,135)	(18,427)	(450,685)
Net carrying amount	25,361	230,855	–	256,216
31 December 2025				
At 1 January 2025:				
Cost	76,484	611,990	18,427	706,901
Accumulated amortisation	(51,123)	(381,135)	(18,427)	(450,685)
Net carrying amount	25,361	230,855	–	256,216
Cost at 1 January 2025, net of accumulated amortisation	25,361	230,855	–	256,216
Additions	4,568	5,658	–	10,226
Disposals	(5)	–	–	(5)
Amortisation provided during the year . . .	(13,859)	(85,935)	–	(99,794)
At 31 December 2025	16,065	150,578	–	166,643
At 31 December 2025:				
Cost	77,009	615,692	18,427	711,128
Accumulated amortisation	(60,944)	(465,114)	(18,427)	(544,485)
Net carrying amount	16,065	150,578	–	166,643

The Company

	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	42,747	56,888	18,427	118,062
Accumulated depreciation	(24,003)	(44,115)	(14,594)	(82,712)
Net carrying amount	18,744	12,773	3,833	35,350
Cost at 1 January 2023, net of accumulated amortisation	18,744	12,773	3,833	35,350
Additions	12,117	58,084	–	70,201
Amortisation provided during the year . . .	(11,694)	(14,668)	(2,919)	(29,281)
At 31 December 2023	19,167	56,189	914	76,270
At 31 December 2023:				
Cost	54,864	114,972	18,427	188,263
Accumulated amortisation	(35,697)	(58,783)	(17,513)	(111,993)
Net carrying amount	19,167	56,189	914	76,270

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	Software	Non-patented technology	Patents	Total
	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2024				
At 1 January 2024:				
Cost	54,864	114,972	18,427	188,263
Accumulated depreciation	(35,697)	(58,783)	(17,513)	(111,993)
Net carrying amount	<u>19,167</u>	<u>56,189</u>	<u>914</u>	<u>76,270</u>
Cost at 1 January 2024, net of accumulated amortisation	19,167	56,189	914	76,270
Additions	20,075	7,867	–	27,942
Amortisation provided during the year . . .	(13,977)	(22,999)	(914)	(37,890)
At 31 December 2024	<u>25,265</u>	<u>41,057</u>	<u>–</u>	<u>66,322</u>
At 31 December 2024:				
Cost	74,939	122,839	18,427	216,205
Accumulated amortisation	(49,674)	(81,782)	(18,427)	(149,883)
Net carrying amount	<u>25,265</u>	<u>41,057</u>	<u>–</u>	<u>66,322</u>
31 December 2025				
At 1 January 2025:				
Cost	74,939	122,839	18,427	216,205
Accumulated depreciation	(49,674)	(81,782)	(18,427)	(149,883)
Net carrying amount	<u>25,265</u>	<u>41,057</u>	<u>–</u>	<u>66,322</u>
Cost at 1 January 2025, net of accumulated amortisation	25,265	41,057	–	66,322
Additions	3,847	–	–	3,847
Disposals	(5)	–	–	(5)
Amortisation provided during the year . . .	(13,528)	(21,475)	–	(35,003)
At 31 December 2025	<u>15,579</u>	<u>19,582</u>	<u>–</u>	<u>35,161</u>
At 31 December 2025:				
Cost	74,743	120,885	18,427	214,055
Accumulated amortisation	(59,164)	(101,303)	(18,427)	(178,894)
Net carrying amount	<u>15,579</u>	<u>19,582</u>	<u>–</u>	<u>35,161</u>

17. INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of net assets	<u>40,103</u>	<u>44,059</u>	<u>67,427</u>

The Group’s outstanding balances with the associates are disclosed in note 40 to the Historical Financial Information.

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The associates of the Group are considered not individually material for the Relevant Periods and the following table illustrates the aggregate financial information of the Group’s associates:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ loss for the year	(1,429)	(1,794)	(3,522)
Share of the associates’ other comprehensive income	—	—	(1)
Share of the associates’ total comprehensive income	(1,429)	(1,794)	(3,523)
Aggregate carrying amount of the Group’s investments in the associates	40,103	44,059	67,427

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of net assets	40,103	38,451	55,249

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ loss for the year	(1,429)	(1,403)	(2,951)
Share of the associates’ other comprehensive income	—	—	—
Share of the associates’ total comprehensive income	(1,429)	(1,403)	(2,951)
Aggregate carrying amount of the Group’s investments in the associates	40,103	38,451	55,249

18. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investments, at cost	596,022	596,174	613,115
Impairment losses on investments in subsidiaries	—	—	—
Investments in subsidiaries	596,022	596,174	613,115

19. DEFERRED TAX

The Group

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

Deferred tax assets

	Lease liabilities	Amortisation allowance less than related amortisation	Impairment	Provision for inventories	Deferred income	Unrecognised profit	Fair value changes of derivative financial instruments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	787	731	371	156	—	—	—	2,045
Deferred tax credited/(charged) to profit or loss during the year	(235)	106	40	1,102	493	—	80	1,586
Gross deferred tax assets at 31 December 2023 and 1 January 2024	552	837	411	1,258	493	—	80	3,631
Deferred tax credited/(charged) to profit or loss during the year	(327)	(93)	74	(404)	—	1,122	(80)	292

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	Lease liabilities	Amortisation allowance less than related amortisation	Impairment	Provision for inventories	Deferred income	Unrecognised profit	Fair value changes of derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2024 and 1 January 2025	225	744	485	854	493	1,122	–	3,923
Deferred tax credited/(charged) to profit or loss during the year	747	96	43	(64)	918	1,173	–	2,913
Gross deferred tax assets at 31 December 2025	972	840	528	790	1,411	2,295	–	6,836

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Interest payables	Depreciation allowance in excess of related depreciation	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Right-of-use assets	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	44,485	8,392	3,970	1,527	749	519	59,642
Deferred tax charged/(credited) to profit or loss during the year	(8,238)	(2,056)	(676)	–	(239)	175	(11,034)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	36,247	6,336	3,294	1,527	510	694	48,608
Deferred tax (credited)/charged to profit or loss during the year	(8,238)	(1,993)	(806)	–	(304)	327	(11,014)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	28,009	4,343	2,488	1,527	206	1,021	37,594
Deferred tax charged/(credited) to profit or loss during the year	(8,238)	(524)	484	764	769	(271)	(7,016)
Gross deferred tax liabilities at 31 December 2025	19,771	3,819	2,972	2,291	975	750	30,578

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	1,122	2,295
Net deferred tax liabilities recognised in the consolidated statement of financial position	44,977	34,793	26,037

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	373,542	474,457	572,335
Deductible temporary differences	11,881	9,318	10,617
Total	<u>385,423</u>	<u>483,775</u>	<u>582,952</u>

The Group has above tax losses that are available for offsetting against future taxable profits with carryforward periods of one year to indefinite. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

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

Deferred tax assets

	Lease liabilities	Amortisation allowance less than related amortisation	Impairment	Provision for inventories	Deferred income	Fair value adjustments of derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	787	731	371	156	–	–	2,045
Deferred tax credited/(charged) to profit or loss during the year . . .	(235)	106	40	1,102	493	80	1,586
Gross deferred tax assets at 31 December 2023 and 1 January 2024	552	837	411	1,258	493	80	3,631
Deferred tax credited/(charged) to profit or loss during the year . . .	(327)	(93)	74	(405)	–	(80)	(831)
Gross deferred tax assets at 31 December 2024 and 1 January 2025	225	744	485	853	493	–	2,800
Deferred tax credited/(charged) to profit or loss during the year . . .	747	96	43	(63)	918	–	1,741
Gross deferred tax assets at 31 December 2025	<u>972</u>	<u>840</u>	<u>528</u>	<u>790</u>	<u>1,411</u>	<u>–</u>	<u>4,541</u>

Deferred tax liabilities

	Interests payable	Depreciation allowance in excess of related depreciation	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Right-of-use assets	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	8,392	3,970	1,527	749	519	15,157
Deferred tax charged/(credited) to profit or loss during the year	(2,056)	(676)	–	(239)	175	(2,796)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	6,336	3,294	1,527	510	694	12,361
Deferred tax (credited)/charged to profit or loss during the year	(1,993)	(806)	–	(304)	327	(2,776)

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	Interests payable	Depreciation allowance in excess of related depreciation	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Right-of-use assets	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	4,343	2,488	1,527	206	1,021	9,585
Deferred tax charged/(credited) to profit or loss during the year	(524)	484	764	769	(271)	1,222
Gross deferred tax liabilities at 31 December 2025	<u>3,819</u>	<u>2,972</u>	<u>2,291</u>	<u>975</u>	<u>750</u>	<u>10,807</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	—	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>8,730</u>	<u>6,785</u>	<u>6,266</u>

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unlisted equity investments	<u>188</u>	<u>188</u>	<u>188</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	152,869	201,538	157,905
Work in progress	98,131	83,947	172,162
Finished goods	<u>115,687</u>	<u>209,835</u>	<u>115,438</u>
	366,687	495,320	445,505
Provision for impairment losses on inventories	<u>(13,626)</u>	<u>(9,663)</u>	<u>(6,475)</u>
	<u>353,061</u>	<u>485,657</u>	<u>439,030</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	115,034	142,306	136,172
Work in progress	49,735	60,075	80,104
Finished goods	83,605	136,856	56,893
	<u>248,374</u>	<u>339,237</u>	<u>273,169</u>
Provision for impairment losses on inventories	(12,581)	(8,545)	(5,270)
	<u>235,793</u>	<u>330,692</u>	<u>267,899</u>

22. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	443,068	477,657	426,089
Bills receivable	22,327	60,242	54,806
Impairment	(5,262)	(5,306)	(4,499)
Net carrying amount	<u>460,133</u>	<u>532,593</u>	<u>476,396</u>

The Group’s trading terms with its customers are mainly on credit. The credit period is generally 60 to 90 days. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	460,126	532,583	476,384
Over 1 year	7	10	12
Total	<u>460,133</u>	<u>532,593</u>	<u>476,396</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	4,229	5,262	5,306
Impairment losses, net (reversed)/recognised	1,033	51	(807)
Amount written off as uncollectible	–	(7)	–
At end of year	<u>5,262</u>	<u>5,306</u>	<u>4,499</u>

Bank acceptance bills issued by reputable banks are measured at fair value through other comprehensive income and are considered as having very low credit risk and the loss allowance is assessed to be minimal at the end of each of the Relevant Periods.

The Group applies the simplified approach in calculating ECLs for trade and bills receivables. Trade and bills receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade and bills receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on past due information for groupings of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

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The Group

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

	Current to 1 year	1 to 2 years	Total
As at 31 December 2023			
<i>On a collective basis:</i>			
Expected credit loss rate	1.13%	12.50%	1.13%
Gross carrying amount (RMB’000)	465,387	8	465,395
Expected credit losses (RMB’000)	5,261	1	5,262
	Current to 1 year	1 to 2 years	Total
As at 31 December 2024			
<i>On a collective basis:</i>			
Expected credit loss rate	0.99%	9.09%	0.99%
Gross carrying amount (RMB’000)	537,888	11	537,899
Expected credit losses (RMB’000)	5,305	1	5,306
	Current to 1 year	1 to 2 years	Total
As at 31 December 2025			
<i>On a collective basis:</i>			
Expected credit loss rate	0.94%	7.69%	0.94%
Gross carrying amount (RMB’000)	480,882	13	480,895
Expected credit losses (RMB’000)	4,498	1	4,499

The net carrying amount due from a Group’s associate included in the above is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Shenzhen Jingshuo Technology Co., Ltd.	–	–	499
Zhuhai Digital Power Technology Co., Ltd	2,231	–	–
Total	<u>2,231</u>	<u>–</u>	<u>499</u>

The balance is unsecured, interest-free and on credit terms similar to those offered to the major customers of the Group.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	311,512	403,645	299,282
Bills receivable	20,096	59,771	54,806
Impairment	<u>(3,946)</u>	<u>(4,565)</u>	<u>(3,229)</u>
Net carrying amount	<u>327,662</u>	<u>458,851</u>	<u>350,859</u>

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

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	<u>327,662</u>	<u>458,851</u>	<u>350,859</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	3,566	3,946	4,565
Impairment losses, net recognised/(reversed)	380	619	(1,336)
At end of year	<u>3,946</u>	<u>4,565</u>	<u>3,229</u>

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

	Current to 1 year
As at 31 December 2023	
<i>On a collective basis:</i>	
Expected credit loss rate	1.19%
Gross carrying amount (RMB'000)	331,608
Expected credit losses (RMB'000)	3,946

	Current to 1 year
As at 31 December 2024	
<i>On a collective basis:</i>	
Expected credit loss rate	0.99%
Gross carrying amount (RMB'000)	463,416
Expected credit losses (RMB'000)	4,565

	Current to 1 year
As at 31 December 2025	
<i>On a collective basis:</i>	
Expected credit loss rate	0.91%
Gross carrying amount (RMB'000)	354,088
Expected credit losses (RMB'000)	3,229

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	<u>7,399</u>	<u>1,078</u>	<u>26,045</u>

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Loan receivables	2,371	–	1,755
Deposits and other receivables	4,584	3,514	3,131
Equity incentive exercise funds	2,030	15,037	317
Prepayments to suppliers	59,299	75,586	127,430
[REDACTED]	–	–	[REDACTED]
Other tax recoverable	1,561	6,955	828
Prepaid tax	–	2,046	2,615
	<u>69,845</u>	<u>103,138</u>	<u>148,446</u>
Impairment allowance	<u>(355)</u>	<u>(532)</u>	<u>(600)</u>
	<u>69,490</u>	<u>102,606</u>	<u>147,846</u>

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Prepayments for long-term assets	2,222	4,516	7,714
Loan receivables	16,579	13,128	9,552
	18,801	17,644	17,266
Total	88,291	120,250	165,112

An impairment analysis was performed at the end of each of the Relevant Periods. As there was no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. During the Relevant Periods, the Group estimated that the expected credit loss rate for deposits and other receivables was minimal.

The above balances were interest-free and unsecured.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Loan receivables	2,371	–	1,455
Equity incentive exercise funds	2,030	15,037	317
Deposits and other receivables	3,344	1,729	1,622
Prepayments to suppliers	25,043	35,857	65,299
[REDACTED]	–	–	[REDACTED]
Prepaid tax	–	2,046	2,615
	32,788	54,669	83,678
Impairment allowance	(171)	(283)	(293)
	32,617	54,386	83,385
Non-current portion:			
Prepayments for long-term assets	373	4,517	7,714
Loan receivables	13,879	10,727	7,751
	14,252	15,244	15,465
Total	46,869	69,630	98,850

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	2,700	2,400	2,100

24. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Structured deposits	120,854	100,338	–
Sub-total	120,854	100,338	–
Non-current portion:			
Debt investments	57,544	87,615	175,001
Sub-total	57,544	87,615	175,001
Total	178,398	187,953	175,001

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The structured deposits were issued by banks and securities companies, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The debt investments were classified and measured at fair value through profit or loss as they are not held within the business model with the objective to collect contractual cashflows nor the business model with the objective of both collecting contractual cashflows and selling.

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,682,654	1,746,378	2,102,034
Pledged deposits*.	—	—	58,596
Total	<u>1,682,654</u>	<u>1,746,378</u>	<u>2,160,630</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	1,427,957	1,346,934	1,417,459
Denominated in USD.	254,561	399,255	684,251
Denominated in HKD	136	129	116
Denominated in Singapore dollar (“SGD”)	—	60	208
Total	<u>1,682,654</u>	<u>1,746,378</u>	<u>2,102,034</u>
Pledged deposits denominated in RMB	<u>—</u>	<u>—</u>	<u>58,596</u>

* Pledged deposits of RMB58,584,000 at 31 December 2025 were pledged for the issuance of bank acceptance notes. RMB12,000 was frozen due to prolonged use.

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

Cash at banks earns interest at floating rates based on daily bank deposit rates or relevant deposits rates.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,581,008	1,653,410	1,978,284
Pledged deposits	—	—	45,050
Total	<u>1,581,008</u>	<u>1,653,410</u>	<u>2,023,334</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	1,336,848	1,264,725	1,304,850
Denominated in USD.	244,160	388,685	673,434
Total	<u>1,581,008</u>	<u>1,653,410</u>	<u>1,978,284</u>
Pledged deposits denominated in RMB	<u>—</u>	<u>—</u>	<u>45,050</u>

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26. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	90,215	112,162	113,271
Bills payable	—	—	45,038
Total	<u>90,215</u>	<u>112,162</u>	<u>158,309</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	88,557	109,092	153,522
1 to 2 years	1,658	1,412	4,036
2 to 3 years	—	1,658	—
Over 3 years	—	—	751
Total	<u>90,215</u>	<u>112,162</u>	<u>158,309</u>

The trade and bills payables are non-interest-bearing and are normally settled within 45 days upon receipt of the invoice.

The net carrying amount of due to a Group’s associate included in the above is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Shanghai Micropower Co., Ltd.	—	282	628
	<u>—</u>	<u>282</u>	<u>628</u>

The balances are unsecured, interest-free and on credit terms similar to those offered to the major customers of the Group.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	63,543	100,158	85,261
Bills payable	—	—	45,038
Total	<u>63,543</u>	<u>100,158</u>	<u>130,299</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	62,057	98,526	125,512
1 to 2 years	1,486	146	4,036
2 to 3 years	—	1,486	—
Over 3 years	—	—	751
Total	<u>63,543</u>	<u>100,158</u>	<u>130,299</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	16,034	22,246	18,658
	<u>16,034</u>	<u>22,246</u>	<u>18,658</u>

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27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	65,116	74,665	89,396
Other tax payables	11,112	10,654	17,632
Deposits and other payables	8,662	5,027	3,129
Total	<u>84,890</u>	<u>90,346</u>	<u>110,157</u>

Other payables were interest-free and unsecured.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	36,562	50,085	56,153
Other tax payables	5,405	8,375	13,350
Deposits and other payables	7,757	4,294	2,371
Total	<u>49,724</u>	<u>62,754</u>	<u>71,874</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries.	<u>2,186</u>	<u>2,219</u>	<u>3,111</u>

28. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments from customers	<u>19,628</u>	<u>30,132</u>	<u>57,969</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments from customers	<u>12,510</u>	<u>19,617</u>	<u>49,509</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries.	<u>442</u>	<u>442</u>	<u>1</u>

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29. CONVERTIBLE BONDS

The Company issued convertible bonds (the “Convertible Bonds”) at a par value of RMB100 each with an aggregate principal amount of RMB581,190,000 issued on 6 August 2021 (the “2021 Issue”).

The Convertible Bonds are a compound instrument included a liability component and an equity component.

As of the date of issue, the fair value of the liability component of the Convertible Bonds was disclosed as below:

	2021 Issue
	<i>RMB'000</i>
Principal amount	581,190
Premium of issue	—
Transaction cost	<u>11,501</u>

Subsequent to the initial recognition, the liability component of the Convertible Bonds was carried at amortised cost using the effective interest method. The effective interest rate of the liability component of the Convertible Bonds was 5.17% per annum. The movements of the liability component and the equity component of the Convertible Bonds during the Relevant Periods are set out below:

	Liability component	Equity component	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2023	497,784	92,355	590,139
Interest expense	26,181	—	26,181
Interest paid	(2,935)	—	(2,935)
Conversion options exercised	(67)	(22)	(89)
Balance at 31 December 2023	520,963	92,333	613,296
Interest expense	27,293	—	27,293
Interest paid	(5,789)	—	(5,789)
Conversion options exercised	(180)	(37)	(217)
Balance at 31 December 2024	542,287	92,296	634,583
Interest expense	28,237	—	28,237
Interest paid	(8,706)	—	(8,706)
Conversion options exercised	(85)	(20)	(105)
Balance at 31 December 2025	<u>561,733</u>	<u>92,276</u>	<u>654,009</u>

30. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	As at 31 December					
	2023		2024		2025	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign currency swaps	—	(796)	265	—	—	—
Foreign exchange options	—	(122)	—	—	—	—
Total	—	(918)	265	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The foreign exchange options and foreign currency swaps are not designated for hedging and are measured at fair value through profit or loss. Changes in the fair value of the foreign exchange options and foreign currency swaps amounting to RMB918,000, RMB265,000 and nil were (credited)/charged to the statements of profit or loss during the Relevant Periods.

The Company

	As at 31 December					
	2023		2024		2025	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign currency swaps	—	(796)	265	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

As at 31 December 2023			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.5%-3.3%	2024	108,160
Total			<u>108,160</u>

As at 31 December 2024			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.22%-2.9%	2025	84,341
Other borrowings – endorsed bills that have not matured	1.15%	2025	1,499
Total			<u>85,840</u>

As at 31 December 2025			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.3%-2.9%	2026	80,057
Other borrowings – endorsed bills that have not matured	0.61%-0.95%	2026	23,986
Bank loans – guaranteed	2.08%	2026	2,344
Total			<u>106,387</u>

The Company

As at 31 December 2023			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.5%-2.6%	2024	80,060
Total			<u>80,060</u>

As at 31 December 2024			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.22%	2025	60,041
Other borrowings – endorsed bills that have not matured	1.15%	2025	1,499
Total			<u>61,540</u>

As at 31 December 2025			
	Effective interest rate	Maturity	
	(%)		RMB'000
Other borrowings – endorsed bills that have not matured	0.61%-0.95%	2026	23,986
Total			<u>23,986</u>

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The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank borrowings repayable:			
Within one year	108,160	85,840	106,387
Total	<u>108,160</u>	<u>85,840</u>	<u>106,387</u>

As at 31 December 2025, certain of the Group’s bank loans amounted to RMB2,344,000 were guaranteed by Mr. Li Wei, the legal representative of Shanghai YG Electronics Technology Co., Ltd. Except for this loan, all other borrowings are credit loans.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank borrowings repayable:			
Within one year	80,060	61,540	23,986
Total	<u>80,060</u>	<u>61,540</u>	<u>23,986</u>

32. DEFERRED INCOME

The Group

The movements in government grants for the Group during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	–	4,925	6,565
Government grants received during the year	4,925	1,640	8,325
Recognized in other income for the year	–	–	(3,848)
At 31 December	<u>4,925</u>	<u>6,565</u>	<u>11,042</u>

The Company

The movements in government grants for the Company during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	–	4,925	4,925
Government grants received during the year	4,925	–	8,325
Recognized in other income for the year	–	–	(3,848)
At 31 December	<u>4,925</u>	<u>4,925</u>	<u>9,402</u>

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33. SHARE CAPITAL AND TREASURY SHARES

The Group and the Company

Shares

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Issued and fully paid:			
Share capital.	230,587	231,807	232,533

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

	As at 31 December					
	2023		2024		2025	
	Number of shares	RMB'000	Number of shares	RMB'000	Number of shares	RMB'000
At 1 January	229,622,136	229,622	230,586,837	230,587	231,806,714	231,807
Exercise of share options*.	963,364	963	1,217,681	1,218	725,168	725
Conversion of convertible bonds**.	1,337	2	2,196	2	1,162	1
At 31 December	230,586,837	230,587	231,806,714	231,807	232,533,044	232,533

* The Group has several share option schemes under which options to subscribe for the Group’s shares have been granted to certain senior executives and certain other employees. Amount of RMB963,000, RMB1,218,000 and RMB725,000 were transferred from the share based payment reserve to share capital upon the exercise of the share options during the Relevant Periods. Refer to Note 34 to the Historical Financial Information for further details.

** In 2021, the Company issued 5,811,900 convertible bonds with a nominal par value of RMB100 per bond for financing the Group’s operations. 1,337, 2,196 and 1,162 shares were issued pursuant to the exercise of the Company’s bond conversion options during the Relevant Periods.

Treasury Shares

	Number of shares	Treasury shares
		RMB'000
At 1 January 2024	—	—
Repurchase of shares	2,214,993	70,624
At 31 December 2024 and 31 December 2025	2,214,993	70,624

In 2024, the Company repurchased shares for future development through centralized price bidding by self-owned funds, which were classified as treasury shares as of 31 December 2024 and 31 December 2025.

34. SHARE-BASED PAYMENTS

In order to further establish and improve the Company’s long-term incentive mechanism, the Company has issued several share option incentive plans for the Company’s executives, key employees and other designated individuals (“Incentive Recipients”) since 2020.

On 30 March 2020, the board of directors of the Company approved a share option scheme of the Company (the “2020 Plan”) to implement equity incentives for Incentive Recipients. The Company granted a total of 497,000 share options to all the 2020 Incentive Recipients, with exercise price of RMB161.51 per each share option. The exercise price of the share options is subject to adjustment in the case of dividend distribution, or other similar changes in the Company’s share capital.

On 16 March 2021, the board of directors of the Company approved a share option scheme of the Company (the “2021 Plan”), to implement equity incentives for Incentive Recipients. Pursuant to the 2021 Plan, 1,470,000 units were initially granted; 449,800 units were subsequently granted on 14 October 2021, with exercise price of RMB123.73 and RMB169.21 per each share option, respectively. The exercise price of the share options is subject to adjustment in the case of dividend distribution, or other similar changes in the Company’s share capital.

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On 29 March 2022, the board of directors of the Company approved a share option scheme of the Company (the “2022 Plan”), to implement equity incentives for Incentive Recipients. Pursuant to the 2022 Plan, 1,734,400 units were initially granted; 67,400 units were subsequently granted on 27 October 2022, with exercise price of RMB124.23 and RMB65.22 per each share option, respectively. The exercise price of the share options is subject to adjustment in the case of dividend distribution, or other similar changes in the Company’s share capital.

Pursuant to above share option schemes, each exercise of share option needs to meet service requirements from the date of grant to the end of service period, for which the Company established a four-year graded vesting period from the grant date until the fourth anniversary of the Incentive Recipients’ continuous service, and in which the performance conditions are fulfilled under the respective incentive plan. As such, the share-based payment expenses are amortized during the vesting period at the Group’s best estimate of the number of equity instruments that will ultimately vest.

One of the subsidiaries of the Group operates several restricted stock awards (the “Share Award Plan”) which became effective since July 2021 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of its operations through relevant equity incentive platform. The exercise period of the shares granted is a graded vesting period of four years starting from commencement, with corresponding share-based payment expenses being amortized over this period.

Set out below are details of the movements of the outstanding share options and restricted shares granted during the Relevant Periods:

Year ended 31 December 2023		
	Exercise price	Number of Share Awards*
At the beginning of the year	CNY65.22-CNY169.21	3,642,458
Granted.	CNY0.29-CNY1.00	7,059,200
Forfeited and expired.	CNY31.08-CNY65.22	257,300
Exercised	CNY31.08-CNY65.22	7,137,903
At the end of the year	CNY0.29-CNY169.21	3,306,455
Year ended 31 December 2024		
	Exercise price	Number of Share Awards*
At the beginning of the year	CNY0.29-CNY169.21	3,306,455
Granted.	—	—
Forfeited and expired.	CNY30.96-CNY64.92	1,109,977
Exercised	CNY30.96-CNY64.92	448,963
At the end of the year	CNY0.29-CNY169.21	1,747,515
Year ended 31 December 2025		
	Exercise price	Number of Share Awards*
At the beginning of the year	CNY0.29-CNY169.21	1,747,515
Granted.	—	—
Forfeited and expired.	CNY30.96-CNY64.92	496,493
Exercised	CNY30.96-CNY64.92	305,129
At the end of the year	CNY0.29-CNY169.21	945,893

The Group recognised a share-based payment expense of RMB27,459,000, RMB8,647,000 and RMB3,078,000, respectively, during the years ended 31 December 2023, 2024 and 2025.

During the Relevant Periods, the fair value of share options and restricted stock granted were estimated as at the date of grant, using the Black-Scholes model or closing price of the Company’s share, taking into account the terms and conditions upon which the options or restricted stock were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.07-0.26
Historical volatility (%)	23.02-27.14
Risk-free interest rate (%)	1.50-2.75
Closing price of the Company’s share (RMB per share).	53.03 -112.00

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35. RESERVES

The Group

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

(i) Share premium

Share premium of the Group mainly represents the premium in issuing shares of the Company and the effect of implementation and unlocking of restricted shares and share option schemes.

(ii) Statutory reserve

In accordance with the Company Law of the PRC, companies which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

(iv) Share based payment reserve

The share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions, details of which are set out in note 34 to the Historical Financial Information.

(v) Other equity instruments

Other equity instruments are equity component of convertible corporate bonds issued on 6 August 2021 at a price of RMB100 and a number of 5,811,900. Refer to Note 29 to the Historical Financial Information for details.

(vi) Other Reserve

Other reserve are mainly represents the share of capital reserves and other comprehensive income of associates and the premium in acquisition of non-controlling interests.

The Company

	Share premium	Other reserve	Other equity instruments	Share based payment reserve	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	451,950	4,343	92,355	140,551	102,695	1,245,761	2,037,655
Profit for the year	—	—	—	—	—	271,936	271,936
Total comprehensive income for the year	—	—	—	—	—	271,936	271,936
Conversion of convertible bonds . .	87	—	(22)	—	—	—	65
Recognition of equity-settled share- based payments	—	—	—	13,636	—	—	13,636
Exercise of share options	50,189	—	—	(14,226)	—	—	35,963
Appropriation to surplus reserve . .	—	—	—	—	12,599	(12,599)	—
Dividends distribution	—	—	—	—	—	(41,438)	(41,438)
Share of other capital reserves of associates	—	7	—	—	—	—	7
As at 31 December 2023 and 1 January 2024	502,226	4,350	92,333	139,961	115,294	1,463,660	2,317,824
Profit for the year	—	—	—	—	—	305,900	305,900
Total comprehensive income for the year	—	—	—	—	—	305,900	305,900
Conversion of convertible bonds . .	215	—	(37)	—	—	—	178
Recognition of equity-settled share- based payments	—	—	—	6,858	—	—	6,858
Exercise of share options	45,082	—	—	(1,303)	—	—	43,779
Appropriation to surplus reserve . .	—	—	—	—	610	(610)	—
Dividends distribution	—	—	—	—	—	(27,428)	(27,428)

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	Share premium	Other reserve	Other equity instruments	Share based payment reserve	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024 and 1 January 2025	547,523	4,350	92,296	145,516	115,904	1,741,522	2,647,111
Profit for the year	–	–	–	–	–	159,901	159,901
Share of other comprehensive loss of associates	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	159,901	159,901
Conversion of convertible bonds . .	104	–	(20)	–	–	–	84
Recognition of equity-settled share-based payments	–	–	–	2,187	–	–	2,187
Exercise of share options	36,406	–	–	(5,468)	–	–	30,938
Appropriation to surplus reserve . .	–	–	–	–	363	(363)	–
Dividends distribution	–	–	–	–	–	(27,608)	(27,608)
As at 31 December 2025	584,033	4,350	92,276	142,235	116,267	1,873,452	2,812,613

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

Details of the Group’s subsidiary that have material non-controlling interests are set out below:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests:			
Molchip Technology (Shanghai) Co., Ltd..	49%	49%	49%

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit/(loss) for the year allocated to non-controlling interests:			
Molchip Technology (Shanghai) Co., Ltd..	1,235	(27,254)	(26,605)

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Accumulated balances of non-controlling interests at the year end:			
Molchip Technology (Shanghai) Co., Ltd..	234,637	207,373	180,768

The following tables illustrate the summarised financial information of the above subsidiary on its stand-alone basis. The amounts disclosed are before any inter-company eliminations:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	323,410	304,366	391,028
Non-current assets	47,004	34,422	45,464
Current liabilities	100,140	65,846	157,680
Non-current liabilities	4,968	3,820	4,989

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	479,384	298,602	421,000
Total expense	409,323	296,558	416,863
Profit for the year	70,061	2,044	4,137
Total comprehensive income for the year	70,061	2,025	3,810
Net cash inflow from/(used in) operating activities	89,600	21,911	(8,668)
Net cash inflow used in investing activities	(20,813)	(17,235)	(23,010)
Net cash inflow (used in)/from financing activities	(93,365)	(8,175)	51,070
Effect of foreign exchange rate changes, net	(760)	(2,121)	(1,894)
Net (decrease)/increase in cash and cash equivalents	(25,338)	(5,620)	17,498

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,719,000, RMB277,000 and RMB11,353,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities	Convertible bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	153,217	18,517	497,784	669,518
Changes from financing cash flows	(36,202)	(6,347)	(2,935)	(45,484)
New leases	—	1,719	—	1,719
Interest expense	4,533	848	26,181	31,562
Conversion options exercised	—	—	(67)	(67)
Others	(13,388)	—	—	(13,388)
At 31 December 2023 and 1 January 2024	108,160	14,737	520,963	643,860
Changes from financing cash flows	(26,603)	(7,631)	(5,789)	(40,023)
New leases	—	277	—	277
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	(88)	—	(88)
Interest expense	1,938	522	27,293	29,753
Conversion options exercised	—	—	(180)	(180)
Others	2,345	—	—	2,345
At 31 December 2024 and 1 January 2025	85,840	7,817	542,287	635,944
Changes from financing cash flows	19,426	(7,927)	(8,706)	2,793
New leases	—	11,353	—	11,353
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	1,942	—	1,942
Interest expense	2,365	307	28,237	30,909
Conversion options exercised	—	—	(85)	(85)
Others	(1,244)	—	—	(1,244)
At 31 December 2025	106,387	13,492	561,733	681,612

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(c) Total cash outflow for leases

The total cash outflows for leases included in the statements of cash flows are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	1,168	762	370
Within financing activities	6,347	7,631	7,927
Total	7,515	8,393	8,297

38. CONTINGENT LIABILITIES

As of the end of each of the Relevant Periods, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

39. PLEDGE OF ASSETS

Details of the assets pledged for the Group’s bank loans and bank acceptance notes are included in note 25 and 31 to the Historical Financial Information.

40. RELATED PARTY TRANSACTIONS

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods:

Name of related parties	Relationship with the Group
Zhuhai Digital Power Technology Co., Ltd.	Associate of the Group
Micropower Semiconductor Co., Ltd.	Associate of the Group
Shenzhen Dengzhanwu Technology Co., Ltd.	Associate of the Group
Kuangming Intelligent Technology (Wuxi) Co., Ltd.	Associate of the Group
Shenzhen Jingshuo Technology Co., Ltd.	Associate of the Group
Shanghai Shuangshen Information Technology Co., Ltd.	Associate of the Group

(a) Transactions with related parties:

In addition to the transactions detailed elsewhere in this accountants’ report, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchases of goods from related parties			
Shenzhen Jingshuo Technology Co., Ltd.	—	—	834
Micropower Semiconductor Co., Ltd.	828	2,614	2,240
Total	828	2,614	3,074
Purchases of services from related parties			
Shenzhen Jingshuo Technology Co., Ltd.	—	—	51
Kuangming Intelligent Technology (Wuxi) Co., Ltd.	—	—	594
Shanghai Shuangshen Information Technology Co., Ltd.	—	—	764
Micropower Semiconductor Co., Ltd.	—	377	—
Total	—	377	1,409
Sales of goods to related parties			
Micropower Semiconductor Co., Ltd.	183	307	364
Zhuhai Digital Power Technology Co., Ltd.	830	2,017	1,749
Shenzhen Dengzhanwu Technology Co., Ltd.	—	236	151
Shenzhen Jingshuo Technology Co., Ltd.	—	—	2,370

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Kuangming Intelligent Technology (Wuxi) Co., Ltd.	—	—	5,623
Total	<u>1,013</u>	<u>2,560</u>	<u>10,257</u>
Rendering of services to related parties			
Micropower Semiconductor Co., Ltd.	<u>1,031</u>	<u>417</u>	<u>402</u>

The sales to the related parties and the purchases from the related parties were made according to the published prices and conditions negotiated between the parties.

(b) Outstanding balances with related parties:

		As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Amounts due from related parties				
Trade and bills receivables	Shenzhen Jingshuo Technology Co., Ltd.	—	—	499
Trade and bills receivables	Zhuhai Digital Power Technology Co., Ltd	2,231	—	—
Total		<u>2,231</u>	<u>—</u>	<u>499</u>
Amounts due to related parties				
Trade and bills payables	Micropower Semiconductor Co., Ltd.	—	282	628
Contract liabilities	Micropower Semiconductor Co., Ltd.	107	230	65
Contract liabilities	Zhuhai Digital Power Technology Co., Ltd.	522	743	522
Contract liabilities	Kuangming Intelligent Technology (Wuxi) Co., Ltd.	—	—	629
Contract liabilities	Shenzhen Dengzhanwu Technology Co., Ltd.	—	26	26
Total		<u>629</u>	<u>1,281</u>	<u>1,870</u>

These balances were interest free, unsecured and repayable within 90 days.

Further details of trade related outstanding balances with related parties are included in note 22 and note 26 to the Historical Financial Information.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Key management compensation	<u>6,855</u>	<u>6,914</u>	<u>6,725</u>

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

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41. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

As at 31 December 2023

Financial assets

2023	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investments measured at fair value through profit or loss	178,398	—	—	178,398
Equity investments designated at fair value through other comprehensive income	—	188	—	188
Trade and bills receivables	—	2,000	458,133	460,133
Financial assets included in prepayments, other receivables and other assets	—	—	25,564	25,564
Cash and bank balances	—	—	1,682,654	1,682,654
Total	<u>178,398</u>	<u>2,188</u>	<u>2,166,351</u>	<u>2,346,937</u>

Financial liabilities

2023	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Derivative financial instruments	918	—	918
Lease liabilities	—	14,737	14,737
Convertible bonds	—	520,963	520,963
Trade and bills payables	—	90,215	90,215
Financial liabilities included in other payables and accruals	—	8,662	8,662
Interest-bearing bank and other borrowings	—	108,160	108,160
Total	<u>918</u>	<u>742,737</u>	<u>743,655</u>

As at 31 December 2024

Financial assets

2024	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investments measured at fair value through profit or loss	187,953	—	—	187,953
Derivative financial instruments	265	—	—	265
Equity investments designated at fair value through other comprehensive income	—	188	—	188
Trade and bills receivables	—	47,828	484,765	532,593
Financial assets included in prepayments, other receivables and other assets	—	—	31,679	31,679
Cash and bank balances	—	—	1,746,378	1,746,378
Total	<u>188,218</u>	<u>48,016</u>	<u>2,262,822</u>	<u>2,499,056</u>

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Financial liabilities

2024	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	—	7,817	7,817
Convertible bonds	—	542,287	542,287
Trade and bills payables	—	112,162	112,162
Financial liabilities included in other payables and accruals	—	5,027	5,027
Interest-bearing bank and other borrowings	—	85,840	85,840
Total	—	753,133	753,133

As at 31 December 2025

Financial assets

2025	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investments measured at fair value through profit or loss	175,001	—	—	175,001
Equity investments designated at fair value through other comprehensive income	—	188	—	188
Trade and bills receivables	—	25,478	450,918	476,396
Financial assets included in prepayments, other receivables and other assets	—	—	14,755	14,755
Pledged deposits	—	—	58,596	58,596
Cash and bank balances	—	—	2,102,034	2,102,034
Total	175,001	25,666	2,626,303	2,826,970

Financial liabilities

2025	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	—	13,492	13,492
Convertible bonds	—	561,733	561,733
Trade and bills payables	—	158,309	158,309
Financial liabilities included in other payables and accruals	—	3,129	3,129
Interest-bearing bank and other borrowings	—	106,387	106,387
Total	—	843,050	843,050

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The Group invests in financial assets at fair value through profit or loss, which represent unlisted debt investments, and structured deposits issued by banks. The Group has estimated the fair value of debt investments at the recent transaction price of the underlying investment. For structured deposits, since the historical actual returns are consistent with expected returns, the Group measures the fair value using the expected rate of return and the investment period.

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The Group enters into derivative financial instruments with banks. Derivative financial instruments are mainly about forward currency swaps and option contracts. The fair values of derivative financial instruments are measured based on the valuation report obtained.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using the recent transaction price of the investments.

The Group has bank acceptance notes issued by banks in Chinese Mainland measured at fair value through other comprehensive income. The Group has estimated the fair value of these bank acceptance notes by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

As at 31 December 2023

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments measured at fair value through profit or loss (non-current) . . .	Valuation multiples and recent transaction method	Average multiple of peers (P/S/P/B/P/R&D)	1.4x- 10.9x	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,574,000
		Discounts for lack of marketability (“DLOM”)	30%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB3,719,000

As at 31 December 2024

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments measured at fair value through profit or loss (non-current) . . .	Valuation multiples and recent transaction method	Average multiple of peers (P/S/P/B/P/R&D)	2.3x- 25.5x	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB3,941,000
		Discounts for lack of marketability (“DLOM”)	30%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB5,629,000

As at 31 December 2025

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments measured at fair value through profit or loss (non-current) . . .	Valuation multiples and recent transaction method	Average multiple of peers (P/S/P/E/P/B/P/R&D)	1.6x- 54.2x	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB6,224,000
		Discounts for lack of marketability (“DLOM”)	30%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB10,393,000

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	–	2,000	–	2,000
Investments measured at fair value through profit or loss (current)	–	120,854	–	120,854
Equity investments designated at fair value through other comprehensive income.	–	–	188	188
Investments measured at fair value through profit or loss (non-current) .	–	–	57,544	57,544
Total	–	122,854	57,732	180,586
	=	=	=	=

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Derivative financial assets	–	265	–	265
Trade and bills receivables	–	47,828	–	47,828
Investments measured at fair value through profit or loss (current)	–	100,338	–	100,338
Equity investments designated at fair value through other comprehensive income.	–	–	188	188
Investments measured at fair value through profit or loss (non-current) .	–	–	87,615	87,615
Total	–	148,431	87,803	236,234
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	–	25,478	–	25,478
Equity investments designated at fair value through other comprehensive income.	–	–	188	188
Investments measured at fair value through profit or loss (non-current) .	–	–	175,001	175,001
Total	–	25,478	175,189	200,667
	=	=	=	=

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Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Derivative financial liabilities	– =	918 =	– =	918 =

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank and other borrowings, cash and bank balances and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

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

Interest rate risk

At the end of each of the Relevant Periods, the Group had no significant interest risk as the Group did not have long-term debt obligations with a floating interest rate.

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in rate of foreign exchange %	Increase/(decrease) in profit before tax RMB'000
Year ended 31 December 2023		
If the RMB weakens against the USD	5	10,263
If the RMB strengthens against the USD	(5)	(10,263)
Year ended 31 December 2024		
If the RMB weakens against the USD	5	15,513
If the RMB strengthens against the USD	(5)	(15,513)
Year ended 31 December 2025		
If the RMB weakens against the USD	5	29,027
If the RMB strengthens against the USD	(5)	(29,027)

Credit risk

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

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

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

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As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	465,395	465,395
Financial assets included in prepayments, other receivables and other assets					
– Normal**	25,564	–	–	–	25,564
Cash and bank balances					
– Not yet past due	1,682,654	–	–	–	1,682,654
Total	<u>1,708,218</u>	<u>–</u>	<u>–</u>	<u>465,395</u>	<u>2,173,613</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	537,899	537,899
Financial assets included in prepayments, other receivables and other assets					
– Normal**	31,679	–	–	–	31,679
Cash and bank balances					
– Not yet past due	1,746,378	–	–	–	1,746,378
Total	<u>1,778,057</u>	<u>–</u>	<u>–</u>	<u>537,899</u>	<u>2,315,956</u>

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	480,895	480,895
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,755	–	–	–	14,755
Pledged deposits					
– Not yet past due	58,596	–	–	–	58,596
Cash and bank balances					
– Not yet past due	2,102,034	–	–	–	2,102,034
Total	<u>2,175,385</u>	<u>–</u>	<u>–</u>	<u>480,895</u>	<u>2,656,280</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22.

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

Liquidity risk

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

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2023					
Interest-bearing bank borrowings	109,482	—	—	—	109,482
Derivative financial instruments	918	—	—	—	918
Trade and bills payables	90,215	—	—	—	90,215
Financial liabilities included in other payables and accruals	8,662	—	—	—	8,662
Convertible bonds	5,821	8,706	11,606	594,786	620,919
Lease liabilities	7,664	5,626	2,214	—	15,504
Total	<u>222,762</u>	<u>14,332</u>	<u>13,820</u>	<u>594,786</u>	<u>845,700</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2024					
Interest-bearing bank borrowings	86,819	—	—	—	86,819
Trade and bills payables	112,162	—	—	—	112,162
Financial liabilities included in other payables and accruals	5,027	—	—	—	5,027
Convertible bonds	8,706	11,606	594,786	—	615,098
Lease liabilities	5,851	2,214	—	—	8,065
Total	<u>218,565</u>	<u>13,820</u>	<u>594,786</u>	<u>—</u>	<u>827,171</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2025					
Interest-bearing bank borrowings	107,351	—	—	—	107,351
Trade and bills payables	158,217	—	—	—	158,217
Financial liabilities included in other payables and accruals	3,129	—	—	—	3,129
Convertible bonds	11,606	594,786	—	—	606,392
Lease liabilities	5,961	5,104	3,006	—	14,071
Total	<u>286,264</u>	<u>599,890</u>	<u>3,006</u>	<u>—</u>	<u>889,160</u>

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group monitors capital using a debt-to-asset ratio, which is total debt divided by total assets. The debt-to-asset ratio as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total debt	893,133	910,112	1,048,731
Total assets	3,677,338	3,881,910	4,147,759
Debt-to-asset ratios	24.29%	23.44%	25.28%

44. EVENTS AFTER THE RELEVANT PERIODS

On April 3, 2026, the Board of Directors of the Company approved the dividend proposal for the year 2025. The Company will distribute a cash dividend of RMB0.8 per 10 shares (inclusive of tax) to all shareholders, based on the total shares as of the equity registration date for distribution less the shares repurchased and held in the repurchase special account. No share dividends will be issued and no capitalization of capital reserve will be made. This dividend proposal remains subject to approval by the Company’s shareholders’ meeting.

45. SUBSEQUENT FINANCIAL STATEMENTS

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