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

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANTUI CONSTRUCTION MACHINERY CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Shantui Construction Machinery Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-[86], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-[86] 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. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

Opinion

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

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

Adjustments

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

Dividends

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

Certified Public Accountants
Hong Kong
[●]

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 ("HKSAs") as issued by the Hong Kong Institute of Certified Public Accountants (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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	11,364,392	14,218,639	14,620,170
Cost of sales		(9,234,738)	(11,466,786)	(11,592,774)
Gross profit		2,129,654	2,751,853	3,027,396
Other income and gains	*5*	245,793	261,069	170,103
Selling and marketing expenses		(380,936)	(591,630)	(621,265)
Administrative expenses		(520,874)	(509,459)	(493,990)
Research and development costs		(558,386)	(541,863)	(574,885)
Foreign exchange gains/(losses), net		1,623	39,143	(18,269)
Impairment losses on financial instruments and contract assets, net		(28,466)	(147,297)	(101,256)
Other expenses		(21,377)	(36,592)	(29,138)
Finance costs	*7*	(75,941)	(67,368)	(100,793)
Share of profits and losses of associates		43,322	52,761	27,588
PROFIT BEFORE TAX		834,412	1,210,617	1,285,491
Income tax expense	*10*	(38,621)	(96,539)	(70,236)
PROFIT FOR THE YEAR		795,791	1,114,078	1,215,255
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Share of other comprehensive income/(loss) of associates		–	8,439	(19,854)
Exchange differences on translation of foreign operations		577	3,834	(9,231)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		577	12,273	(29,085)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		577	12,273	(29,085)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		796,368	1,126,351	1,186,170
Profit attributable to:				
Owners of the parent		791,490	1,110,867	1,212,265
Non-controlling interests		4,301	3,211	2,990
		795,791	1,114,078	1,215,255

	Notes	Year ended 31 December 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Total comprehensive income attributable to:				
Owners of the parent		792,067	1,123,140	1,183,180
Non-controlling interests		4,301	3,211	2,990
		796,368	1,126,351	1,186,170
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*			
Basic (RMB)		0.52	0.73	0.81
Diluted (RMB)		0.52	0.73	0.81

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	1,988,560	2,178,315	2,334,999
Investment properties	*14*	499,105	477,254	466,118
Right-of-use assets	*15*	475,197	470,221	454,503
Goodwill	*16*	11,590	11,590	11,590
Other intangible assets	*17*	51,264	62,332	65,877
Investments in associates	*18*	513,262	549,685	797,866
Financial assets at fair value through other comprehensive income	*20*	18,003	18,003	7,697
Trade and bills receivables	*21*	127,839	142,882	136,500
Receivables under finance leases	*22*	–	74,122	–
Deferred tax assets	*23*	166,041	233,947	289,411
Other non-current assets	*24*	2,025	2,248	1,713
Total non-current assets		3,852,886	4,220,599	4,566,274
CURRENT ASSETS				
Inventories	*25*	2,745,494	3,200,095	3,249,169
Trade and bills receivables	*21*	3,874,042	4,934,350	6,157,828
Receivables under finance leases	*22*	–	54,203	–
Contract assets	*26*	21,766	34,495	32,230
Prepayments, other receivables and other assets	*27*	846,006	988,122	1,147,969
Financial assets at fair value through other comprehensive income	*20*	306,430	284,023	587,018
Financial assets at fair value through profit or loss	*28*	151,897	–	–
Pledged deposits	*29*	2,095,059	3,325,874	2,239,329
Cash and cash equivalents	*29*	1,715,861	1,246,736	1,076,789
Total current assets		11,756,555	14,067,898	14,490,332
CURRENT LIABILITIES				
Trade and bills payables	*30*	6,568,876	8,806,021	8,668,263
Other payables and accruals	*31*	514,588	744,881	691,498
Contract liabilities	*32*	467,291	333,590	417,943
Derivative financial instruments		449	–	–
Interest-bearing bank and other borrowings	*33*	1,021,812	843,615	1,214,335
Lease liabilities	*15*	162	2,067	2,703
Income tax payable		32,171	60,944	64,241
Provision	*34*	132,766	236,352	226,330
Total current liabilities		8,738,115	11,027,470	11,285,313
NET CURRENT ASSETS		3,018,440	3,040,428	3,205,019
TOTAL ASSETS LESS CURRENT LIABILITIES		6,871,326	7,261,027	7,771,293

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*33*	90,892	1,464,148	1,059,000
Lease liabilities	*15*	955	6,825	6,750
Deferred income	*35*	169,237	163,637	170,934
Deferred tax liabilities	*23*	14,567	9,055	8,775
Other non-current liabilities	*36*	95,714	81,913	54,853
Total non-current liabilities		371,365	1,725,578	1,300,312
Net assets		6,499,961	5,535,449	6,470,981
EQUITY				
Equity attributable to owners of the parent				
Share capital	*37*	1,500,855	1,500,327	1,500,143
Treasury shares	*37*	(27,774)	(13,887)	(111,600)
Reserves	*38*	4,735,071	3,753,989	4,784,428
		6,208,152	5,240,429	6,172,971
Non-controlling interests		291,809	295,020	298,010
Total equity		6,499,961	5,535,449	6,470,981

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share Capital	**Treasury shares**	**Capital reserves***	**Share award reserve***	**Safety production fund***	**Other comprehensive income***	**Statutory reserve***	**Retained earnings***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000 *(note 37)*	*RMB'000* *(note 37)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	1,501,253	(43,006)	2,355,203	32,588	–	(56,183)	433,665	1,283,136	5,506,656	287,508	5,794,164
Profit for the year	–	–	–	–	–	–	–	791,490	791,490	4,301	795,791
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	577	–	–	577	–	577
Total comprehensive income for the year	–	–	–	–	–	577	–	791,490	792,067	4,301	796,368
Cancellation of treasury shares	(398)	720	(322)	–	–	–	–	–	–	–	–
Equity-settled share-based payment expenses	–	–	–	8,929	–	–	–	53	8,982	–	8,982
Restricted shares vested	–	14,512	14,832	(14,832)	–	–	–	–	14,512	–	14,512
Cash dividends	–	–	–	–	–	–	–	(114,065)	(114,065)	–	(114,065)
Safety production fund provided	–	–	–	–	15,731	–	–	–	15,731	1,175	16,906
Safety production fund used	–	–	–	–	(15,731)	–	–	–	(15,731)	(1,175)	(16,906)
At 31 December 2023	1,500,855	(27,774)	2,369,713	26,685	–	(55,606)	433,665	1,960,614	6,208,152	291,809	6,499,961

Year ended 31 December 2024

	Attributable to owners of the parent										
	Share Capital	**Treasury shares**	**Capital reserves***	**Share award reserve***	**Safety production fund***	**Other comprehensive income***	**Statutory Reserve***	**Retained earnings***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000 (note 37)	*RMB'000* (note 37)	*RMB'000* (note 38)	*RMB'000* (note 38)	*RMB'000* (note 38)	*RMB'000* (note 38)	*RMB'000* (note 38)	*RMB'000* (note 38)	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	1,500,855	(27,774)	2,369,713	26,685	–	(55,606)	433,665	1,960,614	6,208,152	291,809	6,499,961
Profit for the year	–	–	–	–	–	–	–	1,110,867	1,110,867	3,211	1,114,078
Other comprehensive income for the year:											
Share of other comprehensive income of associates	–	–	–	–	–	8,439	–	–	8,439	–	8,439
Exchange differences on translation of foreign operations	–	–	–	–	–	3,834	–	–	3,834	–	3,834
Total comprehensive income for the year	–	–	–	–	–	12,273	–	1,110,867	1,123,140	3,211	1,126,351
Cancellation of treasury shares	(528)	956	(428)	–	–	–	–	–	–	–	–
Equity-settled share-based payment expenses	–	–	–	7,135	–	–	–	52	7,187	–	7,187
Restricted shares vested	–	12,931	13,217	(13,217)	–	–	–	–	12,931	–	12,931
Cash dividends	–	–	–	–	–	–	–	(270,059)	(270,059)	–	(270,059)
Share of change in reserve of associates	–	–	211	–	–	–	–	–	211	–	211
Payment for business under common control	–	–	(1,841,133)	–	–	–	–	–	(1,841,133)	–	(1,841,133)
Transfer from retained earnings	–	–	–	–	–	–	97,364	(97,364)	–	–	–
Safety production fund provided	–	–	–	–	18,121	–	–	–	18,121	1,189	19,310
Safety production fund used	–	–	–	–	(18,121)	–	–	–	(18,121)	(1,189)	(19,310)
At 31 December 2024	1,500,327	(13,887)	541,580	20,603	–	(43,333)	531,029	2,704,110	5,240,429	295,020	5,535,449

Year ended 31 December 2025

	Attributable to owners of the parent										
	Share Capital	**Treasury shares**	**Capital reserves***	**Share award reserve***	**Safety production fund***	**Other comprehensive income***	**Statutory reserve***	**Retained earnings***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000 *(note 37)*	*RMB'000* *(note 37)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000* *(note 38)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	1,500,327	(13,887)	541,580	20,603	–	(43,333)	531,029	2,704,110	5,240,429	295,020	5,535,449
Profit for the year	–	–	–	–	–	–	–	1,212,265	1,212,265	2,990	1,215,255
Other comprehensive income for the year:											
Share of other comprehensive income of associates	–	–	–	–	–	(19,854)	–	–	(19,854)	–	(19,854)
Exchange differences on translation of foreign operations	–	–	–	–	–	(9,231)	–	–	(9,231)	–	(9,231)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(29,085)	–	1,212,265	1,183,180	2,990	1,186,170
Cancellation of treasury shares	(184)	334	(150)	–	–	–	–	–	–	–	–
Equity-settled share-based payment expenses	–	–	–	(6,750)	–	–	–	332	(6,418)	–	(6,418)
Restricted shares vested	–	13,553	13,853	(13,853)	–	–	–	–	13,553	–	13,553
Cash dividends	–	–	–	–	–	–	–	(142,136)	(142,136)	–	(142,136)
Repurchase of ordinary shares	–	(111,600)	–	–	–	–	–	–	(111,600)	–	(111,600)
Share of change in reserve of associates	–	–	(4,037)	–	–	–	–	–	(4,037)	–	(4,037)
Transfer from retained earnings	–	–	–	–	–	–	67,835	(67,835)	–	–	–
Safety production fund provided	–	–	–	–	27,502	–	–	–	27,502	–	27,502
Safety production fund used	–	–	–	–	(27,502)	–	–	–	(27,502)	–	(27,502)
At 31 December 2025	1,500,143	(111,600)	551,246	–	–	(72,418)	598,864	3,706,736	6,172,971	298,010	6,470,981

* These reserve accounts comprise the consolidated reserves of RMB4,735,071,000, RMB3,753,989,000 and RMB4,784,428,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		834,412	1,210,617	1,285,491
Adjustments for:				
Finance costs		75,941	67,368	100,793
Share of profits and losses of associates		(43,322)	(52,761)	(27,588)
Interest income	*5*	(60,568)	(86,413)	(60,990)
(Gains)/losses on disposal of items of property, plant and equipment		(6,968)	2,871	(279)
Fair value (gains)/losses on financial assets at fair value through profit or loss and derivative financial instruments		(1,513)	5,566	–
Gains on financial assets at fair value through profit or loss and derivatives financial instruments	*5*	(4,544)	(861)	–
Impairment of trade receivables, net	*21*	27,028	125,204	109,146
(Reversal of impairment losses)/ impairment of financial assets included in prepayments, other receivables and other assets, net	*27*	(2,757)	15,226	(1,308)
Impairment/(reversal of impairment losses) of financial lease receivables, net	*22*	–	8,599	(8,599)
Impairment of contract assets, net	*26*	1,003	119	1,981
Impairment of inventories		58,902	106,173	110,467
Impairment/(reversal of impairment losses) of guarantee contracts		3,192	(1,851)	303
Foreign exchange differences, net		(1,623)	(39,143)	18,269
Depreciation of property, plant and equipment	*13*	204,738	212,453	266,266
Amortisation of other intangible assets	*17*	11,492	10,312	10,870
Depreciation of right-of-use assets	*15*	13,216	14,587	15,721
Fair value changes of investment property	*14*	19,216	22,331	22,513
Equity-settled share-based payment expenses		7,303	3,207	–
		1,135,148	1,623,604	1,843,056
Increase in inventories		(856,114)	(560,775)	(271,538)
Increase in trade and bills receivables		(742,626)	(1,481,505)	(1,174,930)
(Increase)/decrease in receivables under finance leases		–	(136,924)	136,924
(Increase)/decrease in contract assets		(15,378)	(12,848)	284
Increase in prepayments, other receivables and other assets		(184,372)	(153,686)	(157,458)
Increase/(decrease) in trade and bills payables		841,431	1,101,120	(93,177)
(Decrease)/increase in other payables and accruals		(11,140)	240,112	(4,509)
Increase/(decrease) in contract liabilities		223,522	(133,701)	84,353
Increase/(decrease) in provisions		2,202	105,437	(10,057)

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Increase/(decrease) in other non-current liabilities	3,975	(13,801)	(27,060)
(Decrease)/increase in deferred income	(19,870)	(5,600)	7,297
(Increase)/decrease in pledged deposits	(1,478)	(3,383)	514,379
Cash generated from operations	375,300	568,050	847,564
Interest received	60,568	86,413	60,990
Income taxes paid	(59,036)	(139,339)	(127,432)
Net cash flows from operating activities	376,832	515,124	781,122
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(54,618)	(49,721)	(50,947)
Purchases of investment properties	–	–	(3,406)
Purchases of other intangible assets	(13,455)	(6,881)	(12,469)
Proceeds from disposal of items of property, plant and equipment	80,356	2,807	701
Investments in associate	–	–	(261,360)
Purchases of financial assets at fair value through profit or loss	(230,000)	(100,000)	–
Proceeds from disposal of financial assets at fair value through profit or loss	324,544	252,847	–
Dividends received	15,623	25,370	17,451
Net cash flows from/(used in) investing activities	122,450	124,422	(310,030)

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings	688,215	2,239,403	987,000
Decrease in an amount from related parties	–	(28,000)	–
Increase/(decrease) in an amount from billing financing	791,197	1,046,880	(791,400)
Repayment of bank loans and other borrowings	(846,005)	(1,042,212)	(1,005,610)
Repurchase of unvested restricted shares	(720)	(956)	(334)
Repurchase of shares	–	–	(111,600)
Interest paid for interest-bearing bank borrowings	(66,708)	(38,053)	(98,508)
Dividends paid to equity shareholders	(113,100)	(224,075)	(186,220)
Dividends paid by subsidiaries to non-controlling interests	(3,175)	–	–
Principal portion of lease payments	–	(1,836)	(1,883)
Interest portion of lease payments	–	(222)	(349)
Payment for business under common control	–	(1,841,133)	–
[**REDACTED**]	–	–	**[REDACTED]**
(Increase)/decrease in pledged deposits	(924,168)	(1,227,432)	572,166
Net cash flows used in financing activities	(474,464)	(1,117,636)	(659,826)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,818	(478,090)	(188,734)
Cash and cash equivalents at beginning of year	1,706,760	1,715,861	1,246,736
Effect of foreign exchange rate changes, net	(15,717)	8,965	18,787
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,715,861	1,246,736	1,076,789

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,212,659	1,296,043	1,403,946
Investment properties	14	110,449	103,555	102,002
Right-of-use assets	15	242,107	237,828	229,436
Other intangible assets	17	29,047	32,806	39,554
Investments in associates	18	494,148	531,000	779,028
Investments in subsidiaries	19	1,650,763	3,491,897	3,512,817
Financial assets at fair value through other comprehensive income	20	217	217	217
Trade and bills receivables	21	74,251	56,754	15,892
Deferred tax assets	23	98,633	112,218	92,458
Total non-current assets		3,912,274	5,862,318	6,175,350
CURRENT ASSETS				
Inventories	25	1,393,843	1,370,789	1,571,091
Trade and bills receivables	21	2,637,552	4,127,800	4,513,611
Prepayments, other receivables and other assets	27	1,062,844	959,771	969,721
Financial assets at fair value through other comprehensive income	20	286,036	260,801	486,401
Financial assets at fair value through profit or loss	28	151,897	–	–
Pledged deposits	29	1,050,583	1,652,268	1,222,155
Cash and cash equivalents	29	1,377,961	655,882	245,743
Total current assets		7,960,716	9,027,311	9,008,722
CURRENT LIABILITIES				
Trade and bills payables	30	4,099,482	5,160,635	5,459,734
Other payables and accruals	31	259,363	436,938	232,851
Contract liabilities	32	197,630	44,081	57,572
Interest-bearing bank and other borrowings	33	700,538	505,439	704,196
Lease liabilities	15	60	690	1,040
Income tax payable		9,301	12,859	1,387
Provision		31,267	36,563	28,416
Total current liabilities		5,297,641	6,197,205	6,485,196
NET CURRENT ASSETS		2,663,075	2,830,106	2,523,526
TOTAL ASSETS LESS CURRENT LIABILITIES		6,575,349	8,692,424	8,698,876

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	33	50,035	1,446,000	1,059,000
Lease liabilities	15	594	2,398	3,094
Deferred income	35	95,156	91,971	95,558
Deferred tax liabilities	23	87	468	592
Other non-current liabilities	36	65,909	52,983	37,012
Total non-current liabilities		211,781	1,593,820	1,195,256
Net assets		6,363,568	7,098,604	7,503,620
EQUITY				
Share capital	37	1,500,855	1,500,327	1,500,143
Treasury shares	37	(27,774)	(13,887)	(111,600)
Reserves	38	4,890,487	5,612,164	6,115,077
Total equity		6,363,568	7,098,604	7,503,620

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shantui Construction Machinery Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered address of the office of the Company is No.58, Highway G327, Jining City, Shandong, China. The A shares of the Company were listed on the Shenzhen Stock Exchange (stock code: 000680.SZ) on 22 January 1997.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") were involved in the following principal activities: the production, sale and maintenance of dozers, loaders, excavators, road machinery, concrete machinery and spare parts.

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strong Construction Machinery Co., Ltd. ("山重建機有限公司")* *(note (a))*	PRC/Chinese mainland 2 March 1999	RMB755,597,100	100%	–	Research and development, production and sale of construction machinery and spare parts
Shandong Shantui Construction Machinery Import And Export Co., Ltd. ("山東山推工程機械進出口有限 公司")* *(note(b))*	PRC/Chinese mainland 25 May 1999	RMB400,000,000	100%	–	Trading
Shantui (Dezhou) Engineering Machinery Co., Ltd. ("Shantui Dezhou") ("山推(德州)工程機械有限公司")* *(note(b))*	PRC/Chinese mainland 28 January 2002	RMB46,790,000	100%	–	Production and sale of construction machinery and spare parts
Shantui Janeoo Machinery Co., Ltd. ("Shantui Janeoo") ("山推建友機械股份有限公司")* *(note(b))*	PRC/Chinese mainland 30 June 1994	RMB234,187,569	–	51%	Industrial production

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) The statutory financial statements of this company for the years ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Hexin Certified Public Accountants LLP. The statutory financial statements of this company for the year ended 31 December 2024 prepared in accordance with PRC GAAP was audited by Shanghai Certified Public Accountants (Special General Partnership).

(b) The statutory financial statements of these companies for the years ended 31 December 2023 and 2024 prepared in accordance with PRC GAAP were audited by Shanghai Certified Public Accountants (Special General Partnership).

2.1 BASIS OF PREPARATION

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

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, investment properties and financial liabilities at fair value through profit or loss.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial 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, or since the date when the subsidiaries first came under the common control of the controlling shareholder, and continue to be consolidated until the date that such control ceases. The consolidated statements of financial position of the Group as at the end of each of the Relevant Periods have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholder's perspective.

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 IFRS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual improvements to IFRS Accounting Standards – Volume 11	*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

The Group is in the process of making a detailed assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in certain accounting policies and no significant impact on the Group's financial performance and financial position is expected in the period of initial application. The application of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

Business combination under common control

A business combination involving entities under common control refers to a combination where all entities involved are ultimately controlled by the same party both before and after the transaction, and such control is not transitory.

The historical financial information incorporate the financial information of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated income statement include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the historical financial information are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

Fair value measurement

The Group measures its investment properties and certain financial instruments 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 and other information 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, contract assets, investment properties, 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.

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.

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

Buildings	3.60% to 8.08%
Machinery equipment	7.50% to 12.13%
Electronic equipment	9.00% to 24.25%
Transportation equipment	18.00% to 32.33%
Other equipment	9.00% to 19.40%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods 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 land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

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 either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and non-patent technology

Purchased patents and non-patent technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of one to 10 years based on the Group's past experiences and different purposes on usages of the software and the authorised period for such uses.

Research and development costs

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (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:

Machinery equipment	5 to 5.25 years
Transportation equipment	5 years
Leasehold land	34 to 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 (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.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in 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.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills 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 and bills 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 at fair value through other comprehensive income (debt instruments)

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

Financial assets 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.

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated 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, 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 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 construction machinery and equipment 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 repairs and returns. 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 each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

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, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 each 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.

Treasury shares

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

Regarding the recognition of liabilities of repurchase obligations for restricted shares, the Company recognised directly in treasury shares based on the quantity of issued restricted shares and the corresponding repurchase price. Treasury shares would be derecognised for the carrying value of the treasury shares corresponding to the canceled or unlocked restricted shares.

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 or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Sale of products

A contract for the sale of products between the Group and the customer usually only includes the performance obligation to transfer the products, with no continued management and effective control of the products associated with ownership. The Group generally recognises the revenue when the relevant products are delivered to customer and confirmed as accepted by the customer, on the basis of taking full consideration of the following factors: the present right to collect payment for the products, the transfer of the key risks and returns in the product ownership, the transfer of the legal ownership of the products and the transfer of the physical asset of the products.

Volume rebates

The Group's contracts with certain customers include sales rebate arrangements, resulting in variable consideration. The Group determines the best estimate of variable consideration using the most likely amount method, provided that the transaction price inclusive of variable consideration does not exceed the amount for which it is highly probable that cumulative recognised revenue will not be subject to significant reversal when the related uncertainty is resolved.

Warranties

The Group provides warranties in connection with the sale of construction machinery and equipment in accordance with the contracts or the relevant laws and regulations, which are assurance-type warranties that provide customers with the assurance that the goods comply with agreed-upon specifications. In assessing whether quality assurance is provided as a separate service other than guarantee to the customers that the goods sold meet the established quality standards, the factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

Revenue from other sources

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

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.

Contract assets

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

Contract liabilities

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

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured at the market value of the shares, further details of which are given in note 39 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

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

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

Other employee benefits

Pension scheme

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

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Borrowing costs

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

Events after the reporting period

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each 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.

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 23 to the Historical Financial Information.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Variable consideration for returns and volume rebates

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

The Group makes reasonable estimates of return rates and volume rebates for contract portfolios with similar characteristics, based on historical and current sales data, comprehensive considerations of customer changes and market dynamics. These estimated rates may not align with the actual future return rates and volume rebates. The Group re-evaluates and adjusts these estimates at least at each reporting date, and determines the value of the variable consideration based on the revised rates.

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates 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 of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables and contract assets is disclosed in note 21 and note 26 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

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

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) Recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of non-financial assets (other than goodwill)

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

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Warranties

The Group reasonably estimates warranty rates for portfolios of contracts with similar characteristics, based on historical warranty data, current warranty conditions, and all relevant factors such as product improvements and market changes. The estimated warranty rates may differ from actual future rates. The Group reassesses these rates at each reporting date and adjusts the provision for warranties based on the updated estimates.

Certain warranties provided by the Group are eligible for reimbursement from the Group's suppliers based on the contracts with them. When such supplier reimbursement is virtually certain, the Group records corresponding reversal of provision for warranties. Such reversal is presented in profit or loss.

Inventory impairment

The Group, in accordance with its inventory accounting policies, measures inventories at the lower of cost and net realisable value and recognises inventory write-down provisions for inventories where cost exceeds net realisable value. The Group re-evaluates, at each reporting date, whether inventories are obsolete or slow-moving and whether their net realisable value remains below cost.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Termination and post-employment benefit obligations

The Group has recognised the early retirement plan and the supplementary pension insurance plans. The estimated amounts of such benefit expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between the actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in the above assumptions will affect the amount of liabilities for early retirement and supplementary pension benefits, even though management considers that the assumptions are reasonable.

Fair value of financial instruments

The fair values of unlisted financial instruments have been estimated by the most appropriate valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 48 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the sale of construction equipment and other related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	5,486,190	6,807,302	5,878,913
Other countries/regions	5,878,202	7,411,337	8,741,257
Total revenue	11,364,392	14,218,639	14,620,170

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

(b) Non-current assets

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	3,527,267	3,735,387	4,104,621
Other countries/regions	13,736	16,258	28,045
Total	3,541,003	3,751,645	4,132,666

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from one customer, including sales to a group of entities which is known to be under common control with that customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods, is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	2,099,327	2,497,672	1,879,492

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	11,334,136	14,044,876	14,508,499
Revenue from other sources			
Gross rental income	30,256	173,763	111,671
Total	11,364,392	14,218,639	14,620,170

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of products			
Construction machinery	7,940,544	9,858,452	10,950,090
Spare parts and others	2,186,107	2,918,058	2,667,607
Others	1,207,485	1,268,366	890,802
Total	11,334,136	14,044,876	14,508,499
Geographical markets			
Chinese mainland	5,455,934	6,633,539	5,767,242
Outside Chinese mainland	5,878,202	7,411,337	8,741,257
Total	11,334,136	14,044,876	14,508,499
Timing of revenue recognition			
Goods transferred at a point in time	11,334,136	14,044,876	14,508,499

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:			
Sale of products	243,769	467,291	333,590

(b) ***Performance obligations***

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

Sale of products

The performance obligation is satisfied upon delivery of products, and three main payment methods are available to customers:

– full payment: Customers pay the majority of the purchase price before the product delivery, with the remaining amount held as a warranty deposit.

– credit/installment payment: The credit terms for our customers typically range from one to 12 months. Shipments are generally dispatched once the customer has provided a down payment equal to a fixed percentage of the products' price.

– financing payment: Some customers have the option to finance their purchase through loan agreements or finance lease arrangements. The credit terms of loan agreements or finance lease arrangements typically range from 24 to 36 months. Shipments are generally dispatched once the customer has provided a down payment according to loan agreements or finance lease arrangements.

All the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year.

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			
Interest income	60,568	86,413	60,990
Government grants*			
– Related to assets	8,731	6,760	7,353
– Related to income	110,132	88,056	32,004
Others	46,307	74,873	58,684
Total other income	225,738	256,102	159,031
Gains			
Gains on disposal of items of property, plant and equipment, net	6,968	–	279
Net realised gains on financial assets at fair value through profit or loss and derivative financial instruments	4,544	861	–
Fair value gains on financial assets at fair value through profit or loss and derivatives financial instruments, net	1,513	–	–
Others	7,030	4,106	10,793
Total gains	20,055	4,967	11,072
Total other income and gains	245,793	261,069	170,103

* Government grants received for which the 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 sales*		9,234,738	11,466,786	11,592,774
Depreciation of property, plant and equipment	*13*	204,738	212,453	266,266
Fair value changes of investment property	*14*	19,216	22,331	22,513
Depreciation of right-of-use assets	*15(a)*	13,216	14,587	15,721
Amortisation of other intangible assets	*17*	11,492	10,312	10,870
Research and development costs		558,386	541,863	574,885
Lease payments not included in the measurement of lease liabilities	*15(c)*	11,452	25,884	37,997
[**REDACTED**]		–	–	–
Auditor's remuneration		1,450	1,600	2,047
Employee benefit expenses (excluding directors' and supervisor' remuneration *(note 8)*)				
Wages, salaries and allowances		805,737	1,003,567	1,072,195
Pension scheme contributions, social welfare and other welfare		225,373	260,611	299,383
Share-based payments expenses		7,068	3,106	–
Foreign exchange differences, net		(1,623)	(39,143)	18,269
Impairment of trade receivables, net	*21*	27,028	125,204	109,146
Impairment/(reversal of impairment losses) of financial lease receivables, net	*22*	–	8,599	(8,599)
Impairment of contract assets, net	*26*	1,003	119	1,981
Impairment/(reversal of impairment losses) of guarantee contracts		3,192	(1,851)	303
(Reversal of impairment losses)/impairment of financial assets included in prepayments, other receivables and other assets, net	*27*	(2,757)	15,226	(1,308)
Write-down of inventories to net realisable value		58,902	106,173	110,467
Fair value (gains)/losses, net:				
Financial assets at fair value through profit or loss		(468)	(89)	–
Derivative financial instruments		(1,045)	5,655	–
Net realised gains on financial assets at fair value through profit or loss and derivative financial instruments	*5*	(4,544)	(861)	–
Interest income	*5*	(60,568)	(86,413)	(60,990)
(Gains)/losses on disposal of items of property, plant and equipment		(6,968)	2,871	(279)

* Cost of sales include impairment of inventories, expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans and other borrowing	73,445	63,921	97,888
Interest on lease liabilities	17	222	349
Others	2,479	3,225	2,556
Total	75,941	67,368	100,793

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

The directors' and supervisors' remuneration as recorded during the Relevant Periods is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	333	390	356
Other emoluments:			
Salaries, wages, bonuses and benefits in kind	2,797	3,731	5,261
Share-based payment expenses	235	101	–
Pension scheme contributions	368	444	546
Subtotal	3,400	4,276	5,807
Total	3,733	4,666	6,163

(a) Independent non-executive directors

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Mr. Lyu Ying *(note (a))*	56	100	100
Mr. Chen Aihua *(note (b))*	86	100	100
Ms. Pan Lin *(note (c))*	24	100	100
Mr. Wang Jinxing *(note (d))*	30	–	–
Ms. Liu Yan *(note (e))*	62	–	–
Total	258	300	300

(b) Executive directors, non-executive directors and supervisors

Year ended 31 December 2023

	Fees	Salaries, wages, bonuses and benefits in kind	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Liu Huisheng *(note (f))*	–	–	–	–	–
Mr. Zhang Min *(note (i))*	–	1,246	235	97	1,578
Mr. Wu Jianyi *(note (j))*	–	1,033	–	107	1,140
Subtotal	–	2,279	235	204	2,718
Non-executive Directors:					
Mr. Feng Gang *(note (n))*	11	–	–	–	11
Mr. Xiao Qisheng *(note (o))*	16	–	–	–	16
Mr. Jiang Kui *(note (g))*	–	–	–	–	–
Mr. Zhang Quan *(note (h))*	–	–	–	–	–
Subtotal	27	–	–	–	27
Supervisors:					
Mr. Tang Guoqing *(note (k))*	16	–	–	–	16
Ms. Wang Weiping *(note (p))*	13	145	–	41	199
Mr. Kong Xiangtian *(note (l))*	16	282	–	95	393
Mr. Meng Liang *(note (m))*	3	91	–	28	122
Subtotal	48	518	–	164	730
Total	75	2,797	235	368	3,475

Year ended 31 December 2024

	Fees	Salaries, wages, bonuses and benefits in kind	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Li Shizhen *(note (q))*	–	1,276	–	99	1,375
Mr. Zhang Min *(note (i))*	–	1,244	101	100	1,445
Mr. Liu Huisheng *(note (f))*	–	–	–	–	–
Mr. Wu Jianyi *(note (j))*	–	403	–	55	458
Ms. Qu Hongkun *(note (r))*	–	179	–	25	204
Subtotal	–	3,102	101	279	3,482
Non-executive Directors:					
Mr. Xiao Qisheng *(note (o))*	18	–	–	–	18
Mr. Feng Gang *(note (n))*	18	–	–	–	18
Mr. Jiang Kui *(note (g))*	–	–	–	–	–
Subtotal	36	–	–	–	36
Supervisors:					
Mr. Tang Guoqing *(note (k))*	18	–	–	–	18
Ms. Wang Weiping *(note (p))*	18	301	–	67	386
Mr. Kong Xiangtian *(note (l))*	18	328	–	98	444
Subtotal	54	629	–	165	848
Total	90	3,731	101	444	4,366

Year ended 31 December 2025

	Fees	Salaries, wages, bonuses and benefits in kind	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Li Shizhen *(note (q))*	–	1,321	–	103	1,424
Mr. Zhang Min *(note (i))*	–	1,283	–	103	1,386
Mr. Ma Jingbo *(note (t))*	–	934	–	77	1,011
Ms. Qu Hongkun *(note (r))*	–	1,110	–	100	1,210
Subtotal	–	4,648	–	383	5,031
Non-executive Directors:					
Ms. Wang Cuiping *(note (s))*	–	–	–	–	–
Mr. Xiao Qisheng *(note (o))*	6	–	–	–	6
Subtotal	6	–	–	–	6
Supervisors:					
Mr. Tang Guoqing *(note (k))*	17	–	–	–	17
Ms. Wang Weiping *(note (p))*	16	260	–	76	352
Mr. Cui Baoyun *(note (u))*	14	313	–	70	397
Mr. Kong Xiangtian *(note (l))*	3	40	–	17	60
Subtotal	50	613	–	163	826
Total	56	5,261	–	546	5,863

Notes:

(a) Mr. Lyu Ying was appointed as an independent non-executive director of the Company with effect from June 2023.

(b) Mr. Chen Aihua was appointed as an independent non-executive director of the Company with effect from June 2020.

(c) Ms. Pan Lin was appointed as an independent non-executive director of the Company with effect from September 2023.

(d) Mr. Wang Jinxing was appointed as an independent non-executive director of the Company with effect from June 2017 and resigned as an independent non-executive director in May 2023.

(e) Ms. Liu Yan was appointed as an independent non-executive director of the Company with effect from January 2019 and resigned as an independent non-executive director in September 2023.

(f) Mr. Liu Huisheng was appointed as a director of the Company with effect from April 2018 and resigned as a director in December 2024.

(g) Mr. Jiang Kui was appointed as a director of the Company with effect from June 2017 and resigned as a director in January 2024.

(h) Mr. Zhang Quan was appointed as a director of the Company with effect from June 2020 and resigned as a director in May 2023.

(i) Mr. Zhang Min was appointed as a director of the Company with effect from June 2020.

(j) Mr. Wu Jianyi was appointed as a director of the Company with effect from June 2021 and resigned as a director in November 2024.

(k) Mr. Tang Guoqing was appointed as a supervisor of the Company with effect from January 2022.

(l) Mr. Kong Xiangtian was appointed as a supervisor of the Company with effect from June 2020 and resigned as a supervisor in February 2025.

(m) Mr. Meng Liang was appointed as a supervisor of the Company with effect from June 2020 and resigned as a supervisor in April 2023.

(n) Mr. Feng Gang was appointed as a director of the Company with effect from June 2023 and resigned as a director in December 2024.

(o) Mr. Xiao Qisheng was appointed as a director of the Company with effect from January 2023.

(p) Ms. Wang Weiping was appointed as a supervisor of the Company with effect from April 2023.

(q) Mr. Li Shizhen was appointed as a director of the Company with effect from January 2024.

(r) Ms. Qu Hongkun was appointed as a director of the Company with effect from November 2024.

(s) Ms. Wang Cuiping was appointed as a director of the Company with effect from January 2025.

(t) Mr. Ma Jingbo was appointed as a director of the Company with effect from April 2025.

(u) Mr. Cui Baoyun was appointed as a supervisor of the Company with effect from February 2025.

(v) The Company's board of supervisors was abolished as a result of the resolutions of the Company's meeting of the board of directors held on 30 October 2025 and the Company's extraordinary general meeting of shareholders held on 28 November 2025.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 included one, two and nil directors/supervisors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four, three and five highest paid employees who are neither a director or a supervisor of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonuses and benefits in kind	4,860	5,012	9,544
Share-based payment expenses	179	–	–
Pension scheme contributions	383	296	576
Total	5,422	5,308	10,120

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

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	4	–	–
HK$1,500,001 to HK$2,000,000	–	1	3
HK$2,000,001 to HK$2,500,000	–	2	1
HK$2,500,001 to HK$3,000,000	–	–	–
HK$3,000,001 to HK$3,500,000	–	–	1
Total	4	3	5

10. INCOME TAX

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

Chinese mainland

Under the Law of the Chinese mainland on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25%, unless subject to preferential tax as set out below.

The Company was recognised as a High-Tech Enterprise under relevant tax regulations in December 2020 and November 2023, and hence qualified for a preferential corporate income tax rate of 15% during the Relevant Periods. This qualification is subject to triennial review by the Chinese mainland tax authorities.

One of the Group's Chinese mainland subsidiaries, Shantui Janeoo, was recognised as a High-Tech Enterprise under relevant tax regulations in December 2023 and hence qualified for a preferential corporate income tax rate of 15% during the Relevant Periods. This qualification is subject to triennial review by the Chinese mainland tax authorities.

One of the Group's Chinese mainland subsidiaries, Strong Construction Machinery Co., Ltd., was recognised as a High-Tech Enterprise under relevant tax regulations in November 2023 and hence qualified for a preferential corporate income tax rate of 15% during the Relevant Periods. This qualification is subject to triennial review by the Chinese mainland tax authorities.

Hong Kong

The first HK$2,000,000 of assessable profits of the subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Other overseas areas

The Company's other overseas subsidiaries are subject to income tax at rates ranging from 9% to 30%.

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			
Charge for the year	49,574	157,154	132,730
Under provision in prior years	–	8,874	–
Deferred *(note 23)*	(10,953)	(69,489)	(62,494)
Total tax charge for the year	38,621	96,539	70,236

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	834,412	1,210,617	1,285,491
Tax at the applicable tax rate of 15%	125,162	181,593	192,824
Effect of different tax rates	13,622	17,923	33,842
Adjustments in respect of current tax of previous periods	–	8,874	–
Profits and losses attributable to associates	(6,477)	(7,906)	(4,137)
Expenses not deductible for tax	307	1,757	8,055
Tax losses utilised from previous periods	(409,418)	(74,255)	(122,386)
Tax losses and deductible temporary differences not recognised	372,638	18,815	26,047
Additional deductible allowance for research and development expenses	(57,213)	(50,262)	(64,009)
Tax charge at the Group's effective rate	38,621	96,539	70,236

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong and certain other jurisdictions where a domestic minimum top-up tax has not been implemented. The Group accounts for the Pillar Two income taxes as current tax when incur. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at 31 December 2025 in certain jurisdictions in which the Group operates.

However, the enactment or substantial enactment of Pillar Two legislation in additional jurisdictions in which the Group operates does not have a material impact to the Group's overall exposure to Pillar Two income taxes.

11. DIVIDENDS

On 31 May 2023, the Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.076 for each of the Company's 1,500,855,412 shares, in an aggregate amount of RMB114,065,000 and RMB112,900,000 was paid in June 2023 to shareholders of the Company.

On 26 April 2024, the Company's shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.15 for each of the Company's 1,500,327,412 shares, in an aggregate amount of RMB225,049,000 and RMB224,075,000 was paid in June 2024 to shareholders of the Company.

On 28 November 2024, the Company's shareholders approved the third quarter of 2024 profit distribution plan at an extraordinary general meeting, pursuant to which a dividend of RMB0.03 for each of the Company's 1,500,327,412 shares, in an aggregate amount of RMB45,010,000 and RMB45,000,000 was paid in April 2025 to shareholders of the Company.

On 16 May 2025, the Company's shareholders approved the 2024 profit distribution plan at an annual general meeting, pursuant to which a dividend of approximate to RMB0.06 for each of the Company's 1,500,142,612 shares, in an aggregate amount of RMB90,008,000 and RMB89,281,000 was paid in July 2025 to shareholders of the Company.

The interim dividends in respect of the period ended 30 June 2025 was authorized to the board of directors in the 2024 annual general meeting of the Company on 16 May 2025 and approved by the board of directors of the Company on 22 August 2025, pursuant to which a dividend of approximate to RMB0.04 for each of the Company's 1,489,379,962 shares, in an aggregate amount of RMB52,128,000 and RMB51,939,000 was paid in September 2025 to shareholders of the Company.

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

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

The calculation of the diluted earnings per share amounts is based on the profit for reporting period attributable to ordinary equity holders of the parent. The weighted average numbers of ordinary shares used in the calculation are the numbers of ordinary shares outstanding during reporting period, as used in the basic earnings per share calculation, and the weighted average numbers of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to owners of the parent	791,490	1,110,867	1,212,265
Less: dividends payable to expected vested restricted shares	1,166	1,381	–
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	790,324	1,109,486	1,212,265
Add: dividend payable to expected vested restricted shares	1,166	1,381	–
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	791,490	1,110,867	1,212,265
Shares			
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation (in thousand shares)	1,484,851	1,491,565	1,493,574
Effect of dilution – Weighted average number of ordinary shares:			
Share scheme (in thousand shares)	9,881	6,399	437
Total	1,494,732	1,497,964	1,494,011
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	0.52	0.73	0.81
Diluted (RMB)	0.52	0.73	0.81

The weighted average numbers of shares were after taking into account the effect of treasury shares held.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2023

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023:							
Cost	1,692,933	2,165,523	142,884	43,077	23,441	340,819	4,408,677
Accumulated depreciation and impairment	(679,891)	(1,667,638)	(77,625)	(22,724)	(15,645)	–	(2,463,523)
Net carrying amount	1,013,042	497,885	65,259	20,353	7,796	340,819	1,945,154

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023, net of accumulated depreciation and impairment	1,013,042	497,885	65,259	20,353	7,796	340,819	1,945,154
Additions	3,394	38,267	11,608	1,763	3,098	263,316	321,446
Disposals	(7,979)	(18,255)	(919)	–	(438)	(12,837)	(40,428)
Depreciation provided during the year	(73,404)	(109,498)	(16,002)	(3,688)	(2,146)	–	(204,738)
Transfer to investment properties	(20,142)	(330)	–	–	–	–	(20,472)
Internal transfer	65,449	269,031	4,866	4,721	821	(344,888)	–
Transfer to other intangible assets	–	–	–	–	–	(13,884)	(13,884)
Exchange realignment	(1,029)	(19)	–	1	2,529	–	1,482
At 31 December 2023, net of accumulated depreciation and impairment	979,331	677,081	64,812	23,150	11,660	232,526	1,988,560
At 31 December 2023:							
Cost	1,714,072	2,373,515	153,722	45,650	26,646	232,526	4,546,131
Accumulated depreciation and impairment	(734,741)	(1,696,434)	(88,910)	(22,500)	(14,986)	–	(2,557,571)
Net carrying amount	979,331	677,081	64,812	23,150	11,660	232,526	1,988,560

The Group

31 December 2024

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024:							
Cost	1,714,072	2,373,515	153,722	45,650	26,646	232,526	4,546,131
Accumulated depreciation and impairment	(734,741)	(1,696,434)	(88,910)	(22,500)	(14,986)	–	(2,557,571)
Net carrying amount	979,331	677,081	64,812	23,150	11,660	232,526	1,988,560
At 1 January 2024, net of accumulated depreciation and impairment	979,331	677,081	64,812	23,150	11,660	232,526	1,988,560
Additions	4,685	46,582	1,891	4,036	1,001	251,434	309,629
Disposals	(666)	(5,480)	(105)	(599)	(396)	(5,223)	(12,469)
Depreciation provided during the year	(70,436)	(111,142)	(17,648)	(4,306)	(8,921)	–	(212,453)
Transfer to investment properties	(480)	–	–	–	–	–	(480)
Internal transfer	34,356	264,927	11,788	6,737	4,979	(322,787)	–
Transfer to other intangible assets	–	–	–	–	–	(17,284)	(17,284)
Transfer from inventory	–	–	–	–	122,616	–	122,616
Exchange realignment	163	10	–	17	6	–	196
At 31 December 2024, net of accumulated depreciation and impairment	946,953	871,978	60,738	29,035	130,945	138,666	2,178,315
At 31 December 2024:							
Cost	1,751,902	2,597,604	164,648	51,255	155,465	138,666	4,859,540
Accumulated depreciation and impairment	(804,949)	(1,725,626)	(103,910)	(22,220)	(24,520)	–	(2,681,225)
Net carrying amount	946,953	871,978	60,738	29,035	130,945	138,666	2,178,315

The Group

31 December 2025

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025:							
Cost	1,751,902	2,597,604	164,648	51,255	155,465	138,666	4,859,540
Accumulated depreciation and impairment	(804,949)	(1,725,626)	(103,910)	(22,220)	(24,520)	–	(2,681,225)
Net carrying amount	946,953	871,978	60,738	29,035	130,945	138,666	2,178,315
At 1 January 2025, net of accumulated depreciation and impairment	946,953	871,978	60,738	29,035	130,945	138,666	2,178,315
Additions	1,651	23,069	1,233	2,502	13,521	299,515	341,491
Disposals	(20)	(5,903)	(263)	(43)	(12,385)	(2,536)	(21,150)
Depreciation provided during the year	(67,074)	(129,212)	(15,508)	(5,194)	(49,278)	–	(266,266)
Transfer to investment properties	(5,530)	–	–	–	–	–	(5,530)
Impairment	(725)	(1,215)	–	–	–	–	(1,940)
Internal transfer	115,532	146,652	10,958	3,052	4,563	(280,757)	–
Transfer to other intangible assets	–	–	–	–	–	(3,408)	(3,408)
Transfer from inventory	–	–	–	–	111,955	–	111,955
Exchange realignment	1,251	83	13	94	91	–	1,532
At 31 December 2025, net of accumulated depreciation and impairment	992,038	905,452	57,171	29,446	199,412	151,480	2,334,999
At 31 December 2025:							
Cost	1,854,359	2,724,947	175,179	55,222	271,068	151,480	5,232,255
Accumulated depreciation and impairment	(862,321)	(1,819,495)	(118,008)	(25,776)	(71,656)	–	(2,897,256)
Net carrying amount	992,038	905,452	57,171	29,446	199,412	151,480	2,334,999

The Company

31 December 2023

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023:							
Cost	998,763	1,458,613	114,661	25,966	7,442	194,734	2,800,179
Accumulated depreciation	(356,634)	(1,220,162)	(64,601)	(11,947)	(5,661)	–	(1,659,005)
Net carrying amount	642,129	238,451	50,060	14,019	1,781	194,734	1,141,174
At 1 January 2023, net of accumulated depreciation and impairment	642,129	238,451	50,060	14,019	1,781	194,734	1,141,174
Additions	1,777	18,145	9,515	819	2,430	215,604	248,290
Disposals	(6,106)	–	(727)	–	(3)	(10,594)	(17,430)
Depreciation provided during the year	(46,104)	(73,569)	(11,335)	(2,015)	(1,429)	–	(134,452)
Transfer to investment properties	(20,142)	(330)	–	–	–	–	(20,472)
Internal transfer	26,332	184,980	3,868	4,479	821	(220,480)	–
Transfer to other intangible assets	–	–	–	–	–	(4,451)	(4,451)
At 31 December 2023, net of accumulated depreciation and impairment	597,886	367,677	51,381	17,302	3,600	174,813	1,212,659
At 31 December 2023:							
Cost	982,831	1,594,423	122,999	28,045	10,600	174,813	2,913,711
Accumulated depreciation and impairment	(384,945)	(1,226,746)	(71,618)	(10,743)	(7,000)	–	(1,701,052)
Net carrying amount	597,886	367,677	51,381	17,302	3,600	174,813	1,212,659

The Company

31 December 2024

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024:							
Cost	982,831	1,594,423	122,999	28,045	10,600	174,813	2,913,711
Accumulated depreciation and impairment	(384,945)	(1,226,746)	(71,618)	(10,743)	(7,000)	–	(1,701,052)
Net carrying amount	597,886	367,677	51,381	17,302	3,600	174,813	1,212,659
At 1 January 2024, net of accumulated depreciation and impairment	597,886	367,677	51,381	17,302	3,600	174,813	1,212,659
Additions	68	38,648	125	1,271	70	187,155	227,337
Disposals	(648)	(4,409)	(10)	(102)	(20)	(3,388)	(8,577)
Depreciation provided during the year	(42,371)	(68,581)	(11,894)	(2,731)	(175)	–	(125,752)
Internal transfer	25,037	196,558	10,342	6,657	4,593	(243,187)	–
Transfer to other intangible assets	–	–	–	–	–	(9,624)	(9,624)
At 31 December 2024, net of accumulated depreciation and impairment	579,972	529,893	49,944	22,397	8,068	105,769	1,296,043
At 31 December 2024:							
Cost	1,007,073	1,755,173	131,713	34,875	15,189	105,769	3,049,792
Accumulated depreciation	(427,101)	(1,225,280)	(81,769)	(12,478)	(7,121)	–	(1,753,749)
Net carrying amount	579,972	529,893	49,944	22,397	8,068	105,769	1,296,043

The Company

31 December 2025

	Buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025:							
Cost	1,007,073	1,755,173	131,713	34,875	15,189	105,769	3,049,792
Accumulated depreciation and impairment	(427,101)	(1,225,280)	(81,769)	(12,478)	(7,121)	–	(1,753,749)
Net carrying amount	579,972	529,893	49,944	22,397	8,068	105,769	1,296,043
At 1 January 2025, net of accumulated depreciation and impairment	579,972	529,893	49,944	22,397	8,068	105,769	1,296,043
Additions	1,009	20,337	736	263	3,261	240,939	266,545
Disposals	(20)	(3,708)	(325)	(43)	(395)	(1,967)	(6,458)
Depreciation provided during the year	(41,985)	(88,830)	(10,703)	(3,846)	(805)	–	(146,169)
Internal transfer	88,728	95,909	8,752	2,804	4,563	(200,756)	–
Transfer to other intangible assets	–	–	–	–	–	(2,906)	(2,906)
Transfer to investment properties	(3,109)	–	–	–	–	–	(3,109)
At 31 December 2025, net of accumulated depreciation and impairment	624,595	553,601	48,404	21,575	14,692	141,079	1,403,946
At 31 December 2025:							
Cost	1,084,149	1,840,117	139,582	36,493	25,125	141,079	3,266,545
Accumulated depreciation	(459,554)	(1,286,516)	(91,178)	(14,918)	(10,433)	–	(1,862,599)
Net carrying amount	624,595	553,601	48,404	21,575	14,692	141,079	1,403,946

Certain of the Group's buildings with net carrying amounts of approximately RMB85,529,000, RMB78,528,000 and nil as of 31 December 2023, 2024 and 2025, respectively, were pledged to secure bank facilities granted to a fellow subsidiary.

14. INVESTMENT PROPERTIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	497,849	499,105	477,254
Additions	–	–	3,406
Fair value changes of investment properties	(19,216)	(22,331)	(22,513)
Transfer from property, plant and equipment	20,472	480	5,530
Transfer from Right-of-use assets	–	–	2,441
Carrying amount at end of year	499,105	477,254	466,118

The Group's investment properties consist of seven commercial properties and five industrial properties in the Chinese mainland on 31 December 2025 and six commercial properties and four industrial properties on 31 December 2023 and 2024. The Group's investment properties were revalued on 31 December 2023, 2024 and 2025 by an independent professionally qualified valuer.

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	–	65,312	–	65,312
Industrial property	–	–	433,793	433,793
Total	–	65,312	433,793	499,105

	Fair value measurement as at 31 December 2024 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	–	61,793	–	61,793
Industrial property	–	–	415,461	415,461
Total	–	61,793	415,461	477,254

	Fair value measurement as at 31 December 2025 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	–	63,147	–	63,147
Industrial property	–	–	402,971	402,971
Total	–	63,147	402,971	466,118

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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial property (Level 3)
	RMB'000
Carrying amount at 1 January 2023	433,365
Net loss from a fair value adjustment recognised in other income and gains in profit or loss	(10,883)
Transfer from property, plant and equipment	11,311
Carrying amount at 31 December 2023 and 1 January 2024	433,793
Net loss from a fair value adjustment recognised in other income and gains in profit or loss	(18,812)
Transfer from property, plant and equipment	480
Carrying amount at 31 December 2024 and 1 January 2025	415,461
Net loss from a fair value adjustment recognised in other income and gains in profit or loss	(19,009)
Transfer from right-of-use assets	2,441
Transfer from property, plant and equipment	4,078
Carrying amount at 31 December 2025	402,971

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable/ observable inputs	Range or weighted average As at 31 December 2023	2024	2025
Commercial properties	Market comparison method	Evaluate the unit value (per square meter ("sq.m")	RMB12,362 to RMB16,454	RMB11,497 to RMB14,089	RMB10,458 to RMB11,736
Industrial properties	Discounted cash flow method	Estimated rental value (per sq.m and per month)	RMB2.4 to RMB24	RMB2.4 to RMB24	RMB1.7 to RMB24
		Discount rate	5.8% to 6.1%	6.3% to 6.6%	6.4% to 6.5%

The Company

	As at 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	101,334	110,449	103,555
Fair value changes of investment properties	(11,357)	(6,894)	(7,103)
Transfer from property, plant and equipment	20,472	–	3,109
Transfer from Right-of-use assets	–	–	2,441
Carrying amount at end of year	110,449	103,555	102,002

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, machinery equipment and transportation equipment used in its operations. Lump sum payments were made upfront to acquire the land use rights with periods of 50, and no ongoing payments will be made under the terms of these land leases. Leases of machinery equipment generally have lease terms between 5 and 5.25 years, while transportation equipment generally have lease terms of 5 years. Other equipment generally has lease terms of 12 months or less.

(a) ***Right-of-use assets***

The Group

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

	Machinery equipment	Transportation equipment	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	–	–	487,313	487,313
Additions	1,100	–	–	1,100
Depreciation charge	(99)	–	(13,117)	(13,216)
As at 31 December 2023 and 1 January 2024	1,001	–	474,196	475,197
Additions	3,434	6,177	–	9,611
Depreciation charge	(715)	(628)	(13,244)	(14,587)
As at 31 December 2024 and 1 January 2025	3,720	5,549	460,952	470,221
Additions	2,444	–	–	2,444
Transfer to investment properties	–	–	(2,441)	(2,441)
Depreciation charge	(1,146)	(1,236)	(13,339)	(15,721)
As at 31 December 2025	5,018	4,313	445,172	454,503

Certain of the Group's leasehold land with net carrying amounts of approximately RMB56,979,000, RMB55,546,000 and nil as of 31 December 2023, 2024 and 2025 respectively, were pledged to secure bank facilities granted to a fellow subsidiary.

The Company

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

	Machinery equipment	Transportation equipment	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	–	–	248,225	248,225
Additions	641	–	–	641
Depreciation charge	(61)	–	(6,698)	(6,759)
As at 31 December 2023 and 1 January 2024	580	–	241,527	242,107
Additions	1,312	1,688	–	3,000
Depreciation charge	(303)	(160)	(6,816)	(7,279)
As at 31 December 2024 and 1 January 2025	1,589	1,528	234,711	237,828
Additions	1,701	–	–	1,701
Transfer to investment properties	–	–	(2,441)	(2,441)
Depreciation charge	(550)	(319)	(6,783)	(7,652)
As at 31 December 2025	2,740	1,209	225,487	229,436

(b) ***Lease liabilities***

The Group

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	–	1,117	8,892
New leases	1,100	9,611	2,444
Accretion of interest recognised during the year	17	222	349
Payments	–	(2,058)	(2,232)
Carrying amount at end of year	1,117	8,892	9,453
Analysed into:			
Current portion	162	2,067	2,703
Non-current portion	955	6,825	6,750

The maturity analysis of lease liabilities is disclosed in note 49 to the Historical Financial Information.

The Company

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	–	654	3,088
New leases	641	3,000	1,701
Accretion of interest recognised during the year	13	76	135
Payments	–	(642)	(790)
Carrying amount at end of year	654	3,088	4,134
Analysed into:			
Current portion	60	690	1,040
Non-current portion	594	2,398	3,094

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	17	222	349
Depreciation charge of right-of-use assets	13,216	14,587	15,721
Expense relating to short-term leases	11,452	25,884	37,997
Total amount recognised in profit or loss	24,685	40,693	54,067

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	13	76	135
Depreciation charge of right-of-use assets	6,759	7,279	7,652
Expense relating to short-term leases	1,499	–	5,089
Total amount recognised in profit or loss	8,271	7,355	12,876

(d) The total cash outflow for leases is disclosed in note 42(c) to the Historical Financial Information.

The Group as a lessor

The Group leases its buildings and equipment under finance leases and operating lease arrangements. Rental income recognised by the Group during the years ended 31 December 2023, 2024 and 2025 was RMB30,256,000, RMB173,763,000 and RMB111,671,000, details of which are included in note 5 to the Historical Financial Information.

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	29,804	135,672	71,496
1 year to 2 years	23,536	74,893	48,823
2 years to 3 years	12,140	16,099	45,308
Over 3 years	3,441	7,419	21,307
Total	68,921	234,083	186,934

The undiscounted lease payments receivable by the Group in future periods under finance leases during the years ended 31 December 2023, 2024 and 2025 was nil, RMB164,978,000 and nil.

The Company as a lessor

The Company leases its buildings and equipment under operating lease arrangements. Rental income recognised by the Company during the years ended 31 December 2023, 2024 and 2025 was RMB5,660,000, RMB5,506,000 and RMB8,461,000.

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,935	6,911	7,206
1 year to 2 years	6,895	4,596	1,196
2 years to 3 years	4,596	–	–
Over 3 years	–	–	–
Total	18,426	11,507	8,402

16. GOODWILL

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning and end of year	11,590	11,590	11,590

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Shantui Janeoo cash-generating unit

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Shantui Janeoo	11,590	11,590	11,590

The recoverable amount of the Shantui Janeoo cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rates applied to the cash flow projections were 11.76%, 10.25% and 10.36% as at the end of 31 December 2023, 2024 and 2025. The cash flows beyond the five-year period are extrapolated using zero growth rate and it is assumed that the business would operate perpetually.

The following table sets out the key assumptions adopted by management in the impairment assessment:

	As at 31 December		
	2023	2024	2025
Revenue annual growth rate – average rate for the forecast period	6.61%	5.88%	10.23%
Average gross margin	15.83%	15.16%	14.21%
Pre-tax discount rate	11.76%	10.25%	10.36%

Assumptions were used in the value in use calculation of the Shantui Janeoo cash-generating unit for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted sales and gross margin — The basis used to determine the value assigned to the budgeted sales and gross margin (including warranties) is the average results achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Pre-tax discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the Shantui Janeoo cash-generating unit and discount rate are consistent with external information sources.

In the opinion of the directors of the Company, for the Shantui Janeoo cash-generating unit, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. The headrooms were RMB17,354,000, RMB7,770,000 and RMB13,973,000 as at 31 December 2023, 2024 and 2025, respectively. If the revenue annual growth rate decreased from 6.61% to 3.25%, from 5.88% to 5.84% and from 10.23% to 10.19% or the average gross margin (including warranties) decreased from 15.83% to 15.51%, from 15.16% to 15.05% and from 14.21% to 13.69%, or the pre-tax discount rate increased from 11.76% to 12.44%, from 10.25% to 10.47% and from 10.36% to 10.73%, an impairment on goodwill would be recognised during the year ended 31 December 2023, 2024 and 2025, respectively.

17. OTHER INTANGIBLE ASSETS

The Group

	Software	Patents	Non-patent technology	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023					
At 1 January 2023:					
Cost	121,165	10,689	83,163	–	215,017
Accumulated amortisation	(84,817)	(10,689)	(80,456)	–	(175,962)
Net carrying amount	36,348	–	2,707	–	39,055
Cost at 1 January 2023, net of accumulated amortisation	36,348	–	2,707	–	39,055
Additions	9,821	–	–	–	9,821
Amortisation provided during the year	(10,915)	–	(577)	–	(11,492)
Transfer from property, plant and equipment	13,884	–	–	–	13,884
Exchange realignment	(4)	–	–	–	(4)
At 31 December 2023	49,134	–	2,130	–	51,264
At 31 December 2023:					
Cost	144,347	10,689	83,163	–	238,199
Accumulated amortisation and impairment	(95,213)	(10,689)	(81,033)	–	(186,935)
Net carrying amount	49,134	–	2,130	–	51,264
31 December 2024					
Cost at 1 January 2024, net of accumulated amortisation and impairment	49,134	–	2,130	–	51,264
Additions	4,101	–	–	–	4,101
Amortisation provided during the year	(9,733)	–	(579)	–	(10,312)
Transfer from property, plant and equipment	17,284	–	–	–	17,284
Exchange realignment	(5)	–	–	–	(5)
At 31 December 2024	60,781	–	1,551	–	62,332
At 31 December 2024:					
Cost	165,727	10,689	83,163	–	259,579
Accumulated amortisation and impairment	(104,946)	(10,689)	(81,612)	–	(197,247)
Net carrying amount	60,781	–	1,551	–	62,332

	Software	Patents	Non-patent technology	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025					
Cost at 1 January 2025, net of accumulated amortisation and impairment	60,781	–	1,551	–	62,332
Additions	2,343	–	–	8,658	11,001
Amortisation provided during the year	(10,292)	–	(578)	–	(10,870)
Transfer from property, plant and equipment	3,408	–	–	–	3,408
Exchange realignment	6	–	–	–	6
At 31 December 2025	56,246	–	973	8,658	65,877
At 31 December 2025:					
Cost	170,752	10,689	83,163	8,658	273,262
Accumulated amortisation and Impairment	(114,506)	(10,689)	(82,190)	–	(207,385)
Net carrying amount	56,246	–	973	8,658	65,877

The Company

	Software	Non-patent technology	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	94,845	79,455	174,300
Accumulated amortisation	(71,908)	(76,748)	(148,656)
Net carrying amount	22,937	2,707	25,644
Cost at 1 January 2023, net of accumulated amortisation	22,937	2,707	25,644
Additions	7,690	–	7,690
Amortisation provided during the year	(8,160)	(578)	(8,738)
Transfer from property, plant and equipment	4,451	–	4,451
At 31 December 2023	26,918	2,129	29,047
At 31 December 2023:			
Cost	106,468	79,455	185,923
Accumulated amortisation	(79,550)	(77,326)	(156,876)
Net carrying amount	26,918	2,129	29,047

	Software	Non-patent technology	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	26,918	2,129	29,047
Additions	1,200	–	1,200
Amortisation provided during the year	(6,487)	(578)	(7,065)
Transfer from property, plant and equipment	9,624	–	9,624
At 31 December 2024	31,255	1,551	32,806
At 31 December 2024:			
Cost	117,292	79,455	196,747
Accumulated amortisation	(86,037)	(77,904)	(163,941)
Net carrying amount	31,255	1,551	32,806

	Software	Non-patent technology	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025				
Cost at 1 January 2025, net of accumulated amortisation	31,255	1,551	–	32,806
Additions	2,135	–	8,658	10,793
Amortisation provided during the year	(6,373)	(578)	–	(6,951)
Transfer from property, plant and equipment	2,906	–	–	2,906
At 31 December 2025	29,923	973	8,658	39,554
At 31 December 2025:				
Cost	122,332	79,455	8,658	210,445
Accumulated amortisation	(92,409)	(78,482)	–	(170,891)
Net carrying amount	29,923	973	8,658	39,554

18. INVESTMENTS IN ASSOCIATES

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group			Principal activities
			As at 31 December			
			2023	2024	2025	
Shandong Heavy Industry Group Finance Co., Ltd. ("山東重工集團財務有限公司")*	Ordinary shares	PRC/Chinese mainland	12.50%	12.50%	7.81%	Non-banking financial services
Shandong Hengji Material Forming Co., Ltd. ("山東恒基材料成型有限公司")	Ordinary shares	PRC/Chinese mainland	44.67%	44.67%	44.67%	Industrial Processing

* On 22 April 2025, shareholders of Shandong Heavy Industry Group Finance Co., Ltd. implemented a capital increase in Shandong Heavy Industry Group Finance Co., Ltd. and the Company invested an additional RMB261,360,000 to Shandong Heavy Industry Group Finance Co., Ltd. After the capital increase, the percentage of ownership interest attributable to the Group and the Company was reduced to 7.81%.

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	513,262	549,685	797,866

Shandong Heavy Industry Group Finance Co., Ltd. and Shandong Hengji Material Forming Co., Ltd., which are considered by the board of directors as material associates of the Group.

The following table illustrates the summarised financial information in respect of Shandong Heavy Industry Group Finance Co., Ltd., adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current assets	34,172,582	30,026,263	40,502,607
Non-current assets	5,031,185	8,936,452	21,066,350
Current liabilities	35,425,378	34,945,252	52,135,113
Non-current liabilities	157,897	230,080	251,542
Net assets	3,620,492	3,787,383	9,182,302

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	12.50%	12.50%	7.81%
Group's share of net assets of the associate	452,562	473,423	717,138
Carrying amount of the investment	432,021	473,423	717,125
Revenue	913,581	856,334	431,176
Profit for the year	323,135	295,199	282,107
Other comprehensive income/(loss)	–	67,507	(242,600)
Total comprehensive income for the year	323,135	362,706	39,507
Dividend received	14,392	24,477	17,451

The following table illustrates the summarised financial information in respect of Shandong Hengji Material Forming Co., Ltd., adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current assets	171,155	109,207	115,896
Non-current assets	143,002	117,915	102,053
Current liabilities	196,793	91,270	70,314
Non-current liabilities	1,305	941	1,903
Net assets	116,059	134,911	145,732
Non-controlling interest	17,437	17,832	18,314
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	44.67%	44.67%	44.67%
Group's share of net assets of the associate	44,054	52,299	56,918
Carrying amount of the investment	59,951	58,055	62,447
Revenue	332,224	294,462	294,627
Profit for the year	10,163	11,101	10,993
Total comprehensive income for the year	10,163	11,101	10,993
Dividend received	–	893	–

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share of the associates' loss for the year	(710)	(3,135)	(166)
Share of the associates' total comprehensive loss	(710)	(3,135)	(166)
Aggregate carrying amount of the Group's investments in the associates	21,290	18,207	18,294

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	494,148	531,000	779,028

Shandong Heavy Industry Group Finance Co., Ltd. and Shandong Hengji Material Forming Co., Ltd., which are considered by the board of directors as material associates of the Company.

The following table illustrates the aggregate financial information of the Company's associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share of the associates' (loss)/profit for the year	(1,568)	(2,323)	1,941
Share of the associates' total comprehensive (loss)/income	(1,568)	(2,323)	1,941
Aggregate carrying amount of the Company's investments in the associates	8,924	6,812	7,907

19. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	1,650,763	3,491,897	3,512,817

Particulars of the subsidiaries of the Company are set out in Note 1 to the Historical Financial Information.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Bills receivable, at fair value	306,430	284,023	587,018
Non-current:			
Unlisted equity investments, at fair value	18,003	18,003	7,697

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Bills receivable, at fair value	286,036	260,801	486,401
Non-current:			
Unlisted equity investments, at fair value	217	217	217

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.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers and certain unmatured discounted bills receivable with carrying amounts in aggregate of RMB890,353,000, RMB1,252,839,000 and RMB1,453,757,000, 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 the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group' s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023, 2024 and 2025, the Group did not recognise any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	4,068,358	5,341,456	6,729,401
Impairment	(502,694)	(630,459)	(742,046)
Net carrying amount	3,565,664	4,710,997	5,987,355
Long-term receivables	461,368	389,771	328,068
Impairment	(25,151)	(23,536)	(21,095)
Net carrying amount	436,217	366,235	306,973
Total	4,001,881	5,077,232	6,294,328
Analysed into:			
Current portion	3,874,042	4,934,350	6,157,828
Non-current portion	127,839	142,882	136,500

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	2,550,541	4,119,597	4,535,513
Impairment	(86,215)	(107,696)	(104,064)
Net carrying amount	2,464,326	4,011,901	4,431,449
Long-term receivables	260,959	183,069	104,907
Impairment	(13,482)	(10,416)	(6,853)
Net carrying amount	247,477	172,653	98,054
Total	2,711,803	4,184,554	4,529,503
Analysed into:			
Current portion	2,637,552	4,127,800	4,513,611
Non-current portion	74,251	56,754	15,892

The Group's trading terms with its customers are mainly on credit. Further details are contained in note 5 to the Historical Financial Information. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The amounts due from related parties included in trade receivables are disclosed in note 46 to the Historical Financial Information.

As at 31 December 2023, 2024 and 2025, the net carrying amounts of certain trade and bills receivables of the Group of approximately RMB100,790,000, RMB20,032,000 and nil, respectively, were pledged to secure certain bank facilities granted to the Group and the issuance of bankers' acceptance.

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	3,335,656	3,928,099	4,891,737
1 year to 2 years	185,577	698,579	651,737
2 years to 3 years	37,332	69,761	421,245
3 years to 4 years	7,099	14,558	22,636
Total	3,565,664	4,710,997	5,987,355

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,369,031	3,948,691	4,391,755
1 year to 2 years	90,445	47,725	28,208
2 years to 3 years	4,531	14,060	9,128
Over 3 years	319	1,425	2,358
Total	2,464,326	4,011,901	4,431,449

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	499,651	502,694	630,459
Impairment losses, net	26,965	126,819	111,587
Amount written off as uncollectible	(23,922)	–	–
Others	–	946	–
At end of year	502,694	630,459	742,046

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	106,742	86,215	107,696
Impairment losses, net	(20,499)	21,481	(3,632)
Amount written off as uncollectible	(28)	–	–
At end of year	86,215	107,696	104,064

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of the balances for groupings of various customer segments with similar loss patterns (i.e., by geographical region, by customer type and rating, and coverage by credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions.

The Group

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

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	3,472,809	3.95%	137,153
1 to 2 years	209,905	11.59%	24,328
2 to 3 years	55,152	32.31%	17,820
3 to 4 years	19,606	63.79%	12,507
4 to 5 years	19,057	100.00%	19,057
Over 5 years	192,487	100.00%	192,487
Total	3,969,016		403,352

As at 31 December 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	4,078,586	3.69%	150,487
1 to 2 years	780,186	10.46%	81,607
2 to 3 years	97,432	28.40%	27,671
3 to 4 years	40,105	63.70%	25,547
4 to 5 years	11,614	100.00%	11,614
Over 5 years	193,213	100.00%	193,213
Total	5,201,136		490,139

As at 31 December 2025

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	5,006,948	2.30%	115,211
1 to 2 years	775,048	15.91%	123,311
2 to 3 years	532,632	21.07%	112,218
3 to 4 years	40,735	46.07%	18,768
4 to 5 years	22,063	100.00%	22,063
Over 5 years	195,167	100.00%	195,167
Total	6,572,593		586,738

In addition to the above provision matrix, the Group has made individual loss allowance for certain customers while the credit risk increased significantly. As at 31 December 2023, 2024 and 2025, the accumulated individual loss allowances were RMB99,342,000, RMB140,320,000 and RMB155,308,000, with carrying amounts before loss allowance of RMB99,342,000, RMB140,320,000 and RMB156,808,000.

The Company

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

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	2,396,083	1.13%	27,052
1 to 2 years	102,302	11.59%	11,857
2 to 3 years	6,694	32.31%	2,163
3 to 4 years	882	63.83%	563
4 to 5 years	100	100.00%	100
Over 5 years	31,044	100.00%	31,044
Total	2,537,105		72,779

As at 31 December 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	3,988,059	0.99%	39,368
1 to 2 years	53,300	10.46%	5,575
2 to 3 years	19,637	28.40%	5,577
3 to 4 years	3,926	63.70%	2,501
4 to 5 years	299	100.00%	299
Over 5 years	30,309	100.00%	30,309
Total	4,095,530		83,629

As at 31 December 2025

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	4,428,126	0.82%	36,371
1 to 2 years	33,545	15.91%	5,337
2 to 3 years	11,565	21.07%	2,437
3 to 4 years	4,373	46.08%	2,015
4 to 5 years	3,926	100.00%	3,926
Over 5 years	30,053	100.00%	30,053
Total	4,511,588		80,139

In addition to the above provision matrix, the Company has made individual loss allowance for certain customers while the credit risk increased significantly. As at 31 December 2023, 2024 and 2025, the accumulated individual loss allowances were RMB13,436,000, RMB24,067,000 and RMB23,925,000, with carrying amounts before loss allowance of RMB13,436,000, RMB24,067,000 and RMB23,925,000.

Long-term receivables mainly represented amounts due from certain sale with installment payment periods over one year.

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Long-term receivables	461,368	389,771	328,068
Impairment	(25,151)	(23,536)	(21,095)
Net carrying amount	436,217	366,235	306,973
Analysed into:			
Current portion	308,378	223,353	170,473
Non-current portion	127,839	142,882	136,500

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Long-term receivables	260,959	183,069	104,907
Impairment	(13,482)	(10,416)	(6,853)
Net carrying amount	247,477	172,653	98,054
Analysed into:			
Current portion	173,226	115,899	82,162
Non-current portion	74,251	56,754	15,892

The movements in the loss allowance for impairment of long-term receivables are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	25,490	25,151	23,536
Impairment losses, net	63	(1,615)	(2,441)
Others	(402)	–	–
At end of year	25,151	23,536	21,095

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	12,639	13,482	10,416
Impairment losses, net	843	(3,066)	(3,563)
At end of year	13,482	10,416	6,853

Set out below is the information about the credit risk exposure on the Group's long-term receivables using a provision matrix:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Expected credit loss rate	5.45%	6.04%	6.43%
Gross carrying amount	461,368	389,771	328,068
Expected credit losses	25,151	23,536	21,095

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Expected credit loss rate	5.17%	5.69%	6.53%
Gross carrying amount	260,959	183,069	104,907
Expected credit losses	13,482	10,416	6,853

22. RECEIVABLES UNDER FINANCE LEASES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Receivables under finance leases	–	136,924	–
Impairment	–	(8,599)	–
Net carrying amount	–	128,325	–
Analysed into:			
Current portion	–	54,203	–
Non-current portion	–	74,122	–

The movement in the loss allowance for impairment of receivables under finance leases is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	–	–	8,599
Impairment losses, net	–	8,599	(8,599)
At end of year	–	8,599	–

The Group provides equipment finance lease services to customers purchasing machinery products of the Group.

23. DEFERRED TAX

The Group

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

Deferred tax assets

	Provision for impairment of assets	Unrealised profits from intercompany transactions	Losses available for offsetting against future taxable profits	Impairment of financial assets	Provision	Long-term employee benefits	Deferred income	Accruals	Share-based payments	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	12,701	3,888	1,296	94,731	7,529	22,824	14,467	982	5,905	–	164,323
Deferred tax credited/(charged) to profit or loss during the year	2,666	8,733	–	(10,069)	(703)	155	65	241	(1,129)	133	92
Deferred tax credited to share award reserve during the year	–	–	–	–	–	–	–	–	1,626	–	1,626
At 31 December 2023 and 1 January 2024	15,367	12,621	1,296	84,662	6,826	22,979	14,532	1,223	6,402	133	166,041
Deferred tax credited/(charged) to profit or loss during the year	5,782	17,261	–	20,466	4,624	3,117	(444)	13,353	(1,503)	1,321	63,977
Deferred tax credited to share award reserve during the year	–	–	–	–	–	–	–	–	3,929	–	3,929
At 31 December 2024 and 1 January 2025	21,149	29,882	1,296	105,128	11,450	26,096	14,088	14,576	8,828	1,454	233,947
Deferred tax credited/(charged) to profit or loss during the year	2,352	(4,634)	72,615	(1,662)	(2,843)	(10,717)	2,008	7,161	(2,078)	12	62,214
Deferred tax charged to share award reserve during the year	–	–	–	–	–	–	–	–	(6,750)	–	(6,750)
At 31 December 2025	23,501	25,248	73,911	103,466	8,607	15,379	16,096	21,737	–	1,466	289,411

Deferred tax liabilities

	Fair value adjustments arising from business combination	Unrealised gains from disposal of assets	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	7,969	17,459	–	25,428
Deferred tax (credited)/charged to profit or loss during the year	(235)	(10,745)	119	(10,861)
At 31 December 2023 and 1 January 2024	7,734	6,714	119	14,567
Deferred tax (credited)/charged to profit or loss during the year	(236)	(6,714)	1,438	(5,512)
At 31 December 2024 and 1 January 2025	7,498	–	1,557	9,055
Deferred tax credited to profit or loss during the year	(236)	–	(44)	(280)
At 31 December 2025	7,262	–	1,513	8,775

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements 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	166,041	233,947	289,411
Net deferred tax liabilities recognised in the consolidated statements of financial position	14,567	9,055	8,775

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deductible Temporary Differences	429,496	567,553	745,224
Tax losses	4,342,229	3,950,720	3,113,022
Total	4,771,725	4,518,273	3,858,246

The Group had tax losses arising in the Chinese mainland of RMB4,342,229,000, RMB3,950,720,000 and RMB3,113,022,000 as at 31 December 2023, 2024 and 2025, respectively, that would expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The Company

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

Deferred tax assets

	Provision for impairment of assets	Unrealised profits from intercompany transactions	Impairment of financial assets	Provision	Long-term employee benefits	Deferred income	Share-based payments	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	8,693	–	52,209	5,616	13,163	14,182	5,905	–	99,768
Deferred tax credited/(charged) to profit or loss during the year	1,542	–	(3,070)	(710)	417	91	(1,129)	98	(2,761)
Deferred tax charged to share award reserve during the year	–	–	–	–	–	–	1,626	–	1,626
At 31 December 2023 and 1 January 2024	10,235	–	49,139	4,906	13,580	14,273	6,402	98	98,633
Deferred tax (charged)/credited to profit or loss during the year	(256)	–	2,780	826	7,921	(477)	(1,503)	365	9,656
Deferred tax credited to share award reserve during the year	–	–	–	–	–	–	3,929	–	3,929
At 31 December 2024 and 1 January 2025	9,979	–	51,919	5,732	21,501	13,796	8,828	463	112,218
Deferred tax (charged)/credited to profit or loss during the year	(909)	–	(924)	(1,072)	(8,722)	538	(2,078)	157	(13,010)
Deferred tax charged to share award reserve during the year	–	–	–	–	–	–	(6,750)	–	(6,750)
At 31 December 2025	9,070	–	50,995	4,660	12,779	14,334	–	620	92,458

The Company

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2023	–
Deferred tax charged to profit or loss during the year	87
At 31 December 2023 and 1 January 2024	87
Deferred tax charged to profit or loss during the year	381
At 31 December 2024 and 1 January 2025	468
Deferred tax charged to profit or loss during the year	124
At 31 December 2025	592

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements 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 recognized in the statements of financial position	98,633	112,218	92,458
Net deferred tax liabilities recognized in the statements of financial position	87	468	592

24. OTHER NON-CURRENT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Long-term deferred expense	2,025	2,248	1,713

25. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	646,088	840,916	820,228
Work in progress	558,576	449,578	527,290
Finished goods	1,540,830	1,909,601	1,901,651
Total	2,745,494	3,200,095	3,249,169

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	340,063	388,867	488,332
Work in progress	310,491	254,134	254,971
Finished goods	743,289	727,788	827,788
Total	1,393,843	1,370,789	1,571,091

26. CONTRACT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sale of products	23,652	36,500	36,216
Impairment	(1,886)	(2,005)	(3,986)
Net carrying amount	21,766	34,495	32,230

Contract assets are initially recognised for revenue earned from the sale of products. Upon expiration of the warranty periods, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in the year ended 31 December 2024 and 2025 was the result of the increase in the ongoing sale of products at the end of the year.

During the years ended 31 December 2023, 2024 and 2025, RMB1,003,000, RMB119,000 and RMB1,981,000 were recognised as allowances for expected credit losses on contract assets.

As at 31 December 2023, 2024 and 2025, the expected timing of recovery or settlement for contract assets was subject to the specific contract terms.

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	883	1,886	2,005
Impairment losses, net	1,003	119	1,981
At end of year	1,886	2,005	3,986

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December		
	2023	2024	2025
Expected credit loss rate	7.97%	5.49%	11.01%
Gross carrying amount (RMB'000)	23,652	36,500	36,216
Expected credit losses (RMB'000)	1,886	2,005	3,986

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	453,901	402,902	334,579
Deposits and other receivables	474,832	714,605	897,427
Value-added tax recoverable	153,268	124,445	123,746
Prepaid income tax	864	2,947	23,682
Dividend receivables	1,231	1,231	1,231
[**REDACTED**]	–	–	[**REDACTED**]
Others	11,841	7,149	6,407
	1,095,937	1,253,279	[**REDACTED**]
Impairment allowance	(249,931)	(265,157)	(263,849)
Total	846,006	988,122	[**REDACTED**]

The amounts due from related parties included in other receivables are disclosed in note 46 to the Historical Financial Information.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	977,199	927,651	886,639
Deposits and other receivables	238,377	234,303	260,773
Value-added tax recoverable	67,690	19,335	–
Prepaid income tax	–	–	20,262
[REDACTED]	–	–	**[REDACTED]**
Others	7,472	6,448	6,318
	1,290,738	1,187,737	1,198,738
Impairment allowance	(227,894)	(227,966)	(229,017)
Total	1,062,844	959,771	**[REDACTED]**

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	255,502	249,931	265,157
(Reversal of impairment losses)/impairment losses, net	(2,757)	15,226	(1,308)
Amount written off as uncollectible	(2,814)	–	–
At end of year	249,931	265,157	263,849

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	228,679	227,894	227,966
(Reversal of impairment losses)/ impairment losses, net	(712)	72	1,051
Amount written off as uncollectible	(73)	–	–
At end of year	227,894	227,966	229,017

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Structured deposits	151,897	–	–

The structure deposits were issued by banks in the Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

29. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND TIME DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	1,715,861	1,246,736	1,076,789

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pledged deposits	2,095,059	3,325,874	2,239,329
Total	3,810,920	4,572,610	3,316,118
Denominated in:			
RMB	3,674,450	4,323,731	2,817,836
United States Dollar ("USD")	110,115	157,435	353,623
Saudi Riyal ("SAR")	–	38,463	60,984
United Arab Emirates Dirham ("AED")	8,226	23,081	15,352
South African Rand ("ZAR")	11,338	16,836	27,934
Euro ("EUR")	6,671	8,981	15,657
Uzbekistani Som ("UZS")	–	3,676	12,547
Others	120	407	12,185
Total	3,810,920	4,572,610	3,316,118

The RMB is not freely convertible into other currencies, however, under the 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.

Certain bank deposits were pledged as securities for the issuance of bankers' acceptance and letters of credit as at 31 December 2023, 2024 and 2025, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between 7 days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	1,377,961	655,882	245,743
Pledged deposits	1,050,583	1,652,268	1,222,155
Total	2,428,544	2,308,150	1,467,898
Denominated in:			
RMB	2,428,543	2,308,149	1,467,897
Others	1	1	1
Total	2,428,544	2,308,150	1,467,898

30. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,466,250	8,621,800	8,429,225
Over 1 year	102,626	184,221	239,038
Total	6,568,876	8,806,021	8,668,263

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,025,108	5,090,167	5,372,931
Over 1 year	74,374	70,468	86,803
Total	4,099,482	5,160,635	5,459,734

The amounts due to related parties included in trade payables are disclosed in note 46 to the Historical Financial Information.

The trade payables are non-interest-bearing and are normally settled within 1 to 3 months.

31. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Accruals and other payables	321,392	473,685	492,780
Payroll and welfare payables	131,377	160,167	158,299
Other tax payable	32,475	48,785	37,469
Dividends payable	1,506	47,438	–
Repurchase obligation for restricted shares	27,774	13,887	–
Others	64	919	2,950
Total	514,588	744,881	691,498

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Accruals and other payables	130,349	251,486	146,024
Payroll and welfare payables	84,660	104,311	63,994
Other tax payable	15,040	19,072	21,542
Dividends payable	1,506	47,438	–
Repurchase obligation for restricted shares	27,774	13,887	–
Others	34	744	1,291
Total	259,363	436,938	232,851

The amounts due to related parties included in other payables are disclosed in note 46 to the Historical Financial Information.

Other payables are non-interest-bearing and repayable on demand or within one year.

32. CONTRACT LIABILITIES

The Group

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of products	243,769	467,291	333,590	417,943

The Company

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of products	22,782	197,630	44,081	57,572

The amounts due to related parties included in contract liabilities are disclosed in note 46 to the Historical Financial Information.

Contract liabilities include advances received from customers for sales of goods. The changes in contract liabilities during the Relevant Periods were mainly due to the change in advances received from customers at the respective reporting date.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans – unsecured	2.55-2.60	2024	600,470	2.27-3.50	2025	460,829	2.11	2026	50,033
Current portion of long-term bank loans – unsecured	2.00-2.70	2024	328,194	2.40-2.44	2025	3,076	1.75-2.24	2026	451,750
Other borrowings – secured	3.85	2024	8,000	–	–	–	–	–	–
Other borrowings – unsecured	3.50-3.85	2024	13,210	2.27-3.80	2025	343,492	2.11-2.95	2026	710,267
Current portion of long-term other borrowings – secured	3.30-3.95	2024	68,038	3.30-3.75	2025	21,258	–	–	–
Current portion of long-term other borrowings – unsecured	3.70	2024	3,900	2.44-3.95	2025	14,960	2.34	2026	2,285
Subtotal			1,021,812			843,615			1,214,335
Non-current									
Bank loans – unsecured	2.30	2026	50,035	2.10-2.50	2026-2027	1,048,000	1.70-2.44	2027-2028	663,000
Other borrowings – secured	3.30-3.75	2025	21,221	–	–	–	–	–	–
Other borrowings – unsecured	3.70	2026	4,438	2.44-3.95	2026-2027	400,950	2.34	2027	396,000
Others	–	–	15,198	–	–	15,198	–	–	–
Subtotal			90,892			1,464,148			1,059,000
Total			1,112,704			2,307,763			2,273,335

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	928,664	463,905	501,783
In the second year	–	452,000	546,000
In the third years	50,035	596,000	117,000
Subtotal	978,699	1,511,905	1,164,783
Other borrowings repayable:			
Within one year or on demand	93,148	379,710	712,552
In the second year	24,519	20,148	396,000
In the third years	16,338	396,000	–
Subtotal	134,005	795,858	1,108,552
Total	1,112,704	2,307,763	2,273,335

Notes:

(a) Certain of the Group's trade and bills receivables with net carrying amounts of approximately RMB100,790,000, RMB20,032,000 and nil as of 31 December 2023, 2024 and 2025, respectively, were pledged to secure bank facilities granted to the Group.

(b) As at 31 December 2023, 2024 and 2025, the Group's interest-bearing bank and other borrowings of RMB838,597,000, nil and nil, respectively, were guaranteed by letters of guarantee or related parties of the Group.

The Company

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans – unsecured	2.55-2.60	2024	600,470	2.27-2.53	2025	400,363	2.11	2026	50,033
Current portion of long-term bank loans – unsecured	2.70	2024	100,068	2.40-2.44	2025	3,076	1.75-2.24	2026	451,750
Other borrowings – unsecured	–	–	–	2.27	2025	100,000	2.11	2026	200,128
Current portion of long-term other borrowings – unsecured	–	–	–	2.44	2025	2,000	2.34	2026	2,285
Subtotal			700,538			505,439			704,196
Non-current									
Bank loans – unsecured	2.30	2026	50,035	2.10-2.50	2026-2027	1,048,000	1.70-2.44	2027-2028	663,000
Other borrowings – unsecured	–	–	–	2.44	2027	398,000	2.34	2027	396,000
Subtotal			50,035			1,446,000			1,059,000
Total			750,573			1,951,439			1,763,196

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	700,538	403,439	501,783
In the second year	–	452,000	546,000
In the third years	50,035	596,000	117,000
Subtotal	750,573	1,451,439	1,164,783
Other borrowings repayable:			
Within one year or on demand	–	102,000	202,413
In the second year	–	2,000	396,000
In the third years	–	396,000	–
Subtotal	–	500,000	598,413
Total	750,573	1,951,439	1,763,196

34. PROVISION

The Group

	Warranties
	RMB'000
At 1 January 2023	127,372
Additional provision	83,638
Amounts utilised during the year	(78,244)
At 31 December 2023 and 1 January 2024	132,766
Additional provision	184,418
Amounts utilised during the year	(80,832)
At 31 December 2024 and 1 January 2025	236,352
Additional provision	131,955
Amounts utilised during the year	(141,977)
At 31 December 2025	226,330

The Group provides product warranties ranging from half year to 2 years to its customers on the whole machine, with the engine covered under the main unit's warranty, while its components are subject to the warranty terms during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

35. DEFERRED INCOME

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	169,237	163,637	170,934
At beginning of year	189,107	169,237	163,637
Grants received during the year	14,826	15,240	18,120
Released to profit or loss during the year	(34,696)	(20,840)	(10,823)
At end of year	169,237	163,637	170,934

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	95,156	91,971	95,558
At beginning of year	113,611	95,156	91,971
Grants received during the year	14,126	15,240	10,559
Released to profit or loss during the year	(32,581)	(18,425)	(6,972)
At end of year	95,156	91,971	95,558

36. OTHER NON-CURRENT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other long-term employee benefits	87,923	75,899	48,536
Mortgage and finance lease guarantee obligations	7,791	6,014	6,317
Total	95,714	81,913	54,853

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other long-term employee benefits	64,470	51,331	34,629
Mortgage and finance lease guarantee obligations	1,439	1,652	2,383
Total	65,909	52,983	37,012

37. SHARE CAPITAL/TREASURY SHARES

Shares

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares	1,500,855	1,500,327	1,500,143

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

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2023	1,501,253,212	1,501,253
Cancellation of treasury shares	(397,800)	(398)
At 31 December 2023	1,500,855,412	1,500,855
Cancellation of treasury shares	(528,000)	(528)
At 31 December 2024	1,500,327,412	1,500,327
Cancellation of treasury shares	(184,800)	(184)
At 31 December 2025	1,500,142,612	1,500,143

Treasury Shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares in issue	Treasury Shares
		RMB'000
At 1 January 2023	23,760,000	43,006
Cancellation of treasury shares	(397,800)	(720)
Vesting of shares under a share incentive plan *(note 39)*	(8,017,200)	(14,512)
At 31 December 2023	15,345,000	27,774
Cancellation of treasury shares	(528,000)	(956)
Vesting of shares under a share incentive plan *(note 39)*	(7,144,500)	(12,931)
At 31 December 2024	7,672,500	13,887
Cancellation of treasury shares	(184,800)	(334)
Vesting of shares under a share incentive plan *(note 39)*	(7,487,700)	(13,553)
Repurchase of ordinary shares	11,910,472	111,600
At 31 December 2025	11,910,472	111,600

38. 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 in the Historical Financial Information.

(a) Capital reserve

The capital reserve of the Group mainly includes the share premium contributed by the shareholders of the Company.

(b) Share award reserve

The share award reserve comprises the fair value of equity-settled share-based payment expenses, as further explained in note 39.

(c) Special reserve

Pursuant to the revised *Measures for the Extraction and Use of Enterprise Safety Production Funds* issued by the Ministry of Finance and the State Administration of Work Safety in November 2022, the Group is required to set aside an amount for maintenance, production and other similar funds.

(d) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies.

(e) Other comprehensive income

The other comprehensive reserve mainly represented exchange fluctuation reserve and the share of other comprehensive income of associates. For exchange fluctuation reserve, which is used to record exchange differences arising from the translation of the financial information of entities of which the functional currencies are not RMB.

(f) Reserve movement of the Company

	Capital reserve	Share award reserve	Safety production fund	Other comprehensive income	Statutory reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	1,546,784	32,588	–	–	396,906	2,363,719	4,339,997
Profit and total comprehensive income for the year	–	–	–	–	–	655,895	655,895
Cancellation of treasury shares	(322)	–	–	–	–	–	(322)
Equity-settled share-based payment expenses	–	8,929	–	–	–	53	8,982
Restricted shares vested	14,832	(14,832)	–	–	–	–	–
Cash dividends	–	–	–	–	–	(114,065)	(114,065)
Safety production fund provided	–	–	7,895	–	–	–	7,895
Safety production fund used	–	–	(7,895)	–	–	–	(7,895)

	Capital reserve	Share award reserve	Safety production fund	Other comprehensive income	Statutory reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2023 and 1 January 2024	1,561,294	26,685	–	–	396,906	2,905,602	4,890,487
Profit for the year	–	–	–	–	–	976,327	976,327
Share of other comprehensive income of associates	–	–	–	8,439	–	–	8,439
Total comprehensive income for the year	–	–	–	8,439	–	976,327	984,766
Cancellation of treasury shares	(428)	–	–	–	–	–	(428)
Equity-settled share-based payment expenses	–	7,135	–	–	–	52	7,187
Restricted shares vested	13,217	(13,217)	–	–	–	–	–
Cash dividends	–	–	–	–	–	(270,059)	(270,059)
Share of change in share reserve of associates	211	–	–	–	–	–	211
Transfer from retained earnings	–	–	–	–	97,364	(97,364)	–
Safety production fund provided	–	–	9,665	–	–	–	9,665
Safety production fund used	–	–	(9,665)	–	–	–	(9,665)
At 31 December 2024	1,574,294	20,603	–	8,439	494,270	3,514,558	5,612,164
At 1 January 2025	1,574,294	20,603	–	8,439	494,270	3,514,558	5,612,164
Profit for the year	–	–	–	–	–	675,508	675,508
Share of other comprehensive loss of associates	–	–	–	(19,854)	–	–	(19,854)
Total comprehensive (loss)/income for the year	–	–	–	(19,854)	–	675,508	655,654
Cancellation of treasury shares	(150)	–	–	–	–	–	(150)
Equity-settled share-based payment expenses	–	(6,750)	–	–	–	332	(6,418)
Restricted shares vested	13,853	(13,853)	–	–	–	–	–
Cash dividends	–	–	–	–	–	(142,136)	(142,136)
Share of change in share reserve of associates	(4,037)	–	–	–	–	–	(4,037)
Transfer from retained earnings	–	–	–	–	67,835	(67,835)	–
Safety production fund provided	–	–	16,640	–	–	–	16,640
Safety production fund used	–	–	(16,640)	–	–	–	(16,640)
At 31 December 2025	1,583,960	–	–	(11,415)	562,105	3,980,427	6,115,077

39. SHARE-BASED PAYMENTS

On 15 December 2020, the Company's extraordinary general meeting of shareholders approved the 2020 Restricted Stock Incentive Scheme (the "Scheme"). Subsequently, the Company approved the restricted shares granted under the Scheme, 25,270,000 restricted shares were granted to employees of the Group in 2021.

The offer for restricted shares granted was accepted upon payment of RMB1.81 for each restricted share by the grantee. The unlocking dates of the restricted shares are the first trading days after 24 months, 36 months and 48 months from the date of share registration. Upon meeting the performance conditions stipulated in the Scheme, 34%, 33% and 33% of the restricted shares shall be vested respectively.

The restricted shares granted are share-based payments for equity-settled transactions. The fair value of the shares granted was valued by reference to the market price of the Company's shares at the grant date.

The following restricted shares were outstanding under the Scheme during the Relevant Periods:

	As at 31 December		
	2023	2024	2025
At beginning of year	23,760,000	15,345,000	7,672,500
Vested	(8,017,200)	(7,144,500)	(7,487,700)
Forfeited	(397,800)	(528,000)	(184,800)
At end of year	15,345,000	7,672,500	–

The total expenses recognised in profit or loss for restricted shares granted to the Group's management and employees under the scheme were RMB7,303,000, RMB3,207,000 and nil for the years ended 31 December 2023, 2024 and 2025, respectively.

40. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	As at 31 December		
	2023	2024	2025
Percentage of equity interest held by non-controlling interests:			
Shantui Janeoo	49.00%	49.00%	49.00%

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year allocated to non-controlling interests:			
Shantui Janeoo	842	1,935	1,402
Accumulated balances of non-controlling interests at the reporting date:			
Shantui Janeoo	231,100	233,035	234,230

The following tables illustrate the summarised financial information of Shantui Janeoo. The amounts disclosed are before any inter-company eliminations:

	For the year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	506,106	543,992	540,795
Total expenses	(505,349)	(540,772)	(545,112)
Profit for the year	1,720	3,949	2,862
Total comprehensive income for the year	1,720	3,949	2,862
Current assets	766,166	910,511	1,014,970
Non-current assets	213,952	207,250	197,916
Current liabilities	499,609	633,749	726,990
Non-current liabilities	8,876	8,430	7,876
Net cash flows (used in)/from operating activities	(60,206)	10,025	36,461
Net cash flows from/(used in) investing activities	1,050	(597)	(411)
Net cash flows from/(used in) financing activities	56,184	(7,279)	(20,530)
Net (decrease)/increase in cash and cash equivalents	(2,972)	2,149	15,520

41. BUSINESS COMBINATIONS UNDER COMMON CONTROL

Acquisition of Strong Construction Machinery

In December 2024, the Group acquired a 100% equity interest in Strong Construction Machinery Co., Ltd. ("山重建機有限公司", "Strong Construction Machinery") from Linyi Shanzhong Construction Machinery Co., Ltd. ("臨沂山重工程機械有限公司"), a wholly-owned subsidiary of Shandong Heavy Industry, at a cash consideration of RMB1,841.13 million. The consideration was determined through arm's length negotiation between the parties based on the valuations of the total shareholders' equity of the target company by an independent professional appraiser. Following this acquisition, which was completed on 29 November 2024, Strong Construction Machinery became the Group's wholly-owned subsidiary.

Strong Construction Machinery is primarily engaged in hydraulic excavator business. This acquisition aligns with the Group's long-term strategy to reinforce and expand core business.

Since the merged companies and the Group were both under common control of Shandong Heavy Industry before and after the acquisition, the acquisition is accounted for as merger accounting, i.e., the assets and liabilities of the merged companies are consolidated by the Group using the existing book values from the Shandong Heavy Industry's perspective, as if the current group structure had been in existence throughout the periods presented.

42. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,100,000, RMB9,611,000 and RMB2,444,000, respectively, in respect of lease arrangements for properties.

During the years ended 31 December 2023, 2024 and 2025, bank acceptance bills of RMB240,718,000, RMB350,600,000 and RMB218,440,000, respectively, were endorsed for the settlement of trade and other payables.

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to property, plant and equipment of nil, RMB122,616,000 and RMB111,955,000, respectively, transferred from inventories.

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to investment properties of RMB20,472,000, RMB480,000 and RMB7,971,000, respectively, transferred from property plant and equipment and right-of-use assets.

During the years ended 31 December 2024, the Group repaid interest-bearing bank and other borrowings with non-cash consideration of RMB28,000,000.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2023

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payable
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	1,263,757	–	594
Changes from financing cash flows	(224,498)	–	(116,275)
New leases	–	1,100	–
Interest expense	73,445	17	–
Withholding tax	–	–	3,175
Dividends declared	–	–	114,065
Others	–	–	(53)
At 31 December 2023	1,112,704	1,117	1,506

Year ended 31 December 2024

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payable
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	1,112,704	1,117	1,506
Changes from financing cash flows	1,159,138	(2,058)	(224,075)
New leases	–	9,611	–
Interest expense	63,921	222	–
Dividends declared	–	–	270,059
Repayments by related party	(28,000)	–	–
Others	–	–	(52)
At 31 December 2024	2,307,763	8,892	47,438

Year ended 31 December 2025

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payable
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2025	2,307,763	8,892	47,438
Changes from financing cash flows	(117,118)	(2,232)	(186,220)
New leases	–	2,444	–
Interest expense	97,888	349	–
Withholding tax	–	–	(3,060)
Dividends declared	–	–	142,136
Transfer to other payables and accruals	(15,198)	–	–
Others	–	–	(294)
At 31 December 2025	2,273,335	9,453	–

(c) Total cash outflows for leases

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	11,452	14,368	37,997
Within financing activities	–	2,058	2,232
Total	11,452	16,426	40,229

43. CONTINGENT LIABILITIES

Certain customers of the Group finance their purchase of the Group's construction machinery in the form of bank acceptance notes provided by banks. The Group undertakes the joint liability guarantee for these customers. In the event of customer default, the Group is required to make payments to banks for the outstanding amounts due from the customers when the bank acceptance notes are due. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the expected future net cash outflow. Subsequently, each financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. The Group's maximum exposures to such guarantees were RMB108,045,000, RMB97,070,000 and RMB98,296,000 as of 31 December 2023, 2024 and 2025, respectively.

Certain customers of the Group finance their purchase of the Group's construction machinery products through bank loans, and the Group provides guarantees to the banks for the amounts drawn down by customers. Under the guarantee arrangements, in the event of customer default, the Group is required to make payment to the banks for the outstanding bank loans due from the customer. At the same time, the Group is entitled to repossess and sell the machinery collateralised to the banks, and retain any net proceeds in excess of the guarantee payments made to the banks. The terms of these guarantees coincide with the tenure of bank loans. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the expected future net cash outflow. Subsequently, each financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. The Group's maximum exposures to such guarantees were RMB51,750,000, RMB29,387,000 and RMB17,180,000 as of 31 December 2023, 2024 and 2025, respectively.

Certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangements, the Group provides guarantees to the third-party leasing companies that in the event of customer default, the Group is required to make payments to the leasing companies for the outstanding lease payments due from the customers. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. The terms of these guarantees coincide with the tenure of the lease contracts. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the expected future net cash outflow. Subsequently, each financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. The Group's maximum exposures to such guarantees were RMB869,082,000, RMB938,536,000 and RMB1,161,218,000 as of 31 December 2023, 2024 and 2025, respectively.

Certain customers of the Group finance their purchase of the Group's construction machinery through cargo-backed loans in the form of bank loans provided by banks. The Group undertakes the joint liability guarantees for these customers. In the event of customer default, the Group is required to make payments to banks for the outstanding bank loans due from the customers. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the expected future net cash outflow. Subsequently, each financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. The Group's maximum exposures to such guarantees were RMB25,083,000, RMB32,564,000 and RMB15,447,000 as of 31 December 2023, 2024 and 2025, respectively.

44. PLEDGE OF ASSETS

Details of the Group's assets pledged for bank facilities are included in note 13, note 15, note 21 and note 33 to the Historical Financial Information.

45. 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 purchase of property, plant and equipment	230,580	131,543	215,490

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Associates:			
Sales of goods	30,355	25,520	14,925
Purchases of products	264,340	264,861	254,291
Rental income as lessor	2,103	2,578	2,562
Other borrowings from *(note i)*	45,000	773,000	770,000
Repayment of other borrowings provided from	245,905	111,085	442,610
Interest expenses on other borrowings	16,855	4,159	24,722
Fellow Subsidiaries:			
Sales of goods	502,324	876,585	1,068,023
Purchases of products	1,360,939	2,137,386	2,481,704
Rental charges as lessee	–	2,059	2,579
Borrowing from	–	228,000	–
Repayment of borrowing from	–	228,000	–

These transactions from the related parties were carried out in the ordinary course of business and based on commercial terms mutually agreed by the counterparties.

Note:

(i) The borrowings from an associate bear the annual interest rates of 2.11% to 3.95%.

(b) Outstanding balances with related parties:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents:			
Associates	1,409,117	741,783	345,536
Pledged deposits:			
Associates	303,862	394,138	664,190
Interest-bearing bank and other borrowings:			
Associates	118,695	780,610	1,108,000
Trade and bills receivables:			
Associates	133	1,221	1,723
Fellow subsidiaries	183,907	395,582	573,727
Prepayments, other receivables and other assets:			
Associates	28,896	46,173	41,432
Fellow subsidiaries	15,576	200,428	146,531
Trade and bills payables:			
Associates	98,578	195,597	90,554
Fellow subsidiaries	454,807	786,761	949,415

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities:			
Associates	842	–	–
Fellow subsidiaries	35,164	721	141
Other payables and accruals:			
Associates	–	4,855	849
Fellow subsidiaries	210	1,277	2,789
Lease liabilities:			
Fellow subsidiaries	1,117	8,892	8,117

The outstanding balances with related parties are all trade in nature.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fee	331	390	356
Salaries, wages, bonuses and benefits in kind	6,288	7,173	8,881
Pension scheme contributions	773	1,029	957
Equity-settled share-based payment expenses	698	299	–
Total compensation paid to key management personnel	8,090	8,891	10,194

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	–	306,430	18,003	–	324,433
Trade and bills receivables	–	–	–	4,001,881	4,001,881
Financial assets included in prepayments, other receivables and other assets	–	–	–	226,132	226,132
Financial assets at fair value through profit or loss	151,897	–	–	–	151,897
Pledged deposits	–	–	–	2,095,059	2,095,059
Cash and cash equivalents	–	–	–	1,715,861	1,715,861
Total	151,897	306,430	18,003	8,038,933	8,515,263

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Held for trading	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	6,568,876	6,568,876
Financial liabilities included in other payables and accruals	–	311,422	311,422
Derivative financial instruments	449	–	449
Interest-bearing bank and other borrowings	–	1,112,704	1,112,704
Total	449	7,993,002	7,993,451

31 December 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	–	284,023	18,003	–	302,026
Trade and bills receivables	–	–	–	5,077,232	5,077,232
Finance lease receivables	–	–	–	128,325	128,325
Financial assets included in prepayments, other receivables and other assets	–	–	–	450,679	450,679
Pledged deposits	–	–	–	3,325,874	3,325,874
Cash and cash equivalents	–	–	–	1,246,736	1,246,736
Total	–	284,023	18,003	10,228,846	10,530,872

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Held for trading	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	8,806,021	8,806,021
Financial liabilities included in other payables and accruals	–	514,735	514,735
Interest-bearing bank and other borrowings	–	2,307,763	2,307,763
Total	–	11,628,519	11,628,519

31 December 2025

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	–	587,018	7,697	–	594,715
Trade and bills receivables	–	–	–	6,294,328	6,294,328
Financial assets included in prepayments, other receivables and other assets	–	–	–	634,809	634,809
Pledged deposits	–	–	–	2,239,329	2,239,329
Cash and cash equivalents	–	–	–	1,076,789	1,076,789
Total	–	587,018	7,697	10,245,255	10,839,970

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Held for trading	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	8,668,263	8,668,263
Financial liabilities included in other payables and accruals	–	477,969	477,969
Interest-bearing bank and other borrowings	–	2,273,335	2,273,335
Total	–	11,419,567	11,419,567

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade and bills receivables, receivables under finance leases, financial assets included in prepayments, other receivables and other assets, current portion of interest-bearing bank and other borrowings, trade and bills payables 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 Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. 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 values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade receivables, receivables under finance leases, and non-current portion of 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 changes in fair values as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique.

The Group invests in financial assets at fair value through profit or loss, which represent structured deposits issued by banks in the Chinese mainland. The Group has estimated the fair values of these structured deposits based on expected cash flows from implied yields.

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

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

	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
Investment A	Market approach	Median Enterprise value ("EV")/ Sales ("R") multiple of peers	31 December 2023: 0.51	Increase/(decrease) in 5% would result in increase/(decrease) in fair value by RMB112,000/(RMB112,000)
			31 December 2024: 0.65	Increase/(decrease) in 5% would result in increase/(decrease) in fair value by RMB850,000/(RMB850,000)
			31 December 2025: 0.98	Increase/(decrease) in 5% would result in increase/(decrease) in fair value by RMB937,000/(RMB937,000)
		Discount for lack of marketability ("DLOM")	31 December 2023: 26.8%	Increase/(decrease) in 5% would result in (decrease)/increase in fair value by (RMB302,000)/RMB302,000
			31 December 2024: 29.6%	Increase/(decrease) in 5% would result in (decrease)/increase in fair value by (RMB983,000)/RMB983,000
			31 December 2025: 27.0%	Increase/(decrease) in 5% would result in (decrease)/increase in fair value by (RMB871,000)/RMB871,000

The DLOM represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

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			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	–	306,430	18,003	324,433
Financial assets at fair value through profit or loss	–	151,897	–	151,897
Total	–	458,327	18,003	476,330

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	–	284,023	18,003	302,026

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	–	587,018	7,697	594,715

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	–	449	–	449

The Group did not have any financial liabilities measured at fair value as at 31 December 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 both financial assets and financial liabilities.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss, time deposits 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 bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

If the interest rate of bank borrowings had increased/decreased by 1% and all other variables were held constant, the profit after tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB3,904,000, RMB2,300,000 and RMB14,554,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit after tax	Increase/(decrease) in equity
	(%)	*RMB'000*	*RMB'000*
31 December 2023			
If the RMB strengthens against the USD	5	(65,284)	(65,284)
If the RMB weakens against the USD	(5)	65,284	65,284
If the RMB strengthens against the EUR	5	(5,571)	(5,571)
If the RMB weakens against the EUR	(5)	5,571	5,571
If the RMB strengthens against the ZAR	5	(529)	(529)
If the RMB weakens against the ZAR	(5)	529	529
If the RMB strengthens against the AED	5	2,621	2,621
If the RMB weakens against the AED	(5)	(2,621)	(2,621)
31 December 2024			
If the RMB strengthens against the USD	5	(68,892)	(68,892)
If the RMB weakens against the USD	(5)	68,892	68,892
If the RMB strengthens against the SAR	5	(8,456)	(8,456)
If the RMB weakens against the SAR	(5)	8,456	8,456
If the RMB strengthens against the EUR	5	(3,897)	(3,897)
If the RMB weakens against the EUR	(5)	3,897	3,897
If the RMB strengthens against the AED	5	(650)	(650)
If the RMB weakens against the AED	(5)	650	650
If the RMB strengthens against the ZAR	5	3,324	3,324
If the RMB weakens against the ZAR	(5)	(3,324)	(3,324)
If the RMB strengthens against the UZS	5	(161)	(161)
If the RMB weakens against the UZS	(5)	161	161
31 December 2025			
If the RMB strengthens against the USD	5	(5,613)	(5,613)
If the RMB weakens against the USD	(5)	5,613	5,613
If the RMB strengthens against the SAR	5	5,666	5,666
If the RMB weakens against the SAR	(5)	(5,666)	(5,666)
If the RMB strengthens against the EUR	5	(1,254)	(1,254)
If the RMB weakens against the EUR	(5)	1,254	1,254
If the RMB strengthens against the AED	5	(7,743)	(7,743)
If the RMB weakens against the AED	(5)	7,743	7,743
If the RMB strengthens against the ZAR	5	3,670	3,670
If the RMB weakens against the ZAR	(5)	(3,670)	(3,670)
If the RMB strengthens against the UZS	5	157	157
If the RMB weakens against the UZS	(5)	(157)	(157)

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 ageing information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	4,529,726	4,529,726
Contract assets*	–	–	–	23,652	23,652
Financial assets included in prepayments, other receivables and other assets					
– Normal**	233,282	–	–	–	233,282
– Doubtful**	–	9,124	233,657	–	242,781
Pledged deposits	2,095,059	–	–	–	2,095,059
Cash and cash equivalents	1,715,861	–	–	–	1,715,861
Financial guarantees issued	1,053,960	–	–	–	1,053,960
Total	5,098,162	9,124	233,657	4,553,378	9,894,321

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*	–	–	–	5,731,227	5,731,227
Receivables under finance leases	–	–	–	136,924	136,924
Contract assets*	–	–	–	36,500	36,500
Financial assets included in prepayments, other receivables and other assets					
– Normal**	474,904	–	–	–	474,904
– Doubtful**	–	6,457	234,475	–	240,932
Pledged deposits	3,325,874	–	–	–	3,325,874
Cash and cash equivalents	1,246,736	–	–	–	1,246,736
Financial guarantees issued	1,097,557	–	–	–	1,097,557
Total	6,145,071	6,457	234,475	5,904,651	12,290,654

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*	–	–	–	7,057,469	7,057,469
Contract assets*	–	–	–	36,216	36,216
Financial assets included in prepayments, other receivables and other assets					
— Normal**	655,613	–	–	–	655,613
— Doubtful**	–	9,201	233,844	–	243,045
Pledged deposits	2,239,329	–	–	–	2,239,329
Cash and cash equivalents	1,076,789	–	–	–	1,076,789
Financial guarantees issued	1,292,141	–	–	–	1,292,141
Total	5,263,872	9,201	233,844	7,093,685	12,600,602

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 26 to the Historical Financial Information, respectively.

** 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".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the Historical Financial Information.

Concentrations of credit risk are managed by customer. As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 15.42%, 18.69% and 15.45% and 34.65%, 37.61% and 34.18% of the Group's trade and bills receivables were due from the Group's largest customer and five largest customers, respectively.

Liquidity risk

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

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

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

31 December 2023

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	6,568,876	–	–	6,568,876
Financial liabilities included in other payables and accruals	311,422	–	–	311,422
Derivative financial liabilities	449	–	–	449
Interest-bearing bank and other borrowings	1,028,763	94,306	–	1,123,069
Lease liabilities	188	1,197	–	1,385
Financial guarantees issued	1,053,960	–	–	1,053,960
Total contractual undiscounted payments	8,963,658	95,503	–	9,059,161
Total expected undiscounted payments	8,963,658	95,503	–	9,059,161

31 December 2024

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	8,806,021	–	–	8,806,021
Financial liabilities included in other payables and accruals	514,735	–	–	514,735
Interest-bearing bank and other borrowings	874,434	1,510,824	–	2,385,258
Lease liabilities	2,318	7,061	–	9,379
Financial guarantees issued	1,097,557	–	–	1,097,557
Total contractual undiscounted payments	11,295,065	1,517,885	–	12,812,950
Total expected undiscounted payments	11,295,065	1,517,885	–	12,812,950

31 December 2025

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	8,668,263	–	–	8,668,263
Financial liabilities included in other payables and accruals	477,969	–	–	477,969
Interest-bearing bank and other borrowings	1,223,000	1,115,015	–	2,338,015
Lease liabilities	2,730	5,614	1,259	9,603
Financial guarantees issued	1,292,141	–	–	1,292,141
Total contractual undiscounted payments	11,425,065	1,359,667	1,259	12,785,991
Total expected undiscounted payments	11,425,065	1,359,667	1,259	12,785,991

Capital management

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

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

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total assets	15,609,441	18,288,497	19,056,606
Total liabilities	9,109,480	12,753,048	12,585,625
Debt-to-asset ratio	58%	70%	66%

50. EVENTS AFTER THE RELEVANT PERIODS

Subsequent to 31 December 2025, the board of directors recommended the payment of a final dividend of RMB0.10 per share totalling RMB148,530,000 for the year ended 31 December 2025. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

As at 21 April 2026, the Company has cumulatively repurchased 14,842,772 A shares with the consideration of RMB150,091,000, of which the Company repurchased total 2,932,300 A shares with the consideration of RMB38,499,000 from 1 January 2026 to 21 April 2026 under share repurchase program.

51. 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.