

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report on Tanboer Group Co., Ltd. prepared for the purpose of incorporation in this document received from the reporting accountants of our Company, [●], Certified Public Accountants, Hong Kong.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TANBOER GROUP CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED.

Introduction

We report on the historical financial information of Tanboer Group Co., Ltd. (the “Company”), and its subsidiaries (together, the “Group”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group 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 [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [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* as 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.

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 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-[●] 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.

Yours faithfully,

[●]

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 as issued by the HKICPA (the “Underlying Financial Statements”).

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	1,021,042	1,302,479	2,189,464
Cost of sales		(444,598)	(587,352)	(957,264)
Gross profit		576,444	715,127	1,232,200
Other income and gains	5	43,387	25,038	28,164
Selling and distribution expenses		(355,646)	(508,403)	(808,570)
Administrative expenses		(75,494)	(100,523)	(172,775)
(Impairment)/reversal of impairment on financial assets, net	6	(2,265)	1,267	148
Other expenses		(3,830)	(2,120)	(6,331)
Finance costs	7	(5,856)	(9,518)	(18,203)
PROFIT BEFORE TAX	6	176,740	120,868	254,633
Income tax expense	10	(37,495)	(13,554)	(31,375)
PROFIT FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>139,245</u>	<u>107,314</u>	<u>223,258</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Financial assets designated at fair value through other comprehensive income:				
Changes in fair value		(100)	100	108
Income tax effect		<u>25</u>	<u>35</u>	<u>(16)</u>
		(75)	135	92
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		<u>(75)</u>	<u>135</u>	<u>92</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		<u>(75)</u>	<u>135</u>	<u>92</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>139,170</u>	<u>107,449</u>	<u>223,350</u>

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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>
Profit attributable to:				
Owners of the parent		<u>139,245</u>	<u>107,314</u>	<u>223,258</u>
Total comprehensive income				
attributable to:				
Owners of the parent		<u>139,170</u>	<u>107,449</u>	<u>223,350</u>
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE				
PARENT				
Basic and diluted (RMB)	12	<u>0.83</u>	<u>0.64</u>	<u>1.33</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	333,672	530,709	505,945
Investment properties	14	1,768	1,556	1,345
Right-of-use assets	15(a)	94,672	120,967	121,031
Intangible assets	16	4,800	5,946	7,988
Financial assets at fair value through other comprehensive income	17	800	900	—
Prepayments, other receivables and other assets	21	327,684	13,435	7,654
Deferred tax assets	18	107	171	9,514
Total non-current assets		763,503	673,684	653,477
CURRENT ASSETS				
Inventories	19	256,518	693,204	925,700
Trade and bills receivables	20	229,121	279,022	593,863
Prepayments, other receivables and other assets	21	98,044	436,800	119,084
Prepaid income tax		48	27	576
Restricted cash	22	44,010	70,948	100,549
Cash and cash equivalents	22	85,364	153,668	263,211
Total current assets		713,105	1,633,669	2,002,983
CURRENT LIABILITIES				
Trade and bills payables	23	275,966	753,445	1,081,362
Other payables and accruals	24	233,029	293,878	306,501
Interest-bearing bank and other borrowings	25	30,076	189,842	342,349
Lease liabilities	15(b)	9,588	24,391	22,752
Tax payable		29,079	5,901	24,778
Deferred income	26	5,908	15,314	15,174
Total current liabilities		583,646	1,282,771	1,792,916
NET CURRENT ASSETS		129,459	350,898	210,067
TOTAL ASSETS LESS CURRENT LIABILITIES				
		892,962	1,024,582	863,544

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		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other				
borrowings	25	52,386	79,996	16,130
Lease liabilities	15(b)	16,445	28,481	14,090
Deferred income	26	189,003	173,689	158,515
Deferred tax liabilities	18	1,118	957	—
Total non-current liabilities		258,952	283,123	188,735
Net assets		634,010	741,459	674,809
EQUITY				
Equity attributable to owner of the				
parent				
Share capital	27	167,300	167,300	167,300
Reserves	28	466,710	574,159	507,509
Total equity		634,010	741,459	674,809

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					Total equity
	Share capital	Share premium*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained profits*	
	RMB'000 Note 27	RMB'000	RMB'000 Note 28	RMB'000	RMB'000	RMB'000
At 1 January 2023	167,300	76,722	28,052	450	222,316	494,840
Profit for the year	–	–	–	–	139,245	139,245
Other comprehensive loss for the year:						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	(75)	–	(75)
Total comprehensive income for the year.	–	–	–	(75)	139,245	139,170
Transfer to statutory reserve	–	–	13,604	–	(13,604)	–
At 31 December 2023	167,300	76,722	41,656	375	347,957	634,010

Year ended 31 December 2024

	Attributable to owners of the parent					Total equity
	Share capital	Share premium*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained profits*	
	RMB'000 Note 27	RMB'000	RMB'000 Note 28	RMB'000	RMB'000	RMB'000
At 1 January 2024	167,300	76,722	41,656	375	347,957	634,010
Profit for the year	–	–	–	–	107,314	107,314
Other comprehensive income for the year:						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	135	–	135
Total comprehensive income for the year.	–	–	–	135	107,314	107,449
Transfer to statutory reserve	–	–	9,630	–	(9,630)	–
At 31 December 2024	167,300	76,722	51,286	510	445,641	741,459

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Year ended 31 December 2025

	Attributable to owners of the parent					
	Share capital	Share premium*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 27		Note 28			
At 1 January 2025 . . .	167,300	76,722	51,286	510	445,641	741,459
Profit for the year . . .	–	–	–	–	223,258	223,258
Other comprehensive income for the year:						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax . .	–	–	–	92	–	92
Total comprehensive income for the year .	–	–	–	92	223,258	223,350
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	(602)	602	–
Transfer to statutory reserve	–	–	22,910	–	(22,910)	–
Dividend declared . . .	–	–	–	–	(290,000)	(290,000)
At 31 December 2025 .	<u>167,300</u>	<u>76,722</u>	<u>74,196</u>	<u>–</u>	<u>356,591</u>	<u>674,809</u>

* These reserve amounts comprise the consolidated reserves of RMB466,710,000, RMB574,159,000 and RMB507,509,000 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

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		176,740	120,868	254,633
Adjustments for:				
Finance costs	7	5,856	9,518	18,203
Interest income	5	(11,421)	(12,430)	(7,668)
(Gain)/loss on disposal of items of property, plant and equipment. . .	5, 6	(22,427)	—	40
Gains on disposal of land use rights	5, 6	(6,129)	—	—
Depreciation of property, plant and equipment.	6	18,662	36,328	66,556
Depreciation of right-of-use assets . .	6	11,136	18,065	29,463
Depreciation of investment properties	6	211	212	211
Amortisation of intangible assets . . .	6	675	752	1,234
Amortisation of deferred income . . .	26	(2,272)	(5,908)	(15,314)
Impairment losses/(reversal of impairment) of on trade and bills receivables and other receivables, net	6	2,265	(1,267)	(148)
Write-down of inventories to net realisable value.	6	19,252	36,081	52,323
Loss on termination of leases.	6	55	31	730
		192,603	202,250	400,263
Decrease/(increase) in inventories		57,365	(472,767)	(284,819)
Increase in trade and bills receivables .		(32,318)	(48,215)	(307,079)
Increase in restricted cash		(1,479)	(26,938)	(29,601)
(Increase)/decrease in prepayments, other receivables and other assets . .		(8,105)	(26,296)	5,067
Increase in trade and bills payables . .		2,866	477,479	319,885
Increase in other payables and accruals		57,286	9,883	32,322
Cash generated from operations.		268,218	115,396	136,038
Interest received		1,376	1,690	1,815
Income tax paid.		(19,801)	(36,901)	(23,362)
Net cash flows generated from operations		249,793	80,185	114,491

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(152,363)	(178,533)	(62,761)
Purchases of land use rights		(6,250)	—	(17,364)
Proceeds from disposal of items of property, plant and equipment		—	38	35
Purchases of intangible assets		(2,480)	(1,898)	(3,276)
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	—	1,008
Government grants received for property, plant and equipment and land use rights		57,991	—	—
Repayment from a related company		37,000	14,551	323,589
Advances to a related company		(198,306)	—	—
Increase in other payable		—	(4,500)	—
Interest income received		—	—	5,853
Decrease in prepayments, other receivables and other assets		69,497	—	—
Net cash flows (used in)/generated from investing activities		(194,911)	(170,342)	247,084
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid		—	—	(290,000)
New bank and other borrowings	29(b)	93,133	217,260	305,307
Repayment of bank and other borrowings	29(b)	(103,259)	(30,099)	(216,389)
Lease payments	29(b)	(10,831)	(19,403)	(31,109)
Interest paid	29(b)	(5,845)	(9,297)	(16,294)
[REDACTED] expense paid	29(b)	—	—	(3,547)
Net cash flows (used in)/generated from financing activities		(26,802)	158,461	(252,032)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		57,284	85,364	153,668
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		85,364	153,668	263,211

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
ANALYSIS OF BALANCES OF				
CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	129,374	224,616	363,760
Less: Restricted cash	22	<u>44,010</u>	<u>70,948</u>	<u>100,549</u>
CASH AND CASH EQUIVALENTS				
AS STATED IN THE				
CONSOLIDATED STATEMENTS				
OF FINANCIAL POSITION AND				
CONSOLIDATED STATEMENTS				
OF CASH FLOWS.	22	<u>85,364</u>	<u>153,668</u>	<u>263,211</u>

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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	332,316	529,094	498,563
Investment properties	14	1,768	1,556	1,345
Right-of-use assets	15(a)	83,885	86,345	85,198
Intangible assets	16	4,786	5,933	7,977
Financial assets at fair value through other comprehensive income	17	800	900	–
Investments in subsidiaries	38	2,889	5,992	14,592
Deferred tax assets	18	–	–	4,525
Prepayments, other receivables and other assets	21	327,536	11,759	5,098
Total non-current assets		753,980	641,579	617,298
CURRENT ASSETS				
Inventories	19	256,450	690,652	917,106
Trade and bills receivables	20	228,470	254,804	585,820
Prepayments, other receivables and other assets	21	97,606	436,574	109,919
Restricted cash	22	44,010	70,948	100,549
Cash and cash equivalents	22	76,925	132,516	205,686
Total current assets		703,461	1,585,494	1,919,080
CURRENT LIABILITIES				
Trade and bills payables	23	277,062	745,584	1,069,121
Other payables and accruals	24	251,933	302,445	295,956
Interest-bearing bank and other borrowings	25	25,023	164,872	292,405
Lease liabilities	15(b)	5,954	7,738	3,091
Tax payable		28,930	2,686	23,520
Deferred income	26	5,908	15,314	15,174
Total current liabilities		594,810	1,238,639	1,699,267
NET CURRENT ASSETS		108,651	346,855	219,813
TOTAL ASSETS LESS CURRENT LIABILITIES				
		862,631	988,434	837,111
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	25	37,446	79,996	16,130
Lease liabilities	15(b)	9,119	11,714	871
Deferred income	26	189,003	173,689	158,515
Deferred tax liabilities	18	1,104	637	–
Total non-current liabilities		236,672	266,036	175,516
Net assets		625,959	722,398	661,595
EQUITY				
Share capital	27	167,300	167,300	167,300
Reserves	28	458,659	555,098	494,295
Total equity		625,959	722,398	661,595

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company registered in the People’s Republic of China (the “PRC”) on 19 April 2004. The registered office address of the Company is located at No. 8333, Yiwangfu South Road, Yunmenshan Street, Qingzhou City, Weifang City, Shandong Province, PRC.

On 5 June 2013, the then shareholders of the Company passed resolutions approving, among others, the conversion of the Company from a limited liability company into a joint stock limited company (the “Stock Conversion”). On 5 July 2013, the name of the Company was changed from Qingzhou Tanboer Garment Limited (“青州坦博爾服飾有限公司”) to Qingzhou Tanboer Garment Co., Ltd. (“青州市坦博爾服飾股份有限公司”). On 3 January 2025, the Company’s name was changed from Qingzhou Tanboer Garment Co., Ltd. to Tanboer Group Co., Ltd (“坦博爾集團股份有限公司”).

In the opinion of the directors, the immediate and ultimate holding company of the Company is Shanghai LanYin Investment Management Co., Ltd.

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) were involved in the design, production, and sales of apparel products in the Chinese mainland.

As at the end of the Relevant Periods, the Company had all direct interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the Company’s subsidiaries of which are set out below:

Name	Place of establishment and date of registration	Paid up/ registered capital	Percentage of equity directly attributable to the Company	Principal activities
青州辰羽电子商务有限公司 (“Qingzhou Chenyu E-commerce Co., Ltd.”)*	PRC/Chinese mainland 10 April 2012	RMB1,000,000	100%	Sale of apparel products
坦博尔(杭州)电子商务有限公司 (“Tanboer (Hangzhou) E-commerce Co., Ltd.”)*	PRC/Chinese mainland 25 November 2021	RMB2,000,000	100%	Sale of products on e-commerce platforms
海南坦博尔智慧科技有限公司 (“Hainan Tanboer Smart Technology Co., Ltd.”)*	PRC/Chinese mainland 23 September 2021	RMB2,000,000	100%	Sale of apparel products
青州市坦博尔智慧科技有限公司 (“Qingzhou Tanboer Smart Technology Co., Ltd.”)*	PRC/Chinese mainland 8 August 2024	RMB1,000,000	100%	Offline retail operations
坦博尔(上海)服飾有限公司 (“Tanboer (Shanghai) Clothing Co., Ltd.”)*	PRC/Chinese mainland 11 November 2021	RMB5,000,000	100%	Research and Development, sales and marketing
上海樣作服飾有限公司 (“Shanghai Sample Clothing Co., Ltd.”)*	PRC/Chinese mainland 27 July 2022	RMB3,000,000	100%	Design and Sale of apparel products
青州在現電子商貿有限公司 (“Qingzhou Zaixian E-commerce Co., Ltd.”)*	PRC/Chinese mainland 1 August 2022	RMB1,000,000	100%	Sale of apparel products
坦博爾(青島)智慧科技有限公司 (“Tanboer (Qingdao) Smart Technology Co., Ltd.”)*	PRC/Chinese mainland 2 March 2023	RMB2,000,000	100%	Sale of apparel products
武漢坦文服飾有限公司 (“Wuhan Tanwen Clothing Co., Ltd.”)*	PRC/Chinese mainland 22 May 2024	RMB1,000,000	100%	Sale of apparel products

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Name	Place of establishment and date of registration	Paid up/ registered capital	Percentage of equity directly attributable to the Company	Principal activities
坦博爾(成都)服飾有限公司 (“Tanboer (Chengdu) Clothing Co., Ltd.”)*	PRC/Chinese mainland 19 June 2024	RMB500,000	100%	Sale of apparel products
淄博坦文服飾有限公司 (“Zibo Tanwen Clothing Co., Ltd.”)* . . .	PRC/Chinese mainland 30 August 2024	RMB500,000	100%	Sale of apparel products
坦博爾(濟寧)服飾有限公司 (“Tanboer (Jining) Clothing Co., Ltd.”)*	PRC/Chinese mainland 14 October 2024	RMB500,000	100%	Sale of apparel products
坦博爾(長沙)服裝有限公司 (“Tanboer (Changsha) Clothing Co., Ltd.”)*	PRC/Chinese mainland 5 September 2024	RMB500,000	100%	Sale of apparel products
坦博爾(宜賓)服飾有限公司 (“Tanboer (Yibin) Clothing Co., Ltd.”)*	PRC/Chinese mainland 21 October 2024	RMB500,000	100%	Sale of apparel products
坦博爾(鄭州)服飾有限公司 (“Tanboer (Zhengzhou) Clothing Co., Ltd.”)*	PRC/Chinese mainland 31 December 2024	RMB500,000	100%	Sale of apparel products
許昌坦博爾服飾有限公司 (“Xuchang Tanboer Clothing Co., Ltd.”)* . . .	PRC/Chinese mainland 19 June 2025	RMB500,000	100%	Sale of apparel products
杭州坦博爾戶外運動科技有限公司 (“Hangzhou Tambor Outdoor Sports Technology Co., Ltd.”)* . .	PRC/Chinese mainland 27 August 2025	RMB1,000,000	100%	Sales of apparel products
禹州市坦博爾服飾有限公司 (“Yuzhou Tanboer Clothing Co., Ltd.”)*	PRC/Chinese mainland 10 September 2025	RMB300,000	100%	Sale of apparel products
新鄉坦博爾服飾有限公司 (“Xinxiang Tanboer Clothing Co., Ltd.”)* . . .	PRC/Chinese mainland 11 September 2025	RMB500,000	100%	Sale of apparel products
許昌坦文服飾有限公司 (“Xuchang Tanwen Clothing Co., Ltd.”)* . . .	PRC/Chinese mainland 30 September 2025	RMB300,000	100%	Sale of apparel products
新鄉坦博爾商貿有限公司 (“Xinxiang Tanboer Trading Co., Ltd.”)*	PRC/Chinese mainland 16 October 2025	RMB500,000	100%	Sale of apparel products

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

No audited financial statements have been prepared for these subsidiaries for the years ended 31 December 2023, 2024 and 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”), which comprise all standards and interpretations approved by the IASB.

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income which have been measured at fair value.

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Basis of consolidation

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

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

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

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

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

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The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income 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. The new requirements are expected to impact the Group’s presentation of the statement of profit or loss and other comprehensive income and disclosures of the Group’s financial performance. So far, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial assets at fair value through other comprehensive income 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 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 financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Property, plant and equipment and depreciation

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

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

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

	<u>Estimated useful lives</u>
Buildings	20 years
Plant and machinery	3 to 10 years
Office equipment	5 years
Motor vehicles	4 to 5 years
Electronic equipment	3 to 5 years
Leasehold improvements	Over the shorter of the lease terms and 3 years

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. 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 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.

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation. Such properties are measured at cost, including transaction costs.

Depreciation is calculated on the straight-line and the estimated useful lives of buildings are as follows:

	<u>Estimated useful lives</u>
Buildings	20 years

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. 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. Intangible assets 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 3 to 10 years.

Research and development expenses

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

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

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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:

Stores and office premises	14 to 72 months
Land use rights	50 years

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

(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

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).

Lease payments on short-term leases 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 either an operating lease or a finance lease.

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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 other income and gains in 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, fair value through other comprehensive income.

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 profit or loss when the asset is derecognised, modified or impaired.

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 profit or loss. Dividends are recognised as other income in 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.

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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 60 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.

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 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

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- 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 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.

Financial liabilities

Initial recognition and measurement

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

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

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

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group’s normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

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Inventories

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

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of replacements. The warranty-related cost is revised annually.

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, 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.

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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, 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.

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 profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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 apparel products

The Group primarily sells its products to customers through online channels such as direct online sales and online distributors, and offline channels such as offline stores and offline distributors.

The performance obligation is recognised at point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer.

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(b) Rights of return

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

(c) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

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.

Contract liabilities

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

Right-of-return assets

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

Refund liabilities

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

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Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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 profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgement that significantly affected the determination of the amount of revenue from contracts with customers:

Determining the method to estimate variable consideration and assessing the constraint for the sale of products.

Certain contracts for the sale of products include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of products with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold. Before including any amount of variable consideration in the transaction price, the

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Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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.

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 invoice for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 20 to the Historical Financial Information.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of the reporting period. The carrying amount of inventories is given in note 19 to the Historical Financial Information.

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return and volume rebates.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group’s expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer’s historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

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The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group’s past experience regarding returns and rebate entitlements may not be representative of customers’ actual returns and rebate entitlements in the future.

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit and only has one reportable operating segment. Management monitors the overall operating results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no further analysis of the single segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland	1,013,198	1,294,591	2,185,455
Other countries.	7,844	7,888	4,009
Total revenue.	<u>1,021,042</u>	<u>1,302,479</u>	<u>2,189,464</u>

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

(b) Non-current assets

As all non-current assets of the Group were located in Chinese mainland during the Relevant Periods, no geographical information is presented.

Information about major customers

No revenue amounting to 10 percent or more of the Group’s total revenue was derived from sales to a single customer during the Relevant Periods.

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>1,021,042</u>	<u>1,302,479</u>	<u>2,189,464</u>

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Revenue from contracts with customers

Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods			
Apparel products	1,015,984	1,296,994	2,182,628
Accessories	5,058	5,485	6,836
Total	<u>1,021,042</u>	<u>1,302,479</u>	<u>2,189,464</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>1,021,042</u>	<u>1,302,479</u>	<u>2,189,464</u>

The following table shows the amount of revenue recognised in the Relevant Periods that was included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of goods	<u>10,961</u>	<u>8,150</u>	<u>35,861</u>

Performance obligations

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

Sale of products

The Group primarily sells its products to customers through online channels such as direct online sales and online distributors, and offline channels such as offline stores and offline distributors.

The performance obligation is satisfied upon delivery of the goods or upon the confirmation by the customer and payment is mainly on cash or credit card settlement simultaneously. The Group usually grants a credit period of 4 days to 30 days to online platforms, 30 days to 60 days to offline stores, and 10 days to 60 days to enterprise customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

All contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	1,376	1,690	1,815
Interest income from a related company	10,045	10,740	5,853
Government grants*.	2,540	11,872	18,076
Rental income	462	434	740
Others	<u>408</u>	<u>302</u>	<u>1,450</u>
Subtotal	<u>14,831</u>	<u>25,038</u>	<u>27,934</u>

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gains			
Foreign exchange gains, net	—	—	230
Gain on disposal of land use rights	6,129	—	—
Gain on disposal of items of property, plant and equipment	22,427	—	—
Subtotal	28,556	—	230
Total	43,387	25,038	28,164

* Various government grants have been received to support the research activities of the Group and the construction of the Company’s plant and buildings. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statements of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of inventories sold*		425,346	551,271	904,941
Depreciation of property, plant and equipment	13	18,662	36,328	66,556
Amortisation of right-of-use assets	15(a)	11,136	18,065	29,463
Depreciation of investment properties	14	211	212	211
Amortisation of intangible assets***	16	675	752	1,234
Research and development costs*		33,973	36,811	53,479
Lease payments not included in the measurement of lease liabilities	15(c)	1,806	6,393	26,618
Foreign exchange differences, net	5	—	—	(230)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expenses (including directors’ and chief executive’s remuneration (note 8)):				
Wages and salaries		92,455	124,129	150,395
Pension scheme contributions		8,911	13,394	16,412
Total		101,366	137,523	166,807
Impairment losses/(reversal of impairment) of trade and bills receivables, net	20	1,592	(1,686)	270
Impairment losses/(reversal of impairment) of other receivables, net		673	419	(418)
		2,265	(1,267)	(148)
Write-down of inventories to net realisable value	19	19,252	36,081	52,323
(Gain)/loss on disposal of items of property, plant and equipment**	5	(22,427)	—	40
Loss on termination of leases**	15(c)	55	31	730
Gain on disposal of land use rights**	5, 15	(6,129)	—	—

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* Cost of inventories sold and research and development costs include expenses relating to employee expenses, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above for these types of expenses.

** These items for the Relevant Periods were included in “Other expenses” or “Other income and gains”.

*** The amortisation of intangible assets is included in “Administrative expenses”.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Interest on lease liabilities	15(c)	1,398	1,851	2,186
Interest on bank and other borrowings . .		5,832	9,512	16,017
Subtotal		7,230	11,363	18,203
Less: Interest capitalised		1,374	1,845	–
Total		5,856	9,518	18,203

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

The remuneration of the Company’s directors, chief executive and supervisors is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	–	–	79
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	3,047	3,366	3,887
Performance related bonuses*.	1,481	1,649	914
Pension scheme contributions	356	390	363
Total	4,884	5,405	5,243

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

(a) Non-executive directors and independent non-executive directors

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Mr. Li Xiangdong	–	–	30
Mr. Chow Ching Ning	–	–	49
Mr. Qu Fei	–	–	–
Total	–	–	79

Mr. Li Xiangdong, Mr. Chow Ching Ning and Mr. Qu Fei were appointed as an independent non-executive director in August 2025.

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(b) Executive directors, the chief executive and supervisors

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023				
Executive Directors:				
Ms. Wang Lili (i)	780	280	138	1,198
Mr. Hou Zengjiang (ii)	299	155	18	472
Ms. Xiao Na (iii)	238	283	18	539
Mr. Zhuang Huangfeng (iv)	565	206	106	877
Mr. Yu Xiaofei (v)	652	338	44	1,034
Subtotal	2,534	1,262	324	4,120
Supervisors:				
Ms. Liu Jihua (vii)	160	121	18	299
Ms. Yang Xinli (viii)	84	31	14	129
Mr. Chen Shangbiao (ix)	269	67	–	336
Subtotal	513	219	32	764
Total	3,047	1,481	356	4,884

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024				
Executive Directors:				
Ms. Wang Lili (i)	782	370	142	1,294
Mr. Hou Zengjiang (ii)	279	190	21	490
Ms. Xiao Na (iii)	285	268	21	574
Mr. Zhuang Huangfeng (iv)	750	215	133	1,098
Mr. Yu Xiaofei (v)	617	411	35	1,063
Subtotal	2,713	1,454	352	4,519
Supervisors:				
Ms. Liu Jihua (vii)	147	99	21	267
Ms. Yang Xinli (viii)	89	55	17	161
Mr. Chen Shangbiao (ix)	417	41	–	458
Subtotal	653	195	38	886
Total	3,366	1,649	390	5,405

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025				
Executive Directors:				
Ms. Wang Lili (i)	1,060	280	148	1,488
Mr. Hou Zengjiang (ii)	224	260	21	505
Ms. Xiao Na (iii)	311	276	21	608
Mr. Zhuang Huangfeng (iv)	1,358	50	148	1,556
Ms. Wang Hong (vi)	501	–	–	501
Subtotal	3,454	866	338	4,658

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	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Supervisors:				
Ms. Liu Jihua (vii)	112	24	14	150
Ms. Yang Xinli (viii)	75	15	11	101
Mr. Chen Shangbiao (ix)	246	9	–	255
Subtotal	433	48	25	506
Total	3,887	914	363	5,164

Notes:

- (i) Ms. Wang Lili was appointed as a director in November 2016 and was then re-designated as an executive director and chief executive in September 2025.
- (ii) Mr. Hou Zengjiang was appointed as a director in November 2016 and was then re-designated as an executive director in September 2025.
- (iii) Ms. Xiao Na was appointed as a director in July 2019 and was then re-designated as an executive Director in September 2025.
- (iv) Mr. Zhuang Huangfeng was appointed as a director in December 2022 and was then re-designated as an executive director in September 2025.
- (v) Mr. Yu Xiaofei was appointed as a director of the Company in December 2022 and resigned as the director in January 2025.
- (vi) Ms. Wang Hong was appointed as a director of the Company in June 2014 and resigned in December 2022. She was designated as a director of the Company from January 2025 and resigned in September 2025.
- (vii) Ms. Liu Jihua was appointed as a supervisor of the Company in January 2022.
- (viii) Ms. Yang Xinli was appointed as a supervisor of the Company in January 2022.
- (ix) Mr. Chen Shangbiao was appointed as a supervisor of the Company in January 2022.

Pursuant to a resolution of the shareholders’ meeting in August 2025, the Company resolved to dissolve the board of supervisors.

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the years ended 31 December 2023, 2024 and 2025 include 3, 3 and 2 directors, respectively, details of whose remuneration are set out above. Details of the remuneration of the remaining 2, 2 and 3 highest paid employees who are neither a director nor supervisor of the Group for the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	975	1,781	3,010
Performance related bonuses	698	1,802	2,201
Pension scheme contributions	48	43	175
Total	1,721	3,626	5,386

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

	Year ended 31 December		
	2023	2024	2025
Nil to HK\$1,000,000	2	—	—
HK\$1,000,001 to HK\$1,500,000	—	1	1
HK\$1,500,001 to HK\$2,000,000	—	—	1
HK\$2,000,001 to HK\$2,500,000	—	1	1
Total	2	2	3
	=	=	=

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.

Pursuant to the Corporate Income Tax Law of Chinese mainland and the respective regulations (the “CIT Law”), the subsidiaries which operate in Chinese mainland are subject to CIT at a rate of 25% on the taxable income.

The Company was qualified as a High and New Technology Enterprise in 2024 and is entitled to a preferential tax rate of 15% from 2024 to 2026.

All subsidiaries of the Group, except Qingzhou Tanbor Intelligent Technology Co., Ltd., Qingzhou Chenyu E-commerce Co., Ltd., Tanboer (Hangzhou) E-commerce Co., Ltd. and Xuchang Tanboer Clothing Co., Ltd., have applied the small-scaled minimal profit corporate income tax preferential policy announced by the State Administration of Taxation of Chinese mainland. For these subsidiaries who satisfied the related regulatory requirements were subject to a preferential effective CIT tax rate of 5% during the Relevant Periods.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax – charge for the year	25,784	13,744	41,585
Deferred tax – charge/(credit) (<i>note 18</i>)	11,711	(190)	(10,210)
Total tax charged for the year.	37,495	13,554	31,375
	=	=	=

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled and/or operate to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	176,740	120,868	254,633
Tax at the statutory tax rate	44,185	30,217	63,658
Effect of different tax rates	(739)	(10,709)	(24,081)
Expenses not deductible for tax	201	247	243
Effect on opening deferred tax of decrease in rates	—	(411)	—
Additional deduction on research and development costs	(6,152)	(5,790)	(8,445)
Tax charge at the Group’s effective tax rate	37,495	13,554	31,375
	=	=	=

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11. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends	—	—	290,000
	<u>—</u>	<u>—</u>	<u>290,000</u>

In 2025, the Company declared and fully paid dividends of RMB290,000,000 (RMB1.73 per ordinary share), representing 68% of retained profit of the parent as at 31 December 2024.

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

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

The calculation of basic earnings per share is 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)	139,245	107,314	223,258
	<u>139,245</u>	<u>107,314</u>	<u>223,258</u>
Shares			
Weighted average number ('000) of ordinary shares outstanding during the year used in the basic earnings per share calculation	167,300	167,300	167,300
	<u>167,300</u>	<u>167,300</u>	<u>167,300</u>

The Group had no potentially dilutive ordinary shares in issue throughout the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	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	50,447	11,329	21,250	1,982	7,629	146,747	21,025	260,409
Accumulated depreciation	(27,999)	(2,984)	(7,149)	(1,619)	(6,253)	—	(3,060)	(49,064)
Net carrying amount	<u>22,448</u>	<u>8,345</u>	<u>14,101</u>	<u>363</u>	<u>1,376</u>	<u>146,747</u>	<u>17,965</u>	<u>211,345</u>
At 1 January 2023, net of accumulated depreciation	22,448	8,345	14,101	363	1,376	146,747	17,965	211,345
Additions	3	13,494	2,277	132	1,100	101,264	27,087	145,357
Disposals	(4,368)	—	—	—	—	—	—	(4,368)
Depreciation provided during the year (note 6)	<u>(2,318)</u>	<u>(1,412)</u>	<u>(3,250)</u>	<u>(112)</u>	<u>(619)</u>	<u>—</u>	<u>(10,951)</u>	<u>(18,662)</u>
At 31 December 2023, net of accumulated depreciation	<u>15,765</u>	<u>20,427</u>	<u>13,128</u>	<u>383</u>	<u>1,857</u>	<u>248,011</u>	<u>34,101</u>	<u>333,672</u>

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ACCOUNTANTS’ REPORT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023:								
Cost	40,059	24,823	23,527	2,114	8,729	248,011	48,112	395,375
Accumulated depreciation	(24,294)	(4,396)	(10,399)	(1,731)	(6,872)	–	(14,011)	(61,703)
Net carrying amount . . .	<u>15,765</u>	<u>20,427</u>	<u>13,128</u>	<u>383</u>	<u>1,857</u>	<u>248,011</u>	<u>34,101</u>	<u>333,672</u>
	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	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	40,059	24,823	23,527	2,114	8,729	248,011	48,112	395,375
Accumulated depreciation	(24,294)	(4,396)	(10,399)	(1,731)	(6,872)	–	(14,011)	(61,703)
Net carrying amount . . .	<u>15,765</u>	<u>20,427</u>	<u>13,128</u>	<u>383</u>	<u>1,857</u>	<u>248,011</u>	<u>34,101</u>	<u>333,672</u>

At 1 January 2024, net of accumulated depreciation	15,765	20,427	13,128	383	1,857	248,011	34,101	333,672
Additions	–	15,191	6,736	272	2,030	158,022	51,152	233,403
Disposals	–	–	–	(24)	(14)	–	–	(38)
Depreciation provided during the year (note 6)	(7,932)	(3,018)	(2,846)	(108)	(887)	–	(21,537)	(36,328)
Transfer	406,033	–	–	–	–	(406,033)	–	–

At 31 December 2024, net of accumulated depreciation	<u>413,866</u>	<u>32,600</u>	<u>17,018</u>	<u>523</u>	<u>2,986</u>	<u>–</u>	<u>63,716</u>	<u>530,709</u>
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At 31 December 2024:								
Cost	446,092	40,014	30,263	1,911	10,456	–	99,264	628,000
Accumulated depreciation	(32,226)	(7,414)	(13,245)	(1,388)	(7,470)	–	(35,548)	(97,291)
Net carrying amount . . .	<u>413,866</u>	<u>32,600</u>	<u>17,018</u>	<u>523</u>	<u>2,986</u>	<u>–</u>	<u>63,716</u>	<u>530,709</u>

Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	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	446,092	40,014	30,263	1,911	10,456	–	99,264	628,000
Accumulated depreciation . . .	(32,226)	(7,414)	(13,245)	(1,388)	(7,470)	–	(35,548)	(97,291)
Net carrying amount	<u>413,866</u>	<u>32,600</u>	<u>17,018</u>	<u>523</u>	<u>2,986</u>	<u>–</u>	<u>63,716</u>	<u>530,709</u>

At 1 January 2025, net of accumulated depreciation	413,866	32,600	17,018	523	2,986	–	63,716	530,709
Additions	–	6,731	3,374	574	1,832	7,413	21,943	41,867
Disposals	(4)	(68)	(2)	–	(1)	–	–	(75)
Depreciation provided during the year (note 6)	(21,491)	(4,173)	(4,676)	(267)	(1,271)	–	(34,678)	(66,556)
Transfer	7,413	–	–	–	–	(7,413)	–	–

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	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2025, net of accumulated depreciation	<u>399,784</u>	<u>35,090</u>	<u>15,714</u>	<u>830</u>	<u>3,546</u>	<u>—</u>	<u>50,981</u>	<u>505,945</u>
At 31 December 2025:								
Cost	453,501	46,091	33,294	2,485	12,277	—	121,207	668,855
Accumulated depreciation	<u>(53,717)</u>	<u>(11,001)</u>	<u>(17,580)</u>	<u>(1,655)</u>	<u>(8,731)</u>	<u>—</u>	<u>(70,226)</u>	<u>(162,910)</u>
Net carrying amount	<u>399,784</u>	<u>35,090</u>	<u>15,714</u>	<u>830</u>	<u>3,546</u>	<u>—</u>	<u>50,981</u>	<u>505,945</u>

As at 31 December 2023, 2024 and 2025, certain of the Group’s property, plant and equipment amounting to RMB194,353,000, RMB290,715,000 and RMB293,714,000, respectively, were pledged to secure bank borrowings of the Group (note 25).

The Company

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	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	50,447	11,329	21,250	1,982	7,629	146,747	21,025	260,409
Accumulated depreciation	<u>(27,999)</u>	<u>(2,984)</u>	<u>(7,149)</u>	<u>(1,619)</u>	<u>(6,253)</u>	<u>—</u>	<u>(3,060)</u>	<u>(49,064)</u>
Net carrying amount	<u>22,448</u>	<u>8,345</u>	<u>14,101</u>	<u>363</u>	<u>1,376</u>	<u>146,747</u>	<u>17,965</u>	<u>211,345</u>
At 1 January 2023, net of accumulated depreciation	22,448	8,345	14,101	363	1,376	146,747	17,965	211,345
Additions	3	13,494	2,212	132	763	101,264	26,133	144,001
Disposals	<u>(4,368)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,368)</u>
Depreciation provided during the year	<u>(2,318)</u>	<u>(1,412)</u>	<u>(3,250)</u>	<u>(112)</u>	<u>(619)</u>	<u>—</u>	<u>(10,951)</u>	<u>(18,662)</u>
At 31 December 2023, net of accumulated depreciation	<u>15,765</u>	<u>20,427</u>	<u>13,063</u>	<u>383</u>	<u>1,520</u>	<u>248,011</u>	<u>33,147</u>	<u>332,316</u>
At 31 December 2023:								
Cost	40,059	24,823	23,462	2,114	8,392	248,011	47,158	394,019
Accumulated depreciation	<u>(24,294)</u>	<u>(4,396)</u>	<u>(10,399)</u>	<u>(1,731)</u>	<u>(6,872)</u>	<u>—</u>	<u>(14,011)</u>	<u>(61,703)</u>
Net carrying amount	<u>15,765</u>	<u>20,427</u>	<u>13,063</u>	<u>383</u>	<u>1,520</u>	<u>248,011</u>	<u>33,147</u>	<u>332,316</u>

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ACCOUNTANTS’ REPORT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	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	40,059	24,823	23,462	2,114	8,392	248,011	47,158	394,019
Accumulated depreciation	(24,294)	(4,396)	(10,399)	(1,731)	(6,872)	—	(14,011)	(61,703)
Net carrying amount . . .	<u>15,765</u>	<u>20,427</u>	<u>13,063</u>	<u>383</u>	<u>1,520</u>	<u>248,011</u>	<u>33,147</u>	<u>332,316</u>
At 1 January 2024, net of accumulated depreciation	15,765	20,427	13,063	383	1,520	248,011	33,147	332,316
Additions	—	15,191	6,507	272	1,984	158,022	50,460	232,436
Disposals	—	—	—	(24)	(14)	—	—	(38)
Depreciation provided during the year	(7,932)	(3,018)	(2,813)	(108)	(767)	—	(20,982)	(35,620)
Transfer	<u>406,033</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(406,033)</u>	<u>—</u>	<u>—</u>
At 31 December 2024, net of accumulated depreciation	<u>413,866</u>	<u>32,600</u>	<u>16,757</u>	<u>523</u>	<u>2,723</u>	<u>—</u>	<u>62,625</u>	<u>529,094</u>
At 31 December 2024:								
Cost	446,092	40,014	29,969	1,911	10,074	—	97,618	625,678
Accumulated depreciation	(32,226)	(7,414)	(13,212)	(1,388)	(7,351)	—	(34,993)	(96,584)
Net carrying amount . . .	<u>413,866</u>	<u>32,600</u>	<u>16,757</u>	<u>523</u>	<u>2,723</u>	<u>—</u>	<u>62,625</u>	<u>529,094</u>

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	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	446,092	40,014	29,969	1,911	10,074	—	97,618	625,678
Accumulated depreciation . .	(32,226)	(7,414)	(13,212)	(1,388)	(7,351)	—	(34,993)	(96,584)
Net carrying amount	<u>413,866</u>	<u>32,600</u>	<u>16,757</u>	<u>523</u>	<u>2,723</u>	<u>—</u>	<u>62,625</u>	<u>529,094</u>
At 1 January 2025, net of accumulated depreciation . . .	413,866	32,600	16,757	523	2,723	—	62,625	529,094
Additions	—	6,671	3,115	574	717	7,413	15,606	34,096
Disposals	(4)	(68)	(2)	—	(1)	—	—	(75)
Depreciation provided during the year	(21,491)	(4,173)	(4,607)	(267)	(1,061)	—	(32,953)	(64,552)
Transfer	<u>7,413</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,413)</u>	<u>—</u>	<u>—</u>
At 31 December 2025, net of accumulated depreciation . . .	<u>399,784</u>	<u>35,030</u>	<u>15,263</u>	<u>830</u>	<u>2,378</u>	<u>—</u>	<u>45,278</u>	<u>498,563</u>

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ACCOUNTANTS’ REPORT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2025:								
Cost	453,501	46,031	32,741	2,485	10,779	–	113,224	658,761
Accumulated depreciation . .	(53,717)	(11,001)	(17,478)	(1,655)	(8,401)	–	(67,946)	(160,198)
Net carrying amount	<u>399,784</u>	<u>35,030</u>	<u>15,263</u>	<u>830</u>	<u>2,378</u>	<u>–</u>	<u>45,278</u>	<u>498,563</u>

14. INVESTMENT PROPERTIES

The Group and the Company

	Buildings
	RMB'000
31 December 2023	
At 1 January 2023:	
Cost	4,532
Accumulated depreciation	(2,553)
Net carrying amount	<u>1,979</u>
At 1 January 2023, net of accumulated depreciation	1,979
Depreciation provided during the year (<i>note 6</i>)	(211)
At 31 December 2023, net of accumulated depreciation	<u>1,768</u>
At 31 December 2023:	
Cost	4,532
Accumulated depreciation	(2,764)
Net carrying amount	<u>1,768</u>
	Buildings
	RMB'000
31 December 2024	
At 1 January 2024:	
Cost	4,532
Accumulated depreciation	(2,764)
Net carrying amount	<u>1,768</u>
At 1 January 2024, net of accumulated depreciation	1,768
Depreciation provided during the year (<i>note 6</i>)	(212)
At 31 December 2024, net of accumulated depreciation	<u>1,556</u>
At 31 December 2024:	
Cost	4,532
Accumulated depreciation	(2,976)
Net carrying amount	<u>1,556</u>

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ACCOUNTANTS’ REPORT

	Buildings
	<i>RMB'000</i>
31 December 2025	
At 1 January 2025:	
Cost	4,532
Accumulated depreciation	(2,976)
Net carrying amount	<u>1,556</u>
At 1 January 2025, net of accumulated depreciation	1,556
Depreciation provided during the year (<i>note 6</i>)	(211)
At 31 December 2025, net of accumulated depreciation	<u>1,345</u>
At 31 December 2025:	
Cost	4,532
Accumulated depreciation	(3,187)
Net carrying amount	<u>1,345</u>

There were no items of investment properties pledged during the Relevant Periods.

The Group’s investment properties consist of two commercial properties in Chinese mainland. The fair value of the Group’s investment properties were at the amount of RMB4,402,000, RMB3,369,000 and RMB4,513,000 as at 31 December 2023, 2024 and 2025, respectively. The fair value of this item is measured using the market comparison method, which is categorised within Level 2 of the fair value hierarchy. The valuation is based on significant observable market inputs, including quoted prices for similar assets and comparable transaction data.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the Historical Financial Information.

15. LEASES

The Group

As a lessee

The Group has lease contracts for stores and office premises used in its operations. Lump sum payments were made upfront to acquire the land use rights with useful lives of 50 years, and no ongoing payments will be made under the terms of these land use rights. Leases of stores and office premises, have lease terms between 14 and 72 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

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

	Stores and office premises	Land use rights	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023	26,797	66,866	93,663
Additions	14,875	6,250	21,125
Termination of leases	(4,315)	(4,665)	(8,980)
Depreciation charge (<i>note 6</i>)	(9,583)	(1,553)	(11,136)
As at 31 December 2023 and 1 January 2024 . . .	27,774	66,898	94,672
Additions	58,890	–	58,890
Termination of leases	(14,530)	–	(14,530)
Depreciation charge (<i>note 6</i>)	(16,571)	(1,494)	(18,065)

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ACCOUNTANTS’ REPORT

	Stores and office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2024 and 1 January 2025 . . .	55,563	65,404	120,967
Additions	23,716	17,364	41,080
Termination of leases	(11,121)	–	(11,121)
Modification of leases	(432)	–	(432)
Depreciation charge (note 6)	(27,600)	(1,863)	(29,463)
As at 31 December 2025	<u>40,126</u>	<u>80,905</u>	<u>121,031</u>

As at 31 December 2023, 2024 and 2025, certain of the Group’s and the Company’s right-of-use assets amounting to RMB49,639,000, RMB48,652,000 and RMB57,834,000, respectively, were pledged to secure bank borrowings of the Group and the Company (note 25).

(b) *Lease liabilities*

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year . . .	24,851	26,033	52,872
Addition during the year	14,875	58,890	23,716
Accretion of interest recognised during the year .	1,398	1,851	2,186
Payments	(10,831)	(19,403)	(31,109)
Termination of leases	(4,260)	(14,499)	(10,391)
Modification of leases	–	–	(432)
Carrying amount at the end of the year	<u>26,033</u>	<u>52,872</u>	<u>36,842</u>
Analysed into:			
Current portion	9,588	24,391	22,752
Non-current portion	<u>16,445</u>	<u>28,481</u>	<u>14,090</u>
Total	<u>26,033</u>	<u>52,872</u>	<u>36,842</u>

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	11,136	18,065	29,463
Interest charge on lease liabilities	1,398	1,851	2,186
Loss on termination of a lease (note 6)	55	31	730
Gain on disposal of land use rights	6,129	–	–
Expense relating to short-term leases	<u>1,806</u>	<u>6,393</u>	<u>26,618</u>
Total amount recognised in profit or loss	<u>20,524</u>	<u>26,340</u>	<u>58,997</u>

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(d) The total cash outflows for leases are disclosed in note 29(c) to the Historical Financial Information.

The Company

As a lessee

(a) *Right-of-use assets*

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

	Stores and office premises	Land use rights	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	25,273	66,866	92,139
Additions	4,812	6,250	11,062
Termination of leases	(3,868)	(4,665)	(8,533)
Depreciation charge	(9,230)	(1,553)	(10,783)
As at 31 December 2023 and 1 January 2024	16,987	66,898	83,885
Additions	29,272	–	29,272
Termination of leases	(14,530)	–	(14,530)
Depreciation charge	(10,788)	(1,494)	(12,282)
As at 31 December 2024 and 1 January 2025	20,941	65,404	86,345
Additions	330	17,364	17,694
Termination of leases	(11,121)	–	(11,121)
Modification of a lease	154	–	154
Depreciation charge	(6,011)	(1,863)	(7,874)
As at 31 December 2025	4,293	80,905	85,198

(b) *Lease liabilities*

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year . . .	23,300	15,073	19,452
Addition during the year	4,812	29,272	330
Accretion of interest recognised during the year .	1,190	927	432
Payments	(9,969)	(12,091)	(6,015)
Termination of leases	(4,260)	(13,729)	(10,391)
Modification of a lease	–	–	154
Carrying amount at the end of the year	15,073	19,452	3,962
Analysed into:			
Current portion	5,954	7,738	3,091
Non-current portion	9,119	11,714	871
	15,073	19,452	3,962

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	10,783	12,282	7,874
Interest charge on lease liabilities	1,190	927	432
(Gain)/loss on termination of a lease	(392)	801	422
Gain on disposal of land use rights	6,129	—	—
Expense relating to short-term leases	1,806	6,393	26,618
Total amount recognised in profit or loss	<u>19,516</u>	<u>20,403</u>	<u>35,346</u>

The Group and the Company

As a lessor

The Group leases its investment properties (note 14) consisting of two commercial properties in Chinese mainland under operating lease arrangements.

The undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	206	143	40
After one year but within two years	143	40	19
After two years	59	19	—
Total	<u>408</u>	<u>202</u>	<u>59</u>

16. INTANGIBLE ASSETS

The Group

31 December 2023

	Software
	RMB'000
At 1 January 2023:	
Cost	6,302
Accumulated amortisation	(3,307)
Net carrying amount	<u>2,995</u>
At 1 January 2023, net of accumulated amortisation	2,995
Additions	2,480
Amortisation provided during the year (note 6)	(675)
At 31 December 2023, net of accumulated amortisation	<u>4,800</u>
At 31 December 2023:	
Cost	8,782
Accumulated amortisation	(3,982)
Net carrying amount	<u>4,800</u>

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31 December 2024

Software

RMB'000

At 1 January 2024:	
Cost	8,782
Accumulated amortisation.	(3,982)
Net carrying amount	4,800
At 1 January 2024, net of accumulated amortisation	4,800
Additions	1,898
Amortisation provided during the year (<i>note 6</i>)	(752)
At 31 December 2024, net of accumulated amortisation.	5,946
At 31 December 2024:	
Cost	10,680
Accumulated amortisation.	(4,734)
Net carrying amount	5,946

31 December 2025

Software

RMB'000

At 1 January 2025:	
Cost	10,680
Accumulated amortisation.	(4,734)
Net carrying amount	5,946
At 1 January 2025, net of accumulated amortisation	5,946
Additions	3,276
Amortisation provided during the year (<i>note 6</i>)	(1,234)
At 31 December 2025, net of accumulated amortisation.	7,988
At 31 December 2025:	
Cost	11,319
Accumulated amortisation.	(3,331)
Net carrying amount	7,988

The Company

31 December 2023

Software

RMB'000

At 1 January 2023:	
Cost	6,302
Accumulated amortisation.	(3,307)
Net carrying amount	2,995
At 1 January 2023, net of accumulated amortisation	2,995
Additions	2,466
Amortisation provided during the year	(675)
At 31 December 2023, net of accumulated amortisation.	4,786
At 31 December 2023:	
Cost	8,768
Accumulated amortisation.	(3,982)
Net carrying amount	4,786

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31 December 2024

	Software
	<i>RMB’000</i>
At 1 January 2024:	
Cost	8,768
Accumulated amortisation.	<u>(3,982)</u>
Net carrying amount	<u>4,786</u>
At 1 January 2024, net of accumulated amortisation	4,786
Additions	1,897
Amortisation provided during the year	<u>(750)</u>
At 31 December 2024, net of accumulated amortisation.	<u>5,933</u>
At 31 December 2024:	
Cost	10,665
Accumulated amortisation.	<u>(4,732)</u>
Net carrying amount	<u>5,933</u>

31 December 2025

	Software
	<i>RMB’000</i>
At 1 January 2025:	
Cost	10,665
Accumulated amortisation.	<u>(4,732)</u>
Net carrying amount	<u>5,933</u>
At 1 January 2025, net of accumulated amortisation	5,933
Additions	3,276
Amortisation provided during the year	<u>(1,232)</u>
At 31 December 2025, net of accumulated amortisation.	<u>7,977</u>
At 31 December 2025:	
Cost	11,305
Accumulated amortisation.	<u>(3,328)</u>
Net carrying amount	<u>7,977</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Unlisted equity investments, at fair value	<u>800</u>	<u>900</u>	<u>–</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.

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ACCOUNTANTS’ REPORT

18. DEFERRED TAX

The Group

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

Deferred tax assets

	Lease liabilities	Impairment on financial assets	Impairment of inventories	Provision	Losses available for offsetting against future taxable profits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	6,213	2,179	8,770	2,660	–	–	19,822
Deferred tax (charged)/credited to profit or loss during the year (note 10).	(1,544)	272	(1,194)	1,073	–	9	(1,384)
At 31 December 2023 and 1 January 2024	4,669	2,451	7,576	3,733	–	9	18,438
Deferred tax credited/(charged) to profit or loss during the year (note 10).	4,150	(1,180)	(568)	(1,389)	61	228	1,302
At 31 December 2024 and 1 January 2025	8,819	1,271	7,008	2,344	61	237	19,740
Deferred tax (charged)/ credited to profit or loss during the year (note 10).	(2,608)	(840)	3,798	3,011	5,607	92	9,060
At 31 December 2025	6,211	431	10,806	5,355	5,668	329	28,800

Deferred tax liabilities

	Fair value adjustments arising from financial assets at fair value	Depreciation allowance in excess of related depreciation	Right-of-use assets	Government grants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023.	150	2,298	6,699	–	9,147
Deferred tax credited to other comprehensive income during the year.	(25)	–	–	–	(25)
Deferred tax charged/(credited) to profit or loss during the year (note 10)	–	2,591	(1,662)	9,398	10,327
At 31 December 2023 and 1 January 2024	125	4,889	5,037	9,398	19,449
Deferred tax credited to other comprehensive income during the year.	(35)	–	–	–	(35)
Deferred tax charged/(credited) to profit or loss during the year (note 10)	–	575	4,296	(3,759)	1,112
At 31 December 2024 and 1 January 2025	90	5,464	9,333	5,639	20,526
Deferred tax credited to other comprehensive income during the year.	(90)	–	–	–	(90)
Deferred tax charged/(credited) to profit or loss during the year (note 10)	–	1,327	(2,477)	–	(1,150)
At 31 December 2025	–	6,791	6,856	5,639	19,286

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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 statements of financial position . .	107	171	9,514
Net deferred tax liabilities recognised in the consolidated statements of financial position . .	(1,118)	(957)	—

The Group had tax losses arising in Chinese mainland of nil, RMB1,222,000 and RMB39,095,000 as at 31 December 2023, 2024 and 2025, respectively, that will expire in one to five years for offsetting against future taxable profits.

The Company

Deferred tax assets

	Lease liabilities	Impairment on financial assets	Impairment of inventories	Provision	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	5,826	2,206	8,770	2,660	19,462
Deferred tax (charged)/credited to profit or loss during the year	(2,058)	271	(1,194)	1,073	(1,908)
At 31 December 2023 and 1 January 2024	3,768	2,477	7,576	3,733	17,554
Deferred tax charged to profit or loss during the year	(850)	(1,051)	(568)	(1,389)	(3,858)
At 31 December 2024 and 1 January 2025	2,918	1,426	7,008	2,344	13,696
Deferred tax (charged)/credited to profit or loss during the year	(2,324)	(478)	3,798	2,906	3,902
At 31 December 2025	594	948	10,806	5,250	17,598

Deferred tax liabilities

	Fair value adjustments arising from financial assets at fair value	Depreciation allowance in excess of related depreciation	Right-of-use assets	Government grants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	150	2,298	6,320	—	8,768
Deferred tax credited to other comprehensive income during the year	(25)	—	—	—	(25)
Deferred tax charged/(credited) to profit or loss during the year	—	2,591	(2,074)	9,398	9,915
At 31 December 2023 and 1 January 2024	125	4,889	4,246	9,398	18,658

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	Fair value adjustments arising from financial assets at fair value	Depreciation allowance in excess of related depreciation	Right-of-use assets	Government grants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax credited to other comprehensive income during the year	(35)	—	—	—	(35)
Deferred tax charged/(credited) to profit or loss during the year	—	575	(1,106)	(3,759)	(4,290)
At 31 December 2024 and 1 January 2025	90	5,464	3,140	5,639	14,333
Deferred tax credited to other comprehensive income during the year	(90)	—	—	—	(90)
Deferred tax charged/(credited) to profit or loss during the year	—	1,326	(2,496)	—	(1,170)
At 31 December 2025	—	6,790	644	5,639	13,073

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 statements of financial position . .	—	—	4,525
Net deferred tax liabilities recognised in the consolidated statements of financial position . .	(1,104)	(637)	—

19. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	79,128	201,120	200,411
Finished goods	177,390	492,084	725,289
Total	256,518	693,204	925,700

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Impairment provision

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year . . .	35,078	30,304	46,722
Impairment losses recognised	19,252	36,081	52,323
Amounts written off	(24,026)	(19,663)	(27,003)
Carrying amount at the end of the year	<u>30,304</u>	<u>46,722</u>	<u>72,042</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	79,128	201,120	191,817
Finished goods	177,322	489,532	725,289
Total	<u>256,450</u>	<u>690,652</u>	<u>917,106</u>

Impairment provision

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year . . .	35,078	30,304	46,722
Impairment losses recognised	19,252	36,081	52,323
Amounts written off	(24,026)	(19,663)	(27,003)
Carrying amount at the end of the year	<u>30,304</u>	<u>46,722</u>	<u>72,042</u>

20. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	230,716	282,971	588,138
Bills receivable	7,470	3,430	8,032
Total	238,186	286,401	596,170
Impairment	9,065	7,379	2,307
Net carrying amount	<u>229,121</u>	<u>279,022</u>	<u>593,863</u>

The Group’s trade receivables usually generate from sales through online platform, offline stores, distributors and group buying customers. The Group usually grants a credit period of 4 days to 30 days to online platforms, 30 days to 60 days to offline stores, and 10 days to 60 days to enterprise customers. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. The Group’s bills receivable were all aged within six months and were neither past due nor impaired.

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During the years ended 31 December 2023, 2024 and 2025, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the continuing involvement, both during the Relevant Periods or cumulatively. The endorsement has been made evenly throughout the Relevant Periods.

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

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 3 months	215,900	271,010	588,119
3 to 6 months	11,068	2,445	4,555
6 to 12 months	1,613	4,894	1,011
1 to 2 years	540	673	178
Over 2 years	—	—	—
Total	<u>229,121</u>	<u>279,022</u>	<u>593,863</u>

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	7,473	9,065	7,379
Impairment losses, net (<i>note 6</i>)	1,592	(1,686)	270
Amount written-off as uncollectible	—	—	(5,342)
At end of year	<u>9,065</u>	<u>7,379</u>	<u>2,307</u>

An impairment analysis is performed at each reporting date using a provision matrix or assessed individually to measure expected credit losses. The provision rates used in the provision matrix are based on ageing analysis of customers that have similar loss pattern. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that are available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

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

At 31 December 2023:

	Credit risk exposure using a provision matrix						Total
	Individual assessment	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate . .	100.0%	0.7%	1.0%	10.7%	24.4%	100.0%	3.8%
Gross carrying amount (RMB’000)	4,618	217,424	11,176	1,807	714	2,447	238,186
Expected credit losses (RMB’000)	<u>4,618</u>	<u>1,524</u>	<u>108</u>	<u>194</u>	<u>174</u>	<u>2,447</u>	<u>9,065</u>
Net carrying amount	<u>—</u>	<u>215,900</u>	<u>11,068</u>	<u>1,613</u>	<u>540</u>	<u>—</u>	<u>229,121</u>

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At 31 December 2024:

	Credit risk exposure using a provision matrix						Total
	Individual assessment	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate . .	100.0%	0.2%	1.0%	3.3%	13.6%	100.0%	2.6%
Gross carrying amount (RMB’000)	4,616	271,654	2,469	5,061	779	1,822	286,401
Expected credit losses (RMB’000)	<u>4,616</u>	<u>644</u>	<u>24</u>	<u>167</u>	<u>106</u>	<u>1,822</u>	<u>7,379</u>
Net carrying amount.	<u>–</u>	<u>271,010</u>	<u>2,445</u>	<u>4,894</u>	<u>673</u>	<u>–</u>	<u>279,022</u>

At 31 December 2025:

	Credit risk exposure using a provision matrix						Total
	Individual assessment	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate . .	–	0.1%	0.5%	2.8%	21.9%	100.0%	0.4%
Gross carrying amount (RMB’000)	–	588,816	4,578	1,040	228	1,508	596,170
Expected credit losses (RMB’000)	<u>–</u>	<u>697</u>	<u>23</u>	<u>29</u>	<u>50</u>	<u>1,508</u>	<u>2,307</u>
Net carrying amount.	<u>–</u>	<u>588,119</u>	<u>4,555</u>	<u>1,011</u>	<u>178</u>	<u>–</u>	<u>593,863</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	230,155	260,151	583,373
Bills receivable	<u>7,470</u>	<u>3,310</u>	<u>8,032</u>
Total	<u>237,625</u>	<u>263,461</u>	<u>591,405</u>
Impairment	<u>9,155</u>	<u>8,657</u>	<u>5,585</u>
Net carrying amount	<u>228,470</u>	<u>254,804</u>	<u>585,820</u>

Included in the Company’s trade receivables were amounts due from the Company’s subsidiaries of RMB9,548,000, RMB80,486,000 and RMB184,605,000, respectively, which were repayable on credit terms similar to those offered to the major customers of the Group.

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

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 3 months	215,249	246,792	579,144
3 to 6 months	<u>11,068</u>	<u>2,445</u>	<u>5,070</u>
6 to 12 months	<u>1,613</u>	<u>4,894</u>	<u>1,428</u>
1 to 2 years	<u>540</u>	<u>673</u>	<u>178</u>
Over 2 years	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>228,470</u>	<u>254,804</u>	<u>585,820</u>

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	7,503	9,155	8,657
Impairment losses, net	1,652	(498)	2,270
Amount written-off as uncollectible	—	—	(5,342)
At end of year	<u>9,155</u>	<u>8,657</u>	<u>5,585</u>

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

At 31 December 2023:

Credit risk exposure using a provision matrix							
	Individual assessment	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate . .	33.7%	0.7%	1.0%	10.7%	24.4%	100.0%	3.9%
Gross carrying amount (RMB'000)	14,165	207,316	11,176	1,807	714	2,447	237,625
Expected credit losses (RMB'000)	<u>4,780</u>	<u>1,452</u>	<u>108</u>	<u>194</u>	<u>174</u>	<u>2,447</u>	<u>9,155</u>
Net carrying amount	<u>9,385</u>	<u>205,864</u>	<u>11,068</u>	<u>1,613</u>	<u>540</u>	<u>—</u>	<u>228,470</u>

At 31 December 2024:

Credit risk exposure using a provision matrix							
	Individual assessment	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate . .	7.2%	0.2%	1.0%	3.3%	13.6%	100.0%	3.3%
Gross carrying amount (RMB'000)	85,102	168,228	2,469	5,061	779	1,822	263,461
Expected credit losses (RMB'000)	<u>6,141</u>	<u>397</u>	<u>24</u>	<u>167</u>	<u>106</u>	<u>1,822</u>	<u>8,657</u>
Net carrying amount	<u>78,961</u>	<u>167,831</u>	<u>2,445</u>	<u>4,894</u>	<u>673</u>	<u>—</u>	<u>254,804</u>

At 31 December 2025:

Credit risk exposure using a provision matrix							
	Individual assessment	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate . .	1.9%	0.1%	0.5%	2.8%	21.9%	100.0%	0.9%
Gross carrying amount (RMB'000)	184,605	399,777	4,345	942	228	1,508	591,405
Expected credit losses (RMB'000)	<u>3,507</u>	<u>472</u>	<u>22</u>	<u>26</u>	<u>50</u>	<u>1,508</u>	<u>5,585</u>
Net carrying amount	<u>181,098</u>	<u>399,305</u>	<u>4,323</u>	<u>916</u>	<u>178</u>	<u>—</u>	<u>585,820</u>

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21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments	16,222	30,957	19,280
Right-of-return assets	3,373	5,272	16,975
Deposits	17,515	22,192	20,158
Other receivables	60,830	65,652	67,065
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Value-added-tax recoverable	116	2,371	36
Due from a related company (note (a))	328,809	325,184	–
	426,865	451,628	127,526
Impairment allowance	(1,137)	(1,393)	(788)
Total	425,728	450,235	126,738
Analysed into:			
Current portion	98,044	436,800	119,084
Non-current portion	327,684	13,435	7,654

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments	16,147	28,627	12,557
Right-of-return assets	3,373	5,272	15,633
Deposits	16,745	21,159	14,301
Other receivables	60,822	64,653	66,726
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Value-added-tax recoverable	–	2,078	–
Due from subsidiaries (note (b))	–	2,213	2,522
Due from a related company (note (a))	328,809	325,184	–
	425,896	449,186	115,751
Impairment allowance	(754)	(853)	(734)
Total	425,142	448,333	115,017
Analysed into:			
Current portion	97,606	436,574	109,919
Non-current portion	327,536	11,759	5,098

Except for certain loss allowance provided for deposits and other receivables, there was no recent history of default and past due amounts.

Deposits and other receivables were mainly deposits for online and offline stores. Deposits and other receivables were non-interest-bearing and should be repaid after the contract terms.

Notes:

- (a) The amounts due from a related company bore interest at rates of 3.65% to 4.60% per annum, were unsecured and repayable within three years.
- (b) The amounts due from subsidiaries were unsecured, interest-free and were repayable on demand.

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22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	129,374	224,616	363,760
Less: restricted cash*.	44,010	70,948	100,549
Cash and cash equivalents	<u>85,364</u>	<u>153,668</u>	<u>263,211</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	120,935	203,464	306,235
Less: restricted cash*.	44,010	70,948	100,549
Cash and cash equivalents	<u>76,925</u>	<u>132,516</u>	<u>205,686</u>

* Bank balances of RMB44,010,000, RMB70,948,000 and RMB100,549,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to banks as collateral for issuance of bank acceptance notes.

At the end of each of the Relevant Periods, the cash and bank balances of the Group all denominated in Renminbi (“RMB”). Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The 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.

23. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills payable	83,304	206,098	364,037
Trade payables	192,662	547,347	717,325
Total	<u>275,966</u>	<u>753,445</u>	<u>1,081,362</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	273,700	751,566	1,080,121
1 to 2 years.	2,266	753	377
Over 2 years	–	1,126	864
Total	<u>275,966</u>	<u>753,445</u>	<u>1,081,362</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills payable	83,304	206,098	364,037
Trade payables	193,758	539,486	705,084
Total	<u>277,062</u>	<u>745,584</u>	<u>1,069,121</u>

Included in the Company’s trade payables were amounts due to the Company’s subsidiaries of RMB2,388,000, RMB6,326,000 and RMB14,968,000 as at 31 December 2023, 2024 and 2025, respectively, which are repayable on credit terms similar to those offered to the major supplier of the Group.

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	274,796	743,705	1,067,880
1 to 2 years.	2,266	753	377
Over 2 years	–	1,126	864
Total	<u>277,062</u>	<u>745,584</u>	<u>1,069,121</u>

Trade and bills payables were non-interest-bearing and were normally settled on terms of 30 to 300 days.

The Group entered into supplier finance arrangement with certain financial institutions and banks (the “Factoring Companies”) who provided total credit limits up to RMB135 million and RMB229 million for factoring the trade receivables of the Group’s suppliers as at 31 December 2024 and 2025, respectively.

Under these supplier finance arrangements, the Group’s suppliers are eligible to have their undue trade receivables from the Group factored by the Factoring Companies. Upon the Group’s approval, the suppliers enter into their trade receivables transfer agreements with the Factoring Companies, whereby their corresponding trade receivables due from the Group were transferred to the Factoring Companies. The Factoring Companies then settle the suppliers directly for the factored trade receivables. The Group subsequently make payments to the Factoring Companies to settle the factored amounts. The credit periods of the above supplier finance arrangements are usually not more than 12 months.

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All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Trade and bills payables	—	83,864	188,650
of which suppliers have received payments	—	83,864	188,650
	—	<u>83,864</u>	<u>188,650</u>

24. OTHER PAYABLES AND ACCRUALS

The Group

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	18,625	45,156	16,854
Refund liabilities	(b)	8,848	13,113	33,956
Other payables	(c)	92,485	151,638	131,273
Deposits		22,237	29,241	30,782
Payable for [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Other tax payable		61,590	15,946	52,308
Payrolls payables		29,244	38,784	39,470
Total		<u>233,029</u>	<u>293,878</u>	<u>306,501</u>

- (a) Contract liabilities mainly include short-term advances received from distributors, rebates and member points of royalty programs related to the sale of products.

	As at 1 January		As at 31 December		
	2023		2023	2024	2025
	RMB'000		RMB'000	RMB'000	RMB'000
Sale of goods	<u>11,700</u>		<u>18,625</u>	<u>45,156</u>	<u>16,854</u>

The Company

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	18,625	39,067	11,081
Refund liabilities	(b)	8,848	13,113	31,858
Other payables	(c)	92,398	151,883	128,819
Deposits		22,237	29,241	30,782
Payable for [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables		60,827	8,343	40,403
Payrolls payable		27,098	34,169	25,331
Amounts due to a subsidiary	(d)	21,900	26,629	25,824
Total		<u>251,933</u>	<u>302,445</u>	<u>295,956</u>

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Notes:

- (a) Contract liabilities mainly include short-term advances received from distributors, rebates and member points related to the sale of products.

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of goods.	11,700	18,625	39,067	11,081

- (b) Refund liabilities represented the obligations arising from rights of return to refund some or all of the consideration received (or receivable) from customers. The Group updates its estimates of refund liabilities (and the corresponding changes in the transaction prices) at each reporting period.

- (c) Other payables were unsecured, non-interest-bearing and were repayable on demand.

- (d) The amounts due to a subsidiary bore interest at rates of 3.65% to 4.80% and were repayable on demand.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December 2023		
	Effective interest rate	Maturity	RMB'000
Current			
Bank borrowings – secured and guaranteed	3.45%	2024	8,008
Bank borrowings – guaranteed.	3.70%	2024	5,006
Current portion of long-term bank loans			
– secured and guaranteed	3.20%-4.65%	2024	17,015
Current portion of long-term bank loans			
– guaranteed	4.80%	2024	47
			<u>30,076</u>
Non-Current			
Bank borrowings – secured and guaranteed	3.20%-4.65%	2025-2027	37,446
Bank borrowings – guaranteed.	4.80%	2025	14,940
			<u>52,386</u>
Total			<u>82,462</u>

	As at 31 December 2024		
	Effective interest rate	Maturity	RMB'000
Current			
Bank borrowings – secured and guaranteed	3.65%	2025	52,579
Bank borrowings – unsecured	3.5%	2025	10,011
Bank borrowings – guaranteed.	3.45%-4.00%	2025	95,110
Current portion of long-term bank loans			
– secured and guaranteed	3.20%-4.65%	2025	17,185
Current portion of long-term bank loans			
– guaranteed	3.65%	2025	14,957
			<u>189,842</u>
Non-Current			
Bank borrowings – secured and guaranteed	3.20%-4.65%	2026-2027	79,996
Total			<u>269,838</u>

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As at 31 December 2025			
	Effective interest rate	Maturity	RMB’000
Current			
Bank borrowings – secured and guaranteed	3.10%-3.65%	2026	81,634
Bank borrowings – guaranteed	3.10%-4.80%	2026	128,892
Bank borrowings – unsecured	3.5%	2026	30,032
Current portion of long-term bank loans – secured and guaranteed	3.65%	2026	59,557
Current portion of long-term bank loans – guaranteed	3.15%	2026	29,924
Current portion of other borrowing – secured	5.29%	2026	12,310
			<u>342,349</u>
Non-Current			
Other borrowing – secured	5.29%	2027-2028	16,130
Total			<u>358,479</u>

The Group’s certain bank loans and other borrowings at 31 December 2023, 2024 and 2025 of RMB62,469,000, RMB149,760,000 and RMB141,191,000, respectively, were secured by the pledge of the Group’s assets.

As at 31 December			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets	49,639	48,652	57,834
Property, plant and equipment	194,353	290,715	293,714
Total	<u>243,992</u>	<u>339,367</u>	<u>351,548</u>

At 31 December 2023, 2024 and 2025, the Group’s certain bank loans of RMB82,462,000, RMB259,827,000 and RMB289,693,000, respectively, were guaranteed by related parties, Shanghai Lanyin Investment Management Co., Ltd., Qingzhou Tanwen Investment Management Center (Limited Partnership), Ms. Wang Lili and Mr. Wang Yongping. In addition, these related parties guaranteed certain banking facilities to the extent of RMB92,000,000, RMB269,740,000 and RMB429,590,000 as at 31 December 2023, 2024 and 2025, respectively. The management of Group expect to repay the borrowings or procure the release of the guarantees provided by the relevant Controlling Shareholders for the borrowings prior to the [REDACTED].

As at 31 December			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Bank borrowings repayable:			
Within one year or on demand	30,076	189,842	342,349
In the second year	16,980	69,748	16,130
In the third to fifth years, inclusive	35,406	10,248	–
Net carrying amount	<u>82,462</u>	<u>269,838</u>	<u>358,479</u>

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The Company

As at 31 December 2023			
	Effective interest rate	Maturity	RMB'000
Current			
Bank borrowings – secured and guaranteed	3.45%	2024	8,008
Current portion of long-term bank loans			
– secured and guaranteed	3.20%-4.65%	2024	17,015
Total – current			25,023
Non-Current			
Bank borrowings – secured and guaranteed	3.20%-4.65%	2025-2027	37,446
Total			62,469

As at 31 December 2024			
	Effective interest rate	Maturity	RMB'000
Current			
Bank borrowings – secured and guaranteed	3.65%	2025	52,579
Bank borrowings – unsecured	3.50%	2025	10,011
Bank borrowings – guaranteed	3.45%-4.00%	2025	85,097
Current portion of long-term bank loans -			
– secured and guaranteed	3.20%-4.65%	2025	17,185
			164,872
Non-Current			
Bank borrowings – secured and guaranteed	3.20%-4.65%	2026-2027	79,996
Total			244,868

As at 31 December 2025			
	Effective interest rate	Maturity	RMB'000
Current			
Bank borrowings – secured and guaranteed	3.65%	2026	71,624
Bank borrowings – guaranteed	3.10%-4.80%	2026	148,914
Current portion of long-term bank loans			
– secured and guaranteed	3.65%	2026	59,557
Current portion of other borrowing – secured	5.29%	2026	12,310
			292,405
Non-Current			
Other borrowing – secured	5.29%	2027-2028	16,130
Total			308,535

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank borrowings repayable:			
Within one year	25,023	164,872	292,405
In the second year	16,950	69,748	16,130
In the third to fifth years, inclusive.	20,496	10,248	–
Net carrying amount	<u>62,469</u>	<u>244,868</u>	<u>308,535</u>

The Company’s certain bank loans and other borrowings at 31 December 2023, 2024 and 2025 of RMB62,469,000, RMB149,760,000 and RMB131,181,000, respectively, were secured by the pledge of the Company’s assets.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Right-of-use assets	49,639	48,652	57,834
Property, plant and equipment	194,353	290,715	293,714
Total	<u>243,992</u>	<u>339,367</u>	<u>351,548</u>

At 31 December 2023, 2024 and 2025, the Company’s certain bank loans of RMB62,469,000, RMB234,857,000 and RMB249,798,000, respectively, were guaranteed by Shanghai Lanyin Investment Management Co., Ltd., Qingzhou Tanwen Investment Management Center (Limited Partnership), Ms. Wang Lili and Mr. Wang Yongping. The management of Group expect to repay the borrowings or procure the release of the guarantees provided by the relevant Controlling Shareholders for the borrowings prior to the [REDACTED].

26. DEFERRED INCOME

The Group and the Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	110,845	194,911	189,003
Addition	86,338	–	–
Amortisation during the year	(2,272)	(5,908)	(15,314)
At the end of the year	<u>194,911</u>	<u>189,003</u>	<u>173,689</u>
Current portion.	5,908	15,314	15,174
Non-current portion	<u>189,003</u>	<u>173,689</u>	<u>158,515</u>

27. SHARE CAPITAL

The Group and the Company

Shares

	As at 31 December		
	2023	2024	2025
Issued and fully paid: Ordinary shares with par value of RMB1.00 each	<u>167,300,000</u>	<u>167,300,000</u>	<u>167,300,000</u>

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28. RESERVES

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.

(a) Statutory reserve

In accordance with the Company Law of Chinese mainland and the articles of association of entities established in Chinese mainland are required to appropriate 10% of its net profits after tax, as determined under the Chinese accounting standards, to the statutory reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant regulations and in the articles of association of the entities, the statutory reserve may be used either to offset losses, or to be converted to increase the capital provided that the balance after this conversion is not less than 25% of the registered capital of the entities.

The Company

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

	Share premium	Statutory reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	76,722	28,052	450	217,470	322,694
Profit for the year	—	—	—	136,040	136,040
Other comprehensive income for the year:					
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax . . .	—	—	(75)	—	(75)
Total comprehensive income for the year	—	—	(75)	136,040	135,965
Transfer to statutory reserve	—	13,604	—	(13,604)	—
At 31 December 2023 and 1 January 2024	76,722	41,656	375	339,906	458,659
Profit for the year	—	—	—	96,304	96,304
Other comprehensive income for the year:					
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax . . .	—	—	135	—	135
Total comprehensive income for the year	—	—	135	96,304	96,439
Transfer to statutory reserve	—	9,630	—	(9,630)	—
At 31 December 2024 and 1 January 2025	76,722	51,286	510	426,580	555,098
Profit for the year	—	—	—	229,105	229,105
Other comprehensive income for the year:					
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax . . .	—	—	92	—	92

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	Share premium	Statutory reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income for the year	–	–	92	229,105	229,197
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(602)	602	–
Transfer to statutory reserve	–	22,910	–	(22,910)	–
Dividend declared	–	–	–	(290,000)	(290,000)
At 31 December 2025	<u>76,722</u>	<u>74,196</u>	<u>–</u>	<u>343,377</u>	<u>494,295</u>

29. 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 RMB14,875,000, RMB58,890,000 and RMB23,716,000 respectively, in respect of lease agreements.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Payable for listing expenses
	RMB'000	RMB'000	RMB'000
At 1 January 2023	92,601	24,851	–
Changes from financing cash flows	(15,971)	(10,831)	–
New leases	–	14,875	–
Interest expense	5,832	1,398	–
Termination of leases	–	(4,260)	–
At 31 December 2023 and 1 January 2024	<u>82,462</u>	<u>26,033</u>	<u>–</u>
Changes from financing cash flows	177,864	(19,403)	–
New leases	–	58,890	–
Interest expense	9,512	1,851	–
Termination of leases	–	(14,499)	–
At 31 December 2024 and 1 January 2025	<u>269,838</u>	<u>52,872</u>	<u>–</u>
Changes from financing cash flows	72,624	(31,109)	(3,547)
Changes from operating cash flows	–	–	(11,299)
New leases	–	23,716	–
Interest expense	16,017	2,186	–
Termination of leases	–	(10,391)	–
Modification of leases	–	(432)	–
Increase in deferred [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
At 31 December 2025	<u>358,479</u>	<u>36,842</u>	<u>1,858</u>

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(c) Total cash outflow for leases

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within operating activities	1,806	6,393	26,618
Within investing activities	6,250	–	17,364
Within financing activities	10,831	19,403	31,109
Total	<u>18,887</u>	<u>25,796</u>	<u>75,091</u>

30. CONTINGENT LIABILITIES

At 31 December 2023, 2024 and 2025, neither the Group nor the Company had any material contingent liabilities.

31. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bank borrowings are included in note 25 to the Historical Financial Information.

32. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contracted, but not provided for:			
Purchases of plant and machinery	<u>2,007</u>	<u>1,357</u>	<u>2,407</u>

33. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship with the Group
Ms. Wang Lili	a shareholder, director and chief executive of the Company
Shanghai LanYin Investment Management Co., Ltd.	immediate holding company of the Company
Shandong LanYin Real Estate Co., Ltd.	a company of which Mr. Wang Yongping is an equity holder*
Qingzhou Tanwen Investment Management Center (Limited Partnership)	a shareholder of the Company

* Mr. Wang Yongping, a former director of the Company, was no longer a related party of the Group with his resignation since December 2022. The balances and transactions with Shandong LanYin Real Estate Co., Ltd., a company controlled by Mr. Wang Yongping as of 31 December 2023, 2024 and 2025 is disclosed to maintain consistency in disclosure during the Relevant Periods.

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(b) Transactions with related parties

The Group had the following material related party transactions during the Relevant Periods.

		Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Shandong LanYin Real Estate Co., Ltd.				
Sales of goods	(ii)	346	52	1
Interest income	(i)	10,045	10,740	5,853
Rental income	(ii)	417	191	532
Amounts advanced to	(i)	198,306	–	–
Amounts repaid from	(i)	<u>37,000</u>	<u>14,551</u>	<u>323,589</u>

Notes:

- (i) During the Relevant Period, loans advanced from a related company bore interest at rates of 3.65% to 4.6% per annum. Further details are set out in note 21 to the Historical Financial Information.
- (ii) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Other transactions with related parties:

At 31 December 2023, 2024 and 2025, the Group’s certain bank loans of RMB82,462,000, RMB259,827,000 and RMB289,693,000, respectively, were guaranteed by Shanghai LanYin Investment Management Co., Ltd., Qingzhou Tanwen Investment Management Center (Limited Partnership), Ms. Wang Lili and Mr. Wang Yongping at nil consideration. In addition, these related parties guaranteed certain bank loans to the extent of RMB92,000,000, RMB269,740,000 and RMB429,590,000 as at 31 December 2023, 2024 and 2025 at nil consideration. The management of Group expect to repay the borrowings or procure the release of the guarantees provided by the relevant Controlling Shareholders for the borrowings prior to the [REDACTED].

(d) Outstanding balances with related parties:

		As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-trade related:				
Due from a related company				
Shandong LanYin Real Estate Co.,				
Ltd. (i)		<u>328,809</u>	<u>325,184</u>	<u>–</u>

- (i) The amounts due from Shandong LanYin Real Estate Co., Ltd. bore interest at rates of 3.65% to 4.60% per annum, were unsecured and repayable within three years.

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(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	2,534	2,713	3,454
Performance related bonuses	1,262	1,454	866
Pension scheme contributions	324	352	338
Total compensation paid to key management personnel	<u>4,120</u>	<u>4,519</u>	<u>4,658</u>

Further details of director’s and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income (equity instruments)	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	229,121	229,121
Financial assets included in prepayments, other receivables and other assets	–	406,017	406,017
Financial assets at fair value through other comprehensive income	800	–	800
Restricted cash	–	44,010	44,010
Cash and cash equivalents	–	85,364	85,364
Total	<u>800</u>	<u>764,512</u>	<u>765,312</u>

As at 31 December 2024

Financial assets

	Financial assets at fair value through other comprehensive income (equity instruments)	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	279,022	279,022
Financial assets included in prepayments, other receivables and other assets	–	411,635	411,635
Financial assets at fair value through other comprehensive income	900	–	900
Restricted cash	–	70,948	70,948
Cash and cash equivalents	–	153,668	153,668
Total	<u>900</u>	<u>915,273</u>	<u>916,173</u>

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As at 31 December 2025

Financial assets

	Financial assets at amortised cost	Total
	RMB'000	RMB'000
Trade and bills receivables	593,863	593,863
Financial assets included in prepayments, other receivables and other assets	86,435	86,435
Restricted cash	100,549	100,549
Cash and cash equivalents	263,211	263,211
Total	<u>1,044,058</u>	<u>1,044,058</u>

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills payables	275,966	753,445	1,081,362
Financial liabilities included in other payables and accruals	114,722	180,879	163,913
Interest-bearing bank and other borrowings	82,462	269,838	358,479
Total	<u>473,150</u>	<u>1,204,162</u>	<u>1,603,754</u>

35. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in Chinese mainland (the “Endorsed Bills”) with a carrying amount of RMB7,470,000, RMB3,430,000 and RMB8,032,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills to which the suppliers have recourse were RMB14,380,000, RMB16,357,000 and RMB24,746,000 during the year ended 31 December 2023, 2024 and 2025.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in Chinese mainland (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB1,749,000, RMB2,439,000 and nil, respectively. The Derecognised Bills had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in Chinese mainland, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. 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 fair value of the financial asset is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book (“P/B”) multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments designated at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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

31 December 2023

	Valuation technique	Significant unobservable input	Weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	Discounts for lack of marketability (“DLOM”)	20.5%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB10,000

31 December 2024

	Valuation technique	Significant unobservable input	Weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	DLOM	20.4%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB12,000

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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
Financial assets at fair value through other comprehensive income	–	–	800	800
	=	=	=	=

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
Financial assets at fair value through other comprehensive income	–	–	900	900
	=	=	=	=

The Group did not have any financial liabilities measured at fair value at 31 December 2023 and 2024, and 2025.

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

Fair value hierarchy

Liabilities for which fair values are disclosed:

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
Interest-bearing bank and other borrowings	–	83,400	–	83,400
	=	=	=	=

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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
Interest-bearing bank and other borrowings	–	268,012	–	268,012
	=	=	=	=

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
Interest-bearing bank and other borrowings	–	358,696	–	358,696
	=	=	=	=

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments include interest-bearing bank and other borrowings and cash and cash equivalents. 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 other receivables, other payables and accruals and trade and bills payables, which arise directly from its operations.

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

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, and the Group’s exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows 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 at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	238,186	238,186
Financial assets included in prepayments, other receivables and other assets – Normal** . . .	407,122	–	32	–	407,154
Restricted cash – Not yet past due	44,010	–	–	–	44,010
Cash and cash equivalents – Not yet past due	85,364	–	–	–	85,364
Total	536,496	–	32	238,186	774,714
	=	=	=	=	=

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As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	286,401	286,401
Financial assets included in prepayments, other receivables and other assets – Normal** . .	412,996	–	32	–	413,028
Restricted cash – Not yet past due	70,948	–	–	–	70,948
Cash and cash equivalents – Not yet past due	153,668	–	–	–	153,668
Total	<u>637,612</u>	<u>–</u>	<u>32</u>	<u>286,401</u>	<u>924,045</u>

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	596,170	596,170
Financial assets included in prepayments, other receivables and other assets – Normal** . .	87,191	–	32	–	87,223
Restricted cash – Not yet past due	100,549	–	–	–	100,549
Cash and cash equivalents – Not yet past due	263,211	–	–	–	263,211
Total	<u>450,951</u>	<u>–</u>	<u>32</u>	<u>596,170</u>	<u>1,047,153</u>

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Statements.

** 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 management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

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

As at 31 December 2023				
	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	275,966	–	–	275,966
Financial liabilities included in other payables and accruals	114,722	–	–	114,722
Interest-bearing bank borrowings. . .	33,283	55,719	–	89,002
Lease liabilities	10,847	17,521	–	28,368
Total	<u>434,818</u>	<u>73,240</u>	<u>–</u>	<u>508,058</u>

As at 31 December 2024				
	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	753,445	–	–	753,445
Financial liabilities included in other payables and accruals	180,879	–	–	180,879
Interest-bearing bank borrowings. . .	197,075	83,126	–	280,201
Lease liabilities	26,301	29,740	–	56,041
Total	<u>1,157,700</u>	<u>112,866</u>	<u>–</u>	<u>1,270,566</u>

As at 31 December 2025				
	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,081,362	–	–	1,081,362
Financial liabilities included in other payables and accruals	163,913	–	–	163,913
Interest-bearing bank and other borrowings	350,282	16,773	–	367,055
Lease liabilities	23,480	14,386	–	37,866
Total	<u>1,619,037</u>	<u>31,159</u>	<u>–</u>	<u>1,650,196</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 equity holders’ value.

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

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The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios at 31 December 2023, 2024 and 2025 were as follows:

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Capital and net debt				
Interest-bearing bank and other borrowings	25	82,462	269,838	358,479
Trade and bills payables	23	275,966	753,445	1,081,362
Other payables and accruals	24	233,029	293,878	306,501
Less: Cash and cash equivalents	22	(85,364)	(153,668)	(263,211)
Net debt		506,093	1,163,493	1,483,131
Equity attributable to owners of the parent		634,010	741,459	674,809
Capital and net debt		1,140,103	1,904,952	2,157,940
Gearing ratio		44%	61%	69%

38. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	2,889	5,992	14,592

39. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods that required additional disclosure or adjustments.

40. 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.