
APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[49], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 深圳市愛德泰科技股份有限公司 (SHENZHEN ADTEK TECHNOLOGY CO., LTD.*) AND CITIC SECURITIES (HONG KONG) LIMITED AND JEFFERIES HONG KONG LIMITED

INTRODUCTION

We report on the historical financial information of Shenzhen ADTEK Technology Co., Ltd. (深圳市愛德泰科技股份有限公司) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-[49], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2023, 2024 and 2025 (the “Track Record Period”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-[49] 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 initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

* For identification purpose only

APPENDIX I**ACCOUNTANTS’ REPORT**

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

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

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

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

Dividends

We refer to note 26(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

[Date]

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APPENDIX I**ACCOUNTANTS’ REPORT**

HISTORICAL FINANCIAL INFORMATION

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi (“RMB”))

	<i>Note</i>	Year ended December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	4	500,427	889,447	2,104,781
Cost of sales		<u>(310,704)</u>	<u>(516,250)</u>	<u>(1,273,838)</u>
Gross profit		189,723	373,197	830,943
Other net income	5	2,656	18,279	13,655
Selling and marketing expenses		(15,578)	(19,491)	(21,984)
Administrative expenses		(23,778)	(37,992)	(60,553)
Research and development expenses		<u>(13,512)</u>	<u>(32,115)</u>	<u>(51,977)</u>
Profit from operations		139,511	301,878	710,084
Finance costs	6(a)	<u>(1,606)</u>	<u>(2,106)</u>	<u>(5,110)</u>
Profit before taxation		137,905	299,772	704,974
Income tax	7(a)	<u>(16,873)</u>	<u>(32,113)</u>	<u>(80,962)</u>
Profit for the year		<u>121,032</u>	<u>267,659</u>	<u>624,012</u>
Attributable to:				
Equity shareholders of the Company		121,032	267,659	624,012
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year		<u>121,032</u>	<u>267,659</u>	<u>624,012</u>
Earnings per share				
Basic and diluted (RMB)	10	<u>2.22</u>	<u>4.91</u>	<u>11.43</u>

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APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year	121,032	267,659	624,012
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas entities	<u>2,116</u>	<u>1,339</u>	<u>(16,117)</u>
Other comprehensive income for the year	<u>2,116</u>	<u>1,339</u>	<u>(16,117)</u>
Total comprehensive income for the year	<u><u>123,148</u></u>	<u><u>268,998</u></u>	<u><u>607,895</u></u>
Attributable to:			
Equity shareholders of the Company	123,148	268,998	607,895
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u><u>123,148</u></u>	<u><u>268,998</u></u>	<u><u>607,895</u></u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31,		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	11	40,841	86,598	184,109
Intangible assets	12	3,129	4,203	4,355
Time deposits	14	10,617	—	—
Prepayments	15(b)	940	4,367	3,745
Deferred tax assets	25(a)	489	965	4,204
		<u>56,016</u>	<u>96,133</u>	<u>196,413</u>
Current assets				
Inventories	16	36,961	163,175	566,042
Trade and other receivables	15(a)	160,874	277,729	555,225
Prepayments	15(b)	152	717	16,221
Financial assets measured at fair value through profit or loss (“FVPL”)	17	16,486	89,588	48,514
Time deposits	14	—	10,970	—
Restricted cash	18(a)	—	—	420
Cash and cash equivalents	18(a)	91,767	123,896	47,494
		<u>306,240</u>	<u>666,075</u>	<u>1,233,916</u>
Current liabilities				
Trade and other payables	19	107,348	194,778	463,867
Contract liabilities	22	548	879	1,692
Interest-bearing borrowings	20	17,273	20,030	25,000
Lease liabilities	21	5,062	10,705	16,948
Income tax payable		14,836	33,199	60,122
		<u>145,067</u>	<u>259,591</u>	<u>567,629</u>
Net current assets		<u>161,173</u>	<u>406,484</u>	<u>666,287</u>
Total assets less current liabilities		<u>217,189</u>	<u>502,617</u>	<u>862,700</u>
Non-current liabilities				
Lease liabilities	21	13,616	26,240	54,977
Deferred income	23	550	220	2,217
		<u>14,166</u>	<u>26,460</u>	<u>57,194</u>
NET ASSETS		<u>203,023</u>	<u>476,157</u>	<u>805,506</u>
CAPITAL AND RESERVES				
Paid-in capital/share capital	26(c)	52,640	52,640	54,840
Reserves	26(d)	150,383	423,517	750,666
TOTAL EQUITY		<u>203,023</u>	<u>476,157</u>	<u>805,506</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31,		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	11	16,669	25,509	34,953
Intangible assets	12	3,129	4,034	4,251
Investments in subsidiaries	13	38,068	41,069	48,601
Time deposits	14	10,617	—	—
Prepayments	15(b)	635	3,489	3,457
Deferred tax assets		428	379	1,179
		<u>69,546</u>	<u>74,480</u>	<u>92,441</u>
Current assets				
Inventories	16	23,474	104,282	303,845
Trade and other receivables	15(a)	107,843	222,155	389,727
Prepayments	15(b)	88	392	1,215
Financial assets measured at fair value through profit or loss (“FVPL”)	17	16,486	40,037	—
Time deposits	14	—	10,970	—
Restricted cash	18(a)	—	—	216
Cash and cash equivalents	18(a)	66,868	55,774	14,574
		<u>214,759</u>	<u>433,610</u>	<u>709,577</u>
Current liabilities				
Trade and other payables	19	101,163	191,051	386,835
Contract liabilities		521	843	710
Interest-bearing borrowings	20	17,273	20,030	25,000
Lease liabilities	21	2,561	4,169	3,260
Income tax payable		6,456	13,546	42,535
		<u>127,974</u>	<u>229,639</u>	<u>458,340</u>
Net current assets		<u>86,785</u>	<u>203,971</u>	<u>251,237</u>
Total assets less current liabilities		<u>156,331</u>	<u>278,451</u>	<u>343,678</u>
Non-current liabilities				
Lease liabilities	21	2,246	3,171	2,667
Deferred income	23	550	220	2,217
		<u>2,796</u>	<u>3,391</u>	<u>4,884</u>
NET ASSETS		<u>153,535</u>	<u>275,060</u>	<u>338,794</u>
CAPITAL AND RESERVES				
Paid-in capital/share capital	26(c)	52,640	52,640	54,840
Reserves	26(d)	100,895	222,420	283,954
TOTAL EQUITY		<u>153,535</u>	<u>275,060</u>	<u>338,794</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Group					Retained profits	Total
		Paid-in capital	Capital reserve	Share-based payment reserve	Exchange reserve	Statutory reserve		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		(note 26(c))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iii))	(note 26(d)(iv))		
Balance at January 1, 2023		52,640	15,773	2,938	494	10,622	31,272	113,739
Changes in equity for 2023:								
Profit for the year		—	—	—	—	—	121,032	121,032
Other comprehensive income		—	—	—	2,116	—	—	2,116
Total comprehensive income		—	—	—	2,116	—	121,032	123,148
Equity settled share-based transactions	24	—	—	4,136	—	—	—	4,136
Dividends declared	26(b)	—	—	—	—	—	(38,000)	(38,000)
Appropriation to statutory reserve		—	—	—	—	6,477	(6,477)	—
Balance at December 31, 2023 and January 1, 2024		<u>52,640</u>	<u>15,773</u>	<u>7,074</u>	<u>2,610</u>	<u>17,099</u>	<u>107,827</u>	<u>203,023</u>

The accompanying notes form part of the Historical Financial Information.

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APPENDIX I

ACCOUNTANTS’ REPORT

Note	Attributable to equity shareholders of the Group							Total RMB'000	
	Paid-in capital RMB'000	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000		
	(note 26(c))	(note 26(c))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iii))	(note 26(d)(iv))			
Balance at January 1, 2024	52,640	—	15,773	7,074	2,610	17,099	107,827	203,023	
Changes in equity for 2024:									
Profit for the year	—	—	—	—	—	—	267,659	267,659	
Other comprehensive income	—	—	—	—	1,339	—	—	1,339	
Total comprehensive income	—	—	—	—	1,339	—	267,659	268,998	
Transfer of reserve due to the conversion into a joint stock company	26(c)	(52,640)	52,640	77,686	—	—	(17,064)	(60,622)	—
Equity settled share-based transactions	24	—	—	—	4,136	—	—	—	4,136
Appropriation to statutory reserve		—	—	—	—	—	12,356	(12,356)	—
Balance at December 31, 2024 and January 1, 2025	—	52,640	93,459	11,210	3,949	12,391	302,508	476,157	

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to equity shareholders of the Group							
		Share capital	Capital reserve	Share-based payment reserve	Exchange reserve	Statutory reserve	Retained profits	Total
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 26(c))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iii))	(note 26(d)(iv))	(note 26(d)(iv))		
Balance at January 1, 2025	52,640	93,459	11,210	3,949	12,391	302,508	476,157	
Changes in equity for 2025:								
Profit for the year	—	—	—	—	—	624,012	624,012	
Other comprehensive income	—	—	—	(16,117)	—	—	(16,117)	
Total comprehensive income	—	—	—	(16,117)	—	624,012	607,895	
Capital injection from shareholders	23,194	10,016	—	—	—	—	33,210	
Reduction of share capital	26(a) (20,994)	—	—	—	—	—	(20,994)	
Equity settled share-based transactions	24 —	2,605	6,633	—	—	—	9,238	
Dividends declared	26(b) —	—	—	—	—	(300,000)	(300,000)	
Appropriation to statutory reserve	—	—	—	—	14,439	(14,439)	—	
Balance at December 31, 2025	54,840	106,080	17,843	(12,168)	26,830	612,081	805,506	

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	<i>Note</i>	Year ended December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Operating activities				
Cash generated from operations	18(b)	113,395	175,456	201,797
Income tax paid		<u>(7,743)</u>	<u>(17,607)</u>	<u>(60,235)</u>
Net cash generated from operating activities		105,652	157,849	141,562
Investing activities				
Payment for purchase of property, plant and equipment and intangible assets		(15,252)	(48,634)	(96,004)
Payment for purchase of time deposits and financial assets measured at fair value through profit or loss		(79,617)	(229,305)	(77,000)
Proceeds from disposal of time deposits and financial assets measured at fair value through profit or loss		73,661	157,058	131,057
Interest received		<u>—</u>	<u>870</u>	<u>1,640</u>
Net cash used in investing activities		<u>(21,208)</u>	<u>(120,011)</u>	<u>(40,307)</u>
Financing activities				
Proceeds from interest-bearing borrowings	18(c)	37,211	20,000	25,000
Repayment of interest-bearing borrowings	18(c)	(30,400)	(17,250)	(20,000)
Interest of interest-bearing borrowings paid	18(c)	(553)	(701)	(1,123)
Proceeds from shares issued		—	—	33,210
Payment for capital reduction	26(c)	—	—	(20,994)
Payment of capital element of lease liabilities	18(c)	(6,053)	(7,844)	(16,887)
Payment of interest element of lease liabilities	18(c)	(606)	(1,398)	(4,017)
Dividends paid to equity shareholders of the Company		<u>(38,000)</u>	<u>—</u>	<u>(170,808)</u>
Net cash used in financing activities		<u>(38,401)</u>	<u>(7,193)</u>	<u>(175,619)</u>
Net increase/(decrease) in cash and cash equivalents		46,043	30,645	(74,364)
Cash and cash equivalents at the beginning of the year		44,739	91,767	123,896
Effect of foreign exchange rate changes		<u>985</u>	<u>1,484</u>	<u>(2,038)</u>
Cash and cash equivalents at the end of year		<u>91,767</u>	<u>123,896</u>	<u>47,494</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Shenzhen ADTEK Technology Co., Ltd. (深圳市愛德泰科技股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on October 19, 2007 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on March 27, 2024.

During the Track Record Period, the Company and its subsidiaries (together, “the Group”) are principally engaged in the optical connectivity products and solutions, dedicated to research and development, manufacturing and sales of fiber optic assemblies, micro-optical assemblies and fiber optic connectivity infrastructure products for AI data center applications.

The financial statements of the Company for the years ended December 31, 2023, and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (“PRC GAAP”) and audited by Shenzhen Strong Certified Public Accountants (深圳思創會計師事務所(普通合夥)). At the date of this report, the audited financial statements of the Company for the year ended December 31, 2025 are not yet available.

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

Company Name	Place and date of incorporation/ establishment	Principal country of Operation	Particulars of issued and paid-up capital	Effective interest held by the Group				Principal activities
				As at December 31, 2023	2024	2025	At the date of this report	
<i>Directly held by the Company</i>								
Shenzhen ADTEK Intelligent Information Technology Co., Ltd. 深圳市愛德泰智能信息技術有限公司(a)(b)	Chinese Mainland October 19, 2021	Chinese Mainland	RMB25,000,000/ RMB25,000,000	100%	100%	100%	100%	Production of fiber optic assemblies and fiber optic connectivity infrastructure products
ADTEK Industrial (HK) Limited 愛德泰實業(香港)有限公司(c)	Hong Kong November 1, 2021	Hong Kong	USD1,000,000/ USD1,000,000	100%	100%	100%	100%	International trade
Shenzhen ADTEK Precision Optics Co., Ltd 深圳市愛德泰精密光聯科技有限公司(a)(b)	Chinese Mainland August 5, 2024	Chinese Mainland	RMB5,000,000/ RMB5,000,000	N/A	100%	100%	100%	Production of micro-optical assemblies
<i>Indirectly held by the Company</i>								
Fiber Connect (Viet Nam) Co., Ltd 光纖連接(越南)有限公司(d)	Vietnam August 12, 2022	Vietnam	USD1,600,000/ USD1,600,000	100%	100%	100%	100%	Production and sales of fiber optic assemblies
ADTEK Manufacturing (Viet Nam) Co., Ltd 愛德泰精密製造(越南)有限公司(e)	Vietnam February 7, 2025	Vietnam	USD2,000,000/ USD2,000,000	N/A	N/A	100%	100%	Production of fiber optic assemblies and fiber optic connectivity infrastructure products

Notes:

- The official name of these entities are in Chinese. The English translation is for identification purpose only. The companies were registered as limited liability companies under the PRC Law.
- As of the date of this report, no audited financial statements have been prepared for these entities for the Track Record Period.
- The financial statements of this entity for the years ended December 31, 2023 and 2024 prepared in accordance with Hong Kong Small and Medium-Sized Entity Financial Reporting Standard (SME-FRS) was audited by OCG CPA LIMITED Certified Public Accountant (Practising). The audited financial statements of this entity for the year ended December 31, 2025 is not yet available.
- The financial statements of this entity for the years ended December 31, 2023 and 2024 prepared in accordance with Vietnam Accounting Standards (VAS) was audited by APS Auditing Company Limited. The audited financial statements of this entity for the year ended December 31, 2025 was audited by ICAW Auditing Company Limited.
- The financial statements of this entity for the years ended December 31, 2025 prepared in accordance with Vietnam Accounting Standards (VAS) was audited by ICAW Auditing Company Limited.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2025 are set out in note 31.

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for certain financial assets are stated at their fair value as explained in note 2 (d).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

(c) Subsidiaries

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

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

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

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

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Other investments in securities

The Group’s policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(q)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and impairment losses (see note 2(h)(ii)):

Construction in progress represents plant and buildings under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 2(h)(ii)). The cost includes the direct costs of construction, plant and equipment. Construction in progress is not depreciated until such time as the assets are completed and ready for operational use.

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

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

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

The estimated useful lives are as follows:

— Properties leased for own use	Over the lease terms
— Machinery and equipment	3–10 years
— Electronic equipment	3 years
— Vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses (see note 2(h)(ii)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(h)(ii)).

APPENDIX I

ACCOUNTANTS’ REPORT

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

The estimated useful lives are as follows:

— Software 3–5 years

The useful life of software was assessed based on the expected service life during which relevant software performs its desired functionality.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Leased assets

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

As a lessee

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

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

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

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

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policies applicable to investments in non-equity securities carried at amortised cost (see notes 2(d)(i), 2(q)(ii)(a) and 2(h)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”s) on financial assets measured at amortised cost (including cash and cash equivalents, time deposit, trade receivables and other receivables);

Measurement of ECLs

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

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

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

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

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

Significant increases in credit risk

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

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

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. the Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

(i) Inventories

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

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

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

(j) Contract liabilities

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

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

(k) Trade and other receivables

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

APPENDIX I

ACCOUNTANTS’ REPORT

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(h)(i)).

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

(o) Employee benefits

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

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

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

(ii) Share-based payments

The Group operates a share incentive plan, under which it receives services from eligible participants as consideration for equity instruments of the Group.

The grant-date fair value of equity-settled share-based payment granted to employees is measured with reference to the fair value of the ordinary shares, which is determined using a discounted cash flow model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related vesting conditions at the vesting date. The equity amounts are recognised in the share-based payment reserve until the awarded shares are vested (when it is transferred to the capital reserve).

(iii) Termination benefits

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

(p) Income tax

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

(q) Revenue and other income

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

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

(i) Revenue from contracts with customers

The Group principally generates its revenue from the sales of products.

In determining whether the Group acts as a principal or as an agent, it considers whether the Group obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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

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

Trade terms vary by customers and are based on agreement established in the contracts or purchase orders with customers.

(ii) Revenue from other sources and other income

(a) Interest income

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

(b) Government grants

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

(r) Borrowing costs

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

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences arose from translation of foreign operations are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(t) Related parties

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

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

APPENDIX I

ACCOUNTANTS’ REPORT

(u) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 24 and 27(e) contain information about the assumptions and their risk factors relating to fair values of share granted and financial instruments. Other significant sources of estimation uncertainty and accounting judgments are as follows:

(i) Impairment of trade receivables

The Group’s management determines the loss allowance for expected credit losses on trade receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group’s management reassesses the loss allowance at each reporting period end.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses and related taxes. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group’s profit or loss and net asset value.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sales of fiber optic assemblies, micro-optical assemblies and fiber optic connectivity infrastructure products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by major products or service lines			
— Sales of fiber optic assemblies	425,326	774,387	1,972,434
— Sales of fiber optic connectivity infrastructure products	74,652	113,351	128,914
— Sales of micro-optical assemblies	449	1,709	3,433
	<u>500,427</u>	<u>889,447</u>	<u>2,104,781</u>

During the Track Record Period, the Group’s revenue from contracts with customers was all recognised at a point in time.

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

APPENDIX I

ACCOUNTANTS’ REPORT

During the Track Record Period, the Group’s customers with whom transactions have exceeded 10% of the Group’s revenue in the respective years are as follows. Details of concentrations of credit risk of the Group are set out in note 27(a).

	Year ended December 31,		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Customer I	105,353	377,174	1,330,608
Customer II	223,643	261,533	369,626

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group’s sale contracts have an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses as a whole. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has only one single operating segment and no further analysis of the single segment is presented.

(i) Geographic information

The following table sets out information about the geographical location of (i) the Group’s revenue from external customers, (ii) the Group’s property, plant and equipment, intangible assets and prepayments (“specified non-current assets”). The geographical location of customers is determined based on the registered address of the customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of the operation to which they are allocated, in the case of intangible assets and prepayments.

Revenues from external customers

	Year ended December 31,		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Chinese Mainland	34,720	41,986	65,408
United States of America	413,595	757,556	1,814,900
Other regions*	52,112	89,905	224,473
	<u>500,427</u>	<u>889,447</u>	<u>2,104,781</u>

* Other regions mainly included Australia, the Netherlands, France, and Hong Kong.

Non-current assets

	As at December 31,		
	2023	2024	2025
Chinese Mainland	31,396	50,994	51,289
Overseas	13,514	44,174	140,920
	<u>44,910</u>	<u>95,168</u>	<u>192,209</u>

Overseas non-current assets are mainly located in Vietnam.

5 OTHER NET INCOME

	Year ended December 31,		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Interest income from bank deposits	239	1,375	3,202
Net foreign exchange (loss)/gain	(417)	10,877	1,263
Fair value changes on financial assets measured at fair value through profit or loss	486	855	2,013
Government grants	1,901	5,968	7,404
Others	447	(796)	(227)
	<u>2,656</u>	<u>18,279</u>	<u>13,655</u>

APPENDIX I

ACCOUNTANTS’ REPORT

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing borrowings	1,000	708	1,093
Interest on lease liabilities	606	1,398	4,017
	<u>1,606</u>	<u>2,106</u>	<u>5,110</u>

(b) Staff costs

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	82,119	140,984	305,774
Contributions to defined contribution retirement plan	3,023	8,075	23,391
Equity-settled share-based payment expenses (note 24)	4,136	4,136	9,238
	<u>89,278</u>	<u>153,195</u>	<u>338,403</u>

Employees of the Group’s entities in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government.

The Group’s entities in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

All overseas subsidiaries of the Group are subject to the statutory enterprise contribution retirement scheme under the laws of the countries/jurisdictions.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amortisation cost of intangible assets (note 12)	535	2,263	2,351
Depreciation charge (note 11)			
— owned property, plant and equipment	9,430	13,580	30,278
— right-of-use assets	6,363	8,396	17,936
	<u>15,793</u>	<u>21,976</u>	<u>48,214</u>
[REDACTED]	—	—	[REDACTED]
Auditors’ remuneration	123	530	271
Cost of inventories [#] (note 16)	308,523	513,184	1,268,790

[#] During the years ended December 31, 2023, 2024 and 2025, cost of inventories includes staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above.

APPENDIX I

ACCOUNTANTS’ REPORT

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax			
Provision for the year	16,989	32,589	84,201
Deferred tax			
Origination and reversal of temporary differences	(116)	(476)	(3,239)
	<u>16,873</u>	<u>32,113</u>	<u>80,962</u>

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

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>137,905</u>	<u>299,772</u>	<u>704,974</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	29,733	69,356	166,986
Tax effect of non-deductible expenses	682	698	1,550
Tax effect of preferential tax rate	(11,657)	(33,362)	(80,323)
Additional deduction on research and development expenses	<u>(1,885)</u>	<u>(4,579)</u>	<u>(7,251)</u>
Actual tax expense	<u>16,873</u>	<u>32,113</u>	<u>80,962</u>

Notes:

(i) Income tax rate applies to the Group:

Under the PRC Income Tax Laws, the Company was qualified as a High and New Technology Enterprise (“HNTE”) and was entitled to pay income tax at a preferential income tax rate of 15% during the years ended 31 December 2023, 2024 and 2025.

For the years ended December 31, 2023, 2024 and 2025, the Group’s certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to be charged at the standard tax rate of 25% over 20% of taxable profit, which enjoys an effective tax rate of 5% during the effective period until December 31, 2027.

For the Hong Kong subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Hong Kong subsidiary was calculated at the same basis in the Track Record Period.

For the Vietnam subsidiaries, the applicable corporate income tax incentives of “two-year exemption followed by a 50% reduction for the subsequent four years” have been applied in accordance with the relevant tax regulations. The tax incentive period is commenced from the first year in which the entity generates taxable profits. For Fiber Connect (Viet Nam) Co., Ltd, the applicable tax rates were 0% for the financial year 2023 and 2024, and 10% for the financial year 2025. ADTEK Manufacturing (Viet Nam) Co., Ltd. was loss-making in 2025, the tax incentive period has not commenced. The current income tax provision has been calculated based on the preferential tax rates applicable during the Track Record Period.

Taxation for other subsidiaries incorporated in PRC or other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) According to the relevant tax rules in the Chinese Mainland, qualified research and development expenses are allowed for additional deduction for income tax purpose, as a result, an additional 100% of the qualified research and development expenses could be deemed as deductible expenses during the years ended December 31, 2023, 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

8 DIRECTORS’ AND SUPERVISOR’S EMOLUMENTS

Directors’ and supervisor’s emoluments during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31, 2023						
	Directors’ supervisor’s fees <i>RMB’000</i>	Salaries, allowances and benefits in kind <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	Retirement scheme contributions <i>RMB’000</i>	Sub-Total <i>RMB’000</i>	Share-based payments (note) <i>RMB’000</i>	Total <i>RMB’000</i>
Chairman and executive director							
Mr. Bai Changan	—	964	650	5	1,619	—	1,619
Executive directors							
Ms. Zhu Meihua	—	837	620	6	1,463	—	1,463
Mr. Zhu Canjia	—	729	420	5	1,154	779	1,933
Mr. Ma kui	—	770	590	5	1,365	1,238	2,603
Supervisor							
Ms. He Lijuan	—	217	45	6	268	92	360
	—	3,517	2,325	27	5,869	2,109	7,978
Year ended December 31, 2024							
	Directors’ supervisor’s fees <i>RMB’000</i>	Salaries, allowances and benefits in kind <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	Retirement scheme contributions <i>RMB’000</i>	Sub-Total <i>RMB’000</i>	Share-based payments (note) <i>RMB’000</i>	Total <i>RMB’000</i>
Chairman and executive director							
Mr. Bai Changan	—	1,241	2,029	11	3,281	—	3,281
Executive directors							
Ms. Zhu Meihua	—	994	960	11	1,965	—	1,965
Mr. Zhu Canjia	—	1,019	960	11	1,990	779	2,769
Mr. Ma kui	—	1,052	960	11	2,023	1,238	3,261
Independent directors							
Mr. Shumping (Appointed since March 12, 2024)	50	—	—	—	50	—	50
Mr. Zhao Hongjun (Appointed since March 12, 2024)	50	—	—	—	50	—	50
Ms. Liunan (Appointed since March 12, 2024)	50	—	—	—	50	—	50
Supervisor							
Ms. He Lijuan	—	237	400	11	648	92	740
	150	4,543	5,309	55	10,057	2,109	12,166

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31, 2025						
	Directors’ supervisor’s fees <i>RMB’000</i>	Salaries, allowances and benefits in kind <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	Retirement scheme contributions <i>RMB’000</i>	Sub-Total <i>RMB’000</i>	Share-based payments (note) <i>RMB’000</i>	Total <i>RMB’000</i>
Chairman and executive director							
Mr. Bai Changan	—	977	2,020	12	3,009	—	3,009
Executive directors							
Ms. Zhu Meihua	—	1,028	1,598	12	2,638	—	2,638
Mr. Zhu Canjia	—	1,011	2,003	12	3,026	779	3,805
Mr. Ma kui	—	1,000	1,148	12	2,160	1,238	3,398
Independent directors							
Mr. Shumping	60	—	—	—	60	—	60
Mr. Zhao Hongjun	60	—	—	—	60	—	60
Ms. Liunan	60	—	—	—	60	—	60
Supervisor							
Ms. He Lijuan	—	252	81	12	345	92	437
	<u>180</u>	<u>4,268</u>	<u>6,850</u>	<u>60</u>	<u>11,358</u>	<u>2,109</u>	<u>13,467</u>

Note:

These represent the estimated value of Restricted Equity Interests granted to the directors and supervisor under the Group’s share award scheme. The value of these share awards is measured according to the Group’s accounting policies for share-based payment transactions as set out in note 2(o).

The details of these benefits in kind, including the principal terms and number of shares granted, are disclosed in note 24.

During the Track Record Period, no director or supervisor has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors or supervisor as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

Mr. Shumping and Ms. Liunan joined the Group as independent directors on March 12, 2024 and will subsequently be redesignated as an independent non-executive director effective on the [REDACTED].

With effect from March 31, 2026, Ms. He Lijuan has ceased to hold the position of supervisor of the Group.

Mr. Zhao Hongjun resigned from his position as an independent non-executive director of the Group on May 11, 2026.

Mr. Chen Taiyuan joined the Group as an independent director effective on May 11, 2026 and will subsequently be redesignated as an independent non-executive director effective on the [REDACTED].

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period of the five highest paid individuals, four are directors of the Company whose emoluments are disclosed in note 8. The emoluments in respect of the remaining one individual are as follows:

	Year ended December 31,		
	2023 <i>RMB’000</i>	2024 <i>RMB’000</i>	2025 <i>RMB’000</i>
Salaries and other emoluments	1,015	1,169	1,746
Discretionary bonuses	420	225	235
Share-based payments	153	153	153
Retirement scheme contributions	5	8	12
	<u>1,593</u>	<u>1,555</u>	<u>2,146</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The emoluments of the remaining one highest paid individual is within the following bands:

	Year ended December 31,		
	2023	2024	2025
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
HK\$1,500,001 to HK\$2,000,000	1	1	—
HK\$2,000,001 to HK\$2,500,000	—	—	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

As described in Note 26(c), the Company was converted into a joint stock limited liability company and issued 52,640,000 shares with par value of RMB1 each in March 2024. For the purpose of computing basic earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company’s conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2023, at the exchange ratio established in the conversion in March 2024.

In addition, the Company issued 2,200,000 ordinary shares to Shenzhen ADTEK Elite No. 2 Enterprise Management Partnership (Limited Partnership) and ADTEK Elite No. 3 Enterprise Management Partnership (Limited Partnership) in 2025 at RMB12 each, which is less than the fair value of the shares. Accordingly, the weighted average number of ordinary shares has been adjusted retrospectively from January 1, 2023, for the bonus element in such issuance of shares.

	Year ended December 31,		
	2023	2024	2025
Profit attributable to ordinary equity shareholders of the Company (RMB’000)	121,032	267,659	624,012
Weighted average number of ordinary shares (’000)	54,543	54,543	54,616
Basic earnings per share (in RMB per share)	2.22	4.91	11.43

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the Track Record Period, therefore diluted earnings per share were the same as the basic earnings per share.

APPENDIX I

ACCOUNTANTS’ REPORT

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties leased for own use RMB'000	Machinery and equipment RMB'000	Electronic equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At December 31, 2022 and at January 1, 2023	29,421	30,525	3,978	1,621	148	65,693
Exchange adjustments	(7)	(106)	(9)	—	—	(122)
Additions	2,536	9,376	597	271	1,706	14,486
Disposals	(6,303)	(1,348)	(237)	—	—	(7,888)
At December 31, 2023 and at January 1, 2024	25,647	38,447	4,329	1,892	1,854	72,169
Exchange adjustments	(225)	(145)	(10)	—	(15)	(395)
Additions	26,111	31,191	3,232	1,143	7,371	69,048
Transfers from construction in progress	—	6,543	—	—	(6,543)	—
Disposals	(2,502)	(2,431)	(241)	—	—	(5,174)
At December 31, 2024 and at January 1, 2025	49,031	73,605	7,310	3,035	2,667	135,648
Exchange adjustments	(222)	(807)	(52)	(22)	(44)	(1,147)
Additions	51,867	58,495	6,867	1,121	28,663	147,013
Transfers from construction in progress	—	28,502	—	—	(28,502)	—
Disposals	(593)	(1,154)	(281)	(292)	—	(2,320)
At December 31, 2025	<u>100,083</u>	<u>158,641</u>	<u>13,844</u>	<u>3,842</u>	<u>2,784</u>	<u>279,194</u>
Accumulated amortisation and depreciation:						
At December 31, 2022 and at January 1, 2023	8,710	11,170	1,932	1,023	—	22,835
Exchange adjustments	(4)	(3)	(2)	—	—	(9)
Charge for the year	6,363	8,062	1,024	344	—	15,793
Written back on disposals	(6,303)	(788)	(200)	—	—	(7,291)
At December 31, 2023 and at January 1, 2024	8,766	18,441	2,754	1,367	—	31,328
Exchange adjustments	(108)	(36)	(4)	—	—	(148)
Charge for the year	8,396	12,090	1,221	269	—	21,976
Written back on disposals	(2,502)	(1,381)	(223)	—	—	(4,106)
At December 31, 2024 and at January 1, 2025	14,552	29,114	3,748	1,636	—	49,050
Exchange adjustments	(192)	(664)	(21)	(9)	—	(886)
Charge for the year	17,936	27,432	2,406	440	—	48,214
Written back on disposals	(593)	(250)	(177)	(273)	—	(1,293)
At December 31, 2025	<u>31,703</u>	<u>55,632</u>	<u>5,956</u>	<u>1,794</u>	<u>—</u>	<u>95,085</u>
Net book value:						
At December 31, 2023	<u>16,881</u>	<u>20,006</u>	<u>1,575</u>	<u>525</u>	<u>1,854</u>	<u>40,841</u>
At December 31, 2024	<u>34,479</u>	<u>44,491</u>	<u>3,562</u>	<u>1,399</u>	<u>2,667</u>	<u>86,598</u>
At December 31, 2025	<u>68,380</u>	<u>103,009</u>	<u>7,888</u>	<u>2,048</u>	<u>2,784</u>	<u>184,109</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Properties leased for own use RMB'000	Plant, machinery and equipment RMB'000	Electronic equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At December 31, 2022 and at January 1, 2023	12,148	14,929	2,335	1,621	148	31,181
Additions	2,302	6,296	477	271	955	10,301
Disposals	(6,303)	(985)	(220)	—	—	(7,508)
At December 31, 2023 and at January 1, 2024	8,147	20,240	2,592	1,892	1,103	33,974
Additions	6,274	9,659	1,405	390	886	18,614
Transfers from construction in progress	—	667	—	—	(667)	—
Disposals	(2,404)	(1,718)	(220)	—	—	(4,342)
At December 31, 2024 and at January 1, 2025	12,017	28,848	3,777	2,282	1,322	48,246
Additions	2,797	13,807	2,820	638	3,557	23,619
Transfers from construction in progress	—	2,680	—	—	(2,680)	—
Disposals	(458)	(344)	(207)	(292)	—	(1,301)
At December 31, 2025	<u>14,356</u>	<u>44,991</u>	<u>6,390</u>	<u>2,628</u>	<u>2,199</u>	<u>70,564</u>
Accumulated amortisation and depreciation:						
At December 31, 2022 and at January 1, 2023	6,430	7,813	1,486	1,023	—	16,752
Charge for the year	3,582	3,293	476	344	—	7,695
Written back on disposals	(6,303)	(647)	(192)	—	—	(7,142)
At December 31, 2023 and at January 1, 2024	3,709	10,459	1,770	1,367	—	17,305
Charge for the year	3,755	4,637	591	194	—	9,177
Written back on disposals	(2,404)	(1,137)	(204)	—	—	(3,745)
At December 31, 2024 and at January 1, 2025	5,060	13,959	2,157	1,561	—	22,737
Charge for the year	4,419	8,058	1,073	247	—	13,797
Written back on disposals	(458)	(44)	(148)	(273)	—	(923)
At December 31, 2025	<u>9,021</u>	<u>21,973</u>	<u>3,082</u>	<u>1,535</u>	<u>—</u>	<u>35,611</u>
Net book value:						
At December 31, 2023	<u>4,438</u>	<u>9,781</u>	<u>822</u>	<u>525</u>	<u>1,103</u>	<u>16,669</u>
At December 31, 2024	<u>6,957</u>	<u>14,889</u>	<u>1,620</u>	<u>721</u>	<u>1,322</u>	<u>25,509</u>
At December 31, 2025	<u>5,335</u>	<u>23,018</u>	<u>3,308</u>	<u>1,093</u>	<u>2,199</u>	<u>34,953</u>

The analysis of the Group’s net book value of right-of-use assets by class of underlying asset is as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties leased for own use, carried at depreciated cost	16,881	34,479	68,380
	<u>16,881</u>	<u>34,479</u>	<u>68,380</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Right-of-use assets

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

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Depreciation charge of right-of-use assets	6,363	8,396	17,936
Interest on lease liabilities	606	1,398	4,017
Expenses relating to short-term leases	93	90	441
	<u>7,062</u>	<u>9,884</u>	<u>22,394</u>

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 21 respectively.

12 INTANGIBLE ASSETS

The Group

	Software RMB'000
Cost:	
At January 1, 2023	983
Additions	<u>2,978</u>
At December 31, 2023 and January 1, 2024	3,961
Additions	<u>3,337</u>
At December 31, 2024 and January 1, 2025	7,298
Exchange adjustments	(7)
Additions	<u>2,507</u>
At December 31, 2025	<u>9,798</u>
Accumulated amortisation:	
At January 1, 2023	297
Charge for the year	<u>535</u>
At December 31, 2023 and January 1, 2024	832
Charge for the year	<u>2,263</u>
At December 31, 2024 and January 1, 2025	3,095
Exchange adjustments	(3)
Charge for the year	<u>2,351</u>
At December 31, 2025	<u>5,443</u>
Net book value:	
At December 31, 2023	<u>3,129</u>
At December 31, 2024	<u>4,203</u>
At December 31, 2025	<u>4,355</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Software <i>RMB'000</i>
Cost:	
At January 1, 2023	983
Additions	<u>2,978</u>
At December 31, 2023 and January 1, 2024	3,961
Additions	<u>3,153</u>
At December 31, 2024 and January 1, 2025	7,114
Additions	<u>2,507</u>
At December 31, 2025	<u>9,621</u>
Accumulated amortisation:	
At January 1, 2023	297
Charge for the year	<u>535</u>
At December 31, 2023 and January 1, 2024	832
Charge for the year	<u>2,248</u>
At December 31, 2024 and January 1, 2025	3,080
Charge for the year	<u>2,290</u>
At December 31, 2025	<u>5,370</u>
Net book value:	
At December 31, 2023	<u>3,129</u>
At December 31, 2024	<u>4,034</u>
At December 31, 2025	<u>4,251</u>

13 INVESTMENTS IN SUBSIDIARIES

The Company

	2023	As at December 31,		2025
	<i>RMB'000</i>	2024	2024	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	<u>38,068</u>	<u>41,069</u>	<u>48,601</u>	<u>48,601</u>

Further details of the principal subsidiaries of the Group are set out in note 1.

14 TIME DEPOSITS

The time deposits with maturity over three months but within one year are presented in the current portion, while the time deposits with maturity over one year are presented in the non-current portion.

As at the end of each reporting period, the time deposits amounting to RMB10,617,000, RMB10,970,000 and nil.

15 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

The Group

	2023	As at December 31,		2025
	<i>RMB'000</i>	2024	2024	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	141,094	237,670	485,589	485,589
Deposits	4,206	5,560	39,966	39,966
VAT recoverable	14,651	30,982	26,120	26,120
Others	957	3,571	3,621	3,621
Less: Loss allowance	<u>(34)</u>	<u>(54)</u>	<u>(71)</u>	<u>(71)</u>
	<u>160,874</u>	<u>277,729</u>	<u>555,225</u>	<u>555,225</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade and bills receivables	48,613	96,645	35,506
Amounts due from related parties	45,720	105,321	309,590
Deposits	1,666	1,406	32,324
VAT recoverable	11,177	17,702	10,105
Others	694	1,129	2,234
Less: Loss allowance	(27)	(48)	(32)
	<u>107,843</u>	<u>222,155</u>	<u>389,727</u>

Ageing analysis

As at December 31, 2023, 2024 and 2025, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

The Group

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	140,795	237,491	485,424
Between 1 year and 2 years	215	98	100
Between 2 years and 3 years	59	42	43
Between 3 years and 4 years	1	22	2
Between 4 years and 5 years	24	—	20
More than 5 years	—	17	—
	<u>141,094</u>	<u>237,670</u>	<u>485,589</u>

The Company

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	75,111	163,257	298,514
Between 1 year and 2 years	215	146	96
Between 2 years and 3 years	59	42	89
Between 3 years and 4 years	1	22	2
Between 4 years and 5 years	24	—	20
More than 5 years	—	17	—
	<u>75,410</u>	<u>163,484</u>	<u>298,721</u>

All of the current trade receivables are expected to be recovered or recognised as expense within one year. Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in note 27(a).

(b) Prepayments

The Group

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current			
Prepayments for property, plant and equipment	<u>940</u>	<u>4,367</u>	<u>3,745</u>
Current			
Prepayments			
— Prepayments for inventories	152	495	15,914
— Prepayments for services	<u>—</u>	<u>222</u>	<u>307</u>
	<u>152</u>	<u>717</u>	<u>16,221</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company		As at December 31,		
	2023	2024	2025	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Non-current				
Prepayments for property, plant and equipment	635	3,489	3,457	
Current				
Prepayments				
— Prepayments for inventories	88	170	948	
— Prepayments for services	—	222	267	
	<u>88</u>	<u>392</u>	<u>1,215</u>	

16 INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Raw materials	29,531	136,146	535,592
— Work in progress	2,830	10,272	8,596
— Finished goods	4,492	16,475	18,684
— Goods in transit	108	282	3,170
	<u>36,961</u>	<u>163,175</u>	<u>566,042</u>

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Raw materials	19,130	88,380	289,297
— Work in progress	1,636	4,007	3,667
— Finished goods	2,600	11,620	7,711
— Goods in transit	108	275	3,170
	<u>23,474</u>	<u>104,282</u>	<u>303,845</u>

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

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	307,268	511,633	1,264,714
Write down of inventories	<u>1,255</u>	<u>1,551</u>	<u>4,076</u>
	<u>308,523</u>	<u>513,184</u>	<u>1,268,790</u>

All of the inventories are expected to be recovered within one year.

17 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents investments in wealth management products and fund products issued by reputable financial institutions. There are no fixed or determinable returns of these wealth management products and fund products.

APPENDIX I

ACCOUNTANTS’ REPORT

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits with banks with original maturity within three months	—	71,884	—
Cash at bank and on hand	91,767	52,012	47,914
Less: restricted cash (i)	—	—	420
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents in the consolidated statement of financial position	<u>91,767</u>	<u>123,896</u>	<u>47,494</u>

(i) The restricted cash represents the bank deposits placed as bill guarantee deposits.

As at December 31, 2023, 2024 and 2025, cash that is placed with banks in Vietnam amounted to RMB13,287,000 RMB21,815,000 and RMB24,183,000 respectively. Remittance of funds out of Vietnam is subject to the relevant rules and regulations of foreign exchange control.

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits with banks with original maturity within three months	—	35,942	—
Cash at bank and on hand	66,868	19,832	14,790
Less: restricted cash (i)	—	—	216
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents in the consolidated statement of financial position	<u>66,868</u>	<u>55,774</u>	<u>14,574</u>

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

		2023	2024	2025
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation		137,905	299,772	704,974
Adjustments for:				
Depreciation of property, plant and equipment	6(c)	15,793	21,976	48,214
Amortisation of intangible assets	6(c)	535	2,263	2,351
Write-down of inventories	16	1,255	1,551	4,076
Finance costs	6(a)	1,606	2,106	5,110
Interest income	5	(239)	(1,375)	(3,202)
Equity settled share-based payments	6(b)	4,136	4,136	9,238
Fair value changes on financial assets measured at fair value through profit or loss	5	(486)	(855)	(2,013)
Changes in working capital:				
Increase in inventories		(13,068)	(127,765)	(406,943)
Increase in trade and other receivables		(113,777)	(116,370)	(275,951)
Decrease/(increase) in prepayments		2,047	(565)	(15,504)
Increase in trade and other payables		77,719	90,581	129,057
Increase in restricted cash		—	—	(420)
(Decrease)/increase in contract liabilities		(581)	331	813
Increase/(decrease) in deferred income		550	(330)	1,997
		<u> </u>	<u> </u>	<u> </u>
Cash generated from operations		<u>113,395</u>	<u>175,456</u>	<u>201,797</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Reconciliation of liabilities arising from financing activities

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

	Interest-bearing borrowings <i>RMB'000</i> <i>(note 20)</i>	Lease liabilities <i>RMB'000</i> <i>(note 21)</i>	Dividend payables <i>RMB'000</i> <i>(note 26 (b))</i>	Total <i>RMB'000</i>
At January 1, 2023	10,015	22,195	38,000	70,210
Changes from financing cash flows:				
Payment of capital element of lease liabilities	—	(6,053)	—	(6,053)
Payment of interest element of lease liabilities	—	(606)	—	(606)
Dividends paid to equity shareholders of the Company	—	—	(38,000)	(38,000)
Proceeds from interest-bearing borrowings	37,211	—	—	37,211
Repayment of interest-bearing borrowings	(30,400)	—	—	(30,400)
Interest of bank loans paid	(553)	—	—	(553)
Total changes from financing cash flows	<u>6,258</u>	<u>(6,659)</u>	<u>(38,000)</u>	<u>(38,401)</u>
Other changes:				
Interest expenses <i>(note 6(a))</i>	1,000	606	—	1,606
Increase in lease liabilities from entering into new leases	—	2,536	—	2,536
Total other changes	<u>1,000</u>	<u>3,142</u>	<u>—</u>	<u>4,142</u>
At December 31, 2023	<u>17,273</u>	<u>18,678</u>	<u>—</u>	<u>35,951</u>
		Interest-bearing borrowings <i>RMB'000</i> <i>(note 20)</i>	Lease liabilities <i>RMB'000</i> <i>(note 21)</i>	Total <i>RMB'000</i>
At January 1, 2024		17,273	18,678	35,951
Changes from financing cash flows:				
Payment of capital element of lease liabilities		—	(7,844)	(7,844)
Payment of interest element of lease liabilities		—	(1,398)	(1,398)
Proceeds from interest-bearing borrowings		20,000	—	20,000
Repayment of interest-bearing borrowings		(17,250)	—	(17,250)
Interest of bank loans paid		(701)	—	(701)
Total changes from financing cash flows		<u>2,049</u>	<u>(9,242)</u>	<u>(7,193)</u>
Other changes:				
Interest expenses <i>(note 6(a))</i>		708	1,398	2,106
Increase in lease liabilities from entering into new leases		—	26,111	26,111
Total other changes		<u>708</u>	<u>27,509</u>	<u>28,217</u>
At December 31, 2024		<u>20,030</u>	<u>36,945</u>	<u>56,975</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Interest-bearing borrowings <i>RMB'000</i> <i>(note 20)</i>	Lease liabilities <i>RMB'000</i> <i>(note 21)</i>	Dividend payables <i>RMB'000</i> <i>(note 26 (b))</i>	Total <i>RMB'000</i>
At January 1, 2025	20,030	36,945	—	56,975
Changes from financing cash flows:				
Payment of capital element of lease liabilities	—	(16,887)	—	(16,887)
Payment of interest element of lease liabilities	—	(4,017)	—	(4,017)
Dividends paid to equity shareholders of the company	—	—	(170,808)	(170,808)
Proceeds from interest-bearing borrowings	25,000	—	—	25,000
Repayment of interest-bearing borrowings	(20,000)	—	—	(20,000)
Interest of bank loans paid	(1,123)	—	—	(1,123)
Total changes from financing cash flows	<u>3,877</u>	<u>(20,904)</u>	<u>(170,808)</u>	<u>(187,835)</u>
Other changes:				
Dividends on equity shareholders of the company <i>(note 26 (b))</i>	—	—	300,000	300,000
Interest expenses <i>(note 6(a))</i>	1,093	4,017	—	5,110
Increase in lease liabilities from entering into new leases	—	51,867	—	51,867
Total other changes	<u>1,093</u>	<u>55,884</u>	<u>300,000</u>	<u>356,977</u>
At December 31, 2025	<u>25,000</u>	<u>71,925</u>	<u>129,192</u>	<u>226,117</u>

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following, which are related to lease rentals paid:

	As at December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Within operating cash flows	93	90	441
Within financing cash flows	6,659	9,242	20,904
	<u>6,752</u>	<u>9,332</u>	<u>21,345</u>

19 TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Trade and bills payables	90,871	159,718	285,523
Accrued payroll and other benefits	13,676	28,567	40,100
Dividend payables	—	—	129,192
Other payables and accruals	2,801	6,493	9,052
	<u>107,348</u>	<u>194,778</u>	<u>463,867</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills payables	78,728	128,595	178,842
Accrued payroll and other benefits	10,688	19,418	25,627
Amounts due to related parties	10,281	40,052	48,685
Dividend payables	—	—	129,192
Other payables and accruals	1,466	2,986	4,489
	<u>101,163</u>	<u>191,051</u>	<u>386,835</u>

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

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	90,626	159,209	285,080
Between 1 year and 2 years	141	388	354
Between 2 years and 3 years	56	72	19
Over 3 years	48	49	70
	<u>90,871</u>	<u>159,718</u>	<u>285,523</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	87,751	168,446	226,759
Between 1 year and 2 years	104	88	299
Between 2 years and 3 years	53	68	18
Over 3 years	48	49	60
	<u>87,956</u>	<u>168,651</u>	<u>227,136</u>

20 INTEREST-BEARING BORROWINGS

The Group and The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank loans			
— secured and guaranteed	7,258	—	20,000
— unsecured and unguaranteed	—	—	5,000
Other secured and guaranteed loans	10,015	20,030	—
	<u>17,273</u>	<u>20,030</u>	<u>25,000</u>

As at December 31, 2023, bank loans of RMB7,258,000 of the Group were guaranteed by Mr. Bai Changan, Ms. Zhu Meihua and Shenzhen SME Financing Guarantee Co., Ltd. and secured by patent pledges of the Group. As at December 31, 2025, bank loans of RMB20,000,000 of the Group were guaranteed by Mr. Bai Changan, Ms. Zhu Meihua and secured by the Company’s optical fiber jumper automatic equipment patent right. As at the date of this report, all guarantees provided by Mr. Bai Changan and Ms. Zhu Meihua have been released.

As at December 31, 2023 and 2024, other loan borrowing from Shenzhen SME Guarantee Microcredit Co., Ltd. were guaranteed by Mr. Bai Changan, Ms. Zhu Meihua and Shenzhen Shendan Zengxin Financing Guarantee Co., Ltd. and secured by patent pledges of the Group.

Bank loans bear a fixed interest rate of 3.50% per annum as at December 31, 2023, and an interest rate ranging from 2.50% to 2.70% per annum as at December 31, 2025, respectively. Other loans bear a fixed interest rate of 4.90% per annum as at December 31, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

21 LEASE LIABILITIES

As at December 31, 2023, 2024 and 2025, the lease liabilities were repayable as follows:

The Group

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	5,062	10,705	16,948
After 1 year but within 2 years	4,039	9,844	14,112
After 2 years but within 5 years	7,886	16,396	39,178
After 5 years	1,691	—	1,687
	<u>13,616</u>	<u>26,240</u>	<u>54,977</u>
	<u>18,678</u>	<u>36,945</u>	<u>71,925</u>

The Company

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	2,561	4,169	3,260
After 1 year but within 2 years	1,255	2,907	804
After 2 years but within 5 years	991	264	1,863
	<u>2,246</u>	<u>3,171</u>	<u>2,667</u>
	<u>4,807</u>	<u>7,340</u>	<u>5,927</u>

22 CONTRACT LIABILITIES

As at December 31, 2023, 2024 and 2025, the contract liabilities amounted to RMB548,000, RMB879,000 and RMB1,692,000 respectively, all of which arose from the sale of goods. These contract liabilities are expected to be recognised as revenue within one year.

23 DEFERRED INCOME

As at December 31, 2023, 2024 and 2025, the deferred income amounted to RMB550,000, RMB220,000 and RMB2,217,000 respectively, all of which arose from government grants.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Group has adopted share incentive schemes (the “Scheme”) for the purpose of rewarding participants for their service and to providing incentives to them to further contribute to the Group. The eligible participants of the Scheme include the Company’s directors and other employees of the Group who contribute directly to the overall business performance and sustainable development of the Group.

In connection with the Scheme, Danjiangkou ADTEK Elite No.1 Enterprise Management Partnership (Limited Partnership) (“ADTEK Elite No.1 ESOP”), Shenzhen ADTEK Elite No. 2 Enterprise Management Partnership (Limited Partnership) (“ADTEK Elite No.2 ESOP”), and Shenzhen ADTEK Elite No. 3 Enterprise Management Partnership (Limited Partnership) (“ADTEK Elite No.3 ESOP”), were established in Chinese Mainland as the employee incentive vehicles. Eligible participants were granted the equity interests in the form of registered capital of the Company through holding the limited partnership interests in ADTEK Elite No.1 ESOP, ADTEK Elite No.2 ESOP or ADTEK Elite No.3 ESOP (referred to as “**Restricted Equity Interests**”). For the purpose of this report, each Restricted Equity Interest is equal to RMB1 paid-in capital of the Company (before conversion into a joint stock company) or 1 share of the Company (after conversion into a joint stock company).

Terms and conditions of the Restricted Equity Interests granted:

The first phase of the Scheme was approved by the Company’s shareholders on December 20, 2021. Pursuant to the first phase of Scheme, eligible participants were granted 4,255,000 Restricted Equity Interests in ADTEK Elite No.1 ESOP at a subscription price of RMB2 per Restricted Equity Interest. The lock-up period of the first phase of the Scheme is four years from the grant date, with the Restricted Equity Interests becoming fully vested upon the expiration of the lock-up period. All Restricted Equity Interests in ADTEK Elite No.1 ESOP under the first phase of the Scheme have been fully subscribed and granted.

APPENDIX I

ACCOUNTANTS’ REPORT

The second phase of the Scheme was approved by the Company’s shareholders on October 18, 2022. Pursuant to the plan, eligible participants were granted 2,640,000 Restricted Equity Interests in ADTEK Elite No.1 ESOP at a subscription price of RMB2.5 per Restricted Equity Interest. All Restricted Equity Interests under this grant have been fully subscribed, with the Restricted Equity Interests becoming fully vested upon the expiration of the four years lock-up period.

The third and fourth phases of the Scheme were approved by the Company’s shareholders on October 1, 2025. Pursuant to the plan, eligible participants were granted 1,018,000 the Restricted Equity Interests in ADTEK Elite No.2 ESOP and ADTEK Elite No.3 ESOP at a subscription price of RMB12 per Restricted Equity Interest. The lock-up period for the third and fourth phases of the Restricted Equity Interests incentive plan is four years of continuous service from the grant date, with the Restricted Equity Interests becoming fully vested upon the expiration of the lock-up period.

- (a) Movements in numbers and weighted average fair value of the Restricted Equity Interests granted to employees of the Company are as follows:

	Year ended December 31,					
	2023		2024		2025	
	Weighted average fair value per Restricted Equity Interest	Amount of Restricted Equity Interest	Weighted average fair value per Restricted Equity Interest	Amount of Restricted Equity Interest	Weighted average fair value per Restricted Equity Interest	Amount of Restricted Equity Interest
Outstanding at January 1	2.41	6,895,000	2.41	6,895,000	2.41	6,895,000
Granted during the year	—	—	—	—	80.19	1,018,000
Vested during the year	—	—	—	—	2.47	(4,255,000)
Outstanding at the end of the year	2.41	<u>6,895,000</u>	2.41	<u>6,895,000</u>	23.99	<u>3,658,000</u>

- (b) **Fair value of Restricted Equity Interests and assumptions**

The fair value of services received in return for the Restricted Equity Interests granted is measured by reference to the fair value of ordinary share granted at the corresponding dates of grant.

The fair value of Restricted Equity Interests granted from December 2021 to October 2025 is estimated with reference to the fair value of the ordinary shares, which is determined using a discounted cash flow model. Key inputs used in determining the fair value of ordinary share are as follows:

	Employee Share Incentive Scheme		
	The first phase of the Scheme	The second phase of the Scheme	The third and fourth phases of the Scheme
Fair value of each ordinary share at measurement date	4.47	4.82	92.19
Weighted average cost of capital (“WACC”)	15%	15%	14%
Discount for lack of marketability (“DLOM”)	28%	28%	21%

APPENDIX I

ACCOUNTANTS’ REPORT

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

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

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

The Group

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Impairment of trade and other receivables RMB'000	Write-down of inventories to net realisable value RMB'000	Tax losses carried forward RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:							
At January 1, 2023	(1,844)	1,975	330	354	—	(442)	373
Credited/(charged) to profit or loss	380	(369)	(325)	(8)	383	55	116
At December 31, 2023 and January 1, 2024	(1,464)	1,606	5	346	383	(387)	489
Charged/(credited) to profit or loss	(3,153)	3,428	4	(4)	(310)	511	476
At December 31, 2024 and January 1, 2025	(4,617)	5,034	9	342	73	124	965
Charged/(credited) to profit or loss	(3,012)	3,120	4	566	2,155	406	3,239
At December 31, 2025	(7,629)	8,154	13	908	2,228	530	4,204

(ii) *Reconciliation to the consolidated statements of financial position*

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Net deferred tax asset in the consolidated statement of financial position	489	965	4,204

APPENDIX I

ACCOUNTANTS’ REPORT

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity are set out below:

The Company

		Paid-in capital	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total	
	Note	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
		(note 26(c))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iv))			
Balance at January 1, 2023		52,640	15,773	2,938	10,622	41,014	122,987	
Changes in equity for 2023:								
Total comprehensive income		—	—	—	—	64,412	64,412	
Equity settled share-based transactions	24	—	—	4,136	—	—	4,136	
Dividends declared	26(b)	—	—	—	—	(38,000)	(38,000)	
Appropriation to statutory reserve		—	—	—	6,477	(6,477)	—	
Balance at December 31, 2023		<u>52,640</u>	<u>15,773</u>	<u>7,074</u>	<u>17,099</u>	<u>60,949</u>	<u>153,535</u>	
	Note	Paid-in capital	Share capital	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
		(note 26(c))	(note 26(c))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iv))		
Balance at January 1, 2024		52,640	—	15,773	7,074	17,099	60,949	153,535
Changes in equity for 2024:								
Total comprehensive income		—	—	—	—	—	117,389	117,389
Transfer of reserve due to the conversion into a joint stock company	26(c)	(52,640)	52,640	77,686	—	(17,064)	(60,622)	—
Equity settled share-based transactions	24	—	—	—	4,136	—	—	4,136
Appropriation to statutory reserve		—	—	—	—	12,356	(12,356)	—
Balance at December 31, 2024		<u>—</u>	<u>52,640</u>	<u>93,459</u>	<u>11,210</u>	<u>12,391</u>	<u>105,360</u>	<u>275,060</u>
	Note	Share capital	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
		(note 26(c))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iv))			
Balance at January 1, 2025		52,640	93,459	11,210	12,391	105,360	275,060	
Changes in equity for 2025:								
Total comprehensive income		—	—	—	—	342,280	342,280	
Capital injection from shareholders		23,194	10,016	—	—	—	33,210	
Reduction of share capital	26(a)	(20,994)	—	—	—	—	(20,994)	
Equity settled share-based transactions	24	—	2,605	6,633	—	—	9,238	
Dividends declared	26(b)	—	—	—	—	(300,000)	(300,000)	
Appropriation to statutory reserve		—	—	—	14,439	(14,439)	—	
Balance at December 31, 2025		<u>54,840</u>	<u>106,080</u>	<u>17,843</u>	<u>26,830</u>	<u>133,201</u>	<u>338,794</u>	

APPENDIX I

ACCOUNTANTS’ REPORT

In November 2025, Mr. Bai Changan and Mont Investment Limited subscribed for 6,843,500 Shares and 14,150,000 Shares, respectively, at nominal consideration. In December 2025, the share capital of the Company was reduced by RMB20,993,500 by cancelling and returning RMB20,993,500 share capital held by Mr. Bai Changan in the Company.

(b) Dividends

Pursuant to shareholders’ resolutions dated November 20, 2023, April 9, 2025 and October 1, 2025, dividends of RMB38,000,000, RMB100,000,000 (RMB1.90 per share) and RMB200,000,000 (RMB3.80 per share) were declared to all equity shareholders of the Company respectively. For the three years ended December 31, 2023, 2024 and 2025, the Company declared dividends of RMB38,000,000, nil and RMB300,000,000 accordingly.

Dividends declared in the year ended December 31, 2023 had been fully paid. Dividends declared during the year ended December 31, 2025, amounting to RMB170,808,000, were fully paid. As of the December 31 2025, the remaining dividends of RMB129,192,000 remained unpaid.

(c) Paid-in capital and share capital

Paid-in capital

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

	Paid-in capital <i>RMB’000</i>
Ordinary shares, issued and allotted:	
At January 1, 2023, December 31, 2023 and January 1, 2024	52,640
Transfer of reserve due to the conversion into a joint stock company	<u>(52,640)</u>
Balance at December 31, 2024 and December 31, 2025	<u>—</u>

Note:

Pursuant to the shareholders resolutions and agreements dated in March 2024, the Company was converted into a joint stock company with limited liability and issued 52,640,000 shares with par value of RMB1 each.

Share capital

	2023		As at December 31, 2024		2025	
	<i>No. of shares</i> <i>(’000)</i>	<i>RMB’000</i>	<i>No. of shares</i> <i>(’000)</i>	<i>RMB’000</i>	<i>No. of shares</i> <i>(’000)</i>	<i>RMB’000</i>
Ordinary shares, issued and fully paid:						
At January 1	—	—	—	—	52,640	52,640
Shares issued upon conversion into a joint stock company	—	—	52,640	52,640	—	—
Capital injection from shareholders	—	—	—	—	23,194	23,194
Reduction of share capital	—	—	—	—	<u>(20,994)</u>	<u>(20,994)</u>
At December 31	<u>—</u>	<u>—</u>	<u>52,640</u>	<u>52,640</u>	<u>54,840</u>	<u>54,840</u>

(d) Nature and purpose of reserves

(i) *Capital reserve*

The capital reserve comprises: (i) the differences between the net considerations received and the nominal amount of share capital issued by the Company; and (ii) the differences between the net assets received and the total amount of the par value of shares issued in relation to the conversion into a joint stock company.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Share-based payment reserve

The share-based payment reserve comprises the portion of difference between the fair value of shares granted and the consideration paid by the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for equity settled share-based payments in note 2(o)(ii).

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(iv) Statutory reserve

Pursuant to the Articles of Association of the Group’s Chinese Mainland companies and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the Chinese Mainland until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Chinese Mainland companies provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(e) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s exposure to credit risk arising from cash and cash equivalents and time deposit is limited because the counterparties are banks and financial institutions for which the Group considers to represent low credit risk. The Group’s credit risk is primarily attributable to trade and bill receivables. In respect of other receivables including deposits, the Group has assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant.

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

Trade and bill receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operate. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2023, 2024 and 2025, 80.60%, 88.60% and 90.40% of the total trade and bill receivables was due from the Group’s five largest customers respectively.

The Group measures loss allowances for trade and bill receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

APPENDIX I

ACCOUNTANTS’ REPORT

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

	As at December 31, 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	0.01%	140,795	6
Between 1 year and 2 years	0.47%	215	1
Between 2 years and 3 years	3.39%	59	2
Between 3 years and 4 years	100.00%	1	1
Between 4 years and 5 years	100.00%	24	24
Total		<u>141,094</u>	<u>34</u>

	As at December 31, 2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	0.01%	237,491	7
Between 1 year and 2 years	2.04%	98	2
Between 2 years and 3 years	14.29%	42	6
Between 3 years and 4 years	100.00%	22	22
Between 4 years and 5 years	—	—	—
More than 5 years	100.00%	17	17
Total		<u>237,670</u>	<u>54</u>

	As at December 31, 2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	0.01%	485,424	44
Between 1 year and 2 years	2.00%	100	2
Between 2 years and 3 years	6.98%	43	3
Between 3 years and 4 years	100.00%	2	2
Between 4 years and 5 years	100.00%	20	20
Total		<u>485,589</u>	<u>71</u>

Movement in the loss allowance account in respect of trade receivables during the years ended December 31, 2023, 2024 and 2025 is as follows:

	As at December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Balance at January 1	29	34	54
Impairment losses recognised	<u>5</u>	<u>20</u>	<u>17</u>
Balance at December 31	<u>34</u>	<u>54</u>	<u>71</u>

(b) Liquidity risk

The Group centrally manages the capital and cash resources of all individual operating entities, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company’s board when the borrowings exceed certain predetermined levels of authority. The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

APPENDIX I

ACCOUNTANTS’ REPORT

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

	As at December 31, 2023				Total RMB’000	Carrying amount RMB’000
	Contractual undiscounted cash outflow More than 1 year but less than 2 years RMB’000	More than 2 years but less than 5 years RMB’000	More than 5 years RMB’000	More than 5 years RMB’000		
Interest-bearing borrowings	17,585	—	—	—	17,585	17,273
Trade and other payables	107,348	—	—	—	107,348	107,348
Lease liabilities	5,839	4,632	8,630	1,729	20,830	18,678
	<u>130,772</u>	<u>4,632</u>	<u>8,630</u>	<u>1,729</u>	<u>145,763</u>	<u>143,299</u>
	As at December 31, 2024				Total RMB’000	Carrying amount RMB’000
	Contractual undiscounted cash outflow More than 1 year but less than 2 years RMB’000	More than 2 years but less than 5 years RMB’000	More than 5 years RMB’000	More than 5 years RMB’000		
Interest-bearing borrowings	20,599	—	—	—	20,599	20,030
Trade and other payables	194,778	—	—	—	194,778	194,778
Lease liabilities	12,504	11,001	17,619	—	41,124	36,945
	<u>227,881</u>	<u>11,001</u>	<u>17,619</u>	<u>—</u>	<u>256,501</u>	<u>251,753</u>
	As at December 31, 2025				Total RMB’000	Carrying amount RMB’000
	Contractual undiscounted cash out flow More than 1 year but less than 2 years RMB’000	More than 2 years but less than 5 years RMB’000	More than 5 years RMB’000	More than 5 years RMB’000		
Interest-bearing borrowings	25,185	—	—	—	25,185	25,000
Trade and other payables	463,867	—	—	—	463,867	463,867
Lease liabilities	20,512	16,878	42,601	1,701	81,692	71,925
	<u>509,564</u>	<u>16,878</u>	<u>42,601</u>	<u>1,701</u>	<u>570,744</u>	<u>560,792</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest-bearing financial liabilities are at fixed interest rates at the end of the Track Record Period, including interest-bearing borrowings and lease liabilities. The change of market interest rate does not expose the Group to interest rate risk. Overall, the Group’s exposure to interest rate risk is not significant.

(d) Currency risk

(i) Exposure to significant currency risk

The Group is exposed to currency risk primarily through sales and procurement which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States Dollars.

The following table details the Group’s exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Group to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

	Exposure to significant foreign currencies (expressed in Renminbi)		
	As at December 31, 2023	As at December 31, 2024	As at December 31, 2025
	United States Dollars	United States Dollars	United States Dollars
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and other receivables (including intercompany receivables)	101,023	194,219	334,621
Cash and cash equivalents	51,403	61,957	19,761
Lease liabilities	(3,895)	(2,812)	(1,704)
Trade and other payables (including intercompany receivables)	<u>(52,788)</u>	<u>(85,125)</u>	<u>(239,279)</u>
Gross exposure arising from recognised assets and liabilities	<u>95,743</u>	<u>168,239</u>	<u>113,399</u>

(ii) Sensitivity analysis

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group’s presentation currency.

	As at December 31, 2023		As at December 31, 2024		As at December 31, 2025	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated profit <i>RMB’000</i>	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated profit <i>RMB’000</i>	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated profit <i>RMB’000</i>
United States Dollars	5%	4,787	5%	8,412	5%	5,670
	-5%	(4,787)	-5%	(8,412)	-5%	(5,670)

APPENDIX I

ACCOUNTANTS’ REPORT

29 MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, transactions with the following party are considered as related party transactions:

Name of related party	Relationship with the Group
Longood Investment Limited	Entity controlled by Mr. Bai Changan

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	3,517	4,693	4,448
Discretionary bonuses	2,325	5,309	6,850
Retirement scheme contributions	27	55	60
Equity-settled share-based payment expenses	2,109	2,109	2,109
	<u>7,978</u>	<u>12,166</u>	<u>13,467</u>

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

(b) Other transactions with related parties

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Payments for lease liabilities	—	63	201
Interest expenses on lease liabilities	—	15	31

(c) Balances with related parties

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Lease liabilities	—	612	442

30 ULTIMATE CONTROLLING PARTY

The directors of the Company considered the ultimate controlling party of the Company as at December 31, 2023, 2024 and 2025 were Mr. Bai Changan and Ms. Zhu Meihua.

31 POSSIBLE IMPACT OF NEW OR AMENDMENTS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2025

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on January 1, 2025 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity	January 1, 2026
Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	January 1, 2026
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IAS 21, Translation to a hyperinflationary presentation currency	January 1, 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that, except for IFRS 18 as mentioned below, the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

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APPENDIX I

ACCOUNTANTS’ REPORT

IFRS 18, Presentation and disclosure in financial statements

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

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

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

32 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have occurred to the Company and its subsidiaries in respect of any period subsequent to December 31, 2025.

SUBSEQUENT FINANCIAL STATEMENTS

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