

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-[1] to I-[66], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGDONG ARCAIR APPLIANCE CO., LTD. AND FIRST SHANGHAI CAPITAL LIMITED

Introduction

We report on the historical financial information of Guangdong Arcair Appliance Co., Ltd.* (廣東合捷電器股份有限公司) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-3] to [I-66], which comprises the consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025, the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2025 (the “Track Record Period”) and material accounting policies information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-3] to [I-66] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s

* English name is for identification purpose only.

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preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and Company’s financial position as at 31 December 2023, 2024 and 2025, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 3 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 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[Date]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Revenue	5	363,555	447,546	493,817
Cost of sales		(228,907)	(270,207)	(289,464)
Gross profit		134,648	177,339	204,353
Other income	6	1,147	2,142	1,547
Other gains and losses	7	(671)	(1,505)	(146)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	34	(281)	(311)	(418)
Selling and distribution expenses	8	(84,165)	(97,353)	(110,443)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Research and development costs		(10,141)	(10,907)	(14,129)
Administrative expenses		(21,147)	(22,644)	(26,205)
Finance costs	9	(2,806)	(3,220)	(2,320)
Profit before tax		16,584	43,541	51,015
Income tax expense	10	(1,162)	(6,836)	(3,592)
Profit and total comprehensive income for the year	11	15,422	36,705	47,423
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
– Owners of the Company		15,978	39,166	51,074
– Non-controlling interests		(556)	(2,461)	(3,651)
		15,422	36,705	47,423
Earnings per share	14			
– Basic (RMB)		0.64	1.56	1.97
– Diluted (RMB)		0.63	1.54	1.97

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>NOTES</i>	As at 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	15	9,693	11,718	12,474
Right-of-use assets	16	13,701	23,727	54,837
Deposits paid for acquisition of property, plant and equipment		326	865	1,567
Investment in an associate		–	–	120
Deferred tax assets	17	1,459	1,953	3,425
Other long-term deposits	20	1,816	2,218	2,195
Loan receivables from a shareholder	18	–	7,553	–
		<u>26,995</u>	<u>48,034</u>	<u>74,618</u>
CURRENT ASSETS				
Inventories	19	38,889	61,531	54,201
Trade and other receivables	20	85,131	108,869	135,434
Financial assets at fair value through profit or loss (“FVTPL”)	21	11,005	10,011	–
Derivative financial instruments	22	361	349	1,077
Tax recoverable		645	177	1,119
Pledged bank deposits	23	1,494	5,727	14,342
Restricted bank deposits	23	515	203	2
Bank balances and cash	23	24,417	35,350	64,912
		<u>162,457</u>	<u>222,217</u>	<u>271,087</u>
CURRENT LIABILITIES				
Trade, bills and other payables	24	87,446	117,072	149,775
Dividend payable		334	9,427	31,672
Contract liabilities	25	4,227	7,670	9,725
Refund liabilities	26	2,855	2,651	4,650
Derivative financial instruments	22	1,088	2,692	365
Lease liabilities	27	5,775	8,165	6,252
Income tax payables		739	4,163	839
Bank borrowings	28	13,659	12,800	20,070
Redemption liabilities on ordinary shares	29	22,456	24,122	–
		<u>138,579</u>	<u>188,762</u>	<u>223,348</u>
NET CURRENT ASSETS		<u>23,878</u>	<u>33,455</u>	<u>47,739</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>50,873</u></u>	<u><u>81,489</u></u>	<u><u>122,357</u></u>

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	<i>NOTES</i>	As at 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES				
Lease liabilities	27	8,834	16,917	11,269
Bank borrowings	28	—	—	13,860
		<u>8,834</u>	<u>16,917</u>	<u>25,129</u>
NET ASSETS		<u>42,039</u>	<u>64,572</u>	<u>97,228</u>
CAPITAL AND RESERVES				
Share capital	30	26,472	26,830	26,830
Reserves		<u>15,758</u>	<u>40,366</u>	<u>76,673</u>
Equity attributable to owners of the Company		42,230	67,196	103,503
Non-controlling interests		<u>(191)</u>	<u>(2,624)</u>	<u>(6,275)</u>
TOTAL EQUITY		<u><u>42,039</u></u>	<u><u>64,572</u></u>	<u><u>97,228</u></u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>NOTES</i>	As at 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	15	9,660	9,924	10,355
Right-of-use assets	16	10,103	21,812	53,802
Deposits paid for acquisition of property, plant and equipment		326	865	449
Deferred tax assets	17	335	414	347
Investment in subsidiaries	37	1,100	1,100	2,181
Other long-term deposits	20	1,206	1,328	1,438
		<u>22,730</u>	<u>35,443</u>	<u>68,572</u>
CURRENT ASSETS				
Inventories	19	16,343	24,214	21,654
Trade and other receivables	20	50,560	62,846	80,624
Amounts due from subsidiaries	38	41,738	58,529	70,544
Financial assets at FVTPL	21	11,005	10,011	–
Derivative financial instruments	22	361	349	1,077
Tax recoverable		621	104	808
Pledged bank deposits	23	1,494	5,727	14,342
Restricted bank deposits	23	515	203	2
Bank balances and cash	23	19,716	25,506	54,332
		<u>142,353</u>	<u>187,489</u>	<u>243,383</u>
CURRENT LIABILITIES				
Trade, bills and other payables	24	74,468	98,727	133,371
Amounts due to subsidiaries	38	19	504	3,346
Dividend payable		334	9,427	31,672
Contract liabilities	25	1,732	3,944	2,130
Derivative financial instruments	22	1,088	2,692	365
Lease liabilities	27	3,978	6,491	5,638
Bank borrowings	28	13,659	12,800	20,070
Redemption liabilities on ordinary shares	29	22,456	24,122	–
		<u>117,734</u>	<u>158,707</u>	<u>196,592</u>
NET CURRENT ASSETS		<u>24,619</u>	<u>28,782</u>	<u>46,791</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,349</u>	<u>64,225</u>	<u>115,363</u>

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	<i>NOTES</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT LIABILITIES				
Lease liabilities	27	6,795	16,454	10,816
Bank borrowings	28	—	—	13,860
		<u>6,795</u>	<u>16,454</u>	<u>24,676</u>
NET ASSETS		<u>40,554</u>	<u>47,771</u>	<u>90,687</u>
CAPITAL AND RESERVES				
Share capital	30	26,472	26,830	26,830
Reserves	39	14,082	20,941	63,857
TOTAL EQUITY		<u>40,554</u>	<u>47,771</u>	<u>90,687</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Share-based payment reserve	Other reserve	(Accumulated losses) retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	(Note b)		(Note c)				
At 1 January 2023	25,786	29,460	2,225	–	(11,274)	(17,222)	28,975	–	28,975
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	15,978	15,978	(556)	15,422
Issue of shares	686	8,864	–	–	–	–	9,550	–	9,550
Recognition of redemption liabilities (Note c)	–	–	–	–	(9,550)	–	(9,550)	–	(9,550)
Transfer to statutory reserve	–	–	673	–	–	(673)	–	–	–
Equity-settled share-based payments expenses	–	–	–	3,286	–	–	3,286	–	3,286
Shares vested under [REDACTED] Restricted Share Plan (as defined in note 31)	–	–	–	(3,286)	–	3,286	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(6,009)	(6,009)	–	(6,009)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	365	365
At 31 December 2023	<u>26,472</u>	<u>38,324</u>	<u>2,898</u>	<u>–</u>	<u>(20,824)</u>	<u>(4,640)</u>	<u>42,230</u>	<u>(191)</u>	<u>42,039</u>
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	39,166	39,166	(2,461)	36,705
Issue of shares for settlement of [REDACTED] Restricted Share Plan (Notes 30 and 31)	358	442	–	–	–	–	800	–	800
Transfer to statutory reserve	–	–	2,757	–	–	(2,757)	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(15,000)	(15,000)	–	(15,000)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	28	28
At 31 December 2024	<u>26,830</u>	<u>38,766</u>	<u>5,655</u>	<u>–</u>	<u>(20,824)</u>	<u>16,769</u>	<u>67,196</u>	<u>(2,624)</u>	<u>64,572</u>

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	Attributable to owners of the Company								
	Share capital	Share premium	Statutory reserve	Share-based payment reserve	Other reserve	(Accumulated losses) retained profits	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	(Note b)		(Note c)				
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	51,074	51,074	(3,651)	47,423
Transfer to statutory reserve	–	–	6,318	–	–	(6,318)	–	–	–
Derecognition of redemption liabilities on ordinary shares	–	–	–	–	25,233	–	25,233	–	25,233
Dividends recognised as distribution (note 13)	–	–	–	–	–	(40,000)	(40,000)	–	(40,000)
At 31 December 2025	26,830	38,766	11,973	–	4,409	21,525	103,503	(6,275)	97,228

Notes:

- (a) The share premium of the Group represents the capital contribution premium from its shareholders of the Company.
- (b) Pursuant to the relevant laws and regulations in the People’s Republic of China (the “PRC”), subsidiaries established in the PRC are required to transfer a portion of the profit after taxation to the statutory surplus reserve as approved by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to offset the prior year losses, if any, and/or (ii) in capital conversion.
- The statutory reserve of the Company is RMB2,528,000, RMB4,670,000 and RMB10,438,000 as at 31 December 2023, 2024 and 2025, respectively, while the statutory reserve contributed by the subsidiaries is RMB370,000, RMB985,000 and RMB1,535,000 as at 31 December 2023, 2024 and 2025, respectively.
- (c) The balances as at 31 December 2023 and 2024 represent the debit to equity due to the issuance of redemption liabilities on ordinary shares. During the year ended 31 December 2025, the Company together with the relevant parties entered into a supplemental agreement with the Investor agreeing that the redemption rights granted by the Company to Investor (as defined in note 29) shall be irrecoverably terminated. As a result, the carrying amount of redemption liabilities on ordinary shares as of the date of termination was derecognised. Details of the transaction are stated in note 29.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	16,584	43,541	51,015
Adjustments for:			
Finance costs	2,806	3,220	2,320
Interest income	(177)	(470)	(759)
Depreciation of property, plant and equipment	1,921	1,347	1,153
Depreciation of right-of-use assets	1,765	3,818	3,857
Impairment losses of reversal under ECL model, net	281	311	418
Write-down of inventories	761	185	647
Equity-settled share-based payment expenses	3,286	–	–
Losses on disposal of property, plant and equipment	5	134	226
Gain on lease modification, net of deposit loss	–	(104)	–
Gains on fair value changes of financial assets at FVTPL	(5)	(295)	(114)
Losses (gains) from changes in fair value of derivative financial instruments	727	2,343	(712)
Unrealised foreign exchange (gains) losses, net	(1,952)	990	3,291
Operating cash flows before movements in working capital	26,002	55,020	61,342
Increase in trade and other receivables	(34,007)	(24,726)	(19,377)
Decrease (increase) in inventories	6,658	(16,589)	13,203
Increase in trade, bills and other payables	34,200	50,148	50,772
(Decrease) increase in contract liabilities	(1,469)	3,443	2,055
Increase (decrease) in refund liabilities	1,541	(204)	1,999
Cash generated from operations	32,925	67,092	109,994
Gross cash outflows from foreign currency forward contracts	(49,230)	(73,478)	(101,174)
Gross cash inflows from foreign currency forward contracts	49,339	72,751	98,831
Income tax paid	(1,242)	(3,438)	(9,330)
NET CASH FROM OPERATING ACTIVITIES	31,792	62,927	98,321

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received	177	470	759
Receipt of investment income from financial assets at FVTPL	–	289	125
Payments for acquisition of interest in an associate	–	–	(120)
Proceeds from disposal of financial assets at FVTPL	–	174,000	138,000
Purchase of financial assets at FVTPL	(11,000)	(173,000)	(128,000)
Purchase of property, plant and equipment	(2,645)	(7,899)	(5,671)
Purchase of leasehold land	–	–	(38,471)
Upfront payment for right-for-use assets	(41)	(281)	(15)
Payments for rental deposits	(577)	(66)	(144)
Refund for rental deposits	505	360	–
Advance to a shareholder	–	(7,553)	–
Repayment from a shareholder	–	–	7,553
Proceeds on disposal of property, plant and equipment	–	1,715	451
Placement of pledged bank deposits	(1,494)	(4,233)	(12,823)
Withdrawal of pledged bank deposits	–	–	4,208
Placement of restricted bank deposits	(515)	–	(2)
Withdrawal of restricted bank deposits	–	312	203
NET CASH USED IN INVESTING ACTIVITIES	(15,590)	(15,886)	(33,947)
FINANCING ACTIVITIES			
Advances from directors	553	–	–
Repayments to directors	–	(393)	(160)
Dividend paid	(5,675)	(5,907)	(17,755)
Capital injection from the non-controlling interests	365	28	–
Proceeds from bank borrowings	27,835	23,833	24,801
Repayments of bank borrowings	(53,905)	(44,820)	(22,654)
Interest paid	(1,268)	(1,554)	(1,209)
Payments of lease liabilities	(6,192)	(7,026)	(8,147)
Proceeds from issuance of shares	9,550	800	–
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NET CASH USED IN FINANCING ACTIVITIES	(28,737)	(35,039)	(31,487)

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	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET (DECREASE) INCREASE IN			
CASH AND CASH EQUIVALENTS	(12,535)	12,002	32,887
CASH AND CASH EQUIVALENTS AT			
BEGINNING OF THE YEAR	35,001	24,417	35,350
Effect of foreign exchange rate changes	<u>1,951</u>	<u>(1,069)</u>	<u>(3,325)</u>
CASH AND CASH EQUIVALENTS AT			
END OF THE YEAR REPRESENTED			
BY BANK BALANCES AND CASH	<u>24,417</u>	<u>35,350</u>	<u>64,912</u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered in the People’s Republic of China (the “PRC”) on 30 September 2011 as a limited liability company. On 13 May 2019, the Company was converted to a joint stock company with limited liability under the Company Law of the PRC. The Domestic Shares of the Company became quoted on National Equities Exchange and Quotations (“NEEQ”) (stock code: 873405.NQ) in January 2020, it has been delisted from and no longer be traded on the NEEQ from 7 February 2022 onwards. The Company was converted to a limited liability company on 18 February 2025 and later converted to a joint stock company with limited liability on 27 November 2025. The address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” of the document of the Company dated [Date] (the “Document”).

The Group principally engages in the businesses of research and development, design, manufacturing and sales of kitchen appliances and kitchenware products and etc.

No statutory financial statements of the Company for each of the years ended 31 December 2023, 2024 and 2025 was issued as there are no statutory audit requirement in its place of incorporation.

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards – Volume 11²</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency³</i>

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

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

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

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

3.2 Material accounting policy information

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investment in subsidiaries

Investment in subsidiaries is included in the statements of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to contracts with customers is provided in notes 5, 25 and 26.

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Leases

Definition of a lease

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components (e.g., property management services for leased properties), are separated from lease component and recognised in profit or loss in the period when they are incurred.

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

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Lease modifications

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

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

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

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

Foreign currencies

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

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

Borrowing costs

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

Government grants

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

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a

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corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When shares are vested, the amount previously recognised in share-based payments reserve will be transferred to (accumulated losses) retained profits.

Taxation

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

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

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

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

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Property, plant and equipment

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

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

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

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less) that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Inventories

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

Financial instruments

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

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

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

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Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including other long-term deposits, loan receivables from a shareholder, trade and other receivables, amounts due from subsidiaries, pledged bank deposits, restricted bank deposits and bank balances), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

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(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating; or
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default (“PD”) and loss given default (“LGD”) is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Exchange differences are recognised in profit or loss in the ‘Other gains and losses’ line item (note 7).

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade, bills and other payables, amounts due to subsidiaries, dividend payable, bank borrowings and redemption liabilities on ordinary shares are subsequently measured at amortised cost, using the effective payables interest method.

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Redemption liabilities

For the redemption obligation to purchase the Group’s own equity instruments for cash, even if the Group’s obligation to purchase is conditional on the counterparty exercising a right to redeem, as detailed in note 29, financial liabilities are recognised at the present value of the redemption amount with the amount charged against other reserve within equity. The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised in profit or loss on an accrual basis as it is incurred. The redemption liabilities were classified as current liabilities as some of the redemption events could occur anytime.

Upon termination of the redemption obligation associated with ordinary shares, the carrying amount of the redemption liability will be reclassified to equity.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘Other gains and losses’ line item in profit or loss (note 7) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the ‘Other gains and losses’ line item in profit or loss (note 7).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following is 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 within the next twelve months.

Net realisable value of inventories

As at 31 December 2023, 2024 and 2025, the carrying amounts of inventories of the Group and the Company were approximately RMB38,889,000, RMB61,531,000 and RMB54,201,000, and approximately RMB16,343,000, RMB24,214,000 and RMB21,654,000, respectively. A write-down of inventories of the Group of RMB761,000, RMB185,000 and RMB647,000 for the years ended 31 December 2023, 2024 and 2025, respectively, and a write-down of inventories of the Company of approximately RMB753,000, and reversals of write-down of inventories of RMB83,000 and RMB645,000, for the years ended 31 December 2023, 2024 and 2025, respectively, was recognised in profit or loss.

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

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The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

Provision of ECL for trade receivables

For trade receivables collective assessment is performed by grouping debtors based on the Group’s internal credit ratings. The ECL model is based on significant assumptions including the PD, LGD and taking into consideration of forward-looking information. At each reporting date, the rates of PD and LGD for grouping of debtors are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables are disclosed in note 34(b).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group’s revenue for the Track Record Period is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Types of goods or services			
Cooker hoods	297,836	330,906	353,525
Hobs	59,857	100,272	103,019
Home and small kitchen appliances	–	5,901	25,045
Others (<i>Note a</i>)	5,862	10,467	12,228
	<u>363,555</u>	<u>447,546</u>	<u>493,817</u>
Timing of revenue recognition			
At a point in time	<u>363,555</u>	<u>447,546</u>	<u>493,817</u>
Business model			
Branded business	189,963	205,906	247,877
Original design manufacturing (“ODM”) business	<u>173,592</u>	<u>241,640</u>	<u>245,940</u>
	<u>363,555</u>	<u>447,546</u>	<u>493,817</u>
Geographical markets (<i>Note b</i>)			
Europe	233,757	278,024	334,130
Asia	46,600	49,888	64,928
South America	46,670	78,205	51,255
North America	25,917	27,698	30,123
Others	<u>10,611</u>	<u>13,731</u>	<u>13,381</u>
	<u>363,555</u>	<u>447,546</u>	<u>493,817</u>

Notes:

- (a) Others included all other products sold by the Group during the Track Record Period, such as kitchenware and spare parts.
- (b) Information about the geographic markets is presented based on the place of delivery of the sale orders.

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(ii) Performance obligations for contracts with customers

The Group operates on a dual business model of supplying branded products and providing original design manufacturing (“ODM”) products to customers. The branded business is conducted primarily through e-commerce marketplaces, direct sales and sales through retailer channel. While for ODM business, revenue is derived through sales to brand owners, authorized licensees and sourcing agents of international kitchen appliances brands.

Sales of kitchen appliances under original brand manufacturing (“OBM”) business model

Revenue from the sale of goods under OBM business is recognised at the point in time when control of the goods has been transferred to the customer, according to the specific shipping terms for offline channels and on the receipt of products by customers for online channels.

The Group also provides installation services for certain kitchen appliances. They are considered a single bundled performance obligation with the sale of the kitchen appliances, as the the sale of the kitchen appliances and related installation services are highly interdependent such that the customer cannot readily benefit from the appliances on their own without the professional installation performed by the Group. Accordingly, revenue from the sale of kitchen appliances together with the related installation services is recognised at a point in time when both the kitchen appliances have been delivered to the customer and the installation has been completed. This is the point at which the customer obtains control of the kitchen appliances and the Group has a present right to payment, with collection of the consideration being probable.

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount to which the Group will be entitled. For goods that are expected to be returned, instead of revenue, a refund liability is recognised.

Sales of kitchen appliances under ODM business model

For contracts entered into with customers on sales of kitchen appliances under ODM business are based on customer’s specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant kitchen appliances to customers. Revenue from sales of kitchen appliances under ODM business is therefore recognised at a point in time when the kitchen appliances are transferred to customers, being the point that the customer obtains the control of the kitchen appliances and the Group has present right to payment and collection of the consideration is probable.

The Group also receives deposits from customers when they sign the sale and purchase agreement. Such advance payments are recorded as contract liabilities and then recognised as revenue until the control over the kitchen appliances are transferred.

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

The Group has elected the practical expedient of not disclosing information about the remaining performance obligations as the contracts for sales of goods are for period of one year or less.

(iv) Segment information

Revenue and operating result of the Group are reported to the board of directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group’s accounting policies described in note 3. No other analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. For management purposes, the Group is not organised into business units based on their products and services, accordingly, only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

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(v) Geographic information

The details of the Group’s revenue from external customers by geographical location of the operations are set out in note 5(i). The Information about the Group’s non-current assets is presented based on the geographical location of the assets and is set out below.

	The Group As at 31 December			The Company As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000	2023 RMB’000	2024 RMB’000	2025 RMB’000
The PRC	22,395	35,465	68,633	21,189	33,701	66,787
Other regions	1,325	845	365	–	–	–
Total	23,720	36,310	68,998	21,189	33,701	66,787

Note: Non-current assets excluded deferred tax assets, other long-term deposits and loan receivables from a shareholder.

(vi) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group’s total revenue during the Track Record Period are as follows:

	Year ended 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Customer A (<i>note</i>)	N/A	48,907	N/A

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2025.

6. OTHER INCOME

	Year ended 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Government grants (<i>Note</i>)	921	1,578	598
Interest income			
– Bank deposits	177	217	521
– Loan receivables from a shareholder	–	253	238
Others	49	94	190
	1,147	2,142	1,547

Note: The amounts represented subsidy income received from certain government authorities in the PRC in relation to industrial support to the Group with no future related costs.

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7. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	(5)	(134)	(226)
Gain on lease modification, net of deposit loss	–	104	–
Gains on fair value changes of financial assets at FVTPL	5	295	114
(Losses) gains from changes in fair value of derivative financial instruments	(727)	(2,343)	712
Exchange gains, net	521	836	–
Others	(465)	(263)	(746)
	<u>(671)</u>	<u>(1,505)</u>	<u>(146)</u>

8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Promotion expenses	33,326	40,129	44,970
Platform service fees	25,140	29,249	31,814
Staff costs	12,342	14,157	15,725
Storage expenses	7,850	5,032	10,108
Others	5,507	8,786	7,826
	<u>84,165</u>	<u>97,353</u>	<u>110,443</u>

9. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expense on redemption liabilities on ordinary shares	1,538	1,666	1,111
Interest expense in lease liabilities	613	1,024	891
Interest expense on bank borrowings	655	530	318
	<u>2,806</u>	<u>3,220</u>	<u>2,320</u>

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10. INCOME TAX EXPENSE

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax:			
Hong Kong Profits tax	739	3,424	1,859
PRC Enterprise Income Tax (“EIT”)	230	3,906	3,205
	<u>969</u>	<u>7,330</u>	<u>5,064</u>
Over-provision in prior year:			
PRC EIT	(29)	–	–
Deferred tax expense (credit) (<i>note 17</i>)	<u>222</u>	<u>(494)</u>	<u>(1,472)</u>
	<u>1,162</u>	<u>6,836</u>	<u>3,592</u>

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the Track Record Period.

PRC EIT

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for the Track Record Period, except for the Company which has been accredited as a high and new technical enterprise and entitled to a preferential tax rate of 15% from 2022 to 2025 as granted by the local tax authority. Subsequent to the Track Record Period, the entitlement of the preferential tax rate has been extended to 2028.

Germany

Pursuant to the applicable tax laws in Germany, corporate income taxes for the German subsidiaries are calculated at 15.825% including solidarity surcharge, plus municipal trade tax of a range from 12.6% to 16.45%. No provision for Germany corporate income tax for the Track Record Period as the Group either incurred tax loss or utilised tax loss for offsetting the income tax payable.

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Income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	16,584	43,541	51,015
Tax at the domestic income tax rate	3,786	9,162	11,359
Tax effect of expenses not deductible for tax purpose	526	196	327
Tax effect of income not taxable for tax purpose	(1)	(4)	(7)
Tax effect of super deduction for research and development expenses	(1,856)	(1,664)	(2,155)
Over-provision in prior year	(29)	–	–
Tax effect of tax loss not recognised	653	2,776	2,144
Utilisation of tax loss previously not recognised	(305)	–	(1,651)
Recognition of deferred tax assets for tax losses previously not recognised	–	–	(1,752)
Utilisation of other deductible temporary differences previously not recognised	(1,222)	(932)	(2,326)
Income tax at concessionary rate	(390)	(2,698)	(2,347)
Income tax expense for the year	1,162	6,836	3,592

11. PROFIT FOR THE YEAR

Profit for the year during the Track Record Period has been arrived at after charging:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Directors’ emoluments (<i>note 12</i>)	4,173	4,679	4,645
Other staff costs:			
Salaries and other allowances	43,030	52,266	56,981
Contributions to retirement benefits scheme	2,141	3,106	3,944
Equity-settled share-based payment expenses	2,299	–	–
Total staff costs (<i>Note</i>)	51,643	60,051	65,570
Less: capitalised in inventories	(20,494)	(29,071)	(28,589)
	31,149	30,980	36,981
Depreciation of property, plant and equipment	4,121	3,486	3,536
Depreciation of right-of-use assets	6,338	7,917	7,994
Total depreciation	10,459	11,403	11,530
Less: capitalised in inventories	(6,773)	(6,238)	(6,520)
	3,686	5,165	5,010
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB761,000, RMB185,000 and RMB647,000)	228,907	270,207	289,464

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Note: Total staff costs have been charged to the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Selling and distribution expenses	12,342	14,157	15,725
Research and development costs	6,116	7,020	9,017
Administrative expenses	12,691	9,803	12,239
	<u>31,149</u>	<u>30,980</u>	<u>36,981</u>

12. DIRECTORS’, SUPERVISORS’ AND GENERAL MANAGER’S AND EMPLOYEES’ EMOLUMENTS

Directors’, supervisors’ and general manager’s emoluments

Details of the emoluments paid or payable to the directors, supervisors and general manager of the Company for the services provided to the Group during the Track Record Period are as follows:

Year ended 31 December 2023

	Fees	Salaries and allowances	Performance related bonus	Retirement benefits contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000	RMB'000
Executive directors						
Kang Zuotian, General Manager	–	1,032	46	7	–	1,085
Xiao Zhenhua	329	–	22	7	21	379
Chen Jianhui	694	–	45	7	–	746
Kang Quyan	367	–	–	7	567	941
Liu Haitao	316	–	22	7	–	345
Non-executive director						
Liang Jie (Note ii)	–	–	–	–	–	–
Supervisor						
Li Jianfeng	271	–	–	7	399	677
	<u>1,977</u>	<u>1,032</u>	<u>135</u>	<u>42</u>	<u>987</u>	<u>4,173</u>

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Year ended 31 December 2024

	Fees RMB’000	Salaries and allowances RMB’000	Performance related bonus RMB’000 (Note i)	Retirement benefits scheme contributions RMB’000	Equity-settled share-based payment expenses RMB’000	Total RMB’000
Executive directors						
Kang Zuotian, General Manager	–	1,274	137	8	–	1,419
Xiao Zhenhua	557	–	116	8	–	681
Chen Jianhui	799	–	140	9	–	948
Kang Quyan	492	–	36	8	–	536
Liu Haitao	215	–	–	8	–	223
Non-executive director						
Liang Jie (Note ii)	–	–	–	–	–	–
Supervisors						
Li Jianfeng	265	–	54	8	–	327
Mao Bangri (Note iii)	461	–	76	8	–	545
	2,789	1,274	559	57	–	4,679

Year ended 31 December 2025

	Fees RMB’000	Salaries and allowances RMB’000	Performance related bonus RMB’000 (Note i)	Retirement benefits scheme contributions RMB’000	Equity-settled share-based payment expenses RMB’000	Total RMB’000
Executive directors						
Kang Zuotian, General Manager	–	1,277	101	13	–	1,391
Xiao Zhenhua	702	–	60	13	–	775
Chen Jianhui	909	–	86	15	–	1,010
Kang Quyan	439	–	12	13	–	464
Liu Haitao	216	–	10	13	–	239
Non-executive director						
Liang Jie (Note ii)	–	–	–	–	–	–
Supervisors						
Li Jianfeng	264	–	12	13	–	289
Mao Bangri (Note iii)	444	–	20	13	–	477
	2,974	1,277	301	93	–	4,645

Notes:

- (i) The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group’s performance.
- (ii) Liang Jie was appointed as a non-executive director by an investor (the “Investor”) on 17 June 2022, and his emoluments were borne by the Investor.
- (iii) Mao Bangri was appointed as a supervisor of the Company on 19 July 2024.
- (iv) [Mr. Siu Man Ho, Simon, Mr. Ho Kim Ching and Mr. Wu Jiayao have been appointed as independent non-executive directors and will be effective upon [REDACTED] of the Company.]

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None of the directors, supervisors nor general manager waived or agreed to waive any emoluments during the Track Record Period.

Employees’ emoluments

The five highest paid individuals of the Group included 3, 3 and 3 directors of the Company during the years ended 31 December 2023, 2024 and 2025, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining 2, 2 and 2 highest paid individuals during the years ended 31 December 2023, 2024 and 2025, respectively, are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries and allowances	843	1,084	954
Retirement benefits scheme contributions	15	16	28
Equity-settled share-based payment expenses	933	–	–
	<u>1,791</u>	<u>1,100</u>	<u>982</u>

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HK\$1,000,000	1	2	2
HK1,000,001 to HK\$1,500,000	1	–	–

During the Track Record Period, no emoluments were paid by the Group to the directors, supervisors or general manager of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Dividend for ordinary shareholders of the Company recognised as distribution			
– 2022 Final – RMB0.227 per share	6,009	–	–
– 2023 Final – RMB0.559 per share	–	15,000	–
– 2024 Final – RMB1.491 per share	–	–	40,000
	<u>6,009</u>	<u>15,000</u>	<u>40,000</u>

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14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share (<i>RMB’000</i>)	15,978	39,166	51,074
	<u>15,978</u>	<u>39,166</u>	<u>51,074</u>
	Year ended 31 December		
	2023	2024	2025
Number of shares			
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	25,000,000	25,177,192	25,862,341
Effect of dilutive potential ordinary shares in respect of:			
– outstanding restricted shares	358,300	181,108	–
	<u>358,300</u>	<u>181,108</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	25,358,300	25,358,300	25,862,341
	<u>25,358,300</u>	<u>25,358,300</u>	<u>25,862,341</u>

The Group has issued shares to an investor with preferential rights during the Track Record Period, and redemption liabilities have been recognised for the preferential rights granted to it as disclosed in Note 29. These shares are not treated as outstanding and thus are excluded in the calculation of basic earning per share during the Track Record Period.

The effects of dilutive potential ordinary shares arising from redemption liabilities on ordinary shares were not considered in the calculation of diluted earnings per share for the years ended 31 December 2023, 2024 and 2025 because they are anti-dilutive.

Other than those set about above, there are no other potential ordinary shares in issue for each of the years ended 31 December 2023, 2024 and 2025.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
At 1 January 2023	15,572	2,092	3,215	3,899	24,778
Additions	1,160	632	569	–	2,361
Disposals	(27)	(56)	–	–	(83)
At 31 December 2023	16,705	2,668	3,784	3,899	27,056
Additions	2,376	750	3,926	308	7,360
Disposals	(966)	(26)	(1,989)	–	(2,981)
At 31 December 2024	18,115	3,392	5,721	4,207	31,435
Additions	2,091	830	1,349	699	4,969
Disposals	(1,402)	(487)	–	–	(1,889)
At 31 December 2025	18,804	3,735	7,070	4,906	34,515
ACCUMULATED DEPRECIATION					
At 1 January 2023	8,595	1,683	1,760	1,282	13,320
Provided for the year	1,501	206	683	1,731	4,121
Eliminated on disposals	(25)	(53)	–	–	(78)
At 31 December 2023	10,071	1,836	2,443	3,013	17,363
Provided for the year	1,456	358	879	793	3,486
Eliminated on disposals	(812)	(25)	(295)	–	(1,132)
At 31 December 2024	10,715	2,169	3,027	3,806	19,717
Provided for the year	1,648	492	794	602	3,536
Eliminated on disposals	(809)	(403)	–	–	(1,212)
At 31 December 2025	11,554	2,258	3,821	4,408	22,041
CARRYING VALUES					
At 31 December 2023	6,634	832	1,341	886	9,693
At 31 December 2024	7,400	1,223	2,694	401	11,718
At 31 December 2025	7,250	1,477	3,249	498	12,474

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The Company

	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
At 1 January 2023	15,572	2,092	3,125	3,899	24,688
Additions	1,160	632	569	–	2,361
Disposals	(27)	(56)	–	–	(83)
At 31 December 2023	16,705	2,668	3,694	3,899	26,966
Additions	2,376	750	1,957	308	5,391
Disposals	(966)	(26)	(1,989)	–	(2,981)
At 31 December 2024	18,115	3,392	3,662	4,207	29,376
Additions	2,091	817	419	699	4,026
Disposals	(1,402)	(487)	–	–	(1,889)
At 31 December 2025	18,804	3,722	4,081	4,906	31,513
ACCUMULATED DEPRECIATION					
At 1 January 2023	8,595	1,683	1,725	1,282	13,285
Provided for the year	1,501	206	661	1,731	4,099
Eliminated on disposals	(25)	(53)	–	–	(78)
At 31 December 2023	10,071	1,836	2,386	3,013	17,306
Provided for the year	1,456	358	671	793	3,278
Eliminated on disposals	(812)	(25)	(295)	–	(1,132)
At 31 December 2024	10,715	2,169	2,762	3,806	19,452
Provided for the year	1,648	492	176	602	2,918
Eliminated on disposals	(809)	(403)	–	–	(1,212)
At 31 December 2025	11,554	2,258	2,938	4,408	21,158
CARRYING VALUES					
At 31 December 2023	6,634	832	1,308	886	9,660
At 31 December 2024	7,400	1,223	900	401	9,924
At 31 December 2025	7,250	1,464	1,143	498	10,355

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis on the following bases:

	Useful lives
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of the lease terms or 3 years

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16. RIGHT-OF-USE ASSETS

The Group

	Leasehold land <i>RMB’000</i>	Leasehold properties <i>RMB’000</i>	Total <i>RMB’000</i>
As at 31 December 2023			
Carrying amounts	–	13,701	13,701
As at 31 December 2024			
Carrying amounts	–	23,727	23,727
As at 31 December 2025			
Carrying amounts	38,471	16,366	54,837
As at 31 December 2023			
Depreciation charge	–	6,338	6,338
As at 31 December 2024			
Depreciation charge	–	7,917	7,917
As at 31 December 2025			
Depreciation charge	–	7,994	7,994

The Company

	Leasehold land <i>RMB’000</i>	Leasehold properties <i>RMB’000</i>	Total <i>RMB’000</i>
As at 31 December 2023			
Carrying amounts	–	10,103	10,103
As at 31 December 2024			
Carrying amounts	–	21,812	21,812
As at 31 December 2025			
Carrying amounts	38,471	15,331	53,802
As at 31 December 2023			
Depreciation charge	–	6,006	6,006
As at 31 December 2024			
Depreciation charge	–	6,114	6,114
As at 31 December 2025			
Depreciation charge	–	6,481	6,481

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	The Group <i>RMB’000</i>	The Company <i>RMB’000</i>
Year ended 31 December 2023		
Expense relating to short-term leases	612	560
Total cash outflow for leases	7,458	7,266
Additions to right-of-use assets	7,391	3,462
	<u> </u>	<u> </u>
Year ended 31 December 2024		
Expense relating to short-term leases	64	–
Total cash outflow for leases	8,395	6,393
Additions to right-of-use assets	20,655	20,535
	<u> </u>	<u> </u>
Year ended 31 December 2025		
Expense relating to short-term leases	567	–
Total cash outflow for leases	48,091	45,778
Additions to right-of-use assets	39,104	38,471
	<u> </u>	<u> </u>

During the Track Record Period, the Group and the Company lease various offices, plants and warehouses for its operation. Lease contracts are entered into for fixed term of 2 years to 5 years with fixed payments. In addition, the Group has obtained the land use right certificates for the leasehold land for a fixed term of 50 years. Lump sum payments were made upfront to acquire these property interests. The Group and the Company do not have the option to purchase the leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group’s and the Company’s discretion. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company apply the definition of a contract and determines the period for which the contract is enforceable.

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

Restrictions or covenants on leases

In addition, the Group’s lease liabilities of RMB14,609,000, RMB25,082,000 and RMB17,521,000 are recognised with related right-of-use assets of RMB13,701,000, RMB23,727,000 and RMB16,366,000 as at 31 December 2023, 2024 and 2025 respectively. The Company’s lease liabilities of RMB10,773,000, RMB22,945,000 and RMB16,454,000 are recognised with related right-of-use assets of RMB10,103,000, RMB21,812,000 and RMB15,331,000 at 31 December 2023, 2024 and 2025 respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 27 and 34(b).

17. DEFERRED TAX ASSETS/LIABILITIES

The Group

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

	As at 31 December		
	2023 <i>RMB’000</i>	2024 <i>RMB’000</i>	2025 <i>RMB’000</i>
Deferred tax assets	1,459	1,953	3,425
	<u> </u>	<u> </u>	<u> </u>

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The following are the major deferred tax assets (liabilities) of the Group recognised and movements thereon during the Track Record Period:

	Impairment provision RMB'000	Unrealised profits on inventories RMB'000	Refund liabilities RMB'000	Tax losses RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	79	552	24	766	(1,897)	2,018	139	1,681
Credited (charged) to profit or loss (Note 10)	157	399	257	(766)	382	(402)	(249)	(222)
At 31 December 2023	236	951	281	–	(1,515)	1,616	(110)	1,459
Credited (charged) to profit or loss (Note 10)	50	352	40	–	(1,756)	1,826	(18)	494
At 31 December 2024	286	1,303	321	–	(3,271)	3,442	(128)	1,953
Credited (charged) to profit or loss (Note 10)	6	(485)	328	1,752	972	(974)	(127)	1,472
At 31 December 2025	292	818	649	1,752	(2,299)	2,468	(255)	3,425

As at 31 December 2023 and 2024, no deferred tax asset has been recognised in respect of tax losses of approximately RMB12,662,000 and RMB22,394,000, and deductible temporary differences of approximately RMB12,697,000 and RMB9,001,000, respectively, due to the unpredictability of future profit streams. As at 31 December 2025, a deferred tax asset has been recognised for the unused tax losses of approximately RMB7,008,000 that are available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB16,637,000 due to unpredictability of future profit streams. The unrecognised tax losses will be carried forward and expire in years as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
2026	7,537	7,537	–
2027	1,771	1,662	–
2028	863	863	78
2029	–	2,540	–
Indefinitely	2,491	9,792	16,559
	12,662	22,394	16,637

The Company

The following is the analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Deferred tax assets	335	414	347

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The following are the major deferred tax assets (liabilities) of the Company recognised and movements thereon during the Track Record Period:

	Impairment provision RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	78	(1,897)	2,018	150	349
Credited (charged) to profit or loss	156	382	(402)	(150)	(14)
At 31 December 2023	234	(1,515)	1,616	–	335
Credited (charged) to profit or loss	9	(1,756)	1,826	–	79
At 31 December 2024	243	(3,271)	3,442	–	414
(Charged) credited to profit or loss	(65)	972	(974)	–	(67)
At 31 December 2025	178	(2,299)	2,468	–	347

18. LOAN RECEIVABLES FROM A SHAREHOLDER

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Loan receivables from a shareholder	–	7,553	–

As at 31 December 2024, the amounts are denominated in United States dollars (“USD”), and carry interest rate range from 4% to 5% per annum and repayable in year of 2030. The maximum balance outstanding was RMB7,553,000 during the years ended 31 December 2024 and 2025. The amount was fully received during the year ended 31 December 2025.

19. INVENTORIES

	The Group As at 31 December			The Company As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	6,077	9,250	8,694	6,070	9,250	8,694
Work-in-progress	92	196	626	92	196	626
Finished goods	32,720	52,085	44,881	10,181	14,768	12,334
Total	38,889	61,531	54,201	16,343	24,214	21,654

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20. TRADE AND OTHER RECEIVABLES/OTHER LONG-TERM DEPOSITS

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	48,187	65,777	85,639	41,287	53,394	59,265
Less: Allowance for credit losses	(841)	(1,103)	(1,523)	(692)	(839)	(1,045)
	47,346	64,674	84,116	40,595	52,555	58,220
Long-term deposits	1,816	2,218	2,195	1,206	1,328	1,438
Prepayments	3,922	8,089	12,671	2,553	5,417	6,091
Other tax recoverable	9,719	7,261	12,713	6,913	4,366	6,764
Receivables from payment intermediaries (Note a)	16,448	18,531	6,864	–	9	17
Deferred issue costs	–	–	7,437	–	–	7,437
Prepaid listing expenses	–	–	141	–	–	141
Receivables from online platforms (Note a)	6,956	9,864	9,963	–	–	–
Other receivables (Notes b, c)	865	624	1,701	499	499	1,954
	87,072	111,261	137,801	51,766	64,174	82,062
Less: Allowance for credit losses	(125)	(174)	(172)	–	–	–
	86,947	111,087	137,629	51,766	64,174	82,062
Analysed as:						
– current	85,131	108,869	135,434	50,560	62,846	80,624
– non-current	1,816	2,218	2,195	1,206	1,328	1,438
	86,947	111,087	137,629	51,766	64,174	82,062

Notes:

- Receivables from payment intermediaries represent the sales received by Payoneer, Worldfirst, Paypal and other platforms on behalf of the Group and the Company for the online platform sales. Upon the settlement by the customer, the balance would be retained in the payment intermediaries and transferred back to the bank accounts of the Group and the Company upon the Group's and the Company's instruction.
- Other receivables represent advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and repayable in 12 months.
- Particulars of amount due from a director disclosed pursuant to section 383 of the Hong Kong Companies Ordinance are as follows:

	As at 31 December 2023	As at 31 December 2024	As at 31 December 2025	Maximum amount outstanding during the year ended 31 December 2023	Maximum amount outstanding during the year ended 31 December 2024	Maximum amount outstanding during the year ended 31 December 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Kang Quyan	1	–	–	112	1	–

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The amount as of 31 December 2023 is non-trade nature, unsecured, interest-free and repayable on or before 31 December 2024.

As at 1 January 2023, trade receivables from contracts with customers of the Group and the Company amounted to approximately RMB28,243,000 and RMB10,874,000, respectively.

The Group and the Company normally grant credit terms of 0 to 180 days to its customers. The following is an ageing analysis of trade receivables, net of allowance for credit losses, prepared based on the date of transfer of goods, which approximated the respective revenue recognition dates.

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0–90 days	37,913	52,584	57,248	34,223	45,208	40,970
91–180 days	7,811	9,515	21,062	5,751	6,441	14,920
181–365 days	1,596	1,581	3,276	621	905	1,528
Over 365 days	26	994	2,530	–	1	802
	<u>47,346</u>	<u>64,674</u>	<u>84,116</u>	<u>40,595</u>	<u>52,555</u>	<u>58,220</u>

As at 31 December 2023, 2024 and 2025, included in the Group’s and Company’s trade receivables balance are debtors with aggregate carrying amount of RMB4,331,000, RMB10,311,000 and RMB17,801,000, and RMB2,542,000, RMB8,673,000 and RMB13,030,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB1,541,000, RMB1,514,000 and RMB7,287,000, and RMB310,000, RMB893,000 and RMB3,006,000, respectively, has been past due 90 days or more and is not considered as in default because the management of the Group and the Company considered that the balances can be recovered based on past experience. The Group and the Company do not hold any security for these balances.

Details of impairment assessment of trade and other receivables are set out in note 34(b).

21. FINANCIAL ASSETS AT FVTPL

The Group and the Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets mandatorily measured at FVTPL (<i>Note i</i>):			
– Structured deposits (<i>Note ii</i>)	<u>11,005</u>	<u>10,011</u>	<u>–</u>

Notes:

- Details of the fair value measurement for financial assets at FVTPL are set out in note 34(c).
- The structured deposits were investments issued by banks of principal-guaranteed floating-income. These financial assets were with expected rates of return (not guaranteed), depending on the market price of underlying target or indicators including gold, exchange rate indicators and other indicators.

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22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Derivative financial assets :			
Foreign currency forward contracts	361	349	1,077
Notional amount (RMB)	32,415	13,981	105,970
Maturity date	28 June 2024 to 28 October 2024	27 January 2025 to 26 June 2025	29 January 2026 to 29 September 2026
Strike rate:			
USD: RMB range	6.9894–7.1190	–	6.9068–7.1145
EUR: RMB range	7.8145–7.8431	7.6882–7.8143	7.9172–8.4207
	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Derivative financial liabilities :			
Foreign currency forward contracts	1,088	2,692	365
Notional amount	40,335	84,851	16,550
Maturity date	31 January 2024 to 29 November 2024	27 January 2025 to 26 December 2025	29 January 2026 to 29 September 2026
Strike rate:			
USD: RMB range	6.7331–6.9675	6.8508–7.0473	7.0120–7.0177
EUR: RMB range	7.7897–7.8069	–	7.9172–8.0054

Details of the fair value hierarchy and major assumptions used in valuation for the derivative financial instruments are set out in note 34.

23. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

	The Group As at 31 December			The Company As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Pledged bank deposits	1,494	5,727	14,342	1,494	5,727	14,342
Restricted bank deposits	515	203	2	515	203	2
Bank balances and cash	24,417	35,350	64,912	19,716	25,506	54,332
	26,426	41,280	79,256	21,725	31,436	68,676

As at 31 December 2023, 2024 and 2025, bank balances of RMB1,494,000, RMB5,727,000 and RMB14,342,000 are pledged by the Group and the Company as partial guarantees to the bank for foreign currency forward contracts and bills payables. In addition, bank balances of RMB515,000, RMB203,000 and RMB2,000 are restricted in relation to litigations. The pledged bank deposits and restricted bank deposits carried interest at market rates which range from 0.20% to 1.80%, 0.10% to 1.45% and 0.05 % to 0.95% per annum as at 31 December 2023, 2024 and 2025, respectively.

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The Group’s and the Company’s cash and cash equivalents include demand deposits and short-term bank deposit with maturity of three months or less for the purpose of meeting the Group’s and the Company’s short term cash commitments, which carry interest at market rates range from 0.0001% to 0.35% per annum as at 31 December 2023, 2024 and 2025, respectively.

Details of impairment assessment of pledged bank deposits, restricted bank deposits and bank balances are set out in note 34(b).

The Group’s and the Company’s pledged bank deposits, restricted bank deposits and bank balances and cash that are mainly denominated in currencies other than the functional currency are set out below:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD	9,276	10,082	29,115	7,827	5,073	25,236
European Currency Unit (“EUR”)	2,113	4,929	4,983	65	2,567	2,574
Great Britain Pound (“GBP”)	80	103	56	–	–	–
Hong Kong dollars (“HK\$”)	14	421	2,174	–	–	–

24. TRADE, BILLS AND OTHER PAYABLES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	68,205	80,226	82,434	64,612	73,479	80,631
Bills payables (<i>Note i</i>)	–	14,001	41,562	–	14,001	41,562
Accrued staff benefits and payroll	6,334	7,650	6,862	5,843	7,351	6,455
Other tax payables	7,507	6,208	9,592	1,138	379	353
Other payables (<i>Note ii</i>)	5,400	8,987	8,074	2,875	3,517	3,119
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	87,446	117,072	149,775	74,468	98,727	133,371

Notes:

- (i) These relate to trade payables in which the Group and the Company have issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group and the Company continue to recognise these trade payables as the Group and the Company are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statements of cash flows, settlements of these bills by the Group are included within operating cash flows based on the nature of the arrangements.
- (ii) Included in other payables was a balance of RMB553,000, RMB160,000 and nil due to directors of the Company as at 31 December 2023, 2024 and 2025, respectively. The balance was non-trade nature, unsecured, interest-free and repayable on demand.

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The Group and the Company normally receive credit terms of 0 to 180 days from its suppliers. The following is an aged analysis of trade payables, presented based on the invoice date at the end of each reporting period:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables						
0–90 days	52,937	69,182	56,649	49,899	62,859	54,952
91–180 days	11,718	8,965	20,183	11,432	8,661	20,118
181–365 days	1,972	849	4,413	1,703	757	4,409
Over 365 days	1,578	1,230	1,189	1,578	1,202	1,152
	<u>68,205</u>	<u>80,226</u>	<u>82,434</u>	<u>64,612</u>	<u>73,479</u>	<u>80,631</u>

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bills payables						
0–90 days	–	14,001	24,403	–	14,001	24,403
91–180 days	–	–	17,159	–	–	17,159
	<u>–</u>	<u>14,001</u>	<u>41,562</u>	<u>–</u>	<u>14,001</u>	<u>41,562</u>

25. CONTRACT LIABILITIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Receipts in advances from customers						
– finished goods	4,227	7,670	9,725	1,732	3,944	2,130
	<u>4,227</u>	<u>7,670</u>	<u>9,725</u>	<u>1,732</u>	<u>3,944</u>	<u>2,130</u>

As at 1 January 2023, the Group’s and the Company’s contract liabilities amounted to RMB5,696,000 and RMB1,939,000, respectively.

Contract liabilities that are expected to be settled within the Group’s and the Company’s normal operating cycle are classified as current liabilities based on the Group’s and the Company’s earliest obligation to transfer goods to the customers.

The following table shows how much of the revenue recognised for the years ended 31 December 2023, 2024 and 2025 relates to the contract liabilities at the beginning of the year:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	5,696	4,227	7,670	1,939	1,732	3,944
	<u>5,696</u>	<u>4,227</u>	<u>7,670</u>	<u>1,939</u>	<u>1,732</u>	<u>3,944</u>

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26. REFUND LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Refund liabilities arising from right of return	2,855	2,651	4,650

The refund liabilities relate to customers’ right to return products, generally within 2 to 3 years of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned.

27. LEASE LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
Within one year	5,775	8,165	6,252
Within a period of more than one year but not more than two years	4,939	6,047	4,666
Within a period of more than two years but not more than five years	3,895	10,870	6,603
	14,609	25,082	17,521
Less: Amount due for settlement within 12 months shown under current liabilities	(5,775)	(8,165)	(6,252)
Amount due for settlement after 12 months shown under non-current liabilities	8,834	16,917	11,269

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
Within one year	3,978	6,491	5,638
Within a period of more than one year but not more than two years	3,286	5,638	4,426
Within a period of more than two years but not more than five years	3,509	10,816	6,390
	10,773	22,945	16,454
Less: Amount due for settlement within 12 months shown under current liabilities	(3,978)	(6,491)	(5,638)
Amount due for settlement after 12 months shown under non-current liabilities	6,795	16,454	10,816

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During the Track Record Period, the incremental borrowing rates applied to lease liabilities by the Group and the Company are ranged from 4.20% to 6.35%, from 3.85% to 6.35%, and from 3.85% to 6.35% as at 31 December 2023, 2024 and 2025 respectively.

28. BANK BORROWINGS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank loans	2,400	7,000	23,800
Bank loans under supplier finance arrangements	11,259	5,800	10,130
	<u>13,659</u>	<u>12,800</u>	<u>33,930</u>

The Group and the Company have entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group and the Company in advance of the original due dates at a discount offered by the suppliers. The Group’s and the Company’s obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group and the Company then settle with the banks between 176 and 213 days, 194 and 200 days, 173 and 183 days during the year ended 31 December 2023, 2024 and 2025, respectively after settlement by the banks with interest ranges from 3.2% to 3.3%, from 2.5% to 2.7%, 2.3% during the year ended 31 December 2023, 2024 and 2025, respectively. These arrangements have extended the payment terms beyond the original due dates of respective invoices. The interest rates are consistent with the Group’s and the Company’s short-term borrowing rates. Information of the Group’s and the Company’s supplier finance arrangements is set out in note 35.

The carrying amounts of above borrowings are analysed based on contractual repayment date as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The carrying amounts of the borrowings are repayable:			
Within one year	13,659	12,800	20,070
Within a period of more than one year but not more than two years	–	–	5,940
Within a period of more than two years but not more than five years	–	–	7,920
	<u>13,659</u>	<u>12,800</u>	<u>33,930</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(13,659)</u>	<u>(12,800)</u>	<u>(20,070)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>–</u>	<u>–</u>	<u>13,860</u>

Certain borrowings are guaranteed by the shareholders of the Company at no cost. The guaranteed amounts provided as at 31 December 2023, 2024 and 2025 are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Kang Zuotian	7,496	3,000	19,800
Xiao Zhenhua	2,400	3,000	19,800
Liu Haitao	2,400	3,000	–
Chen Jianhui	–	–	19,800

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[The directors of the Company represented that, the guarantees provided by the shareholders will be fully released upon completion of the [REDACTED].]

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s and the Company’s borrowings are as follows:

	2023	As at 31 December 2024	2025
Effective interest rate:			
Fixed-rate bank borrowings	3.10%–3.30%	2.50%–3.00%	2.11%–3.00%

29. REDEMPTION LIABILITIES ON ORDINARY SHARES

The Group and the Company

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Seed round	20,824	20,824	–
Interest accrued related to redemption liabilities	1,632	3,298	–
	<u>22,456</u>	<u>24,122</u>	<u>–</u>
Analysed as:			
Current	<u>22,456</u>	<u>24,122</u>	<u>–</u>

In May 2022, the Company entered into an investment agreement (the “Investment Agreement”) with an investor to issue registered capital of [REDACTED], pursuant to which [REDACTED] of USD[REDACTED] (equivalents to RMB[REDACTED]) were invested into the Company. The contributions of RMB[REDACTED] and RMB[REDACTED] were invested during the years ended 31 December 2022 and 2023, in return for which the Company issued registered capital of RMB[REDACTED] and RMB[REDACTED], respectively. The excess of the contributions over the par value of the registered capital issued was recorded as share premium.

Main preferred rights granted by the Company to the Investor are set out as below:

(a) Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by the Investor on a per paid-in capital basis, the Investor has a right to require the original shareholders transfer shares to the Investor at the lowest issue price permitted by law or receive cash compensation from the original shareholders, so that the total amount paid by the Investor divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

(b) Redemption rights

Pursuant to the Investment Agreement, seed round shares shall be redeemable by the original shareholders upon the occurrence of certain contingent events which cannot be controlled by the Company including:

- (i) The Company fails to fulfill its commitment to complete a qualified [REDACTED] within 6 years from the seed round completion date; or
- (ii) The Company change its main business without the prior written consent of the Investor; or
- (iii) The original shareholders or the Company fails to fulfill its obligation in any transaction and cause significant losses to the Investor.

The repurchase price for seed round was the original investment amount of the shares in RMB plus additional fixed annual interest rate at 8% per annum, and unpaid declared dividend attributable to the repurchased shares.

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(c) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the existing investors (after satisfaction of all creditors’ claims and claims that may be preferred by law) shall be distributed to the existing investors of the Company in order of the holders of seed round shares and ordinary shares. The Investor has a right to require cash compensation from the original shareholders if the distribution amount was not fulfilled pursuant to the Investment Agreement.

Presentation and classification

The Group measures the gross obligations resulted from the redemption rights granted to the Investor at amortised cost in accordance with IFRS 9. The effective interest rate applied to these liabilities is determined based on the contractual terms. The effective interest rate reflects the time value of money and the contractual cash flows (principal plus interest) over the liability’s life. Since the occurrence of the contingent settlement events within twelve months from the end of each Track Record Period is out of the control of the Group, Group does not have right to defer the settlement of the liability for at least twelve months after the end of each Track Record Period. Therefore the balance of redemption liabilities on ordinary shares were classified as current liabilities as at 31 December 2023 and 2024.

On 28 August 2025, the Company together with the relevant parties entered into a supplemental agreement with the Investors agreeing that the redemption rights granted by the Company to Investors have been irrecoverably terminated and shall be void ab initio. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplemental agreements, the directors of the Company considered that the Company’ obligation to redeem the shares have been discharged and the corresponding liabilities have been derecognised with corresponding debit to equity upon the termination of the redemption rights.

30. SHARE CAPITAL

	Number of Shares	Presented as RMB’000
Ordinary shares of RMB1 each		
Authorised, issued and fully paid		
At 1 January 2023	25,786,300	25,786
Issue of shares to the Investor pursuant to the Investment Agreement (<i>Note i</i>)	685,500	686
At 31 December 2023	26,471,800	26,472
Issue of shares (<i>Note ii</i>)	358,300	358
At 31 December 2024 and 2025	26,830,100	26,830

Notes:

- (i) During the year ended 31 December 2023, the Investor injected RMB9,550,000 into the Company according to the Investment Agreement, the par value of the shares, totaling RMB685,500 in aggregate, has been credited to share capital, with the balance of the proceeds recorded as share premium.
- (ii) On 4 July 2024, pursuant to the [REDACTED] Restricted Share Plan (as defined in note 31), the Company issued 358,300 ordinary shares to the grantees for an aggregate consideration of RMB800,000. These new shares rank pari passu in all respects with the existing ordinary shares of the Company.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share incentive plan of the Company (“[REDACTED] Restricted Share Plan”):

The Company’s share incentive plan was adopted pursuant to a resolution passed on 15 December 2022 for the purpose of the [REDACTED] Restricted Share Plan is to improve the incentive mechanism of our Group, promote the continued growth of the performance of our Group, and bring economic benefits to the participants while enhancing the value of our Group. Under the plan, the directors of the Company may grant restricted shares to eligible employees, including the directors, senior managements and core employees of the Company, to subscribe for shares.

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In order to implement the [REDACTED] Restricted Share Plan, Foshan Bixiao Intelligent Technology Enterprises (Limited Partnership) (“Foshan Bixiao”) was established and designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platforms. The registered capital of Foshan Bixiao is RMB800,000 and who holds 358,300 shares of the Company. The Group has implemented one equity incentive plan as of 31 December 2023.

On 15 December 2022, the Group approved an equity incentive plan. Pursuant to the incentive plan, the Group proposed to grant 358,300 shares of Foshan Bixiao to nine qualified employees at a subscription price of RMB2.2328 per share of the Company). On the same day, the Company reached an agreement on the terms and conditions of the equity incentive plan. There is a performance condition of achieving the specified profit target for the year ended 31 December 2023 of the Group for the shares granted under this incentive plan. The Group recognised the total expense of RMB3,286,000 for the year ended 31 December 2023 in relation to restricted shares granted by the Company.

The restricted shares represent ordinary shares of the Company granted to selected participants under the [REDACTED] Restricted Share Plan. Following the confirmation of satisfaction of the vesting condition of achieving the specified profit target for the year ended 31 December 2023 of the Group, at which point the participants have the right to subscribe shares at the predetermined subscription price with legal title transferring to the participants. The shares are subject to lock-up restrictions and will be released in accordance with the following schedule:

On 3rd anniversary of the grant date following the end of the 36 months from 1 January 2023	30% released
On 4th anniversary of the grant date following the end of the 48 months from 1 January 2023	further 20% released
On 5th anniversary of the grant date following the end of the 60 months from 1 January 2023	remaining 50% released

These awards at the platforms are granted to certain incentive employees, without specified service period and vested upon the satisfaction of vesting condition. The fair value of the share award granted is measured by using the Black-Scholes model and the estimated fair values of the shares granted are RMB9.39, RMB9.16 and RMB9.05 based on different lock-up restrictions. The inputs into the model were as follows:

Subscription price	RMB2.2328
Expected volatility	48.34%
Expected life	5.5 years
Risk-free rate	2.69%
Expected dividend yield	1.64%

Expected volatility was determined by the volatility of the comparable companies. The expected life used in the model has been adjusted, based on the directors’ best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group engaged Asia-Pacific Consulting and Appraisal Limited (Rm A, 12/F, Kiu Fu Commercial Building, 300 Lockhart Road, Wan Chai, Hong Kong), third party qualified valuers, to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Black-Scholes model has been used to estimate the fair value of the restricted shares. The variables and assumptions used in computing the fair value of the restricted shares are based on the directors’ best estimate. The value of a restricted share varies with different variables of certain subjective assumptions.

The shares of the Company issued indirectly through the share platform were 358,300 during the year ended 31 December 2023.

32. RETIREMENT BENEFIT PLAN

The eligible employees of the Group in PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the years ended 31 December 2023, 2024 and 2025, the total expense recognised in profit or loss of RMB2,183,000, RMB3,163,000 and RMB4,037,000 respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2023, 2024 and 2025, no contribution due in respect of the year ended 31 December 2023, 2024 and 2025 had not been paid over to the plans.

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33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists net debts, which include lease liabilities and bank borrowing as disclosed in notes 27 and 28 respectively, net of bank balances and cash and equity of the Group, comprising issued share capital, reserves and non-controlling interests.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group’s capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and continuity of funding of cash flows from operating activities.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
FVTPL			
– Financial assets at FVTPL	11,005	10,011	–
– Derivative financial instruments	361	349	1,077
	<u>11,366</u>	<u>10,360</u>	<u>1,077</u>
At amortised cost			
– Other long-term deposits	1,816	2,218	2,195
– Loan receivables from a shareholder	–	7,553	–
– Trade receivables	47,346	64,674	84,116
– Receivables from payment intermediaries	16,448	18,531	6,864
– Receivables from online platforms	6,956	9,864	9,963
– Other receivables	740	450	1,529
– Pledged bank deposits	1,494	5,727	14,342
– Restricted bank deposits	515	203	2
– Bank balances and cash	24,417	35,350	64,912
	<u>99,732</u>	<u>144,570</u>	<u>183,923</u>
	<u>111,098</u>	<u>154,930</u>	<u>185,000</u>

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	As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Financial liabilities			
FVTPL			
– Derivative financial instruments	1,088	2,692	365
At amortised cost			
– Trade payables	64,612	73,479	80,631
– Bills payables	–	14,001	41,562
– Other payables	2,875	3,517	4,370
– Amounts due to subsidiaries	19	504	3,346
– Dividend payable	334	9,427	31,672
– Bank borrowings	13,659	12,800	33,930
– Redemption liabilities on ordinary shares	22,456	24,122	–
	103,955	137,850	195,511
	105,043	140,542	195,876

(b) Financial risk management objectives and policies

The Group’s and the Company’s financial instruments include financial assets at FVTPL, derivative financial instruments, other long-term deposits, loan receivables from a shareholder, trade and other receivables, amounts due from subsidiaries, pledged bank deposits, restricted bank deposits, bank balances and cash, trade, bills and other payables, amounts due to subsidiaries, dividend payable, borrowings and redemption liabilities on ordinary shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several group entities have foreign currency sales and purchases, bank balances, trade receivables and trade payables denominated in USD, EUR, GBP and HK\$, etc., which expose the Group and the Company to foreign currency risk. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group and the Company to foreign currency risk.

The carrying amounts of the Group’s and the Company’s foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are mainly as follows:

The Group

	Liabilities			Assets		
	2023 RMB’000	2024 RMB’000	2025 RMB’000	2023 RMB’000	2024 RMB’000	2025 RMB’000
USD	2,369	7,252	3,919	51,776	73,384	89,379
EUR	3,612	5,002	4,435	22,466	30,909	31,286
GBP	76	831	398	3,166	3,339	2,913
HK\$	–	1,804	836	73	597	3,547
Intra-group balances						
USD	15,895	21,287	25,443	15,895	21,287	25,443
EUR	32,770	35,766	–	32,770	35,766	–
GBP	5,592	9,064	2,007	5,592	9,064	2,007

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The Company

	Liabilities			Assets		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	1,057	3,876	1,226	43,433	48,061	70,432
EUR	31	–	441	97	2,916	2,996
GBP	–	–	–	–	–	64

The Group and the Company currently do not have a foreign exchange hedging policy. However, the management of the Group and the Company monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group’s and the Company’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies, the foreign currency with which the Group and the Company may have a material exposure. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% against the relevant currencies. For a 5% weakening of RMB against relevant currencies, there would be an equal and opposite impact on post-tax profit for the year.

	The Group			The Company		
	As at 31 December			As at 31 December		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	2,064	2,701	3,551	1,801	1,878	2,941
EUR	707	987	1,020	3	124	109
GBP	116	94	94	–	–	2
HK\$	3	(45)	102	–	–	–

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant years.

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 28) and lease liabilities (see note 27 for details). The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits (see note 23) and restricted bank deposits (note 23). The Group and the Company cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances. The Group and the Company manage its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The sensitivity analyses is not prepared by the management as they consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances, pledged bank deposits and restricted bank deposits is insignificant.

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Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s and Company’s counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group’s and Company’s credit risk exposures are primarily attributable to other long-term deposits, loan receivables from a shareholder, trade and other receivables, amounts due from subsidiaries, pledged bank deposits, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Except for financial assets at FVTPL and derivative financial instruments, the Group and the Company performed impairment assessment for financial assets under ECL model. Information about the Group’s and the Company’s credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Loan receivables from a shareholder

The management of the Group and the Company estimate the estimated loss rates of loan receivables from a shareholder on an individual assessment basis. The management believes that there is no significant increase in credit risk of this amount since initial recognition. For the year ended 31 December 2023, 2024 and 2025, the Group and the Company assessed the ECL for loan receivables from a shareholder are insignificant and thus no loss allowance is recognised.

Trade receivables

In order to minimise the credit risk, the management of the Group and the Company continuously monitor the credit quality and financial condition of the debtors to ensure that follow-up action is taken to recover overdue debts. In addition, receivable balances are monitored on an ongoing basis. In this regard, the directors of the Group and the Company consider that the Group’s and the Company’s credit risk is significantly reduced.

For trade receivables, the Group and the Company has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. The trade receivables are grouped based on shared credit risk characteristics by reference to the Group’s and Company’s internal credit ratings, taking into consideration the historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. The grouping and assessment are regularly reviewed by management to ensure relevant information about specific debtors is updated. For the years ended 31 December 2023, 2024 and 2025, none of the trade receivables balance was determined as credit-impaired by the management. Details of the quantitative disclosures are set out below in this note.

Other long-term deposits/ receivables from payment intermediaries/receivables from online platforms and other receivables

For other long-term deposits, receivables from payment intermediaries, receivables from online platforms and other receivables, the management makes periodic individual assessment on the recoverability of other long-term deposits, receivables from payment intermediaries, receivables from online platforms and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL. Details of the quantitative disclosures are set out below in this note.

Amounts due from subsidiaries

The directors of the Company make periodic assessment on the recoverability of the amounts due from subsidiaries by considering the financial strength and repayment history of these subsidiaries. The directors of the Company consider to be insignificant and therefore no loss allowance was recognised.

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Pledged bank deposits/restricted bank deposits and bank balances

The credit risks on pledged bank deposits, restricted bank deposits and bank balances are limited because the counterparties are reputable banks with high credit ratings. The Group assessed 12m ECL for pledged bank deposits, restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits, restricted bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group’s internal credit risk grading assessment comprises the following categories:

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

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The table below details the credit risk exposures of the Group’s financial assets, which are subject to ECL assessment:

The Group

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
				At 31 December		
				2023	2024	2025
				RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Loan receivables from a shareholder	18	Low risk	12m ECL	–	7,553	–
Trade receivables	20	Low risk	Lifetime ECL – not credit impaired	48,187	65,777	85,639
Long-term deposits, receivables from payment intermediaries, receivables from online platforms and other receivables	20	Low risk	12m ECL	26,085	31,237	20,723
Pledged bank deposits	23	Low risk	12m ECL	1,494	5,727	14,342
Restricted bank deposits	23	Low risk	12m ECL	515	203	2
Bank balances	23	Low risk	12m ECL	24,417	35,350	64,912

The Company

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
				At 31 December		
				2023	2024	2025
				RMB'000	RMB'000	RMB'000
Financial assets at amortised cost						
Trade receivables	20	Low risk	Lifetime ECL – not credit impaired	41,287	53,394	59,265
Long-term deposits, receivables from payment intermediaries, receivables from online platforms and other receivables	20	Low risk	12m ECL	1,705	1,836	3,409
Amounts due from subsidiaries	38	Low risk	Lifetime ECL – not credit impaired	41,738	58,529	70,544
Pledged bank deposits	23	Low risk	12m ECL	1,494	5,727	14,342
Restricted bank deposits	23	Low risk	12m ECL	515	203	2
Bank balances	23	Low risk	12m ECL	19,716	25,506	54,332

As part of the Group’s credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis as at 31 December 2023, 2024 and 2025 within lifetime ECL (not credit-impaired).

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Internal credit rating

The Group

	2023			As at 31 December 2024			2025		
	Average	Trade	ECL	Average	Trade	ECL	Average	Trade	ECL
	loss rate %	receivables RMB'000	amount RMB'000	loss rate %	receivables RMB'000	amount RMB'000	loss rate %	receivables RMB'000	amount RMB'000
Category A:									
Low risk	1.76	43,310	764	1.61	57,736	931	1.78	73,731	1,311
Category B:									
Low risk	1.58	4,877	77	2.14	8,041	172	1.78	11,908	212
	1.75	48,187	841	1.68	65,777	1,103	1.78	85,639	1,523

The Company

	2023			As at 31 December 2024			2025		
	Average	Trade	ECL	Average	Trade	ECL	Average	Trade	ECL
	loss rate %	receivables RMB'000	amount RMB'000	loss rate %	receivables RMB'000	amount RMB'000	loss rate %	receivables RMB'000	amount RMB'000
Category A:									
Low risk	1.68	41,287	692	1.57	53,394	839	1.76	59,265	1,045

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following tables show the movement in lifetime ECL (not credit-impaired) that has been recognised for trade receivables:

The Group

	Lifetime ECL (not credit-impaired) RMB'000
As at 1 January 2023	580
Impairment losses recognised	261
As at 31 December 2023	841
Impairment losses recognised	262
As at 31 December 2024	1,103
Impairment losses recognised	420
As at 31 December 2025	1,523

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The following tables show the movement in 12m ECL that has been recognised for other receivables:

The Group

	12m ECL <i>RMB’000</i>
As at 1 January 2023	105
Impairment losses recognised	20
As at 31 December 2023	125
Impairment losses recognised	49
As at 31 December 2024	174
Impairment losses reversed	(2)
As at 31 December 2025	172

The following tables show the movement in lifetime ECL that has been recognised for trade receivables:

The Company

	Lifetime ECL (not credit-impaired) <i>RMB’000</i>
Trade receivables	
As at 1 January 2023	403
Impairment losses recognised	289
As at 31 December 2023	692
Impairment losses recognised	147
As at 31 December 2024	839
Impairment losses recognised	206
As at 31 December 2025	1,045

The Group and the Company writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off and is subject to enforcement activities during the Track Record Period.

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Liquidity risk

In the management of liquidity risk, the Group’s and Company’s management monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group’s and Company’s operations and mitigate the effects of fluctuations in cash flows. The management of the Group and the Company monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The Group and the Company entered into supplier finance arrangement to ease access to credit for its suppliers and facilitate early settlement to the suppliers. Only small portion of the Group’s and the Company’s borrowings is subject to supplier finance arrangements. Therefore, the management does not consider the supplier finance arrangement result in significant liquidity risk of the Group and the Company. Details of the arrangements are set out in notes 28 and 35.

The following tables detail the Group’s and Company’s remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average interest rate %	Within 1 year or on demand RMB’000	1 to 2 years RMB’000	2 to 5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At 31 December 2023						
Trade, bills and other payables	N/A	73,605	–	–	73,605	73,605
Dividend payables	N/A	334	–	–	334	334
Bank borrowings	3.26%	13,854	–	–	13,854	13,659
Lease liabilities	4.83%	6,365	5,247	4,041	15,653	14,609
Redemption liabilities on ordinary shares	8%	22,456	–	–	22,456	22,456
		<u>116,614</u>	<u>5,247</u>	<u>4,041</u>	<u>125,902</u>	<u>124,663</u>
At 31 December 2024						
Trade, bills and other payables	N/A	103,214	–	–	103,214	103,214
Dividend payables	N/A	9,427	–	–	9,427	9,427
Bank borrowings	2.74%	12,926	–	–	12,926	12,800
Lease liabilities	5.42%	9,076	6,829	11,828	27,733	25,082
Redemption liabilities on ordinary shares	8%	24,122	–	–	24,122	24,122
		<u>158,765</u>	<u>6,829</u>	<u>11,828</u>	<u>177,422</u>	<u>174,645</u>
At 31 December 2025						
Trade, bills and other payables	N/A	133,321	–	–	133,321	133,321
Dividend payables	N/A	31,672	–	–	31,672	31,672
Bank borrowings	2.57%	20,534	6,243	8,062	34,839	33,930
Lease liabilities	4.04%	6,829	5,030	6,798	18,657	17,521
		<u>192,356</u>	<u>11,273</u>	<u>14,860</u>	<u>218,489</u>	<u>216,444</u>

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The Company

	Weighted average interest rate %	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023						
Trade, bills and other payables	N/A	67,487	–	–	67,487	67,487
Dividend payables	N/A	334	–	–	334	334
Amounts due to subsidiaries	N/A	19	–	–	19	19
Bank borrowings	3.26%	13,854	–	–	13,854	13,659
Lease liabilities	4.45%	4,374	3,523	3,644	11,541	10,773
Redemption liabilities on ordinary shares	8%	22,456	–	–	22,456	22,456
		<u>108,524</u>	<u>3,523</u>	<u>3,644</u>	<u>115,691</u>	<u>114,728</u>
At 31 December 2024						
Trade, bills and other payables	N/A	90,997	–	–	90,997	90,997
Dividend payables	N/A	9,427	–	–	9,427	9,427
Amounts due to subsidiaries	N/A	504	–	–	504	504
Bank borrowings	2.74%	12,926	–	–	12,926	12,800
Lease liabilities	4.03%	7,308	6,181	11,357	24,846	22,945
Redemption liabilities on ordinary shares	8%	24,122	–	–	24,122	24,122
		<u>145,284</u>	<u>6,181</u>	<u>11,357</u>	<u>162,822</u>	<u>160,795</u>
At 31 December 2025						
Trade, bills and other payables	N/A	126,563	–	–	126,563	126,563
Dividend payables	N/A	31,672	–	–	31,672	31,672
Amounts due to subsidiaries	N/A	3,346	–	–	3,346	3,346
Bank borrowings	2.57%	20,534	6,243	8,062	34,839	33,930
Lease liabilities	3.99%	6,181	4,776	6,581	17,538	16,454
		<u>188,296</u>	<u>11,019</u>	<u>14,643</u>	<u>213,958</u>	<u>211,965</u>

In addition, the following tables detail the Group’s liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group’s derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

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The Group and the Company

	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023			
Derivatives - gross settlement			
Foreign exchange forward contracts			
– Inflow			
RMB	(72,750)	(72,750)	(72,750)
– Outflow			
USD	59,414	59,414	59,414
EUR	14,063	14,063	14,063
	<u>727</u>	<u>727</u>	<u>727</u>
At 31 December 2024			
Derivatives - gross settlement			
Foreign exchange forward contracts			
– Inflow			
RMB	(98,832)	(98,832)	(98,832)
– Outflow			
USD	87,543	87,543	87,543
EUR	13,632	13,632	13,632
	<u>2,343</u>	<u>2,343</u>	<u>2,343</u>
At 31 December 2025			
Derivatives - gross settlement			
Foreign exchange forward contracts			
– Inflow			
RMB	(117,313)	(117,313)	(117,313)
– Outflow			
USD	87,073	87,073	87,073
EUR	29,528	29,528	29,528
	<u>(712)</u>	<u>(712)</u>	<u>(712)</u>

(c) Fair value measurement of financial instruments

Fair values of the Group’s and the Company’s financial assets that are measured at fair value on a recurring basis

As at 31 December 2023, 2024 and 2025, the Group’s and the Company’s financial assets at FVTPL including structured deposits (details refer to note 21) which are measured at fair value, are grouped under Level 2 hierarchy. Fair value of these financial assets was determined with reference to the balances reported on the monthly statements provided by the financial institution.

The Group’s and the Company’s foreign currency forward contracts (details refer to note 22) are measured at fair value and grouped under Level 2 hierarchy. The fair value of these contracts are determined based on the difference between the observable forward exchange rates at the end of the reporting period and contract forward rates at 31 December 2023, 2024 and 2025.

Fair value of the Group’s and the Company’s financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amount of the Group’s and the Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities RMB’000	Bank borrowing RMB’000	Interest payables RMB’000	Advances from directors RMB’000	Dividend payable RMB’000	Accrued issue cost RMB’000	Total RMB’000
At 1 January 2023	13,452	23,813	–	–	–	–	37,265
Financing cash flows							
Advances from directors	–	–	–	553	–	–	553
Payment of interest	(613)	–	(655)	–	–	–	(1,268)
Payment of lease liabilities	(6,192)	–	–	–	–	–	(6,192)
Proceeds from borrowings	–	27,835	–	–	–	–	27,835
Repayments of borrowings	–	(53,905)	–	–	–	–	(53,905)
Dividend paid	–	–	–	–	(5,675)	–	(5,675)
Non-cash transactions:							
New leases entered	7,350	–	–	–	–	–	7,350
Interest expenses	613	–	655	–	–	–	1,268
Exchange adjustments	(1)	–	–	–	–	–	(1)
Dividend declared	–	–	–	–	6,009	–	6,009
Supplier finance arrangement	–	15,916	–	–	–	–	15,916
At 31 December 2023	14,609	13,659	–	553	334	–	29,155
Financing cash flows							
Repayments to directors	–	–	–	(393)	–	–	(393)
Payment of interest	(1,024)	–	(530)	–	–	–	(1,554)
Payment of lease liabilities	(7,026)	–	–	–	–	–	(7,026)
Proceeds from borrowings	–	23,833	–	–	–	–	23,833
Repayments of borrowings	–	(44,820)	–	–	–	–	(44,820)
Dividend paid	–	–	–	–	(5,907)	–	(5,907)
Non-cash transactions:							
New leases entered	20,374	–	–	–	–	–	20,374
Lease modified or early terminated	(2,796)	–	–	–	–	–	(2,796)
Interest expenses	1,024	–	530	–	–	–	1,554
Exchange adjustments	(79)	–	–	–	–	–	(79)
Dividend declared	–	–	–	–	15,000	–	15,000
Supplier finance arrangement	–	20,128	–	–	–	–	20,128
At 31 December 2024	25,082	12,800	–	160	9,427	–	47,469
Financing cash flows							
Repayment to directors	–	–	–	(160)	–	–	(160)
Payment of interest	(891)	–	(318)	–	–	–	(1,209)
Payment of lease liabilities	(8,147)	–	–	–	–	–	(8,147)
Proceeds from borrowings	–	24,801	–	–	–	–	24,801
Repayments of borrowings	–	(22,654)	–	–	–	–	(22,654)
Dividend paid	–	–	–	–	(17,755)	–	(17,755)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Non-cash transactions:							
New leases entered	618	–	–	–	–	–	618
Interest expenses	891	–	318	–	–	–	1,209
Exchange adjustments	(32)	–	–	–	–	–	(32)
Dividend declared	–	–	–	–	40,000	–	40,000
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Supplier finance arrangement	–	18,983	–	–	–	–	18,983
At 31 December 2025	17,521	33,930	–	–	31,672	1,074	84,197

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(b) Information of supplier finance arrangements

The details of the Group’s and the Company’s supplier finance arrangements are set out in note 28.

	As at 1 January 2023 RMB’000	2023 RMB’000	As at 31 December 2024 RMB’000	2025 RMB’000
Carrying amount of the financial liabilities that are subject to supplier finance arrangements				
Presented as part of “borrowings” (note 28)				
– Of which suppliers have already received payment from the finance provider	753	11,259	5,800	10,130
	As at 1 January 2023 Days	2023 Days	As at 31 December 2024 Days	2025 Days
Range of payment due dates				
For liabilities presented as part of “borrowings”:				
– Liabilities that are part of supplier finance arrangements	299 to 301	252 to 376	289 to 376	266 to 360
– Comparable trade payables that are not part of supplier finance arrangements	90	55 to 180	90 to 180	90 to 180

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of goods and services and subsequent cash settlements. For the years ended 2023, 2024 and 2025, borrowings under supplier finance arrangement of RMB15,916,000, RMB20,128,000 and RMB18,983,000 represent the payments to the suppliers by the relevant banks directly. There were no other material non-cash changes in these liabilities.

36. CAPITAL COMMITMENTS

	2023 RMB’000	As at 31 December 2024 RMB’000	2025 RMB’000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	50	370	4,486

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company

	2023 RMB’000	As at 31 December 2024 RMB’000	2025 RMB’000
Costs of investment in subsidiaries	1,100	1,100	2,181

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Details of the principal subsidiaries directly and indirectly held by the Company during the Track Record Period and as at the date of this report are as follows:

Name of subsidiaries	Place and date of establishment/ incorporations	Registered capital	Equity interest attributable to the Company			at the date of this report	Principal activities
			at 31 December 2023	2024	2025		
			%	%	%	%	
<i>Directly held:</i>							
Foshan Aisheng Technology Co., Ltd. (“Foshan Aisheng”) *佛山市愛盛科技有限公司 <i>note (a)</i>	The PRC 18 April 2016	RMB1,000,000	100	100	100	100	Sales of kitchen appliances
Guangdong Zhaochuang Intelligent Technology Co., Ltd. (“Guangdong Zhaochuang”) *廣州朝創智能技術有限公司 <i>note (a)</i>	The PRC 2 November 2020	RMB500,000	100	100	100	100	Internet information services
AirWin Group HK Limited (“AirWin”) <i>note (b)</i>	Hong Kong 23 August 2018	HK\$1,000,000	100	100	100	100	Sales of kitchen appliances
Foshan Yaoxin Lianzhi Electronics Co., Ltd. (“Foshan Yaoxin”) *佛山市耀芯聯智電子有限公司	The PRC 22 October 2025	RMB50,000	–	–	100	100	Technology services
<i>Indirectly held:</i>							
Veyma Trading GmbH (“Veyma”) <i>note (a)</i>	Germany 7 March 2023	EUR25,000	100	100	100	100	Sales of kitchen appliances
Ecochi GmbH (“Ecochi”) <i>note (a)</i>	Germany 23 February 2023	EUR100,000	51	51	51	51	Sales of heating pumps
EcoPure Limited (“Ecopure”) <i>note (a)</i>	Hong Kong 21 October 2024	HK\$100,000	–	70	70	70	Sales of kitchen appliances

* The English names of these subsidiaries represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

Notes:

- (a) No statutory financial statements of these subsidiaries for each of the years ended 31 December 2023, 2024 and 2025 as there are no statutory audit requirements.
- (b) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 were prepared in accordance with HKFRS Accounting Standards and were audited by Shine Wise & Co. CPA, a certified public accountant registered in Hong Kong. [The financial statements of this entity for the year ended 31 December 2025 have not been issued as of the date of this report.]
- (c) All subsidiaries within the Group are limited liability companies and have adopted 31 December as their financial year end date.

The above table lists the subsidiaries of the Company that the directors of the Company believe to principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All group entities had no debt securities outstanding as at 31 December 2023, 2024 and 2025 or at any time during the Track Record Period.

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38. RELATED PARTY DISCLOSURES

Saved for those disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions/balances with the related parties:

Amounts due from subsidiaries - trade nature

	The Company As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Foshan Aisheng	2	94	29,738
AirWin	41,736	57,605	33,759
Guangdong Zhaochuang	–	830	1,906
Foshan Yaoxin Lianzhi Electronic Co., Ltd.	–	–	1,250
EcoPure Limited	–	–	2,628
Ecochi GmbH	–	–	1,263
	<u>41,738</u>	<u>58,529</u>	<u>70,544</u>

Saved for those disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions/balances with the related parties:

The Company normally grants credit terms of 0 to 180 days to its subsidiaries. The following is an ageing analysis of amounts due from subsidiaries in trade nature, net of allowance for credit losses, prepared based on the date of invoice, which approximated the respective revenue recognition dates.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
0–90 days	20,901	9,174	22,692
91–180 days	17,634	28,998	23,330
181–365 days	3,203	20,357	23,439
over 365 days	–	–	1,083
	<u>41,738</u>	<u>58,529</u>	<u>70,544</u>

As at 31 December 2023, 2024 and 2025, included in the Company’s amounts due from subsidiaries in trade nature are debtors with aggregate carrying amount of RMB3,203,000, RMB20,357,000 and RMB24,522,000, respectively, which are past due as at the reporting date. Out of the past due balances, nil, nil and RMB1,083,000, respectively, has been past due 90 days or more and is not considered as in default because the management of the Company considered that the balances can be recovered based on past experience. The Company does not hold any security for these balances.

Details of impairment assessment of amounts due from subsidiaries which are in trade nature are set out in note 34(b).

Balances due from (to) the related parties

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Kang Quyan, director of the Company	1	–	–
Xiao Zhenhua, director of the Company	(83)	(115)	–
Kang Zuotian, director of the Company	(470)	(45)	–
Kang Zuotian, shareholder of the Company	–	(7,553)	–
	<u>–</u>	<u>(7,553)</u>	<u>–</u>

The balances with the related parties are expected by the management of the Group to be settled prior to the [REDACTED] of the Company.

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Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	3,459	4,996	4,980
Retirement benefits contributions	50	65	106
Equity-settled share-based expense	1,335	–	–
	<u>4,844</u>	<u>5,061</u>	<u>5,086</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. MOVEMENTS IN THE COMPANY’S RESERVES

The movements in the Company’s reserves for the years ended 31 December 2023, 2024 and 2025 are as follows:

	Share Premium RMB'000	Statutory reserve RMB'000	Share-based payment reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	29,460	2,225	–	(11,274)	(5,948)	14,463
Profit and total comprehensive income for the year	–	–	–	–	3,028	3,028
Capital contribution from a shareholder	8,864	–	–	–	–	8,864
Recognition of redemption liabilities	–	–	–	(9,550)	–	(9,550)
Transfer to statutory reserve	–	303	–	–	(303)	–
Equity-settled share-based payments expenses	–	–	3,286	–	–	3,286
Shares vested under [REDACTED] Restricted Share Plan	–	–	(3,286)	–	3,286	–
Dividends recognised as distribution	–	–	–	–	(6,009)	(6,009)
At 31 December 2023	<u>38,324</u>	<u>2,528</u>	<u>–</u>	<u>(20,824)</u>	<u>(5,946)</u>	<u>14,082</u>
Profit and total comprehensive income for the year	–	–	–	–	21,417	21,417
Issue of shares of the Company	442	–	–	–	–	442
Transfer to statutory reserve	–	2,142	–	–	(2,142)	–
Dividends recognised as distribution	–	–	–	–	(15,000)	(15,000)
At 31 December 2024	<u>38,766</u>	<u>4,670</u>	<u>–</u>	<u>(20,824)</u>	<u>(1,671)</u>	<u>20,941</u>
Profit and total comprehensive income for the year	–	–	–	–	57,683	57,683
Derecognition of redemption liabilities	–	–	–	25,233	–	25,233
Transfer to statutory reserve	–	5,768	–	–	(5,768)	–
Dividends recognised as distribution	–	–	–	–	(40,000)	(40,000)
At 31 December 2025	<u>38,766</u>	<u>10,438</u>	<u>–</u>	<u>4,409</u>	<u>10,244</u>	<u>63,857</u>

40. EVENT AFTER THE END OF THE REPORTING PERIOD

There is no significant event took place subsequent to 31 December 2025 and up to the date of issuance of this Historical Financial Information.

41. SUBSEQUENT FINANCIAL STATEMENTS

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