*The following is the text of a report set out on pages I-1 to I-54, received from the Group's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

KPMG

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GRACE FABRIC TECHNOLOGY CO., LTD.** 宏和電子材料科技股份有限公司**AND CITIC SECURITIES (HONG KONG) LIMITED**

**Introduction**

We report on the historical financial information of Grace Fabric Technology Co., Ltd. 宏和電子材料科技股份有限公司 (the "**Company**") and its subsidiaries (together, "**the Group**") set out on pages I-3 to I-54, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and 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 31 December 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-54 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated *[date]* (the "**Document")** in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for Historical Financial Information**

The directors of the Company are responsible for the preparation of 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 ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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 Group's and Company's financial position as at 31 December 2023, 2024 and 2025, and 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]*

## 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 in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**
*(Expressed in Renminbi)*

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | *4* | 661,155 | 834,633 | 1,171,034 |
| Cost of sales | | (612,871) | (687,544) | (760,077) |
| **Gross profit** | | 48,284 | 147,089 | 410,957 |
| Other net income | *5* | 23,563 | 31,244 | 12,947 |
| Selling and marketing expenses | | (5,491) | (6,353) | (8,575) |
| General and administrative expenses | | (68,726) | (73,044) | (95,290) |
| Research and development expenses | | (34,022) | (43,561) | (62,916) |
| Impairment losses on trade and other receivables | | (221) | (712) | (1,412) |
| **(Loss)/profit from operations** | | (36,613) | 54,663 | 255,711 |
| Finance costs | *6(a)* | (31,356) | (34,850) | (31,060) |
| (Loss)/profit before taxation | *6* | (67,969) | 19,813 | 224,651 |
| Income tax | *7(a)* | 4,875 | 2,988 | (22,738) |
| **(Loss)/profit for the year** | | (63,094) | 22,801 | 201,913 |
| **(Loss)/profit for the year attributable to:** | | | | |
| — Equity shareholders of the Company | | (63,094) | 22,801 | 201,913 |
| **(Loss)/earnings per share** | *10* | | | |
| Basic and diluted *(RMB)* | | (0.07) | 0.03 | 0.23 |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi)*

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **(Loss)/profit for the year** | (63,094) | 22,801 | 201,913 |
| **Other comprehensive income for the year (after tax):** | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| — Exchange differences on translation of financial statements of an overseas subsidiary | (3) | (5) | 7 |
| — Fair value change on investments in financial assets measured at fair value through other comprehensive income | 1,784 | 287 | (2,071) |
| | 1,781 | 282 | (2,064) |
| **Total comprehensive income for the year** | (61,313) | 23,083 | 199,849 |
| **Total comprehensive income for the year attributable to:** | | | |
| — Equity shareholders of the Company | (61,313) | 23,083 | 199,849 |

The accompanying notes form part of the Historical Financial Information.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
*(Expressed in Renminbi)*

| | | At 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Property, plant and equipment | *11* | 1,571,835 | 1,472,683 | 2,036,638 |
| Right-of-use assets | *12* | 44,715 | 45,865 | 44,610 |
| Intangible assets | *13* | 387 | 342 | 785 |
| Prepayment for the purchase of property, plant and equipment and others | | 5,317 | 4,774 | 78,686 |
| Deferred tax assets | *23(b)* | 39,709 | 42,709 | 33,494 |
| | | 1,661,963 | 1,566,373 | 2,194,213 |
| **Current assets** | | | | |
| Inventories | *15* | 224,508 | 175,572 | 194,715 |
| Trade and other receivables | *16* | 412,384 | 446,331 | 646,995 |
| Financial assets measured at fair value through other comprehensive income ("**FVOCI**") | *17* | 53,152 | 32,273 | — |
| Cash and cash equivalents | *18* | 148,125 | 260,671 | 212,372 |
| Time deposit | *18* | 27,069 | 24,762 | 10,001 |
| Restricted bank deposits | *18* | 3,277 | 1,796 | 24,391 |
| Income tax recoverable | *23(a)* | 1,694 | 941 | — |
| | | 870,209 | 942,346 | 1,088,474 |
| **Current liabilities** | | | | |
| Interest-bearing borrowings | *19* | 425,855 | 502,796 | 621,551 |
| Trade and other payables | *20* | 135,917 | 116,646 | 295,235 |
| Contract liabilities | *21* | 710 | 1,125 | 1,430 |
| Lease liabilities | *22* | 615 | 218 | 157 |
| Income tax payable | *23(a)* | — | — | 2,693 |
| | | 563,097 | 620,785 | 921,066 |
| **Net current assets** | | 307,112 | 321,561 | 167,408 |
| **Total assets less current liabilities** | | 1,969,075 | 1,887,934 | 2,361,621 |
| **Non-current liabilities** | | | | |
| Interest-bearing borrowings | *19* | 447,221 | 346,061 | 612,937 |
| Lease liabilities | *22* | 614 | 90 | 93 |
| Deferred income | *24* | 94,283 | 91,743 | 98,702 |
| | | 542,118 | 437,894 | 711,732 |
| **Net assets** | | 1,426,957 | 1,450,040 | 1,649,889 |
| **Capital and reserves** | *26* | | | |
| Share capital | | 882,512 | 879,727 | 879,727 |
| Reserves | | 544,445 | 570,313 | 770,162 |
| **Total equity** | | 1,426,957 | 1,450,040 | 1,649,889 |

The accompanying notes form part of the Historical Financial Information.

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

*(Expressed in Renminbi)*

| | | At 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Property, plant and equipment | *11* | 205,998 | 174,257 | 173,814 |
| Right-of-use assets | | 11,461 | 10,191 | 9,736 |
| Intangible assets | | — | — | 152 |
| Investments in subsidiaries | *14* | 716,430 | 731,430 | 1,007,430 |
| Prepayment for the purchase of property, plant and equipment and others | | 286 | 578 | 29,408 |
| Deferred tax assets | *23(b)* | 8,857 | 8,546 | 5,954 |
| | | 943,032 | 925,002 | 1,226,494 |
| **Current assets** | | | | |
| Inventories | *15* | 158,373 | 124,750 | 129,649 |
| Trade and other receivables | *16* | 816,627 | 885,311 | 1,022,915 |
| Financial assets measured at FVOCI | | 53,152 | 32,273 | — |
| Cash and cash equivalents | *18* | 115,693 | 191,048 | 140,985 |
| Time deposit | | 27,069 | 24,762 | 10,001 |
| Restricted bank deposits | | — | — | 15,691 |
| Income tax recoverable | | 1,694 | 941 | — |
| | | 1,172,608 | 1,259,085 | 1,319,241 |
| **Current liabilities** | | | | |
| Interest-bearing borrowings | *19* | 342,080 | 377,602 | 359,680 |
| Trade and other payables | *20* | 189,930 | 196,288 | 392,047 |
| Contract liabilities | | 161 | 291 | 962 |
| Lease liabilities | | 615 | 218 | 157 |
| Income tax payable | | — | — | 2,693 |
| | | 532,786 | 574,399 | 755,539 |
| **Net current assets** | | 639,822 | 684,686 | 563,702 |
| **Total assets less current liabilities** | | 1,582,854 | 1,609,688 | 1,790,196 |
| **Non-current liabilities** | | | | |
| Lease liabilities | | 614 | 90 | 93 |
| Interest-bearing borrowings | *19* | — | — | 60,537 |
| Deferred income | | 3,373 | 3,438 | 2,739 |
| | | 3,987 | 3,528 | 63,369 |
| **Net assets** | | 1,578,867 | 1,606,160 | 1,726,827 |
| **Capital and reserves** | *26* | | | |
| Share capital | | 882,512 | 879,727 | 879,727 |
| Reserves | | 696,355 | 726,433 | 847,100 |
| **Total equity** | | 1,578,867 | 1,606,160 | 1,726,827 |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Expressed in Renminbi)*

| | Note | Share capital | Treasury shares | Capital reserve | PRC statutory reserves | Other reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* *(Note 26(c))* | *RMB'000* *(Note 26(d))* | *RMB'000* *(Note 26(e)(i))* | *RMB'000* *(Note 26(e)(ii))* | *RMB'000* *(Note 26(e)(iii))* | *RMB'000* | *RMB'000* |
| **Balance at 1 January 2023** | | 884,370 | (27,670) | 324,433 | 84,702 | 9 | 241,359 | 1,507,203 |
| Loss for the year | | — | — | — | — | — | (63,094) | (63,094) |
| Other comprehensive income | | — | — | — | — | 1,781 | — | 1,781 |
| Total comprehensive income | | — | — | — | — | 1,781 | (63,094) | (61,313) |
| Issue of restricted shares under restricted A share incentive scheme | | 430 | (1,557) | 1,127 | — | — | — | — |
| Repurchase and cancellation of restricted shares under restricted A share incentive scheme | | (2,288) | 9,649 | (7,361) | — | — | — | — |
| Vesting of restricted A shares | | — | 8,250 | — | — | — | — | 8,250 |
| Equity-settled share-based transactions related to the restricted A shares granted by the Company | 25 | — | — | (644) | — | — | — | (644) |
| Appropriation to statutory reserves | | — | — | — | 1,121 | — | (1,121) | — |
| Profit distribution | 26(b) | — | (204) | — | — | — | (26,335) | (26,539) |
| **Balance at 31 December 2023** | | 882,512 | (11,532) | 317,555 | 85,823 | 1,790 | 150,809 | 1,426,957 |
| **Balance at 1 January 2024** | | 882,512 | (11,532) | 317,555 | 85,823 | 1,790 | 150,809 | 1,426,957 |
| Profit for the year | | — | — | — | — | — | 22,801 | 22,801 |
| Other comprehensive income | | — | — | — | — | 282 | — | 282 |
| Total comprehensive income | | — | — | — | — | 282 | 22,801 | 23,083 |
| Repurchase and cancellation of restricted shares under restricted A share incentive scheme | | (2,785) | 11,532 | (8,747) | — | — | — | — |
| Appropriation to statutory reserves | | — | — | — | 2,701 | — | (2,701) | — |
| **Balance at 31 December 2024** | | 879,727 | — | 308,808 | 88,524 | 2,072 | 170,909 | 1,450,040 |
| **Balance at 1 January 2025** | | 879,727 | — | 308,808 | 88,524 | 2,072 | 170,909 | 1,450,040 |
| Profit for the year | | — | — | — | — | — | 201,913 | 201,913 |
| Other comprehensive income | | — | — | — | — | (2,064) | — | (2,064) |
| Total comprehensive income | | — | — | — | — | (2,064) | 201,913 | 199,849 |
| Appropriation to statutory reserves | | — | — | — | 12,274 | — | (12,274) | — |
| **Balance at 31 December 2025** | | 879,727 | — | 308,808 | 100,798 | 8 | 360,548 | 1,649,889 |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED CASH FLOW STATEMENTS

*(Expressed in Renminbi)*

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Operating activities:** | | | | |
| Cash (used in)/generated from operations | *18(b)* | (93,665) | 178,739 | 303,675 |
| Income tax (paid)/received | | (4,084) | 741 | (9,889) |
| **Net cash (used in)/generated from operating activities** | | (97,749) | 179,480 | 293,786 |
| **Investing activities:** | | | | |
| Payment for the purchase of property, plant and equipment and right-of-use assets | | (180,594) | (29,943) | (816,713) |
| Proceeds from disposal of property, plant and equipment | | 5,208 | 463 | 75 |
| Payment for purchase of time deposit | | — | (24,441) | (10,000) |
| Proceeds from redemption of time deposits | | — | 27,069 | 24,762 |
| Payment for the purchase of financial assets measured at fair value through profit or loss | | (101,000) | — | (8,000) |
| Proceeds from disposal of financial assets measured at fair value through profit or loss | | 219,961 | — | 8,007 |
| Proceeds from disposal of financial assets measured FVOCI | | — | 22,221 | 33,059 |
| Interest income received | | 4,452 | 3,352 | 2,537 |
| **Net cash used in investing activities** | | (51,973) | (1,279) | (766,273) |

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financing activities:** | | | | |
| Proceeds from interest-bearing borrowings | *18(c)* | 854,578 | 499,706 | 957,088 |
| Repayments of interest-bearing borrowings | *18(c)* | (787,435) | (518,535) | (565,944) |
| Interest paid | *18(c)* | (33,588) | (34,896) | (31,096) |
| Payment for repurchase and cancellation of restricted shares | | (9,851) | (12,207) | — |
| Capital element of lease rentals paid | *18(c)* | (1,119) | (450) | (287) |
| Interest element of lease rentals paid | *18(c)* | (67) | (45) | (12) |
| Proceeds received from the end-customer in respect of the capacity deposits | | — | — | 100,000 |
| Payment for the listing expenses in respect of the issuance of A-shares | | — | — | (2,020) |
| Payment for the restricted deposits of borrowings | | — | — | (32,256) |
| Dividends paid to the equity shareholders of Company | | (26,335) | — | — |
| **Net cash (used in)/generated from financing activities** | | (3,817) | (66,427) | 425,473 |
| **Net (decrease)/increase in cash and cash equivalents** | | (153,539) | 111,774 | (47,014) |
| **Cash and cash equivalents at 1 January** | | 300,310 | 148,125 | 260,671 |
| **Effect of foreign exchange rate changes** | | 1,354 | 772 | (1,285) |
| **Cash and cash equivalents at 31 December** | *18(a)* | 148,125 | 260,671 | 212,372 |

The accompanying notes form part of the Historical Financial Information.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Grace Fabric Technology Co., Ltd. 宏和電子材料科技股份有限公司, hereinafter referred to as the "Company", was established in Shanghai, the People's Republic of China (the "**PRC**") on 13 August 1998 as a limited liability company under the PRC Company Law. In August 2016, the Company was converted into a joint stock limited liability company. In July 2019, the Company's A Shares were listed on Shanghai Stock Exchange ("**the A share Listing**").

The Company and its subsidiaries (hereinafter collectively referred to as "**the Group**") are principally in the manufacturing and sales of electronic fabric.

The financial statements of the Company and its subsidiaries for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The Company's statutory financial statements for the years ended 31 December 2023, 2024 and 2025 were audited by KPMG Huazhen LLP 畢馬威華振會計師事務所(特殊普通合夥).

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

| | | | | Proportion of ownership interest | | |
|---|---|---|---|---|---|---|
| **Company name** | *Note* | **Place and date of incorporation/ establishment and operation** | **Particulars of issued and paid-up capital** | **Directly held by the Company** | **Indirectly held by the Company** | **Principal activities** |
| Huangshi Grace Fabric Material Technology Co., Ltd. ("**Huangshi Grace Fabric**") 黃石宏和電子材料科技有限公司 | *(i) (ii)* | The PRC/ 13 August 2018 | RMB1,000,000,000/ RMB1,000,000,000 | 100% | — | Manufacturing and sales of electronic fabric |
| Grace Fabric (H.K.) Co., Limited | *(iii)* | Hong Kong/ 2 June 2015 | HK$100,000/ HK$100,000 | 100% | — | Trading of electronic fabric |
| Sichuan Grace Fabric Material Co., Ltd. ("**Sichuan Grace Fabric**") 四川宏和電子材料有限公司 | *(i) (iv)* | The PRC/ 19 July 2023 | RMB6,000,000/ RMB6,000,000 | 100% | — | No substantial operation |

*Notes:*

(i) The English translation of the company names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.

(ii) The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprise applicable to the enterprises in the PRC. The statutory financial statements for the years ended 31 December 2023, 2024 and 2025 were audited by KPMG Huazhen LLP Shanghai Branch.

(iii) The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Hong Kong Small and Medium-Sized Entity Financial Reporting Standard ("**SME-FRS**"). The statutory financial statements for the years ended 31 December 2023, 2024 and 2025 were audited by EDDIE M.T.NG&CO. Certified Public Accountants (Practising).

(iv) No statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 were prepared.

All companies comprising the Group have adopted 31 December 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 policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The Group has not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective 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**"), rounded to the nearest thousand ("**RMB'000**"), unless 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 that the following assets are stated at their fair value as explained in the accounting policies set out below:

— Bills receivable measured at FVOCI as set out in Note 2(j);

— Financial assets measured at FVOCI as set out in Note 2(d).

**(b) Use of estimates and judgements**

The preparation of financial statements 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 financial statements 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 Historical Financial Information 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. Unrealised 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 derecognizes 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)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

**(d) Other investments in securities**

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments 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.

***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(h)(i)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— 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 flow 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 other comprehensive income ("**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 is stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(h)(ii)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(h)(ii)). Cost comprises direct costs of construction as well as interest charges during the periods of construction. Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Any gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives for the Track Record Period are as follows:

| | |
|---|---|
| — Buildings | 20–30 years |
| — Machinery and equipment | 7–15 years |
| — Office equipment and others | 5–7 years |
| — Motor Vehicles | 5 years |
| — Leasehold improvements | 3 years |

Platinum rhodium alloy leakage plate is a very important and special material in fiberglass production. Its consumption form is different from other general fixed assets. Platinum rhodium alloy leakage plate is made by mixing precious metal platinum and rhodium powder, and then processing into leakage plate, which is used for the drawing process of glass fiber. The leakage plates require regular cleaning and processing to ensure that the glass fibers produced meet specific quality requirements. The cleaning and processing process will result in the usage of platinum rhodium alloy, which is considered as depreciation. The Group accounted for the platinum rhodium alloy leakage plate as precious metal in property, plant and equipment, and directly recognised the depreciation in profit or loss during use.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(f) Intangible assets**

Expenditure on research activities is recognised in profit or loss as 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. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

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)).

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 life for software were decided with reference to the shortest period among the expected service life, the expected beneficial life and the effective life stipulated by the applicable law. The estimated useful lives for the Track Record Period are as follows:

— Software 2–5 years

Amortisation methods, useful lives and residual values are reviewed annually 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.

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 such as laptops and office furniture. 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)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(r)(ii) 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 ("**lease modification**"), 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.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

**(h) Credit losses and impairment of assets**

***(i) Credit losses from financial instruments***

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits and trade and other receivables).

Financial assets measured at fair value, including bills receivable measured at FVOCI (non-recycling), equity securities measured at FVPL and equity securities designated at FVOCI are not subject to the ECL assessment.

*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 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.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

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 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 (including a loan commitment) 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 90 days past due.

The Group considers a financial asset to be in default when (i) 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 (ii) the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

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 or delinquency in interest or principal payments;

— it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; 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 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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 amortization, if no impairment loss had been recognised.

**(i) Inventories**

Inventories are assets which are held for sale in the ordinary course of business, in process of production for such sale or in the form of material or suppliers to be consumed in the production process or in the provision of services.

Inventories are measured at the lower of cost and net realisable value as follows:

Cost 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realised value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(j) 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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Except for certain bills receivable measured at FVOCI, receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(h)(i)).

**(k) Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). 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 recognised (see Note 2(j)).

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

**(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 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(t).

**(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 grant restricted share units ("**RSUs**") as incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments (**"equity- settled transactions").**

The cost of equity-settled transactions with employees is measured by reference to the fair value of the RSUs at the grant date. The fair value of RSUs granted is recognised as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the RSUs pricing model, taking into account the terms and conditions upon which the RSUs were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of RSUs, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of RSUs that will ultimately vest.

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is expensed over the vesting period, taking into account the probability that the RSUs will vest. During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review.

On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payments award that vest (with a corresponding adjustment to the capital reserve.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and it is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

***(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 recognises 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 other comprehensive income.

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.

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;

— temporary differences related to investment in subsidiaries, associates and joint venture 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;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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 realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

**(q) Provisions and contingent liabilities**

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

**(r) 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 is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it 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 such as value added tax.

*Sales of electronic fabric*

Revenue is recognised when the customer takes possession of and accepts the electronic fabric products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 60 to 120 days upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

***(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 amortized 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.

Grants related to assets shall be recognised as deferred income in the balance sheet and recorded in other net income in a reasonable and systematic manner within the service life of the relevant assets. Government grants related to income, those to be used as compensation for future expenses or losses shall be recognised as deferred income and shall be recorded in other net income in the period in which the relevant expenses or losses are recognised; other government grants shall be recorded in other net income directly.

*(c) Dividends*

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

**(s) Translation of foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of the Group 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. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

**(t) 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 capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(u) 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.

**(v) 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 25 and 27(e) contains information about the assumptions and risk factors relating to fair value of equity-settled share-based transactions and other financial assets. Other key sources of estimation uncertainty are as follows:

**(a) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. Special consideration is given to estimate the selling price of those technically obsolete and/or slow-moving inventory items. Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

**(b) Useful life of property, plant and equipment**

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

**(c) Recognition of deferred tax assets**

Deferred tax assets in respect of unused tax losses, tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in the future years.

**4 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

***(i) Disaggregation of revenue***

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

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue from contracts with customers within the scope of IFRS 15:** | | | |
| Disaggregated by major products | | | |
| General-purpose electronic fabric | | | |
| — ultra-thin fabric | 100,436 | 147,191 | 233,818 |
| — super-thin fabric | 126,800 | 150,118 | 189,223 |
| — thin fabric and above | 385,408 | 470,291 | 517,412 |
| | 612,644 | 767,600 | 940,453 |
| Special-purpose electronic fabric | 13,512 | 12,506 | 178,454 |
| Electronic yarn | 34,239 | 53,709 | 46,413 |
| Others | 760 | 818 | 5,714 |
| | 661,155 | 834,633 | 1,171,034 |

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time.

***(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.***

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

**(b) Segment reporting**

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

***(i) Geographic information***

The following table set out information about the geographical location of the Group's revenue from external customers. All of its non-current assets and capital expenditure were located/incurred in Chinese mainland. The geographical location of customers is based on the location of customers.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Chinese Mainland | 592,277 | 750,777 | 1,012,669 |
| Overseas | 68,878 | 83,856 | 158,365 |
| | 661,155 | 834,633 | 1,171,034 |

***(ii) Information about major customers***

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Track Record Period is set out below:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| — Customer A | 87,125 | 107,222 | 235,828 |
| — Customer B | 89,639 | 128,650 | 173,043 |
| — Customer C | 101,593 | 128,002 | 163,574 |
| — Customer D | 72,079 | N/A* | N/A* |

* *Less than 10% of the Group's revenue in the respective year.*

## 5 OTHER NET INCOME

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| Government grants | *(i)* | 16,075 | 14,292 | 14,359 |
| Additional deduction for VAT | *(ii)* | — | 5,457 | 6,315 |
| Interest income | | 4,453 | 3,678 | 2,537 |
| Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets | | 3,038 | 259 | (8,492) |
| Net realised and unrealised gain on financial assets measured at fair value | | 577 | 2,220 | 3,067 |
| Net exchange (loss)/gain | | (3,825) | 1,553 | (5,626) |
| Others | | 3,245 | 3,785 | 787 |
| | | 23,563 | 31,244 | 12,947 |

(i) Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

(ii) Pursuant to the Notice on the Additional Value-added Tax ("**VAT**") Credit Policy for Advanced Manufacturing Enterprise (Announcement [2023] No.43) issued by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT in the period from 1 January 2023 to 31 December 2027.

**6 (LOSS)/PROFIT BEFORE TAXATION**

(Loss)/profit before taxation is arrived at after charging/(crediting):

**(a) Finance costs**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on interest-bearing borrowings | 33,610 | 34,805 | 31,048 |
| Interest on lease liabilities | 67 | 45 | 12 |
| | 33,677 | 34,850 | 31,060 |
| Less: interest expense capitalised into construction in progress | (2,321) | — | — |
| | 31,356 | 34,850 | 31,060 |

For the year ended 31 December 2023, the borrowing costs were capitalised at the rate range from 4.15% to 4.89% per annum.

**(b) Staff costs**

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, wages and other benefits | | 134,029 | 144,557 | 199,910 |
| Contributions to defined contribution retirement plan | *(i)* | 11,373 | 19,527 | 17,913 |
| Equity-settled share-based payment expenses | *25* | (644) | — | — |
| | | 144,758 | 164,084 | 217,823 |

(i) Employees of the Company and its subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries 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.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

**(c) Other items**

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2023** | **2024** | **2025** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of inventories | | 612,871 | 687,544 | 760,077 |
| Impairment loss on trade and other receivables | | 221 | 712 | 1,412 |
| (Reversal of)/write-down of inventories | *15* | (2,879) | (4,170) | 3,994 |
| Depreciation and amortization: | | | | |
| — Depreciation of property, plant and equipment | *11* | 101,414 | 123,575 | 131,309 |
| — Depreciation of right-of-use assets | *12* | 2,289 | 1,583 | 1,485 |
| — Amortisation of intangible assets | *13* | 45 | 45 | 234 |
| Lease expenses not included in the measurement of lease liabilities — short leases | | 1,652 | 2,322 | 528 |
| Auditors' remuneration | | 1,800 | 1,800 | 2,190 |

(i) Cost of inventories includes staff costs, depreciation and amortization expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these type of expenses.

**7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

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

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current tax:** | | | |
| Provision for the year | — | — | 13,098 |
| Under-provision in respect of prior years | 110 | 12 | 425 |
| | 110 | 12 | 13,523 |
| **Deferred tax:** | | | |
| Origination and reversal of temporary differences *(Note 23(b))* | (24,167) | (3,000) | 9,215 |
| Effect on deferred tax balances resulting from a change in tax rate | 19,182 | — | — |
| | (4,985) | (3,000) | 9,215 |
| | (4,875) | (2,988) | 22,738 |

**(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| (Loss)/profit before taxation | (67,969) | 19,813 | 224,651 |
| Income tax expenses calculated at applicable tax rate | (16,992) | 4,953 | 56,163 |
| Tax effect of preferential rate | 1,971 | 2,132 | (17,062) |
| Under-provision in respect of prior years | 110 | 12 | 425 |
| Tax effect of non-taxable income | (1,821) | — | — |
| Tax effect of non-deductible expenses | 1,168 | 127 | 2,140 |
| Utilisation of previously unrecognized tax losses | — | 202 | (3,920) |
| Temporary differences for which no deferred tax assets was recognised | 8 | 400 | 640 |
| Tax effect of deferred income tax rate changes | 19,182 | — | — |
| Super deduction for research and development expenditure | (8,501) | (10,814) | (15,648) |
| Actual tax (benefit)/expense | (4,875) | (2,988) | 22,738 |

(i) According to the Corporate Income Tax Law of China (the "**Tax Law**"), the Company and its subsidiaries in the PRC are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax rate applicable to advanced and new technology enterprises of 15%.

The Company and one of its subsidiaries, Huangshi Grace Fabric, was qualified as a High and New Technology Enterprise ("**HNTE**") in November 2023 and December 2023, respectively, and was entitled for a preferential tax rate of 15% for the years ended 31 December 2023, 2024 and 2025.

(ii) The provision for Hong Kong Profits Tax was taxed at 8.25% on taxable income for the first Hong Kong dollar 2,000,000 and the remaining taxable income was taxed at 16.5%.

## 8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are set out below:

**Year ended 31 December 2023**

| | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to retirement scheme | Subtotal | Equity-settled share-based payment expenses (i) | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | | |
| **Directors** | | | | | | | |
| Mr. Mao Chia-Ming | 120 | 1,207 | 100 | — | 1,427 | (20) | 1,407 |
| Mr. Du Fu | 120 | 1,095 | 66 | 144 | 1,425 | (39) | 1,386 |
| Ms. Zheng Lijuan | 120 | 639 | 44 | 144 | 947 | (39) | 908 |
| Mr. Jiang Qingmu (resigned on 29 December 2023) | 120 | 418 | 18 | — | 556 | — | 556 |
| Ms. Chung Ching-Hsuan | 120 | — | — | — | 120 | — | 120 |
| Ms. Wu Tsui | 120 | — | — | — | 120 | — | 120 |
| **Independent directors** | | | | | | | |
| Ms. Pang Chunyun | 120 | — | — | — | 120 | — | 120 |
| Ms. Ruan Lyuyan | 120 | — | — | — | 120 | — | 120 |
| Ms. Hsien Yi-Fang (appointed on 26 May 2023) | 70 | — | — | — | 70 | — | 70 |
| Mr. Cai Ruizhen (resigned on 26 May 2023) | 50 | — | — | — | 50 | — | 50 |
| **Supervisors** | | | | | | | |
| Ms. Zou Xin'e | 120 | 194 | 21 | 144 | 479 | (10) | 469 |
| Ms. Xu Fangyi | 120 | — | — | — | 120 | — | 120 |
| Ms. Lin Weilun | 120 | — | — | — | 120 | — | 120 |
| | 1,440 | 3,553 | 249 | 432 | 5,674 | (108) | 5,566 |

**Year ended 31 December 2024**

| | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to retirement scheme | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Mr. Mao Chia-Ming | 120 | 1,461 | 851 | — | 2,432 |
| Mr. Du Fu (resigned on 13 August 2024) | 80 | 668 | — | 110 | 858 |
| Ms. Huang Yu-Chia (appointed on 14 August 2024) | 120 | 486 | 181 | — | 787 |
| Ms. Jia Xiaoyan (appointed on 14 August 2024) | 40 | 337 | 75 | 146 | 598 |
| Mr. Zhang Bin (appointed on 14 August 2024) | 40 | 311 | 85 | 146 | 582 |
| Ms. Zheng Lijuan (resigned on 13 August 2024) | 80 | 303 | — | 97 | 480 |
| Ms. Chung Ching-Hsuan | 120 | — | — | — | 120 |
| Ms. Wu Tsui | 120 | — | — | — | 120 |
| **Independent directors** | | | | | |
| Ms. Ruan Lyuyan | 120 | — | — | — | 120 |
| Ms. Pang Chunyun | 120 | — | — | — | 120 |
| Ms. Hsien Yi-Fang | 120 | — | — | — | 120 |
| **Supervisors** | | | | | |
| Ms. Zou Xin'e (resigned on 14 August 2024) | 70 | 119 | 40 | 85 | 314 |
| Ms. Xu Binjuan (appointed on 14 August 2024) | 40 | 310 | — | 57 | 407 |
| Ms. Xu Fangyi | 120 | — | — | — | 120 |
| Ms. Lin Weilun | 120 | — | — | — | 120 |
| | 1,430 | 3,995 | 1,232 | 641 | 7,298 |

**Year ended 31 December 2025**

| | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to retirement scheme | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Mr. Mao Chia-Ming | 120 | 2,070 | 820 | — | 3,010 |
| Ms. Huang Yu-Chia | 120 | 742 | 389 | — | 1,251 |
| Ms. Jia Xiaoyan | 120 | 379 | 228 | 139 | 866 |
| Mr. Zhang Bin | 120 | 361 | 236 | 139 | 856 |
| Ms. Chung Ching-Hsuan | 120 | — | — | — | 120 |
| Ms. Wu Tsui | 120 | — | — | — | 120 |
| **Independent directors** | | | | | |
| Ms. Ruan Lyuyan | 120 | — | — | — | 120 |
| Ms. Pang Chunyun (resigned on 18 September 2025) | 90 | — | — | — | 90 |
| Mr. Liu Hsu-Yu (appointed on 18 September 2025) | 30 | — | — | — | 30 |
| Ms. Hsien Yi-Fang | 120 | — | — | — | 120 |
| **Supervisors** | | | | | |
| Ms. Xu Binjuan (resigned on 14 July 2025) | 70 | 182 | 161 | — | 413 |
| Ms. Xu Fangyi (resigned on 14 July 2025) | 70 | — | — | — | 70 |
| Ms. Lin Weilun (resigned on 14 July 2025) | 70 | — | — | — | 70 |
| | 1,290 | 3,734 | 1,834 | 278 | 7,136 |

(i) These represent the estimated value of share-based payment granted to the directors under the Company's share-based payment scheme as set out in Note 25. The value of these share-based payment is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of share-based payment granted, are disclosed in note 25.

(ii) Pursuant to the resolution passed in the general meeting of shareholders of the Company on 14 July 2025, the board of supervisors was cancelled in accordance with the revised articles of association.

(iii) Subsequent to 31 December 2025, Ms. Ruan Lyuyan resigned as an independent director, and Ms. Chen Xi was appointed as an independent and non-executive director of the Company on 15 May 2026.

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 and the supervisors 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.

**9 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, four, five and four are directors whose emoluments are disclosed in Note 8 during the years ended 31 December 2023, 2024 and 2025, respectively. The aggregate of the emoluments in respect of the remaining individuals are as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowance and benefits in kind | 419 | — | 609 |
| Discretionary bonuses | 34 | — | 337 |
| Defined contribution retirement plans | 144 | — | 139 |
| Equity-settled share-based payments | (25) | — | — |
| | 572 | — | 1,085 |

The emoluments of the one, nil and one individual with the highest emoluments are within the following bands:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *No. of individuals* | *No. of individuals* | *No. of individuals* |
| HK$ | | | |
| Nil–1,000,000 | 1 | — | — |
| 1,000,001–1,500,000 | — | — | 1 |

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals 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.

**10 (LOSS)/EARNINGS PER SHARE**

**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company for the years ended 31 December 2023, 2024 and 2025 and the weighted average number of ordinary shares in issue for the respective year, calculated as follows:

***(i) (Loss)/profit attributable to equity shareholders of the Company***

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| (Loss)/profit attributable to equity shareholders of the Company | (63,094) | 22,801 | 201,913 |

***(ii) Weighted average number of ordinary shares***

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2023 | 2024 | 2025 |
| | *Note* | *'000* | *'000* | *'000* |
| Issued ordinary shares at the beginning of the year | *26(c)* | 884,370 | 882,512 | 879,727 |
| Less: treasury shares at the beginning of the year | *26(d)* | (6,570) | (2,785) | — |
| Ordinary shares outstanding at the beginning of the year | | 877,800 | 879,727 | 879,727 |
| Effect of restricted shares vested | *25* | 803 | — | — |
| Weighted average number of ordinary shares at the end of the year | | 878,603 | 879,727 | 879,727 |

***(b) Diluted (loss)/earnings per share***

For the years ended 31 December 2023 and 2024, the restricted shares (Note 25) were not included in the calculation of diluted (loss)/earnings per share because their inclusion would have been anti-dilutive. The Company does not have other potential ordinary shares and therefore the amount of diluted (loss)/earnings per share were the same as basic (loss)/earnings per share.

## 11 PROPERTY, PLANT AND EQUIPMENT

**The Group**

| | Buildings | Machinery and equipment | Motor vehicles | Office equipment and others | Precious metal | Construction in progress | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | | | |
| At 1 January 2023 | 444,160 | 1,547,161 | 5,050 | 61,875 | 219,061 | 471,783 | 1,019 | 2,750,109 |
| Additions | 1,078 | 7,212 | 123 | 4,813 | 32,702 | 95,809 | — | 141,737 |
| Disposals | (51) | (3,954) | — | (3,539) | (1,169) | — | — | (8,713) |
| Transferred from construction in progress | 132,670 | 430,273 | 1,617 | 558 | — | (565,118) | — | — |
| At 31 December 2023 and 1 January 2024 | 577,857 | 1,980,692 | 6,790 | 63,707 | 250,594 | 2,474 | 1,019 | 2,883,133 |
| Additions | 10,165 | 8,969 | 154 | 1,484 | — | 3,855 | — | 24,627 |
| Disposals | — | (1,141) | (112) | (293) | — | — | — | (1,546) |
| Transferred from construction in progress | — | 3,400 | — | 170 | — | (3,570) | — | — |
| At 31 December 2024 and 1 January 2025 | 588,022 | 1,991,920 | 6,832 | 65,068 | 250,594 | 2,759 | 1,019 | 2,906,214 |
| Additions | 14,483 | 5,234 | 103 | 5,154 | 627,479 | 50,564 | — | 703,017 |
| Disposals | (637) | (16,178) | — | (2,870) | — | — | — | (19,685) |
| Transferred from construction in progress | 1,495 | 31,470 | — | 562 | — | (33,527) | — | — |
| At 31 December 2025 | 603,363 | 2,012,446 | 6,935 | 67,914 | 878,073 | 19,796 | 1,019 | 3,589,546 |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 January 2023 | (164,459) | (996,129) | (3,244) | (36,329) | (14,293) | — | (416) | (1,214,870) |
| Charge for the year | (14,525) | (70,480) | (605) | (4,961) | (10,497) | — | (346) | (101,414) |
| Written back on disposals | 48 | 2,569 | — | 2,248 | 121 | — | — | 4,986 |
| At 31 December 2023 and 1 January 2024 | (178,936) | (1,064,040) | (3,849) | (39,042) | (24,669) | — | (762) | (1,311,298) |
| Charge for the year | (16,486) | (87,516) | (683) | (5,243) | (13,436) | — | (211) | (123,575) |
| Written back on disposals | — | 978 | 101 | 263 | — | — | — | 1,342 |
| At 31 December 2024 and 1 January 2025 | (195,422) | (1,150,578) | (4,431) | (44,022) | (38,105) | — | (973) | (1,433,531) |
| Charge for the year | (15,101) | (87,356) | (676) | (4,908) | (23,222) | — | (46) | (131,309) |
| Written back on disposals | 573 | 8,785 | — | 2,574 | — | — | — | 11,932 |
| At 31 December 2025 | (209,950) | (1,229,149) | (5,107) | (46,356) | (61,327) | — | (1,019) | (1,552,908) |
| **Net book value:** | | | | | | | | |
| At 31 December 2023 | 398,921 | 916,652 | 2,941 | 24,665 | 225,925 | 2,474 | 257 | 1,571,835 |
| At 31 December 2024 | 392,600 | 841,342 | 2,401 | 21,046 | 212,489 | 2,759 | 46 | 1,472,683 |
| At 31 December 2025 | 393,413 | 783,297 | 1,828 | 21,558 | 816,746 | 19,796 | — | 2,036,638 |

Property, plant and equipment with net book value of RMB1,041,290,000, RMB977,009,000 and RMB788,438,000 were secured for bank loans as at 31 December 2023, 2024 and 2025, respectively. Besides, property, plant and equipment with net book value of RMB203,965,000 was secured for the borrowings arising from the leaseback arrangements as at 31 December 2025.

**The Company**

| | Buildings | Machinery and equipment | Motor vehicles | Office equipment and others | Precious metal | Construction in progress | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | | | |
| At 1 January 2023 | 186,054 | 1,045,355 | 3,622 | 50,685 | 26,449 | 9,151 | 916 | 1,322,232 |
| Additions | — | 369 | 115 | 3,119 | — | 4,293 | — | 7,896 |
| Disposals | (51) | (3,110) | — | (3,538) | (1,169) | — | — | (7,868) |
| Transferred from construction in progress | 1,528 | 9,813 | — | — | — | (11,341) | — | — |
| At 31 December 2023 and 1 January 2024 | 187,531 | 1,052,427 | 3,737 | 50,266 | 25,280 | 2,103 | 916 | 1,322,260 |
| Additions | — | 2,037 | 137 | 1,036 | — | 2,188 | — | 5,398 |
| Disposals | — | (7,558) | (112) | (5,982) | — | — | — | (13,652) |
| Transfer to the subsidiaries | — | — | — | — | (25,280) | — | — | (25,280) |
| Transferred from construction in progress | — | 1,989 | — | 169 | — | (2,158) | — | — |
| At 31 December 2024 and 1 January 2025 | 187,531 | 1,048,895 | 3,762 | 45,489 | — | 2,133 | 916 | 1,288,726 |
| Additions | — | 4,696 | 103 | 3,142 | — | 3,984 | — | 11,925 |
| Disposals | (637) | (7,490) | — | (2,825) | — | — | — | (10,952) |
| Transferred from construction in progress | 1,495 | 660 | — | 189 | — | (2,344) | — | — |
| At 31 December 2025 | 188,389 | 1,046,761 | 3,865 | 45,995 | — | 3,773 | 916 | 1,289,699 |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 January 2023 | (149,258) | (916,447) | (2,831) | (33,029) | (2,511) | — | (395) | (1,104,471) |
| Charge for the year | (4,444) | (9,062) | (188) | (2,774) | — | — | (309) | (16,777) |
| Written back on disposals | 48 | 2,569 | — | 2,248 | 121 | — | — | 4,986 |
| At 31 December 2023 and 1 January 2024 | (153,654) | (922,940) | (3,019) | (33,555) | (2,390) | — | (704) | (1,116,262) |
| Charge for the year | (4,428) | (6,480) | (175) | (2,823) | — | — | (174) | (14,080) |
| Written back on disposals | — | 11,070 | 101 | 2,312 | 2,390 | — | — | 15,873 |
| At 31 December 2024 and 1 January 2025 | (158,082) | (918,350) | (3,093) | (34,066) | — | — | (878) | (1,114,469) |
| Charge for the year | (2,536) | (5,698) | (167) | (2,425) | — | — | (38) | (10,864) |
| Written back on disposals | 573 | 6,332 | — | 2,543 | — | — | — | 9,448 |
| At 31 December 2025 | (160,045) | (917,716) | (3,260) | (33,948) | — | — | (916) | (1,115,885) |
| **Net book value:** | | | | | | | | |
| At 31 December 2023 | 33,877 | 129,487 | 718 | 16,711 | 22,890 | 2,103 | 212 | 205,998 |
| At 31 December 2024 | 29,449 | 130,545 | 669 | 11,423 | — | 2,133 | 38 | 174,257 |
| At 31 December 2025 | 28,344 | 129,045 | 605 | 12,047 | — | 3,773 | — | 173,814 |

## 12 RIGHT-OF-USE ASSETS

| | Land use rights | Buildings | Motor vehicles | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | |
| At 1 January 2023 | 57,829 | 3,506 | 329 | 61,664 |
| Additions | — | 776 | 342 | 1,118 |
| Disposals | — | (2,665) | (329) | (2,994) |
| At 31 December 2023 and 1 January 2024 | 57,829 | 1,617 | 342 | 59,788 |
| Additions | 3,203 | 184 | — | 3,387 |
| Disposals | — | (1,616) | — | (1,616) |
| At 31 December 2024 and 1 January 2025 | 61,032 | 185 | 342 | 61,559 |
| Additions | — | — | 230 | 230 |
| At 31 December 2025 | 61,032 | 185 | 572 | 61,789 |
| **Accumulated depreciation:** | | | | |
| At 1 January 2023 | (13,085) | (2,446) | (247) | (15,778) |
| Charge for the year | (1,157) | (1,021) | (111) | (2,289) |
| Written back on disposals | — | 2,665 | 329 | 2,994 |
| At 31 December 2023 and 1 January 2024 | (14,242) | (802) | (29) | (15,073) |
| Charge for the year | (1,204) | (236) | (143) | (1,583) |
| Written back on disposals | — | 962 | — | 962 |
| At 31 December 2024 and 1 January 2025 | (15,446) | (76) | (172) | (15,694) |
| Charge for the year | (1,221) | (92) | (172) | (1,485) |
| At 31 December 2025 | (16,667) | (168) | (344) | (17,179) |
| **Net book value:** | | | | |
| At 31 December 2023 | 43,587 | 815 | 313 | 44,715 |
| At 31 December 2024 | 45,586 | 109 | 170 | 45,865 |
| At 31 December 2025 | 44,365 | 17 | 228 | 44,610 |

The right-of-use assets represented the land and properties leased for own use. The Group obtained land use rights in the PRC with lease period of no more than 50 years when granted. The other properties lease typically run for an initial period of lease terms of 2 to 6 years. The additions to right-of-use assets primarily related to capitalized lease payable under new tenancy agreements. None of the leases include variable lease payments.

Leasehold land for own use with carrying amount of RMB43,587,000, RMB42,431,000 and RMB41,274,000 were pledged as collaterals for certain bank loans as at 31 December 2023, 2024 and 2025, respectively.

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

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Depreciation charge of right-of-use assets by class of underlying asset: | | | |
| — leasehold land and buildings | 2,178 | 1,440 | 1,313 |
| — other properties leased for own use | 111 | 143 | 172 |
| | 2,289 | 1,583 | 1,485 |
| Interest on lease liabilities | 67 | 45 | 12 |
| Expenses relating to short-term leases *(Note 6(c))* | 1,652 | 2,322 | 528 |

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(d) and 22, respectively.

## 13 INTANGIBLE ASSETS

| | Software |
|---|---|
| | *RMB'000* |
| **Cost:** | |
| At 1 January 2023, 31 December 2023 and 1 January 2024 | 2,283 |
| Additions | — |
| At 31 December 2024 and 1 January 2025 | 2,283 |
| Additions | 677 |
| At 31 December 2025 | 2,960 |
| **Accumulated amortisation:** | |
| At 1 January 2023 | (1,851) |
| Charge for the year | (45) |
| At 31 December 2023 and 1 January 2024 | (1,896) |
| Charge for the year | (45) |
| At 31 December 2024 and 1 January 2025 | (1,941) |
| Charge for the year | (234) |
| At 31 December 2025 | (2,175) |
| **Net book value:** | |
| At 31 December 2023 | 387 |
| At 31 December 2024 | 342 |
| At 31 December 2025 | 785 |

## 14 INVESTMENTS IN SUBSIDIARIES

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investments in subsidiaries | 716,430 | 731,430 | 1,007,430 |

Further details of the principal subsidiaries of the Group are set out in Note 1. The subsidiaries of the Company do not have any non-controlling interest.

On 19 January 2024, Sichuan Grace Fabric received the additional registered capital injection of RMB15,000,000 from the Company.

On 14 March 2025, the registered capital of Sichuan Grace Fabric decreased of RMB24,000,000.

On 24 October 2025, the registered capital of Huangshi Grace Fabric increased by RMB300,000,000 through the debts to equity.

## 15 INVENTORIES

**(a) Inventories in the consolidated statements of financial position comprise:**

***The Group***

| | At 31 December 2023 | 2024 | 2025 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw material | 89,941 | 62,215 | 96,892 |
| Work in progress | 44,294 | 49,863 | 42,893 |
| Finished goods | 71,790 | 43,414 | 16,394 |
| Goods in transit | — | 2,815 | 23,440 |
| Packing material | 18,483 | 17,265 | 15,096 |
| | 224,508 | 175,572 | 194,715 |

***The Company***

| | At 31 December 2023 | 2024 | 2025 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw material | 52,248 | 27,495 | 45,796 |
| Work in progress | 35,534 | 43,062 | 38,561 |
| Finished goods | 61,817 | 43,225 | 14,449 |
| Goods in transit | — | 2,815 | 23,440 |
| Packing material | 8,774 | 8,153 | 7,403 |
| | 158,373 | 124,750 | 129,649 |

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

| | At 31 December 2023 | 2024 | 2025 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount of inventories used | 615,750 | 691,714 | 756,083 |
| (Reversal of)/write-down of inventories | (2,879) | (4,170) | 3,994 |
| | 612,871 | 687,544 | 760,077 |

## 16 TRADE AND OTHER RECEIVABLES

**The Group**

| | At 31 December 2023 | 2024 | 2025 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables: | | | |
| — Third parties | 237,772 | 305,900 | 443,552 |
| — Related parties | 1,091 | 1,545 | 2,212 |
| Less: loss allowance | (2,436) | (3,112) | (4,517) |
| | 236,427 | 304,333 | 441,247 |
| Bills receivable: | | | |
| — carried at amortised cost | 66,417 | 54,281 | 74,470 |
| — measured at FVOCI *(i)* | 73,315 | 62,696 | 36,533 |
| | 139,732 | 116,977 | 111,003 |
| Prepayment: | | | |
| — Prepayment for purchase of raw material | 2,491 | 7,933 | 32,338 |
| — Prepayment for the listing expenses in respect of the issuance of A shares | — | — | 1,905 |
| | 2,491 | 7,933 | 34,243 |

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other receivables: | | | |
| — VAT Recoverable | 31,483 | 14,641 | 58,235 |
| — Deposits | 236 | 188 | 279 |
| — Others | 2,060 | 2,340 | 2,077 |
| Less: loss allowance | (45) | (81) | (89) |
| | 33,734 | 17,088 | 60,502 |
| Trade and other receivables | 412,384 | 446,331 | 646,995 |

**The Company**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables: | | | |
| — Third parties | 228,305 | 280,520 | 393,825 |
| — Related parties | 17,816 | 21,022 | 24,247 |
| Less: loss allowance | (2,331) | (2,842) | (4,020) |
| | 243,790 | 298,700 | 414,052 |
| Bills receivable: | | | |
| — carried at amortised cost | 54,438 | 40,377 | 65,782 |
| — measured at FVOCI | 70,747 | 42,639 | 34,411 |
| | 125,185 | 83,016 | 100,193 |
| Other receivables from subsidiaries | 432,587 | 481,885 | 479,398 |
| Prepayment: | | | |
| — Prepayment for purchase of raw material | 1,583 | 6,935 | 15,352 |
| — Prepayment for the listing expenses in respect of the issuance of A shares | — | — | 1,905 |
| | 1,583 | 6,935 | 17,257 |
| Other receivables from third parties: | | | |
| — VAT Recoverable | 12,416 | 13,717 | 10,917 |
| — Deposits | 216 | 168 | 259 |
| — Others | 879 | 952 | 907 |
| Less: loss allowance | (29) | (62) | (68) |
| | 13,482 | 14,775 | 12,015 |
| Trade and other receivables | 816,627 | 885,311 | 1,022,915 |

(i) Due to the requirement of cash management, the Group endorsed part of the bills receivable to the suppliers. The business model of bills receivable is for the purpose of collecting cash flow of contracts and sales. Therefore, the Group classified bills receivable of RMB73,315,000, RMB62,696,000 and RMB36,533,000 as bills receivable carried at fair value and whose changes are included in other comprehensive income at the end of each reporting period.

All of the trade and other receivables are expected to be recovered within one year.

As at 31 December 2023, 2024 and 2025, the Group endorsed undue bills receivable of RMB33,546,000, RMB47,962,000 and RMB75,585,000, respectively, to its suppliers to settle trade payables of the same amount and derecognized these bills receivable and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred.

As at 31 December 2023, 2024 and 2025, the Group discounted undue bills receivables of RMB21,634,000, RMB31,091,000 and RMB60,894,000 respectively to banks to discount at a discount rate negotiated with the banks and derecognised these bills receivables in their entirely from balance sheet as the Group's management considered that the risk and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivables is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills.

As at 31 December 2023, 2024 and 2025, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB55,180,000, RMB79,053,000 and RMB136,479,000, which the Group endorsed to its suppliers and banks. These undue bills receivable was due within six months from date of issuance.

All of the other receivables from subsidiaries of the Company are unsecured, interest-bearing at 3.80%, 3.30% to 3.80% and 3.00% to 3.30% p.a. and due within one year at the end of each reporting period.

**Aging analysis**

As of the end of each reporting period, the aging analysis of trade receivables, based on the date of revenue recognition date, is as follows:

***The Group***

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 6 months | 237,676 | 306,514 | 444,277 |
| Over 6 months but less than 1 year | 1,187 | 931 | 1,487 |
| Total | 238,863 | 307,445 | 445,764 |

***The Company***

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 6 months | 244,934 | 300,611 | 416,585 |
| Over 6 months but less than 1 year | 1,187 | 931 | 1,487 |
| Total | 246,121 | 301,542 | 418,072 |

Further details on the Group's credit risk management policy and credit risk arising from trade receivables are set out in Note 27(a).

## 17 FINANCIAL ASSETS MEASURED AT FVOCI

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current financial assets measured at FVOCI | | | |
| — Certificates of deposit | 53,152 | 32,273 | — |

The balance of certificates of deposits mainly comprised certificates of deposits with terms over three months and related accrued interest. As the deposits were held both for sale and earning the interest income simultaneously, they are classified as financial assets measured at FVOCI.

## 18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise:

*The Group*

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at bank and on hand | 178,471 | 287,229 | 246,764 |
| Less: Restricted bank deposits *(i)* | (3,277) | (1,796) | (24,391) |
| Less: Time deposit | (27,069) | (24,762) | (10,001) |
| Cash and cash equivalents in the consolidated statements of financial position and the consolidated cash flow statements | 148,125 | 260,671 | 212,372 |

*The Company*

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at bank and on hand | 142,762 | 215,810 | 166,677 |
| Less: Restricted bank deposits *(i)* | — | — | (15,691) |
| Less: Time deposit | (27,069) | (24,762) | (10,001) |
| Cash and cash equivalents in the consolidated statements of financial position and the consolidated cash flow statements | 115,693 | 191,048 | 140,985 |

(i) Restricted bank deposits mainly represent deposits placed at certain banks secured for issuance of bills payables and certain bank loans.

(ii) As at 31 December 2023, 2024 and 2025, the time deposit held at bank has fixed annual interest rate of 3.50%, 4.80% and 1.65%, respectively.

### (b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2023 | 2024 | 2025 |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| **(Loss)/profit before taxation** | | (67,969) | 19,813 | 224,651 |
| Adjustments for: | | | | |
| Depreciation of owned property, plant and equipment | *11* | 101,414 | 123,575 | 131,309 |
| Depreciation of right-of-use assets | *12* | 2,289 | 1,583 | 1,485 |
| Amortisation of intangible assets | *13* | 45 | 45 | 234 |
| Net realised and unrealised gain on financial assets measured at fair value | *5* | (577) | (2,220) | (3,067) |
| Net (gains)/loss on disposal of property, plant and equipment and right-of-use assets | *5* | (3,038) | (259) | 8,492 |
| Impairment losses on trade and other receivables | | 221 | 712 | 1,412 |
| (Reversal of)/write-down of inventories | | (2,879) | (4,170) | 3,994 |
| Net foreign exchange (gain)/loss | | (1,490) | (778) | 1,292 |
| Interests on bank loans and lease liabilities | *6(a)* | 31,356 | 34,850 | 31,060 |
| Interest income | *5* | (4,453) | (3,678) | (2,537) |
| Changes in working capital: | | | | |
| (Increase)/decrease in inventories | | (48,136) | 53,105 | (23,137) |
| Increase in trade and other receivables | | (108,390) | (63,524) | (230,076) |
| Decrease/(increase) in restricted bank deposits | | 14,210 | 1,485 | (22,595) |
| (Decrease)/increase in trade and other payables | | (2,255) | 20,308 | 173,894 |

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2023 | 2024 | 2025 |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| (Decrease)/increase in deferred income | | (3,918) | (2,540) | 6,959 |
| (Decrease)/increase in contract liabilities | | (95) | 432 | 305 |
| Cash (used in)/generated from operations | | (93,665) | 178,739 | 303,675 |

**(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 statements as cash flows from financing activities.

| | Interest-bearing borrowings | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 19)* | *(Note 22)* | |
| **At 1 January 2023** | 805,911 | 1,229 | 807,140 |
| **Changes from financing cash flows:** | | | |
| Capital element of lease rentals paid | — | (1,119) | (1,119) |
| Interest element of lease rentals paid | — | (67) | (67) |
| Proceeds from interest-bearing borrowings | 854,578 | — | 854,578 |
| Repayment of interest-bearing borrowings | (787,435) | — | (787,435) |
| Interest paid | (33,588) | — | (33,588) |
| Total changes from financing cash flows | 33,555 | (1,186) | 32,369 |
| **Other changes:** | | | |
| Increase in lease liabilities from entering into new leases during the year | — | 1,119 | 1,119 |
| Interest expenses *(Note 6(a))* | 33,610 | 67 | 33,677 |
| Total other changes | 33,610 | 1,186 | 34,796 |
| **At 31 December 2023** | 873,076 | 1,229 | 874,305 |

| | Interest-bearing borrowings | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 19)* | *(Note 22)* | |
| **At 1 January 2024** | 873,076 | 1,229 | 874,305 |
| **Changes from financing cash flows:** | | | |
| Capital element of lease rentals paid | — | (450) | (450) |
| Interest element of lease rentals paid | — | (45) | (45) |
| Proceeds from interest-bearing borrowings | 499,706 | — | 499,706 |
| Repayment of interest-bearing borrowings | (518,535) | — | (518,535) |
| Interest paid | (34,896) | — | (34,896) |
| Total changes from financing cash flows | (53,725) | (495) | (54,220) |
| **Other changes:** | | | |
| Repayment with discounted bills receivable | (5,299) | — | (5,299) |
| Early termination of the leases contracts | — | (471) | (471) |
| Interest expenses *(Note 6(a))* | 34,805 | 45 | 34,850 |
| Total other changes | 29,506 | (426) | 29,080 |
| **At 31 December 2024** | 848,857 | 308 | 849,165 |

| | Interest-bearing borrowings | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 19)* | *(Note 22)* | |
| **At 1 January 2025** | 848,857 | 308 | 849,165 |
| **Changes from financing cash flows:** | | | |
| Capital element of lease rentals paid | — | (287) | (287) |
| Interest element of lease rentals paid | — | (12) | (12) |
| Proceeds from bank loans | 692,088 | — | 692,088 |
| Repayment of bank loans | (544,913) | — | (544,913) |
| Interest paid | (31,096) | — | (31,096) |
| Proceeds from borrowings of non-bank financial institutions | 265,000 | — | 265,000 |
| Repayment of borrowings of non-bank financial institutions | (21,031) | — | (21,031) |
| Total changes from financing cash flows | 360,048 | (299) | 359,749 |
| **Other changes:** | | | |
| Repayment with endorsed bills receivable | (5,465) | — | (5,465) |
| Increase in lease liabilities from entering into new leases during the year | — | 229 | 229 |
| Interest expenses *(Note 6(a))* | 31,048 | 12 | 31,060 |
| Total other changes | 25,583 | 241 | 25,824 |
| **At 31 December 2025** | 1,234,488 | 250 | 1,234,738 |

**(d) Total cash outflow for leases**

Amounts included in the consolidated cash flow statements for leases comprise the following:

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within operating cash flows | 1,652 | 2,322 | 528 |
| Within investing cash flows | — | 3,203 | — |
| Within financing cash flows | 1,186 | 495 | 299 |
| | 2,838 | 6,020 | 827 |

**19 INTEREST-BEARING BORROWINGS**

**The Group**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current | 425,855 | 502,796 | 621,551 |
| Non-current | 447,221 | 346,061 | 612,937 |
| | 873,076 | 848,857 | 1,234,488 |

***(a) The analysis of the repayment schedule of bank loans is as follows:***

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year or on demand | 425,855 | 502,796 | 621,551 |
| After one year but within two years | 77,607 | 86,180 | 213,866 |
| After two years but within five years | 353,597 | 259,881 | 399,071 |
| More than five years | 16,017 | — | — |
| | 873,076 | 848,857 | 1,234,488 |

***(b) The analysis of the carrying amount of bank loans is as follows:***

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Bank loans** | | | |
| — Secured | 501,033 | 493,687 | 332,791 |
| — Guaranteed | 196,439 | 187,421 | 408,571 |
| — Unsecured and unguaranteed | 175,604 | 167,749 | 249,157 |
| | 873,076 | 848,857 | 990,519 |
| **Borrowings from the financing leasing company** | — | — | 243,969 |
| | 873,076 | 848,857 | 1,234,488 |

(i) As at 31 December 2023, 2024 and 2025, the Group had secured bank loans of RMB501,033,000, RMB493,687,000 and RMB332,791,000, bearing interest at the range of 3.55% to 3.70%, 3.20% to 3.70% and 2.50% to 3.10% per annum, respectively. The loans were secured by the Group's properties and leasehold lands with aggregate carrying amounts of RMB1,084,877,000, RMB1,019,440,000 and RMB82,548,000 at the end of each reporting period (see Notes 11 and 12).

(ii) As at 31 December 2023, 2024 and 2025, one of the subsidiaries of the Group, Huangshi Grace Fabric, had guaranteed bank loans of RMB196,439,000, RMB187,421,000 and RMB408,571,000, bearing interest at the range of 3.45% to 4.05%, 3.00% to 3.80% and 2.20% to 3.15% per annum, respectively, which were guaranteed by the Company and will be repaid upon the schedule agreed with the bank.

(iii) During the year ended 31 December 2025, the Group signed the plant and equipment leaseback arrangements with three finance leasing companies for the borrowings amounting to RMB265,000,000 totally with the interest at the range of 3.50% to 4.62%.

**The Company**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Bank loans** | | | |
| — Secured | 167,092 | 210,384 | 87,882 |
| — Unsecured and unguaranteed | 174,988 | 167,218 | 235,398 |
| **Borrowings from the financing leasing company** | — | — | 96,937 |
| | 342,080 | 377,602 | 420,217 |

**20 TRADE AND OTHER PAYABLES**

**The Group**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payable | 77,459 | 59,552 | 95,230 |
| Bills payable | 1,000 | — | — |
| Accrued salaries and employee benefits | 20,708 | 27,751 | 72,070 |
| Payable for acquisition of property, plant and equipment | 13,713 | 13,309 | 1,048 |
| Payable for repurchase of restricted shares | 12,209 | — | — |
| Capacity deposits from the end-customer | — | — | 100,000 |
| Others | 10,828 | 16,034 | 26,887 |
| | 135,917 | 116,646 | 295,235 |

**The Company**

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payable | 157,259 | 171,794 | 229,018 |
| Accrued salaries and employee benefits | 15,094 | 17,879 | 50,343 |
| Payable for repurchase of restricted shares | 12,209 | — | — |
| Capacity deposits from the end-customer | — | — | 100,000 |
| Others | 5,368 | 6,615 | 12,686 |
| | 189,930 | 196,288 | 392,047 |

All trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

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

**The Group**

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 76,538 | 58,564 | 94,649 |
| Over 1 year | 921 | 988 | 581 |
| | 77,459 | 59,552 | 95,230 |

**The Company**

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 156,583 | 171,139 | 228,885 |
| Over 1 year | 676 | 655 | 133 |
| | 157,259 | 171,794 | 229,018 |

**21 Contract liabilities**

| | At 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Receipt in advance | 710 | 1,125 | 1,430 |

Contract liabilities mainly represent the consideration received in advance as prepayments by customers. And the respective revenue is expected to be recognised when the products are delivered and accepted by the customers.

Movement of contract liabilities are as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance as at 1 January | 802 | 710 | 1,125 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | (8,998) | (7,169) | (7,940) |
| Increase in contract liabilities as a result of billing in advance of sales activities | 8,906 | 7,584 | 8,245 |
| Balance as at 31 December | 710 | 1,125 | 1,430 |

**22 Lease liabilities**

As of the end of each reporting period, the lease liabilities were repayable as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 615 | 218 | 157 |
| After 1 year but within 2 years | 293 | 90 | 78 |
| After 2 years but within 5 years | 321 | — | 15 |
| | 614 | 90 | 93 |
| Present value of lease liabilities | 1,229 | 308 | 250 |

**23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**(a) Income tax payable in the consolidated statements of financial position represent:**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year | 2,280 | (1,694) | (941) |
| Provisions for income tax for the year | — | — | 13,098 |
| Under-provision in respect of prior years | 110 | 12 | 425 |
| Income tax (paid)/received | (4,084) | 741 | (9,889) |
| At the end of the year | (1,694) | (941) | 2,693 |
| Income tax recoverable | (1,694) | (941) | — |
| Income tax payable | — | — | 2,693 |

**(b) 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 Track Record Period are follows:

***The Group***

| | **Deductible losses** | **Deferred income** | **Unrealized internal transaction gains** | **Inventory Provision** | **Right-of-use assets** | **Lease liabilities** | **Others** | **Total** |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2023 | — | 24,150 | 2,366 | 4,259 | — | — | 3,949 | 34,724 |
| Credited/(charged) to profit or loss *(Note 7(a))* | 27,816 | (916) | (287) | (177) | (169) | 184 | (2,284) | 24,167 |
| Effect on deferred tax balances resulting from a change in tax rate | (9,060) | (9,091) | — | (684) | — | — | (347) | (19,182) |
| At 31 December 2023 and 1 January 2024 | 18,756 | 14,143 | 2,079 | 3,398 | (169) | 184 | 1,318 | 39,709 |
| Credited/(charged) to profit or loss *(Note 7(a))* | 3,116 | (381) | 256 | (619) | 128 | (138) | 638 | 3,000 |
| At 31 December 2024 and 1 January 2025 | 21,872 | 13,762 | 2,335 | 2,779 | (41) | 46 | 1,956 | 42,709 |
| (Charged)/credited to profit or loss *(Note 7(a))* | (13,398) | 653 | (496) | 581 | 4 | (8) | 3,449 | (9,215) |
| At 31 December 2025 | 8,474 | 14,415 | 1,839 | 3,360 | (37) | 38 | 5,405 | 33,494 |

*The Company*

| | Deductible losses | Deferred income | Inventory Provision | Right-of-use assets | Lease liabilities | Others | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2023 | — | 600 | 3,116 | (171) | 171 | 2,845 | 6,561 |
| Credited/(charged) to profit or loss | 5,166 | (94) | (744) | 2 | 13 | (2,047) | 2,296 |
| At 31 December 2023 and 1 January 2024 | 5,166 | 506 | 2,372 | (169) | 184 | 798 | 8,857 |
| (Charged)/credited to profit or loss | (567) | 10 | (413) | 128 | (138) | 669 | (311) |
| At 31 December 2024 and 1 January 2025 | 4,599 | 516 | 1,959 | (41) | 46 | 1,467 | 8,546 |
| (Charged)/credited to profit or loss | (4,599) | (105) | (503) | 4 | (8) | 2,619 | (2,592) |
| At 31 December 2025 | — | 411 | 1,456 | (37) | 38 | 4,086 | 5,954 |

**(c) Reconciliation to consolidated statements of financial position**

*The Group*

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Net deferred tax assets recognised in the financial statement | 39,709 | 42,709 | 33,494 |

*The Company*

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Net deferred tax assets recognised in the financial statement | 8,857 | 8,546 | 5,954 |

**(d) Deferred tax assets not recognised**

In accordance with the accounting policy set out Note 2(p), as at 31 December 2023, 2024 and 2025, the Company and its subsidiaries have not recognised deferred tax assets in respect of cumulative tax losses of RMB26,641,000, RMB27,784,000 and RMB1,916,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from operations in Chinese Mainland can be carried forward to offset against taxable profits of subsequent years for up to five years for general enterprise and ten years for high-technology enterprise, from the year in which they arose.

**24 DEFERRED INCOME**

| | Year ended 31 December | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year | 98,201 | 94,283 | 91,743 |
| Additions | 4,000 | 5,700 | 15,913 |
| Credited to profit or loss | (7,918) | (8,240) | (8,954) |
| At the end of the year | 94,283 | 91,743 | 98,702 |

Deferred income represents government grants received to subsidise the construction of property, plant and equipment for the Group and is accounted for in accordance with the accounting policy set out in Note 2(r)(ii).

## 25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

**Restricted A shares incentive schemes**

The Group operated share incentive schemes (the "**Restricted A share Incentive Schemes**") for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term of the Group.

On 24 November 2021, the Restricted A share Incentive Schemes was approved by the shareholders of the Company for the grant of totally 7,000,000 restricted A shares to eligible employees, including the first batch of 6,570,000 shares ("**Plan I**") and the remaining reserved 430,000 shares ("**Plan II**").

On 10 December 2021, the relevant resolutions were considered and passed at the Company's 18th meeting of the 2nd session of the board of directors, pursuant to which the date of grant for Plan I was set on 10 December 2021. On 10 December 2021 (the date of grant), 6,570,000 restricted A shares were granted to 116 eligible participants of Plan I at a subscription price of RMB4.28 per share. The share incentive participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

On 20 January 2022, three participants forfeited the rights and related portion of restricted A shares were subscribed by the other two participants. Accordingly, a total of 113 participants purchased 6,570,000 shares with the payment of RMB28,119,600. The fair value of restricted shares granted for employees is determined by closing price of RMB8.53 per share at the grant date. Since there are no cash settlement alternatives, the Group accounts for the restricted shares granted under Plan I as an equity-settled plan.

The shares granted under Plan I shall be locked up immediately upon grant. The restricted A shares granted to the participants shall be subject to various lock-up periods of 18 months, 30 months and 42 months after the date of registration. The restricted shares under Plan I held by the participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches upon the expiry of each lock-up period. The unlocking periods and unlock proportion for the restricted shares are as follows:

| Unlocking period | Performance condition of the Group | Unlock proportion |
|---|---|---|
| First unlocking period:<br>Commencing from the first trading day after the expiry of the 18-month period from the completion date of the registration of restricted shares granted and ending on the last trading day of the 30-month period from the completion date of the registration of restricted shares granted | Compared to the year 2020, the revenue of the year 2021 increases by no less than 20%, or the net profit of the year 2021 increases by no more than 10% | 30% |
| Second unlocking period:<br>Commencing from the first trading day after the expiry of the 30-month period from the completion date of the registration of restricted shares granted and ending on the last trading day of the 42-month period from the completion date of the registration of restricted shares granted | Compared to the year 2020, the revenue of the year 2022 increases by no less than 30%, or the net profit of the year 2022 increases by no more than 20% | 30% |
| Third unlocking period:<br>Commencing from the first trading day after the expiry of the 42-month period from the completion date of the registration of restricted shares granted and ending on the last trading day of the 54-month period from the completion date of the registration of restricted shares granted | Compared to the year 2020, the revenue of the year 2023 increases by no less than 60%, or the net profit of the year 2023 increases by no more than 40% | 40% |

Where the performance target at group level has been achieved, the participants are only entitled to unlock the restricted A shares upon achieving the benchmarks of "Pass" or above in their performance target for the preceding year according to the Company's administrative measures in respect of the remuneration and performance appraisal.

On 14 October 2022, the relevant resolutions were considered and passed at the Company's 2nd meeting of the 3rd session of the board of directors, pursuant to which the date of grant for Plan II was set out 14 October 2022. On 14 October 2022 (the date of grant), pursuant to Plan II, 430,000 restricted shares were granted to 6 eligible participants of the Plan II at a subscription price of RMB3.62 per share. The share incentive participants include executive directors and the members of core marketing, technical and management personnel of the Company and its subsidiaries. A total of 6 participants purchased 430,000 shares with the payment of RMB1,556,600. The fair value of each restricted share is determined by closing price of RMB6.76 per share at the grant date. Since there are no cash settlement alternatives, the Group accounts for the restricted shares granted under Plan II as an equity-settled plan.

The restricted shares granted under Plan II shall be locked up immediately upon grant. The restricted A shares granted to the participants shall be subject to various lock-up periods of 18 months, 30 months after the date of registration. The restricted shares under Plan II held by the participants shall be unlocked (or repurchased and cancelled by the Company) in two tranches upon the expiry of each lock-up period. The unlocking periods and unlock proportion for the restricted shares are as follows:

| **Unlocking period** | **Performance condition of the Group** | **Unlock proportion** |
|---|---|---|
| First unlocking period:<br>Commencing from the first trading day after the expiry of the 18-month period from the completion date of the registration of restricted shares granted and ending on the last trading day of the 30-month period from the completion date of the registration of restricted shares granted | Compared to the year 2020, the revenue of the year 2022 increases by no less than 30%, or the net profit of the year 2022 increases by no more than 20% | 50% |
| Second unlocking period:<br>Commencing from the first trading day after the expiry of the 30-month period from the completion date of the registration of restricted shares granted and ending on the last trading day of the 42-month period from the completion date of the registration of restricted shares granted | Compared to the year 2020, the revenue of the year 2023 increases by no less than 60%, or the net profit of the year 2023 increases by no more than 40% | 50% |

Where the performance target at group level has been achieved, the participants are only entitled to unlock the restricted A shares upon achieving the benchmarks of "Pass" or above in their performance target for the preceding year according to the Company's administrative measures in respect of the remuneration and performance appraisal.

The following restricted A shares outstanding under the Restricted A shares Incentive Schemes during the Track Record Period:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *'000* | *'000* | *'000* |
| Outstanding as at the beginning of the year | 7,000 | 2,785 | — |
| Vested | (1,927) | — | — |
| Lapsed | (2,288) | (2,785) | — |
| Outstanding as at the end of the year | 2,785 | — | — |

## 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 during the Track Record Period 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.

| | Share capital | Treasury shares | Capital reserve | PRC statutory reserves | Other reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 26(c))* | *(Note 26(d))* | *(Note 26(e)(i))* | *(Note 26(e)(ii))* | *(Note 26(e)(iii))* | | |
| Balance at 1 January 2023 | 884,370 | (27,670) | 324,433 | 84,702 | — | 318,974 | 1,584,809 |
| Profit for the year | — | — | — | — | — | 11,207 | 11,207 |
| Other comprehensive income | — | — | — | — | 1,784 | — | 1,784 |
| Total comprehensive income | — | — | — | — | 1,784 | 11,207 | 12,991 |
| Issue of restricted shares under restricted A share incentive scheme | 430 | (1,557) | 1,127 | — | — | — | — |
| Repurchase and cancellation of restricted shares under restricted A share incentive scheme | (2,288) | 9,649 | (7,361) | — | — | — | — |
| Vesting of restricted A shares | — | 8,250 | — | — | — | — | 8,250 |
| Reversal of the equity settled share-based transactions recognised under restricted A share incentive scheme | — | — | (644) | — | — | — | (644) |
| Appropriation to statutory reserves | — | — | — | 1,121 | — | (1,121) | — |
| Profit distribution | — | (204) | — | — | — | (26,335) | (26,539) |
| Balance at 31 December 2023 and 1 January 2024 | 882,512 | (11,532) | 317,555 | 85,823 | 1,784 | 302,725 | 1,578,867 |
| Profit for the year | — | — | — | — | — | 27,006 | 27,006 |
| Other comprehensive income | — | — | — | — | 287 | — | 287 |
| Total comprehensive income | — | — | — | — | 287 | 27,006 | 27,293 |
| Repurchase and cancellation of restricted shares under restricted A share incentive scheme | (2,785) | 11,532 | (8,747) | — | — | — | — |
| Appropriation to statutory reserves | — | — | — | 2,701 | — | (2,701) | — |
| Balance at 31 December 2024 and 1 January 2025 | 879,727 | — | 308,808 | 88,524 | 2,071 | 327,030 | 1,606,160 |
| Profit for the period | — | — | — | — | — | 122,738 | 122,738 |
| Other comprehensive income | — | — | — | — | (2,071) | — | (2,071) |
| Total comprehensive income | — | — | — | — | (2,071) | 122,738 | 120,667 |
| Appropriation to statutory reserves | — | — | — | 12,274 | — | (12,274) | — |
| Balance at 31 December 2025 | 879,727 | — | 308,808 | 100,798 | — | 437,494 | 1,726,827 |

**(b) Dividends**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Ordinary A shares** | | | |
| Final dividends in respect of the previous year, declared and paid during the year | 26,476 | — | — |

During the year ended 31 December 2023, the final dividend in respect of 2022 amounting to RMB26,476,000, of which RMB141,000 attributable to the holders of restricted shares, was approved by the Annual General Meeting of the Company. On 18 July 2023, total of RMB26,335,000 was paid to the shareholders.

The final dividends for the year ended 31 December 2025 of RMB0.68 per 10 shares (tax inclusive), in an aggregate amount of approximately RMB61,512,000, has been approved by the shareholders in the annual general meeting after the end of the reporting period and has not been recognised as a liability as at December 31, 2025.

**(c) Issued share capital**

| | Numbers of ordinary shares | Share capital |
|---|---|---|
| | *'000* | *RMB'000* |
| Ordinary shares, issued and fully paid: | | |
| At 1 January 2023 | 884,370 | 884,370 |
| Issue of restricted shares under restricted A share incentive scheme | 430 | 430 |
| Repurchase and cancellation of restricted shares under restricted A share incentive scheme | (2,288) | (2,288) |
| At 31 December 2023 and 1 January 2024 | 882,512 | 882,512 |
| Repurchase and cancellation of restricted shares under restricted A share incentive scheme | (2,785) | (2,785) |
| At 31 December 2024, 1 January 2025 and 31 December 2025 | 879,727 | 879,727 |

The par value of ordinary shares of the Company is RMB1 each.

Pursuant to the directors' resolutions approved at 2nd meeting of the Third Board of Director of the Company on 14 October 2022 and 2nd meeting of the Third Board of Supervisor of the Company on the same date, the Company granted 430,000 shares to the qualified employees under the Company's Restricted A share Incentive Scheme. These restricted shares were registered on 30 January 2023.

Pursuant to the directors' resolutions approved at 6th meeting of the Third Board of Director of the Company on 26 April 2023 and 5th meeting of the Third Board of Supervisor of the Company on the same date, total of 2,287,500 restricted shares were planned to be repurchased by the Company. These restricted shares were cancelled on 27 June 2023.

Pursuant to the directors' resolutions approved at 14th meeting of the Third Board of Director of the Company on 25 April 2024 and 11th meeting of the Third Board of Supervisor of the Company on the same date, total of 2,785,000 restricted shares were planned to be repurchased by the Company. These restricted shares were cancelled on 21 June 2024.

**(d) Treasury shares**

During the Track Record Period, the Company repurchased its own ordinary shares on the Shanghai Stock Exchange as follows:

| Month/year | Numbers of ordinary shares | Highest price paid per share | Lowest price paid per share | Aggregate price paid |
|---|---|---|---|---|
| | | *RMB* | *RMB* | *RMB'000* |
| June 2023 | 2,287,500 | 4.15 | 3.59 | 9,710 |
| May 2024 | 2,785,000 | 4.15 | 3.59 | 12,208 |

The treasury shares are used for restricted share incentive plans (Note 25). As at 31 December 2023, 2024 and 2025, the treasury shares held by the Company was 2,785,000 shares, nil and nil, respectively.

**(e) Nature and purpose of reserves**

***(i) Capital reserve***

The capital reserve mainly comprises the following:

— the portion of the grant date fair value of unvested restricted shares granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payment in Note 2(o)(ii); and

— the excess of the net contributions from the shareholders of the Company over the total share capital issued;

***(ii) PRC statutory reserves***

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC companies.

***(iii) Other reserve***

Other reserve mainly represents:

— the cumulative net change in the fair value of financial assets designated at FVOCI that are held at the end of each reporting period; and

— the exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(s).

**(f) 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.

The Group's overall strategy remains unchanged throughout the years ended 31 December 2023, 2024 and 2025. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2023, 2024 and 2025 was 43.6%, 42.2% and 49.7%, respectively.

**27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity and interest rate 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 credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

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

***Trade receivables***

In respect of the trade 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 operates. Trade receivables are due within 90 to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2023, 2024 and 2025, 19.5%, 13.5% and 11.8% of the total trade receivables were due from the Group's largest customer and 8.0%, 4.3% and 6.7% of the total trade receivables were due from the Group's five largest customers, respectively.

The Group measures loss allowances for trade 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.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023, 2024 and 2025:

| | As at 31 December 2023 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Current (not past due) | 1.0% | 237,676 | 2,377 |
| Within one year past due | 5.0% | 1,187 | 59 |
| Total | | 238,863 | 2,436 |

| | As at 31 December 2024 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Current (not past due) | 1.0% | 306,514 | 3,065 |
| Within one year past due | 5.0% | 931 | 47 |
| Total | | 307,445 | 3,112 |

| | As at 31 December 2025 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Current (not past due) | 1.0% | 444,277 | 4,443 |
| Within one year past due | 5.0% | 1,487 | 74 |
| Total | | 445,764 | 4,517 |

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

| | Year ended 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at 1 January | 1,933 | 2,436 | 3,112 |
| Impairment losses recognised | 503 | 676 | 1,405 |
| Balance at 31 December | 2,436 | 3,112 | 4,517 |

***Other receivables***

In respect of other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for the credit-impaired other receivables, there are no significant increase in credit risk of the remaining other receivable since initial recognition and the Group provided impairment based on 12-month ECL. Accordingly, the Group reversed the loss allowance of RMB282,000 for the year ended 31 December 2023, and recognised loss allowance of RMB36,000 and RMB7,000, respectively, for the years ended 31 December 2024 and 2025.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the 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 adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's 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 reporting date) and the earliest date the Group can be required to pay.

| | At 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 507,070 | 93,757 | 379,674 | 16,136 | 996,637 | 873,076 |
| Trade and other payables | 135,917 | — | — | — | 135,917 | 135,917 |
| Lease liabilities | 615 | 314 | 349 | — | 1,278 | 1,229 |
| | 643,602 | 94,071 | 380,023 | 16,136 | 1,133,832 | 1,010,222 |

| | At 31 December 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 526,192 | 103,730 | 272,935 | — | 902,857 | 848,857 |
| Trade and other payables | 116,646 | — | — | — | 116,646 | 116,646 |
| Lease liabilities | 218 | 99 | — | — | 317 | 308 |
| | 643,056 | 103,829 | 272,935 | — | 1,019,820 | 965,811 |

| | At 31 December 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 646,502 | 230,323 | 426,278 | — | 1,303,103 | 1,234,488 |
| Trade and other payables | 295,235 | — | — | — | 295,235 | 295,235 |
| Lease liabilities | 157 | 82 | 20 | — | 259 | 250 |
| | 941,894 | 230,405 | 426,298 | — | 1,598,597 | 1,529,973 |

**(c) Interest rate risk**

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The fair value interest risk and cash flow interest rate risk that the Group exposed to are not significant.

***(i) Interest rate risk profile***

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's bank loans, lease liabilities, cash and cash equivalents and restricted bank deposits as at the end of each reporting period.

| | At 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2024 | | 2025 | |
| | *Effective interest rate* | *RMB'000* | *Effective interest rate* | *RMB'000* | *Effective interest rate* | *RMB'000* |
| **Fixed rate:** | | | | | | |
| Cash and cash equivalents | 1.00%–5.60% | 91,569 | 1.35%–4.80% | 152,016 | 0.75%–3.78% | 80,692 |
| Time deposit | 3.50% | 27,069 | 4.80% | 24,762 | 1.65% | 10,001 |
| Restricted bank deposits | 0.20%–1.30% | 3,277 | 0.10%–0.15% | 1,796 | 0.00%–1.30% | 24,391 |
| Interest-bearing borrowings | | | | | | |
| — Current | 3.30%–4.05% | (425,855) | 2.90%–3.80% | (502,796) | 2.11%–4.62% | (621,551) |
| — Non-current | 3.70%–4.05% | (447,221) | 3.70%–3.80% | (346,061) | 2.90%–4.62% | (612,937) |
| Lease liabilities | 4.30%–4.50% | (1,229) | 4.30%–4.50% | (308) | 2.60%–4.50% | (250) |
| | | (752,390) | | (670,591) | | (1,119,654) |
| **Variable rate:** | | | | | | |
| Cash and cash equivalents | 0.00%–0.75% | 56,556 | 0.00%–0.35% | 108,655 | 0.00%–1.30% | 131,680 |
| **Total** | | (695,834) | | (561,936) | | (987,974) |

***(ii) Sensitivity analysis***

At 31 December 2023, 2024 and 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's (loss)/profit after tax and decreased/increased retained profits by approximately RMB466,000, RMB898,000 and RMB1,119,000 in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's (loss)/profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's (loss)/profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

**(d) Currency risk**

In respect of cash at bank and on hand, trade receivables and payables, short-term loans and long-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and doing hedging when necessary to address short-term imbalances.

***(i) Exposure to currency risk***

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the reporting date.

| | Exposure to foreign currencies (expressed in RMB) As at 31 December 2023 | | | |
|---|---|---|---|---|
| | Cash and cash equivalents | Trade and other receivables | Trade and other payables | Net exposure |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| — US Dollar (USD) | 22,652 | 23,675 | (9,155) | 37,172 |
| — Yen (JPY) | — | — | (617) | (617) |
| | 22,652 | 23,675 | (9,772) | 36,555 |

| | Exposure to foreign currencies (expressed in RMB) As at 31 December 2024 | | | | |
|---|---|---|---|---|---|
| | Cash and cash equivalents | Time deposit | Trade and other receivables | Trade and other payables | Net exposure |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| — US Dollar (USD) | 78,724 | 3,445 | 35,733 | (3,199) | 114,703 |
| — Yen (JPY) | — | — | — | (3) | (3) |
| | 78,724 | 3,445 | 35,733 | (3,202) | 114,700 |

| | Exposure to foreign currencies (expressed in RMB) As at 31 December 2025 | | | | |
|---|---|---|---|---|---|
| | Cash and cash equivalents | Time deposit | Trade and other receivables | Trade and other payables | Net exposure |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| — US Dollar (USD) | 12,205 | 21,086 | 56,077 | (3,198) | 86,170 |
| — Euro (EUR) | — | — | — | (11,291) | (11,291) |
| — Yen (JPY) | — | — | — | (541) | (541) |
| | 12,205 | 21,086 | 56,077 | (15,030) | 74,338 |

***(ii) Sensitivity analysis***

The following table indicates the instantaneous change in the Group's (loss)/profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end each reporting period had changed at that date, assuming all other risk variables remained constant.

| | Year ended 31 December 2023 | | | |
|---|---|---|---|---|
| | Loss after tax Strengthening | Weakening | Retained earnings Strengthening | Weakening |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| USD (5% movement) | (1,580) | 1,580 | 1,580 | (1,580) |
| JPY (5% movement) | 26 | (26) | (26) | 26 |

| | Year ended 31 December 2024 | | | |
|---|---|---|---|---|
| | Profit after tax Strengthening | Weakening | Retained earnings Strengthening | Weakening |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| USD (5% movement) | 4,875 | (4,875) | 4,875 | (4,875) |
| JPY (5% movement) | — | — | — | — |

| | Year ended 31 December 2025 | | | |
|---|---|---|---|---|
| | Profit after tax | | Retained earnings | |
| | Strengthening | Weakening | Strengthening | Weakening |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| USD (5% movement) | 3,661 | (3,661) | 3,661 | (3,661) |
| JPY (5% movement) | (23) | 23 | (23) | 23 |
| EUR (5% movement) | (480) | 480 | (480) | 480 |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign change rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each 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 difference that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

**(e) Fair value measurement**

***(i) Financial assets and liabilities measured at fair value***

*Fair value hierarchy*

\

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Company has a team performing valuations for the financial instruments categories into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

| | As at 31 December 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivable | — | — | 73,315 | 73,315 |
| Financial assets measured at FVOCI | — | 53,152 | — | 53,152 |
| **Total assets measured at fair value on a recurring basis** | — | 53,152 | 73,315 | 126,467 |

| | As at 31 December 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivable | — | — | 62,696 | 62,696 |
| Financial assets measured at FVOCI | — | 32,273 | — | 32,273 |
| **Total assets measured at fair value on a recurring basis** | — | 32,273 | 62,696 | 94,969 |

| | As at 31 December 2025 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivable | — | — | 36,533 | 36,533 |
| **Total assets measured at fair value on a recurring basis** | — | — | 36,533 | 36,533 |

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

*Valuation techniques and inputs used in Level 2 fair value measurements*

For the certificate of deposits issued by banks that are measured at FVOCI, the fair value is determined by net value of the deposits on the balance sheet date that published by commercial banks.

*Information about Level 3 fair value measurements*

| | **Valuation techniques** | **Significant unobservable inputs** |
|---|---|---|
| Bills receivable | Discounted cash flow method | Expected discount rate |

The bills receivable measured at FVOCI is calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

***(ii) Fair value of financial assets and liabilities carried at other than fair value.***

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023, 2024 and 2025.

## 28 COMMITMENTS

Capital commitments outstanding at 31 December 2023, 2024 and 2025 not provided for in the Historical Financial Information were as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted for | 28,086 | 10,685 | 58,644 |

## 29 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Company, 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 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowance and benefits in kind | 4,498 | 4,286 | 4,881 |
| Discretionary bonuses | 262 | 1,192 | 2,010 |
| Defined contribution retirement plans | 432 | 499 | 417 |
| Equity-settled share-based payments | (123) | — | — |
| | 5,069 | 5,977 | 7,308 |

Total remuneration is included in "staff costs" (see Note 6(b)).

**(b) Related parties and their relationship with the Group**

| Name of party | Relationship with the Group |
|---|---|
| Nexfocus Investments Limited | Ultimate controlling company |
| Grace THW Holding Limited | Intermediate holding company |
| Grace Fabric Investment Co., Ltd. | Intermediate holding company |
| Wuxi Hongren Electronic Material Technology Co., Ltd. (無錫宏仁電子材料科技有限公司)* | Entity controlled by the ultimate controlling company |
| Bicheng Fiberglass (Kunshan) Co., Ltd. (必成玻璃纖維(崑山)有限公司)* | Entity where the close relatives of the ultimate controlling person served as directors |
| Sichuan Hongquan Liquor Trading Co., Ltd. (四川宏泉酒類經營有限公司)* | Entity where the close relatives of the ultimate controlling person controlled |
| Zhuhai Hongren Electronic Materials Technology Co., Ltd. (珠海宏仁電子材料科技有限公司)* | Entity controlled by the ultimate controlling company |
| PFG Fiber Glass Corporation | Entity where the close relatives of the ultimate controlling person served as directors |

* *The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.*

**(c) Transactions with related parties**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Purchase of goods | 3,996 | 20,383 | 43,780 |
| Sale of goods | 14,474 | 11,949 | 15,257 |

**(d) Balance with related parties**

| | At 31 December | | |
|---|---|---|---|
| | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Trade-related:** | | | |
| — Trade receivables, net of loss allowance | 1,080 | 1,530 | 2,190 |
| — Bills receivable | — | 698 | 3,176 |
| — Prepayments | 55 | 146 | — |
| — Trade payables | — | — | 3,308 |

**30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

As at the date of this report, the Directors consider the immediate controlling party of the Group to be Asia Wealth International Limited, and the ultimate controlling party of the Group to be Mr. Wong Wen-Young and his daughter, Ms. Wong Tsu Han Grace.

**31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD**

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include:

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures — Contracts referencing nature-dependent electricity* | 1 January 2026 |
| Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures — Amendments to the Classification and Measurement of Financial Instruments* | 1 January 2026 |
| Annual Improvements to IFRS Accounting Standards — Volume 11 | 1 January 2026 |
| IFRS 18 *Presentation and Disclosure in Financial Statements* | 1 January 2027 |
| IFRS 19, *Subsidiaries without Public Accountability: Disclosures* | 1 January 2027 |
| Amendments to IAS 21, *Translation to a hyperinflationary presentation currency* | 1 January 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 the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the followings.

**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 January 1, 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. Minor amendments to IAS 7 Statement of cash flows are also made.

The Group does not plan to early adopt IFRS 18. IFRS18 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**

On 4 March 2026, the Company completed a placement of 24,858,945 new A Shares at a price of RMB40.01 per A share, with the total consideration of RMB981,462,000 received (net of the issuance cost).

On 15 May 2026, a final dividend in respect of the year ended 31 December 2025 of RMB0.68 per 10 shares (tax inclusive), in an aggregate amount of approximately RMB61,512,000, has been approved by the shareholders in the annual general meeting.

## SUBSEQUENT FINANCIAL STATEMENTS

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