

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

The following is the text of a report set out on pages [IA-1 to IA-●], received from the Company’s reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



天健國際會計師事務所有限公司
Confucius International CPA Limited

Certified Public Accountants

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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUZHOU DONGSHAN PRECISION MANUFACTURING CO., LTD. AND UBS SECURITIES HONG KONG LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED, GF CAPITAL (HONG KONG) LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Suzhou Dongshan Precision Manufacturing Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages IA-[●] to IA-[●], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and 2025 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages IA-[●] to IA-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of 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 considers 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 set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 IA-[●] have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

[Confucius International CPA Limited]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of 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 Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA (“Underlying Financial Statements”).

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended December 31		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	6	33,651,205	36,770,374	40,124,859
Cost of sales	9	(28,970,998)	(32,553,696)	(35,160,571)
Gross profit		4,680,207	4,216,678	4,964,288
General and administrative expenses	9	(1,124,729)	(1,312,533)	(1,562,557)
Selling and marketing expenses	9	(362,094)	(454,018)	(445,146)
Research and development expenses	9	(1,161,190)	(1,266,813)	(1,417,227)
Net impairment losses on financial assets		(39,437)	(44,110)	(63,743)
Other income	7	249,882	523,256	362,768
Other gains, net	8	243,190	8,479	76,346
Operating profit		2,485,829	1,670,939	1,914,729
Finance income	11	225,594	243,072	200,834
Finance costs	11	(500,195)	(445,902)	(424,225)
Finance costs, net	11	(274,601)	(202,830)	(223,391)
Share of net loss of investments in associates	15	(10,821)	(398)	(922)
Impairment provision for investments in associates	15	(9,319)	–	–
Profit before income tax		2,191,088	1,467,711	1,690,416
Income tax expense	12	(226,038)	(382,651)	(297,449)
Profit for the year		1,965,050	1,085,060	1,392,967
Attributable to:				
- Owners of the company	38	1,964,525	1,085,641	1,386,067
- Non-controlling interests		525	(581)	6,900
Earnings per share attributable to the owners of the Company				
- Basic earnings per share	14	1.15	0.64	0.79
- Diluted earnings per share	14	1.15	0.64	0.79

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31			
	<i>Notes</i>	2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year		<u>1,965,050</u>	<u>1,085,060</u>	<u>1,392,967</u>
Other comprehensive income/loss				
Items that may be reclassified to profit or loss in subsequent periods, net of tax:				
- Currency translation differences of foreign operations		(61,604)	34,435	(10,504)
- Cash flow hedges		<u>39,915</u>	<u>13,126</u>	<u>40,974</u>
Items that may not be reclassified to profit or loss in subsequent periods, net of tax:				
- Changes in the fair value of equity investments at FVOCI ...		-	-	43,716
- Remeasurement of defined benefit plan		-	-	2,085
Other comprehensive income/(loss) for the year, net of tax		<u>(21,689)</u>	<u>47,561</u>	<u>76,271</u>
Attributable to:				
- Owners of the company		(21,689)	47,561	76,271
- Non-controlling interests		-	-	-
Total comprehensive income for the year		<u>1,943,361</u>	<u>1,132,621</u>	<u>1,469,238</u>
Attributable to:				
- Owners of the company		<u>1,942,836</u>	<u>1,133,202</u>	<u>1,462,338</u>
- Non-controlling Interests		<u>525</u>	<u>(581)</u>	<u>6,900</u>

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
ASSETS				
Non-current assets				
Property, plant and equipment	18	15,309,501	17,272,871	20,160,205
Investment properties	19	1,039	781	142,555
Right-of-use assets	20	1,588,132	1,772,723	2,495,668
Deferred tax assets	23	586,003	465,911	829,763
Trade receivables	24	–	–	280,287
Intangible assets	21	2,473,057	2,344,753	5,602,244
Investments in associates	15	155,407	155,009	126,566
Equity investments at fair value through other comprehensive income	16	278,157	333,657	442,976
Prepayments and other receivables	25	945,051	530,838	1,533,489
Other non-current assets	26	26,662	19,414	9,268
Total non-current assets		21,363,009	22,895,957	31,623,021
Current assets				
Inventories	27	6,293,879	6,152,656	8,928,944
Prepayments and other receivables	25	438,493	578,312	939,991
Trade and notes receivables	24	7,716,572	7,672,495	9,792,745
Financial assets at fair value through profit or loss	28	128,752	63,212	136,428
Notes receivables at fair value through other comprehensive income	16	290,477	252,612	285,278
Restricted cash and term deposits	29	1,545,549	1,828,731	1,545,561
Cash and cash equivalents	29	5,644,487	5,343,600	6,104,723
Derivative financial assets	22	17,389	14,932	65,126
Other current assets	26	370,146	771,242	828,721
Total current assets		22,445,744	22,677,792	28,627,517
Total assets		43,808,753	45,573,749	60,250,538

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	Notes	As at December 31		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	30	4,706,280	5,289,188	6,375,079
Lease liabilities	20	1,842,799	1,351,519	1,790,065
Deferred tax liabilities	23	199,155	262,220	634,807
Deferred income	34	733,457	585,934	889,843
Accruals and other payables	32	48,708	22,449	142,470
Provisions	33	60,785	58,259	263,757
Total non-current liabilities		7,591,184	7,569,569	10,096,021
Current liabilities				
Borrowings	30	7,623,119	7,138,100	10,970,771
Trade and notes payables	31	8,948,278	10,594,850	14,045,950
Contract liabilities	6	28,983	122,562	474,661
Lease liabilities	20	29,698	131,842	500,891
Current income tax liabilities		425,307	342,390	513,181
Accruals and other payables	32	931,924	772,104	1,856,840
Derivative financial liabilities	22	33,347	11,038	46,546
Provisions	33	–	–	17,813
Other current liabilities		6,556	5,191	26,025
Total current liabilities		18,027,212	19,118,077	28,452,678
Total liabilities		25,618,396	26,687,646	38,548,699
EQUITY				
Equity attributable to owner of the Company				
- Share capital	35	1,709,867	1,705,914	1,831,608
- Treasury shares	36	(125,907)	(74,992)	(175,076)
- Other reserves	39	7,533,971	7,907,421	9,266,211
- Retained earnings	38	9,025,096	9,288,044	10,538,406
		18,143,027	18,826,387	21,461,149
Non-controlling interests		47,330	59,716	240,690
TOTAL EQUITY		18,190,357	18,886,103	21,701,839
TOTAL LIABILITIES AND EQUITY		43,808,753	45,573,749	60,250,538

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

COMPANY’S STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	18	1,617,330	1,013,046	924,473
Right-of-use assets	20	62,930	59,439	23,883
Deferred tax assets	23	188,815	36,375	90,067
Intangible assets		2,719	4,695	5,887
Investments in associates	15	84,720	90,305	90,740
Investments in subsidiaries	17	9,381,583	9,537,552	10,181,458
Equity investments at fair value through other comprehensive income	16	171,322	221,322	233,621
Financial assets at fair value through profit or loss	28	–	–	725,590
Prepayments and other receivables	25	166,933	81,247	539,616
Other non-current assets	26	26,662	19,414	7,711
Total non-current assets		11,703,014	11,063,395	12,823,046
Current assets				
Inventories	27	1,299,183	986,847	674,472
Prepayments and other receivables	25	5,556,127	6,058,678	6,331,555
Trade and notes receivables	24	2,084,886	3,143,493	2,968,231
Other financial assets at fair value through other comprehensive income	16	16,446	18,920	97,221
Restricted cash and term deposits	29	642,980	551,130	444,001
Cash and cash equivalents	29	478,844	538,870	716,293
Other current assets	26	11,482	22,206	27,462
Derivative financial assets	22	–	–	220
Total current assets		10,089,948	11,320,144	11,259,455
Total assets		21,792,962	22,383,539	24,082,501

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

COMPANY’S STATEMENTS OF FINANCIAL POSITION (Continued)

	Notes	As at December 31		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
LIABILITIES				
Non-current liabilities				
Borrowings	30	2,405,438	2,251,617	1,356,852
Lease liabilities	20	2,741	861	–
Deferred income	34	19,403	16,473	16,538
Provisions		1,850	1,126	1,282
Total non-current liabilities		2,429,432	2,270,077	1,374,672
Current liabilities				
Borrowings	30	3,744,345	3,091,890	3,381,703
Trade and notes payables	31	1,775,847	1,975,513	2,508,002
Contract liabilities	6	11,196	18,960	24,694
Lease liabilities	20	2,006	1,880	614
Accruals and other payables	32	3,962,843	5,135,889	5,546,775
Other current liabilities		3,373	1,509	4,003
Total current liabilities		9,499,610	10,225,641	11,465,791
Total liabilities		11,929,042	12,495,718	12,840,463
EQUITY				
Share capital	35	1,709,867	1,705,914	1,831,608
Treasury shares	36	(125,907)	(74,992)	(175,076)
Other reserves	39	7,797,106	8,122,995	9,418,210
Retained earnings	38	482,854	133,904	167,296
TOTAL EQUITY		9,863,920	9,887,821	11,242,038
TOTAL LIABILITIES AND EQUITY		21,792,962	22,383,539	24,082,501

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at January 1, 2023	1,709,867	(125,907)	7,497,266	7,297,404	16,378,630	46,928	16,425,558
Profit for the year	–	–	–	1,964,525	1,964,525	525	1,965,050
Other comprehensive loss	–	–	(21,689)	–	(21,689)	–	(21,689)
Total comprehensive income/(loss) for the year	–	–	(21,689)	1,964,525	1,942,836	525	1,943,361
Share-based payment							
-Share-based compensation expenses	–	–	8,874	–	8,874	8	8,882
Appropriation to statutory reserves	–	–	49,520	(49,520)	–	–	–
Dividends	–	–	–	(187,313)	(187,313)	(131)	(187,444)
Balance at December 31, 2023	1,709,867	(125,907)	7,533,971	9,025,096	18,143,027	47,330	18,190,357

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000			
Balance at January 1, 2024	1,709,867	(125,907)	7,533,971	9,025,096	18,143,027	47,330	18,190,357	
Profit/(loss) for the year	–	–	–	1,085,641	1,085,641	(581)	1,085,060	
Other comprehensive income	–	–	47,561	–	47,561	–	47,561	
Total comprehensive income/(loss) for the year	–	–	47,561	1,085,641	1,133,202	(581)	1,132,621	
Share-based payment								
-Share-based compensation expenses	–	–	478	–	478	–	478	
-Repurchase of shares under share schemes	–	(25,001)	–	–	(25,001)	–	(25,001)	
-Deregistration of shares under share schemes	(3,953)	75,916	(71,963)	–	–	–	–	
Deregistration of subsidiaries	–	–	–	–	–	12,967	12,967	
Appropriation to statutory reserves	–	–	47,374	(47,374)	–	–	–	
Dividends	–	–	–	(425,319)	(425,319)	–	(425,319)	
Reclassification of other comprehensive income to retained earnings	–	–	350,000	(350,000)	–	–	–	
Balance at December 31, 2024	1,705,914	(74,992)	7,907,421	9,288,044	18,826,387	59,716	18,886,103	

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at January 1, 2025	1,705,914	(74,992)	7,907,421	9,288,044	18,826,387	59,716	18,886,103
Profit for the year	–	–	–	1,386,067	1,386,067	6,900	1,392,967
Other comprehensive income	–	–	76,271	–	76,271	–	76,271
Total comprehensive income for the year	–	–	76,271	1,386,067	1,462,338	6,900	1,469,238
Appropriation to statutory reserves	–	–	16,910	(16,910)	–	–	–
Capital contribution from the Company’s shareholders and non-controlling interests	125,694	–	1,265,820	–	1,391,514	43	1,391,557
Repurchase of shares	–	(100,084)	–	–	(100,084)	–	(100,084)
Dividends	–	–	–	(118,795)	(118,795)	–	(118,795)
Transactions with non-controlling interests	–	–	(211)	–	(211)	(184,388)	(184,599)
Business combinations	–	–	–	–	–	358,419	358,419
Balance at December 31, 2025	1,831,608	(175,076)	9,266,211	10,538,406	21,461,149	240,690	21,701,839

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended December 31		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from operating activities				
Cash generated from operations	41(a)	5,077,989	4,979,671	4,968,075
Interest received		210,139	243,072	200,834
Income tax paid		(247,460)	(244,094)	(266,579)
Net cash generated from operating activities		5,040,668	4,978,649	4,902,330
Cash flows from investing activities				
Proceeds from disposal of subsidiaries		–	39,160	–
Proceeds from disposal of equity investments measured at FVTPL		–	26,199	40,505
Proceeds from investment income		24,025	10,297	19,292
Proceeds from disposal of property, plant and equipment and intangible assets		37,557	173,295	90,863
Withdraw of term deposits and wealth management products		1,003,172	986,214	1,330,062
Government grant received in relation to assets		131,752	7,370	404,812
Proceeds of deposits for purchase of investments		–	230,197	505,302
Proceeds from disposal of associates		–	–	22,732
Payments for purchase of investments in associates		(35,000)	–	(214)
Purchases of equity investments measured at FVTPL		(22,790)	(4,986)	(99,043)
Purchases of equity investments at fair value through other comprehensive income		(106,835)	(55,500)	(75,603)
Payments of deposits for purchase of investments		(226,169)	–	(939,122)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(3,466,866)	(3,792,145)	(4,383,255)
Placement of term deposits and wealth management products		(1,182,221)	(1,592,985)	(575,249)
Payment for subscription of convertible bonds and loans		–	–	(836,185)
Net outflow of cash from the acquisition of subsidiaries		(863,778)	–	(3,383,277)
Payments for purchase of subsidiaries		–	(109,158)	–
Payments for settlement of derivative financial instruments		–	(4,274)	–
Net cash used in investing activities		(4,707,153)	(4,086,316)	(7,878,380)

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ACCOUNTANTS’ REPORT OF THE GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	<i>Notes</i>	Year ended December 31		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from financing activities				
Capital contribution from the Company’s shareholders and non-controlling interests		–	–	1,391,557
Proceeds from borrowings		14,094,917	10,128,622	12,749,059
Repayments of borrowings		(13,925,430)	(10,035,345)	(9,508,203)
Principal elements of lease payments		(183,002)	(644,317)	(267,230)
Interests paid		(379,553)	(364,297)	(320,185)
Dividends paid to the Company’s shareholders	<i>13</i>	(187,313)	(425,319)	(118,795)
Dividends paid to non-controlling interests		(131)	–	–
Payments for repurchase of shares		–	(25,001)	(100,084)
Payments for [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Payments for repurchase of employee share options		–	–	(184,599)
Movements of restricted cash		337,966	46,289	115,687
Net cash generated from/ (used in) financing activities		[REDACTED]	[REDACTED]	[REDACTED]
Net increase/ (decrease) in cash and cash equivalents				
		90,969	(427,035)	773,345
Cash and cash equivalents at beginning of the year		5,457,027	5,644,487	5,343,600
Effects of exchange rate changes on cash and cash equivalents		96,491	126,148	(12,222)
Cash and cash equivalents at the end of the year	<i>29</i>	<u>5,644,487</u>	<u>5,343,600</u>	<u>6,104,723</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Suzhou Dongshan Precision Manufacturing Co., Ltd.(蘇州東山精密製造股份有限公司) (hereinafter referred to as the “Company”), formerly known as Suzhou Dongshan Sheet Metal Co., Ltd. (蘇州市東山鈹金有限責任公司), is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”) on December 24, 2007. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002384) on April 9, 2010. The registered office and principal place of business of the Company is located at No. 288 Shanfeng Road, Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, PRC. The ultimate controllers of the company are Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen (“the ultimate controlling shareholders”).

The Company and its subsidiaries (hereinafter collectively referred to as “the Group”) belong to the computer, communication and other electronic equipment manufacturing industry, and are primarily engaged in research and development, manufacturing and sales of core devices for intelligent interconnection, including electronic circuits (PCBs), LED display devices, touch panels, LCMs, precision components, optical components, optical modules and automotive components, etc.

The Company’s primary subsidiaries during the Track Record Period are set out in Note 17.

The Historical Financial Information are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB’000) except when otherwise indicated.

The statutory consolidated financial statements of the Group for the years ended December 31, 2023, 2024 and 2025 prepared in accordance with the relevant accounting principles in the PRC were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Historical Financial Information of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at other comprehensive income (“FVOCI”).

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 46 to this Historical Financial Information.

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’	To be determined
Amendments to IFRS 9 and IFRS 7 ‘Amendments to the Classification and Measurement of Financial Instruments’	January 1, 2026
Amendments to IFRS 9 and IFRS 7 ‘Contracts Referencing Nature-dependent Electricity’	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS18 ‘Presentation and Disclosure in Financial Statements’	January 1, 2027
IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’	January 1, 2027
IFRS 21 Translation to a Hyper inflationary Presentation Currency	January 1, 2027

Except for the impact of IFRS18 mentioned below, other new/amended standards are either not relevant to the Group or not expected to have a material impact on the Group’s consolidated financial statements when they become effective.

IFRS18 Presentation and Disclosure in Financial Statements

IFRS18 “Presentation and Disclosure in Financial Statements”, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 “Presentation of Financial Statements”. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and IFRS 7 “Financial Instruments: Disclosures”. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS18 will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS18 is not expected to have significant impact on the Group’s financial position and performance, but may affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

3. FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

seeks a balance between risk and return, minimizes the adverse impact of risk on the Group’s finance performance and maximizes the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Group’s risk management is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

3.1 Market Risk

(a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Company and its subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures, and adopts multiple approaches including natural hedging, or financially hedge by foreign currency financial derivatives instruments, to effectively control foreign exchange risks, and make the foreign exchange exposures under the manageable level, so as to mitigate the adverse impacts of foreign exchange fluctuations on financial expenses.

As at December 31, 2023, 2024 and 2025, the Group’s major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in United States dollar (“USD”) and Hong Kong dollar (“HKD”), and included in a group entity with different functional currency:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets denominated in:			
USD	10,111,571	9,885,967	8,658,261
Others	<u>44,252</u>	<u>92,104</u>	<u>88,129</u>
	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial liabilities denominated in:			
USD	3,650,144	3,308,383	3,288,154
HKD	–	–	2,664,711
Others	<u>49,754</u>	<u>547,286</u>	<u>17,940</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market Risk (Continued)

As shown in the table above, the Group is primarily exposed to changes in USD and HKD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and HKD denominated financial instruments is as below:

	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
USD exchange rate -			
Increase 5%	323,071	328,879	268,505
Decrease 5%	(323,071)	(328,879)	(268,505)
HKD exchange rate -			
Increase 5%	60	34	(133,038)
Decrease 5%	(60)	(34)	133,038

Other foreign currencies of changes have no significant impact on foreign exchange risk.

(b) Interest Rate Risk

The Group’s interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment and maintains an appropriate combination of financial instruments through regular review and monitoring.

As at December 31, 2023, 2024 and 2025, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB1,406,782,000, RMB2,392,686,000 and RMB6,237,185,000, respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximate RMB7,034,000, RMB11,963,000 and RMB31,186,000 for the years ended December 31, 2023, 2024 and 2025, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bank balances carried at fixed rates is not significant for the Group.

(c) Price Risk

The Group is mainly exposed to equity price risk arising from investments held by the Group that are classified either as FVTPL (Note 28) or FVOCI (Note 16). To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are mainly made for strategic purposes. Each investment is managed by the management on a case-by-case basis.

Sensitivity analysis is performed by the management to assess the exposure of the Group’s financial results to equity price risk of FVTPL and FVOCI at the end of each Track Record Period. If prices of the respective instruments held by the Group had been 5%, 5% and 5% higher/lower as at December 31, 2023, 2024 and 2025, profit before tax for the year would have been approximately RMB2,098,000,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market Risk (Continued)

RMB(239,000) and RMB4,494,000 higher/lower as a result of gains/losses on financial instruments classified as at FVTPL, other comprehensive income before tax would have been approximately RMB28,432,000, RMB29,313,000 and RMB36,413,000 higher/lower as a result of fair value changes on financial instruments classified as at FVOCI.

The Group is primarily engaged in the PCB business, using copper and gold as its key metallic raw materials. It also operates a precision manufacturing segment that primarily uses aluminum as its major raw material input. Prices of these metals are highly volatile due to various external factors beyond the Group’s control, including but not limited to: (i) availability of upstream mineral resources; (ii) global supply-demand imbalances; (iii) logistics disruptions and fluctuations in freight costs; (iv) force majeure events such as natural disasters; and (v) macroeconomic uncertainties.

Such price volatility directly leads to fluctuations in procurement costs, which in turn increases volatility in operating profit and adversely affects business stability. To manage these price risks, the Group undertakes economic hedges using derivative financial instruments to hedge price risks associated with its key raw materials. For hedging relationships that qualify for hedge accounting under applicable accounting standards, the Group applies hedge accounting to appropriately reflect the effect of hedging activities in reducing volatility in financial performance and to stabilize the procurement costs of essential raw materials.

Under its risk management strategy and objective, the Group designates cash flow hedge relationship when using commodity futures contracts hedging commodity price risk associated with the cash flows of highly probable forecast procurement transactions. The hedged items are the same with the underlying indexes in the commodity futures to lock in commodity price fluctuations.

3.2 Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables, other receivables and FVOCI. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

(a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables and FVOCI, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) *Impairment of Financial Assets*

The Group has four types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash and term deposits;
- Trade receivables;
- Notes Receivables at Amortized Cost and Notes Receivables at FVOCI, and
- Other receivables.

Credit risk of cash and cash equivalents and restricted cash and term deposits

Cash and cash equivalents and restricted cash and term deposits are mainly placed with high-credit rating financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was immaterial as at December 31, 2023, 2024 and 2025.

Credit risk of trade and notes receivables

(i) *Trade receivables*

The Group applies the IFRS 9 simplified approach to measure expected credit loss (“ECL”) which uses a lifetime expected loss allowance for all trade receivables regardless of whether there exists a significant financing component.

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and aging.

The Group also made individual assessment on the recoverability of its trade receivables for certain customers based on historical settlement records.

The historical loss rates are calculated based on the historical payment profiles of customers and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (“GDP”) of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and other indicators of severe financial difficulties.

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

Trade Receivables

On that basis, the loss allowance as at December 31, 2023, 2024 and 2025 were determined as follows for trade receivables:

As at December 31, 2023, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	<u>Gross carrying amount</u> <i>RMB’000</i>	<u>ECL rate</u>	<u>Loss allowance</u> <i>RMB’000</i>	<u>Reason</u>
Trade receivables	<u>221,542</u>	<u>99.70%</u>	<u>220,878</u>	Financial difficulty

As at December 31, 2024, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	<u>Gross carrying amount</u> <i>RMB’000</i>	<u>ECL rate</u>	<u>Loss allowance</u> <i>RMB’000</i>	<u>Reason</u>
Trade receivables	<u>58,220</u>	<u>98.79%</u>	<u>57,514</u>	Financial difficulty

As at December 31, 2025, the loss allowance of individually impaired trade receivables is determined as follows:

Assess individually:

	<u>Gross carrying amount</u> <i>RMB’000</i>	<u>ECL rate</u>	<u>Loss allowance</u> <i>RMB’000</i>	<u>Reason</u>
Trade receivables	<u>176,594</u>	<u>92.65%</u>	<u>163,612</u>	Financial difficulty

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

As at December 31, 2023, 2024 and 2025, the loss allowance of grouped impaired trade receivables is determined as follows:

Assessed based on grouping - Integrated business portfolio:

	<u>Within 6 months</u>	<u>7 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
As at December 31, 2023						
Expected loss rate	0.50%	5.00%	20.00%	60.00%	100.00%	
Gross carrying amount (RMB’000)	7,443,314	77,177	285,233	12,245	154,635	7,972,604
Loss allowance provision (RMB’000)	<u>37,216</u>	<u>3,859</u>	<u>57,047</u>	<u>7,347</u>	<u>154,635</u>	<u>260,104</u>
As at December 31, 2024						
Expected loss rate	0.50%	5.00%	20.00%	60.00%	100.00%	
Gross carrying amount (RMB’000)	7,557,662	110,165	27,112	41,327	166,152	7,902,418
Loss allowance provision (RMB’000)	<u>37,789</u>	<u>5,508</u>	<u>5,422</u>	<u>24,796</u>	<u>166,152</u>	<u>239,667</u>
As at December 31, 2025						
Expected loss rate	0.50%	5.00%	20.00%	60.00%	100.00%	
Gross carrying amount (RMB’000)	6,944,475	29,753	18,218	2,510	175,265	7,170,221
Loss allowance provision (RMB’000)	<u>34,721</u>	<u>1,488</u>	<u>3,644</u>	<u>1,506</u>	<u>175,265</u>	<u>216,624</u>

Assessed based on grouping - Traditional automobile portfolio:

	<u>Within 6 months</u>	<u>7 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
As at December 31, 2025						
Expected loss rate	0.50%	2.14%	20.00%	59.99%	100.00%	
Gross carrying amount (RMB’000)	1,441,554	242,401	9,667	4,349	2,645	1,700,616
Loss allowance provision (RMB’000)	<u>7,207</u>	<u>5,179</u>	<u>1,933</u>	<u>2,609</u>	<u>2,645</u>	<u>19,573</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(i) Trade receivables (Continued)

Assessed based on grouping - Optical modules portfolio:

	<u>Within 6 months</u>	<u>7 to 12 months</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
As at December 31, 2025					
Expected loss rate	0.42%	17.40%	42.41%	100.00%	
Gross carrying amount (RMB’000)	1,424,729	7,630	507	2,214	1,435,080
Loss allowance provision (RMB’000)	<u>5,913</u>	<u>1,328</u>	<u>215</u>	<u>2,214</u>	<u>9,670</u>

The management of the Group determined the ECL rates for portfolio of trade receivables with reference to past-due status of such balances by estimating their default rates taking into account the historical information and forward-looking information.

As at the end of each Track Record Period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. The management of the Group reviewed the portfolio of customers contributing the trade receivables balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. Furthermore, the Group incorporated two new portfolios, namely the traditional automobile portfolio and optical modules portfolio, at the end of 2025 through business combinations. The Group assessed these customers’ financial condition, past settlement history, business relationship with the Group and other factors such as current market conditions and industry information, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period. Accordingly, the same ECL rates were adopted for each respective past-due time band throughout Track Record Period.

The loss allowances for trade receivables reconcile to the opening loss allowances are as follows:

	<u>Year ended December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Opening loss allowance	990,803	480,982	297,181
Loss allowance recognized, net	38,586	41,233	63,858
Loss allowance written off (i)	(550,939)	(229,879)	(4,644)
Currency translation differences	2,149	4,845	(2,132)
Business combinations	<u>383</u>	<u>—</u>	<u>55,216</u>
Closing loss allowance	<u>480,982</u>	<u>297,181</u>	<u>409,479</u>

- (i) In 2023, 2024 and 2025, the Group wrote off receivables from customers who had filed for bankruptcy or were in financial difficulties, upon obtaining board approval.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(ii) Notes Receivables at Amortized Cost and Notes Receivables at FVOCI

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that there was no significant credit risk associated with its bank acceptance notes issued by large-sized banks as the Group did not expect that there would be any significant losses from non-performance by these reputable banks. For the commercial acceptance notes and bank acceptance notes issued by small and medium-sized banks, which are usually settled within 6 months to 1 year from the respective issuance date, the Group provided RMB17,000, RMB45,000 and nil as at December 31, 2023, 2024 and 2025, respectively.

Movements on the provision of ECL for notes receivables at amortized cost and notes receivables at FVOCI are as follows:

	<u>Year ended December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance	243	17	45
Loss allowance recognized/(reversed), net	<u>(226)</u>	<u>28</u>	<u>(45)</u>
Closing loss allowance	<u>17</u>	<u>45</u>	<u>–</u>

(iii) Other Receivables

Other receivables at the end of each of the periods are mainly comprised of deposits, export tax refund and others. The Group considers the probability of default upon initial recognition of the assets and whether there has been significant increase in credit risk on an ongoing basis throughout Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant impact on the debtor’s ability to meet its obligations;
- external credit rating of the counterparty;
- actual or expected significant adverse changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit Risk (Continued)

(b) Impairment of Financial Assets (Continued)

(iii) Other Receivables (Continued)

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3):

Set out below is the information about credit risk exposure on the Group’s other receivables:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2023				
Expected loss rate	5.00%	10.00%	87.88%	
Gross carrying amount	71,736	8,617	10,156	90,509
Loss allowance	<u>3,587</u>	<u>862</u>	<u>8,925</u>	<u>13,374</u>
As at December 31, 2024				
Expected loss rate	5.00%	10.01%	79.29%	
Gross carrying amount	27,206	18,570	15,825	61,601
Loss allowance	<u>1,360</u>	<u>1,858</u>	<u>12,547</u>	<u>15,765</u>
As at December 31, 2025				
Expected loss rate	3.38%	8.59%	71.77%	
Gross carrying amount	143,372	25,587	128,728	297,687
Loss allowance	<u>4,841</u>	<u>2,197</u>	<u>92,385</u>	<u>99,423</u>

The loss allowances for other receivables reconcile to the opening loss allowances are as follows:

	<u>Year ended December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Opening loss allowance	14,853	13,374	15,765
Loss allowance recognized/(reversed), net	1,077	2,849	(70)
Loss allowance write-off	(2,164)	(322)	(512)
Currency translation differences	(392)	(136)	2,714
Business combinations	<u>—</u>	<u>—</u>	<u>81,526</u>
Closing loss allowance	<u>13,374</u>	<u>15,765</u>	<u>99,423</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Group’s liquidity requirements.

The tables below analyze the Group’s financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due for the corresponding period equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2023						
Trade and notes payables	8,948,278	–	–	–	8,948,278	8,948,278
Accruals and other payables (excluding non-financial liabilities)	328,476	26,589	22,119	–	377,184	377,184
Lease liabilities	77,294	185,045	1,829,640	84,050	2,176,029	1,872,497
Derivative financial liabilities	33,347	–	–	–	33,347	33,347
Borrowings	7,981,676	2,441,587	2,215,845	244,371	12,883,479	12,329,399
	17,369,071	2,653,221	4,067,604	328,421	24,418,317	23,560,705
As at December 31, 2024						
Trade and notes payables	10,594,850	–	–	–	10,594,850	10,594,850
Accruals and other payables (excluding non-financial liabilities)	121,149	22,449	–	–	143,598	143,598
Lease liabilities	155,599	994,861	392,072	69,889	1,612,421	1,483,361
Derivative financial liabilities	11,038	–	–	–	11,038	11,038
Borrowings	7,357,404	3,556,465	1,656,829	374,356	12,945,054	12,427,288
	18,240,040	4,573,775	2,048,901	444,245	25,306,961	24,660,135

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity Risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2025						
Trade and notes payables	14,045,950	–	–	–	14,045,950	14,045,950
Accruals and other payables (excluding non-financial liabilities)	733,452	–	–	–	733,452	733,452
Lease liabilities	591,090	632,456	913,173	371,081	2,507,800	2,290,956
Derivative financial liabilities	46,546	–	–	–	46,546	46,546
Borrowings	11,256,575	2,094,418	1,733,633	3,362,493	18,447,119	17,345,850
	26,673,613	2,726,874	2,646,806	3,733,574	35,780,867	34,462,754

The interest rate of borrowings and lease liabilities are disclosed in Note 30 and Note 20, respectively.

3.4 Capital Management

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

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt or raise additional funding from shareholders or banks as and when necessary. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023, 2024 and 2025.

The Group monitors capital on the basis of the debt to asset ratio as at December 31, 2023, 2024 and 2025 are as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total assets	43,808,753	45,573,749	60,250,538
Total liabilities	25,618,396	26,687,646	38,548,699
Debt to asset ratio	58.48%	58.56%	63.98%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group

As at December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Equity investments on unlisted entities	–	–	81,310	81,310
- Wealth management products	–	47,442	–	47,442
	<u>–</u>	<u>47,442</u>	<u>81,310</u>	<u>128,752</u>
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	278,157	278,157
- Notes receivables at FVOCI	–	–	290,477	290,477
	<u>–</u>	<u>–</u>	<u>568,634</u>	<u>568,634</u>
Derivative financial assets				
- Commodity futures contracts	8,803	–	–	8,803
- Foreign currency forwards	–	8,586	–	8,586
	<u>8,803</u>	<u>8,586</u>	<u>–</u>	<u>17,389</u>
Total financial assets	<u>8,803</u>	<u>56,028</u>	<u>649,944</u>	<u>714,775</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Group (Continued)

As at December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial liabilities				
Derivative financial liabilities				
- Foreign currency forwards	—	<u>33,347</u>	—	<u>33,347</u>
Total financial liabilities	<u>—</u>	<u>33,347</u>	<u>—</u>	<u>33,347</u>

As at December 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Equity investments on unlisted entities	—	—	<u>63,212</u>	<u>63,212</u>
	—	—	<u>63,212</u>	<u>63,212</u>
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	—	—	<u>333,657</u>	<u>333,657</u>
- Notes receivables at FVOCI	—	—	<u>252,612</u>	<u>252,612</u>
	—	—	<u>586,269</u>	<u>586,269</u>
Derivative financial assets				
- Commodity futures contracts	<u>14,644</u>	—	—	<u>14,644</u>
- Foreign currency forwards	—	<u>288</u>	—	<u>288</u>
	<u>14,644</u>	<u>288</u>	—	<u>14,932</u>
Total financial assets	<u>14,644</u>	<u>288</u>	<u>649,481</u>	<u>664,413</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Group (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial liabilities				
Derivative financial liabilities				
- Foreign currency forwards	—	11,038	—	11,038
Total financial liabilities	<u>—</u>	<u>11,038</u>	<u>—</u>	<u>11,038</u>

As at December 31, 2025

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Equity investments on unlisted entities	—	—	124,913	124,913
- Wealth management products	—	11,515	—	11,515
	<u>—</u>	<u>11,515</u>	<u>124,913</u>	<u>136,428</u>
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	—	—	442,976	442,976
- Notes receivables at FVOCI	—	—	285,278	285,278
	<u>—</u>	<u>—</u>	<u>728,254</u>	<u>728,254</u>
Derivative financial assets				
- Foreign currency forwards	—	24,229	—	24,229
- Commodity futures contracts	22,953	—	—	22,953
- Foreign currency options	—	17,944	—	17,944
	<u>22,953</u>	<u>42,173</u>	<u>—</u>	<u>65,126</u>
Total financial assets	<u>22,953</u>	<u>53,688</u>	<u>853,167</u>	<u>929,808</u>
Financial liabilities				
Derivative financial liabilities				
- Foreign currency options	—	24,159	—	24,159
- Foreign currency forwards	—	22,387	—	22,387
	<u>—</u>	<u>46,546</u>	<u>—</u>	<u>46,546</u>
Total financial liabilities	<u>—</u>	<u>46,546</u>	<u>—</u>	<u>46,546</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Company

As at December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	171,322	171,322
- Notes receivables at FVOCI	–	–	16,446	16,446
Total financial assets	<u>–</u>	<u>–</u>	<u>187,768</u>	<u>187,768</u>

As at December 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	221,322	221,322
- Notes receivables at FVOCI	–	–	18,920	18,920
Total financial assets	<u>–</u>	<u>–</u>	<u>240,242</u>	<u>240,242</u>

As at December 31, 2025

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at fair value through profit or loss (FVTPL)				
- Convertible bond	–	–	725,590	725,590
Financial assets at fair value through other comprehensive income (FVOCI)				
- Equity investments on unlisted entities	–	–	233,621	233,621
- Notes receivables at FVOCI	–	–	97,221	97,221
Derivative financial assets				
- Foreign currency forwards	–	220	–	220
Total financial assets	<u>–</u>	<u>220</u>	<u>1,056,432</u>	<u>1,056,652</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments (Continued)

The Company (Continued)

(i) The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

(b) *The Group’s Valuation Process*

For the financial assets and financial liabilities, including level 3 fair values, the Group’s finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

(c) *Transfers between levels in the hierarchy*

For the years ended December 31, 2023, 2024 and 2025, there were no transfers into or out of Level 3 fair value measurements of the Group’s financial instruments.

(d) *The reconciliation of Level 3 assets and liabilities are analyzed below:*

	Equity investments on unlisted entities at FVOCI	Equity investments on unlisted entities at FVTPL	Notes receivables at FVOCI	Total
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Opening balance as at January 1, 2023	171,322	58,520	644,057	873,899
Additions	106,835	22,790	–	129,625
Disposals	–	–	(353,580)	(353,580)
Closing balance as at December 31, 2023 ..	<u>278,157</u>	<u>81,310</u>	<u>290,477</u>	<u>649,944</u>
Additions	55,500	–	–	55,500
Disposals	–	(17,278)	(37,865)	(55,143)
Changes in fair value through profit or loss . . .	–	(820)	–	(820)
Closing balance as at December 31, 2024 ..	<u>333,657</u>	<u>63,212</u>	<u>252,612</u>	<u>649,481</u>
Additions	75,603	60,589	32,666	168,858
Disposals	(10,000)	–	–	(10,000)
Changes in fair value through profit or loss . . .	–	1,112	–	1,112
Changes in fair value through other comprehensive income	43,716	–	–	43,716
Closing balance as at December 31, 2025 ..	<u>442,976</u>	<u>124,913</u>	<u>285,278</u>	<u>853,167</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value

Description	Fair value As at December 31		Valuation techniques	Significant unobservable Input(s)	Ranges of inputs			Relation of unobservable input(s) to fair values	
	2023	2024			2023	2024	2025		
	RMB'000	RMB'000	RMB'000						
	81,310	63,212	124,913	Market approach	Price Sales Ratio (“P/S ratio”)	N/A	2.62-2.66	N/A	An increase in P/S ratio would result in an increase in fair value, and vice versa.
					EV/ EBITDA	N/A	N/A	34.4	An increase in EV/EBITDA ratio would result in an increase in fair value, and vice versa.
					EV/S Recent Transaction Price	N/A	N/A	2.15-5.18	An increase in EV/S ratio would result in an increase in fair value, and vice versa.
Equity investments on unlisted entities at FVTPL	31,795	13,697	75,398	Net asset value	N/A	N/A	N/A	N/A	N/A

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

Description	Fair value As at December 31		Valuation 2025 techniques	Significant unobservable Input(s)	Ranges of inputs			Relation of unobservable input(s) to fair values
	2023	2024			2023	2024	2025	
	RMB '000 RMB '000 RMB '000							
Equity investments on unlisted entities at FVOCI	72,157	73,657	Market 235,240 approach	EV/ EBITDA	18.91-31.85	15.53-23.62	21.00-22.61	An increase in EV/ EBITDA ratio would result in an increase in fair value, and vice versa.
				P/B	N/A	5.85	1.54-7.21	An increase in P/B ratio would result in an increase in fair value, and vice versa.
				Recent Transaction Price	N/A	N/A	N/A	N/A
	206,000	260,000	Net asset 207,736 value	N/A	N/A	N/A	N/A	N/A
Notes receivables at FVOCI	290,477	252,612	Discounted cash flow 285,278 method	Discount rate	0.61%-2.25%	0.29%-7.30%	0.41%-2.50%	An increase in discount rate would result in decrease in fair value, and vice versa.

Other than described above, there were no significant unobservable inputs that materially affect its fair values.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

If the EV/EBITDA ratio had been 1% higher/lower, the fair values of the equity instruments at FVOCI held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately RMB737,000, RMB737,000 and RMB591,000 higher/lower, respectively.

If the P/B ratio had been 1% higher/lower, the fair values of the equity instruments at FVOCI held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, RMB14,000 and RMB919,000 higher/lower, respectively.

If the P/S ratio had been 1% higher/lower, the fair values of the equity instruments at FVTPL held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, RMB220,000 and nil higher/lower, respectively.

If the EV/EBITDA ratio had been 1% higher/lower, the fair values of the equity instruments at FVTPL held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, nil and RMB202,000 higher/lower, respectively.

If the EV/S ratio had been 1% higher/lower, the fair values of the equity instruments at FVTPL held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately nil, nil and RMB185,000 higher, or nil, nil and RMB17,000 lower, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 Fair Value Estimation (Continued)

(e) Valuation Inputs and Relationships to Fair Value (Continued)

If the discount rate of the Note receivable at FVOCI held by the Group had been 0.5% higher/lower, the fair values of the Note receivable at FVOCI held by the Group as at December 31, 2023, 2024 and 2025 would have been approximately RMB519,000, RMB889,000 and RMB754,000 lower, or RMB523,000, RMB897,000 and RMB760,000 higher respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

(a) Allowance for Expected Credit Loss of Receivables

Except for certain trade receivables from customers with specific credit risk that management adopts an individual impairment assessment approach, the Group uses a provision matrix to calculate ECLs for trade receivables. The loss allowances for receivables are based on assumptions about risk of default and expected loss rates to determine the expected loss. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese mainland and abroad. The Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Group has identified the Gross Domestic Product (“GDP”) of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(b) Estimated Net Realizable Value of Inventories

In accordance with the Group’s accounting policy, the Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work-in-progress, management has established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated Net Realizable Value of Inventories (Continued)

It is reasonably possible that if there is a significant change in circumstances including the Group’s business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) Income Tax and Deferred Taxation

Estimation and judgement are required in determining the amount of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact on the income tax and deferred taxation provisions in the period in which such determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group’s results or financial position.

(e) Impairment of Non-Financial Assets

The Group tests at least annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, intangible assets, investments in associates, investments in subsidiaries, as well as right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amount is the higher of value-in-use (“VIU”) calculations or fair value less costs of disposal (“FVLCD”). These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of the Group’s non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group’s financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Fair Value Measurement of Financial Assets and Liabilities at Level 3 Fair Value Hierarchy

The fair value of financial instruments classified as level 3 is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy see Note 3.5.

5. OPERATING SEGMENT INFORMATION

(a) Description of Segments and Principal Activities

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The executive directors assess the financial performance and position of the Group and make strategic decisions. The executive directors, which has been identified as being the CODM, consists of the executive director, the chief financial officer and the managers for each business unit. The CODM reviews the Group’s internal reporting in order to assess performance, allocate resources, and determine the operating segment based on these reports.

As at December 31, 2023, 2024 and 2025, the CODM have identified the following reportable segments from a product perspective:

- Electronic circuits (PCBs)
- Touch panels and LCMs
- Precision components
- Optical modules
- Others: this part of the business includes manufacturing and sales of LED display devices and the sales of materials and others.

(b) Segment Information

For the years ended December 31, 2023, 2024 and 2025, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Segment information for the year ended December 31, 2023 is as follows:

	<u>Electronic circuits (PCBs)</u>	<u>Touch panels and LCMs</u>	<u>Precision components</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from transactions with external customer	23,260,735	4,861,904	4,160,804	1,365,688	33,649,131
Other revenue	661	–	1,413	–	2,074
Cost of sales	(18,545,445)	(4,978,442)	(3,768,131)	(1,678,980)	(28,970,998)
Gross profit	4,715,951	(116,538)	394,086	(313,292)	4,680,207
Share of profit or loss of investments in associate	–	–	–	(10,821)	(10,821)
Net impairment losses on financial assets	(3,894)	(5,011)	21,097	(51,629)	(39,437)
Impairment provision for investments in associates	–	–	–	(9,319)	(9,319)
Depreciation and amortisation	(1,051,536)	(210,349)	(207,744)	(247,433)	(1,717,062)
Impairment of goodwill	–	(29,243)	–	–	(29,243)
Profit/ (losses) before income tax	3,696,998	(300,958)	60,898	(1,265,850)	2,191,088
Income tax (expense)/ credit	(353,040)	33,701	(5,887)	99,188	(226,038)
Profit/ (losses) for the year	3,343,958	(267,257)	55,011	(1,166,662)	1,965,050

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Segment information for the year ended December 31, 2024 is as follows:

	<u>Electronic circuits (PCBs)</u>	<u>Touch panels and LCMs</u>	<u>Precision components</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from transactions with external customer	24,800,814	6,369,881	4,539,716	1,059,316	36,769,727
Other revenue	–	44	603	–	647
Cost of sales	(20,360,454)	(6,226,831)	(4,058,060)	(1,908,351)	(32,553,696)
Gross profit	4,440,360	143,094	482,259	(849,035)	4,216,678
Share of profit or loss of investments in associate	–	–	–	(398)	(398)
Net impairment losses on financial assets	380	(17,744)	(56,913)	30,167	(44,110)
Depreciation and amortisation	(1,292,109)	(211,773)	(203,105)	(315,597)	(2,022,584)
Impairment on property, plant and equipment	–	–	(347)	(394,094)	(394,441)
Impairment of goodwill	–	(48,394)	(36,829)	–	(85,223)
Profit/ (losses) before income tax	3,420,206	(54,919)	66,006	(1,963,582)	1,467,711
Income tax (expense)/ credit	(404,739)	(5,085)	(5,997)	33,170	(382,651)
Profit/ (losses) for the year	3,015,467	(60,004)	60,009	(1,930,412)	1,085,060

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

Segment information for the year ended December 31, 2025 is as follows:

	Electronic circuits (PCBs)	Touch panels and LCMs	Precision components	Optical modules	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from transactions with external customer	25,618,864	5,985,585	5,928,480	1,435,535	1,152,899	40,121,363
Other revenue	1,429	44	1,762	–	261	3,496
Cost of sales	(21,351,670)	(5,713,716)	(5,494,484)	(907,914)	(1,692,787)	(35,160,571)
Gross profit	4,268,623	271,913	435,758	527,621	(539,627)	4,964,288
Share of profit or loss of investments in associate	(214)	–	–	–	(708)	(922)
Net impairment losses on financial assets	(31)	(7,268)	(12,505)	(4,576)	(39,363)	(63,743)
Depreciation and amortisation	(1,644,434)	(261,049)	(345,093)	(40,846)	(227,963)	(2,519,385)
Impairment of goodwill	–	(38,089)	(69,156)	–	–	(107,245)
Profit/ (losses) before income tax	3,165,385	27,859	212,745	356,525	(2,072,098)	1,690,416
Income tax (expense) / credit	(381,844)	2,051	(17,328)	(42,022)	141,694	(297,449)
Profit/ (losses) for the year	2,783,541	29,910	195,417	314,503	(1,930,404)	1,392,967

(c) Geographical Information

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets (exclude financial investments (other than equity-accounted investees), deferred tax assets)			
- Chinese mainland	17,710,572	17,514,192	18,859,214
- Overseas	2,731,615	4,532,783	10,690,597
	<u>20,442,187</u>	<u>22,046,975</u>	<u>29,549,811</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE

(a) Disaggregation of revenue

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from contracts with customers			
- Recognized at a point in time	33,649,131	36,769,727	40,121,363
Other revenue (i)	<u>2,074</u>	<u>647</u>	<u>3,496</u>
	<u>33,651,205</u>	<u>36,770,374</u>	<u>40,124,859</u>

(i) Other revenue represents lease income.

Revenues of approximately RMB18,781 million, RMB18,858 million and RMB18,643 million in the years ended December 31, 2023, 2024 and 2025, respectively are derived from a single external customer.

The major customers which contributed more than 10% of total revenue of the Group are listed as below:

	Year ended December 31		
	2023	2024	2025
Customer A	<u>55.81%</u>	<u>51.28%</u>	<u>46.47%</u>

(b) Geographical Information

The Company is domiciled in Chinese mainland. The amount of the Group’s revenue by location is shown in the table below:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chinese mainland	5,649,268	6,187,309	7,459,673
Overseas	<u>28,001,937</u>	<u>30,583,065</u>	<u>32,665,186</u>
	<u>33,651,205</u>	<u>36,770,374</u>	<u>40,124,859</u>

(c) Contract Liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(c) Contract Liabilities (Continued)

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract liabilities	<u>28,983</u>	<u>122,562</u>	<u>474,661</u>

As at January 1, 2023, the Group’s contract liabilities from customers amounted to approximately RMB26,193,000.

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue recognized that was included in the beginning balance	<u>26,193</u>	<u>28,983</u>	<u>80,941</u>

Management expects that approximately RMB380,717,000 of the unsatisfied obligation as at December 31, 2025 will be recognized as revenue during the next year.

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract liabilities	<u>11,196</u>	<u>18,960</u>	<u>24,694</u>

(d) Accounting Policies and Significant Judgements for Revenue Recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. REVENUE (Continued)

(d) Accounting Policies and Significant Judgements for Revenue Recognition (Continued)

If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional, before the Company transfers goods or services to the customer, the Company presents the contract liability when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

The Group generally offers assurance-type warranties to customers and such warranties are not considered a distinct performance obligation to customers. The Group accounts for the warranty in accordance with IAS 37 and the estimated warranty cost was not material for the Track Record Period. (Note 33).

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and regardless of whether there is significant financing component.

Products revenue

The Group is principally engaged in research and development, manufacturing and sales of core devices for intelligent interconnection, including electronic circuits (PCBs), precision components, touch panel models and LED display devices, optical components and optical modules and automotive components, etc.

Revenue from domestic sales of products (excluding the VMI model) is recognized at a point in time when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. Upon confirming the acceptance, the customer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from domestic product sales under the VMI (Vendor-Managed Inventory) model, is recognized at a point in time when the customer actually picks up and uses the goods, because it is only at this point that the customer obtains the ability to direct the use of the goods (such as the right to sell, process or otherwise dispose of the goods at its own discretion) and assumes the significant risks and rewards of ownership of the goods, including the risks of price fluctuations, obsolescence, damage or loss of the relevant goods.

Revenue from overseas sales of products, except for DDP (Delivered Duty Paid) terms, is recognized at a point in time once the products have been declared to the customs and the bill of lading has been obtained. At this point, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products. For overseas sales of products under DDP terms, the revenue is recognized at a point in time, when the Group has delivered product to the buyer's designated warehouses and the bill of lading has been obtained. At this point, the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits; and bears the significant risks and rewards incidental to ownership.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7. OTHER INCOME

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government grants	236,941	489,587	359,263
Additional deduction for VAT and tax refund	11,138	32,688	1,399
Others	1,803	981	2,106
	<u>249,882</u>	<u>523,256</u>	<u>362,768</u>

8. OTHER GAINS, NET

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net gains/(losses) on disposal and holding of financial instruments	14,979	4,232	(3,357)
Net fair value gains/(losses) on financial assets and liabilities at FVTPL	(9,741)	(17,898)	62,022
Net foreign exchange differences	129,905	294,655	(27,373)
Net losses on disposal of property, plant and equipment and other long-term assets	(26,368)	(243,093)	(379,287)
Net losses on disposal of subsidiaries and associates	–	(25,868)	(5,003)
Gains on business combination (Note 42)	134,813	–	470,698
Others	(398)	(3,549)	(41,354)
	<u>243,190</u>	<u>8,479</u>	<u>76,346</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. EXPENSE BY NATURE

Expenses included in cost of revenue, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials and consumables used	22,477,270	25,157,494	26,630,718
Employee benefits expenses(Note 10)	3,952,199	4,403,215	5,262,511
Depreciation and amortization	1,717,062	2,022,584	2,519,385
Maintenance expenses	650,363	665,040	633,970
Impairment losses on inventories	397,215	454,660	580,656
Transportation costs	155,925	248,104	262,087
Mold costs	314,959	358,531	428,490
Utility costs	430,961	447,675	541,117
Impairment losses on property, plant and equipment	–	394,441	–
Auditor’s services	2,264	2,264	2,264
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other expenses(i)	1,520,793	1,433,052	1,723,280
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

- (i) Other expenses primarily include taxes and surcharges, short-term rental fees, business entertainment expenses, bank service fees, office administrative expenses, traveling expenses and consulting fees, etc.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION)

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, wages and bonuses	3,183,347	3,564,250	4,225,548
Share-based compensation expenses	8,882	478	–
Housing fund, medical insurance and other social insurance	271,718	295,774	391,712
Pension costs-defined contribution plans(i)	255,341	254,267	351,253
Pension costs-defined benefit plans(ii)	–	–	7,528
Other employee benefits	232,911	288,446	286,470
	<u>3,952,199</u>	<u>4,403,215</u>	<u>5,262,511</u>

- (a) Defined contribution plans

The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION) (Continued)

During the years ended December 31, 2023, 2024 and 2025, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

(b) Defined benefit pension plan

The Group’s subsidiary, GMD Group, sponsors unfunded defined benefit plans for eligible employees in France in respect of retirement indemnities. The obligations are determined in accordance with the applicable French collective bargaining agreements, mainly the metallurgy and platurgy agreements, and are settled directly by the relevant Group entities when benefits fall due.

As the plan is unfunded, there are no plan assets and therefore no related investment strategy, asset allocation or funding policy disclosures.

The retirement indemnity obligation of GMD Group recognised at the balance sheet date is determined using the projected unit credit method in accordance with IAS 19 and has been actuarially valued by an independent external actuary.

The net liability disclosed above is as follows:

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Present value of obligation	—	—	130,857
Less: Fair value of plan assets	—	—	—
Defined benefit liabilities	—	—	<u><u>130,857</u></u>

The net liability disclosed by subsidiaries is as follows:

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
GMD Group (i)	—	—	<u><u>130,857</u></u>

The actuarial assumptions used to determine the present value of defined benefit obligation are as follows:

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Discount rate (%)	—	—	3.60%
Turnover rate (%)	—	—	0.00% to 13.80%
Salary growth rates (%)	—	—	2.00%

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION) (Continued)

(i) GMD Group

Movements in the present value of the defined benefit obligations during the Track Record Period were as follows:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	—	—	—
Business combination	—	—	121,472
Current service cost	—	—	1,130
Losses on curtailment and settlement	—	—	6,398
Interest expense	—	—	682
Remeasurement losses	—	—	2,085
Foreign currency translation differences	—	—	145
Payments made	—	—	<u>(1,055)</u>
At the end of the year	<u>—</u>	<u>—</u>	<u>130,857</u>

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Increase/(decrease) impact on defined benefit obligation			
		Increase in assumption	As at December 31		
			2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Discount rate	0.50%	—	—	(516)	
Turnover rate	0.50%	—	—	(541)	
Salary growth rates	0.50%	—	—	554	
		Increase/(decrease) impact on defined benefit obligation			
	Decrease in assumption	As at December 31			
		2023	2024	2025	
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Discount rate	0.50%	—	—	548	
Turnover rate	0.50%	—	—	461	
Salary growth rates	0.50%	—	—	(527)	

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION) (Continued)

(c) Directors’ and Supervisors’ Remuneration

	<u>Fees</u>	<u>Salaries, wages and bonuses</u>	<u>Retirement benefits</u>	<u>Housing fund and other benefits</u>	<u>Total remuneration before tax</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2023					
Executive directors:					
Mr. Yuan Yongfeng	–	3,081	47	56	3,184
Mr. Shan Jianbin	–	3,671	47	56	3,774
Mr. Wang Xu	–	1,917	47	56	2,020
Ms. Mao Xiaoyan	–	1,274	47	56	1,377
Non-executive directors:					
Mr. Yuan Yonggang	–	3,070	47	56	3,173
Mr. Zhao Xiutian	–	4,329	70	13	4,412
Independent non-executive directors:					
Mr. Wang Zhangzhong	120	–	–	–	120
Mr. Song Liguo	120	–	–	–	120
Mr. Gao Yongru	120	–	–	–	120
Supervisors:					
Mr. Ma Liqiang	–	2,243	47	56	2,346
Mr. Ji Yachun	–	1,151	47	56	1,254
Mr. Huang Yongxin	–	1,532	47	56	1,635
Total	<u>360</u>	<u>22,268</u>	<u>446</u>	<u>461</u>	<u>23,535</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION) (Continued)

(c) Directors’ and Supervisors’ Remuneration (Continued)

	<u>Fees</u>	<u>Salaries, wages and bonuses</u>	<u>Retirement benefits</u>	<u>Housing fund and other benefits</u>	<u>Total remuneration before tax</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2024					
Executive directors:					
Mr. Yuan Yongfeng	–	3,081	47	56	3,184
Mr. Shan Jianbin	–	3,671	47	56	3,774
Mr. Wang Xu	–	1,917	47	56	2,020
Ms. Mao Xiaoyan	–	1,274	47	56	1,377
Non-executive directors:					
Mr. Yuan Yonggang	–	3,070	47	56	3,173
Mr. Zhao Xiutian	–	4,329	70	13	4,412
Independent non-executive directors:					
Mr. Wang Zhangzhong	120	–	–	–	120
Mr. Song Liguo	120	–	–	–	120
Mr. Gao Yongru	120	–	–	–	120
Supervisors:					
Mr. Ma Liqiang	–	2,243	47	56	2,346
Mr. Ji Yachun	–	1,151	47	56	1,254
Mr. Huang Yongxin	–	1,532	47	56	1,635
Total	<u>360</u>	<u>22,268</u>	<u>446</u>	<u>461</u>	<u>23,535</u>

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION) (Continued)

(c) Directors’ and Supervisors’ Remuneration (Continued)

	<u>Fees</u>	<u>Salaries, wages and bonuses</u>	<u>Retirement benefits</u>	<u>Housing fund and other benefits</u>	<u>Total remuneration before tax</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2025					
Executive directors:					
Mr. Yuan Yongfeng	–	3,317	49	77	3,443
Mr. Shan Jianbin	–	4,001	49	77	4,127
Mr. Wang Xu	–	1,963	49	77	2,089
Ms. Mao Xiaoyan	–	1,503	49	77	1,629
Mr. Ma Liqiang (i)	–	405	8	13	426
Non-executive directors:					
Mr. Yuan Yonggang	–	3,317	49	77	3,443
Mr. Zhao Xiutian	–	4,351	73	13	4,437
Independent non-executive directors:					
Mr. Wang Zhangzhong	120	–	–	–	120
Mr. Song Liguang	120	–	–	–	120
Mr. Gao Yongru	120	–	–	–	120
Mr. Xu Weidong (i)	20	–	–	–	20
Supervisors:					
Mr. Ma Liqiang	–	2,077	41	64	2,182
Mr. Ji Yachun	–	981	41	64	1,086
Mr. Huang Yongxin	–	1,170	41	64	1,275
Total	380	23,085	449	603	24,517

(i) Mr. Ma Liqiang was appointed as an executive director of the Company with effect from November 3, 2025. Mr. Xu Weidong was appointed as an independent non-executive director of the Company with effect from November 3, 2025.

(d) Directors’ and Supervisors’ Other Benefits

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director’s services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors’ and supervisors’ services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 44, there were no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION) (Continued)

(e) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group were all Directors or Supervisors for the years ended December 31, 2023, 2024 and 2025.

11. FINANCE COSTS, NET

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Finance income:			
Interest income from financial assets held for cash management purposes	225,594	243,072	200,834
Finance costs:			
Interest expenses on lease liabilities	(93,255)	(69,674)	(111,289)
Interest expenses on borrowings	(370,434)	(392,560)	(336,332)
Net exchange (losses)/gains on foreign currency borrowings	(36,506)	(7,676)	19,251
Less: capitalised finance costs	–	24,008	4,145
Finance costs total	<u>(500,195)</u>	<u>(445,902)</u>	<u>(424,225)</u>
Finance costs, net	<u>(274,601)</u>	<u>(202,830)</u>	<u>(223,391)</u>

12. INCOME TAX EXPENSE

The income tax expense of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax on profits for the year	467,197	201,639	365,773
Deferred income tax	<u>(241,159)</u>	<u>181,012</u>	<u>(68,324)</u>
	<u>226,038</u>	<u>382,651</u>	<u>297,449</u>

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

(a) PRC Corporate Income Tax

In accordance with the relevant regulations of the Enterprise Income Tax laws (the “EIT Law”) of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. INCOME TAX EXPENSE (Continued)

(a) PRC Corporate Income Tax (Continued)

During the Track Record Period, certain subsidiaries of the Group have obtained High and New Technology Enterprises certification (“HNTE”) and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years.

(b) Hong Kong Profits Tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2023, 2024 and 2025.

(c) Singapore Profits Tax

Singapore profits tax has been provided for at the rate of 17.0% on the estimated assessable profits for the years ended December 31, 2023, 2024 and 2025.

One certain subsidiary in Singapore is eligible for a concessionary corporate income tax rate from January 1, 2020 to December 31, 2024.

(d) France Profits Tax

France profits tax has been provided for at the rate of 25.825% on the estimated assessable profits for the two months during the November 1, 2025 to December 31, 2025.

(e) Corporate Income Tax in Other Jurisdictions

The income tax rates of the subsidiaries from other jurisdictions, including the United States, Sweden, Malaysia, Hungary, Mexico, Mauritius, Portugal, Thailand and other countries or regions, had been calculated on the estimated assessable profit for the Track Record Period at the respective rates prevailing in the relevant jurisdictions.

(f) OECD Pillar Two Model Rules

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” were issued on May 23, 2023 which are effective upon issuance and require retrospective application. The amendments provide a temporary exception from deferred tax accounting for the income tax arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development (“OECD”).

The Group is within the scope of global minimum tax (“GMT”) under the OECD Pillar Two model rules (“Pillar Two”). Subject to tax legislation enacting Pillar Two being passed in the jurisdictions where the Company and its subsidiaries operate, the Group is liable to pay a top-up tax for any deficiency between the minimum tax rate of 15% and the effective tax rate per respective jurisdiction. The Group applies the IAS 12 exception to recognition and disclosure information about deferred tax assets and liabilities relating to Pillar Two income taxes.

For those jurisdictions where the Pillar Two legislation was enacted but not effective at the reporting date, the Group has no related current tax exposure. However, certain subsidiaries of the Company are located in jurisdictions where Pillar Two legislation was effective, and the Group’s assessment indicates that there is no material related current tax exposure in these jurisdictions during Track Record Period.

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. INCOME TAX EXPENSE (Continued)

(f) OECD Pillar Two Model Rules (Continued)

The income tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit before income tax	2,191,088	1,467,711	1,690,416
Calculated at the PRC taxation rate of the Company (25%)	547,772	366,928	422,604
Effect of different tax rates applicable to subsidiaries (i)	(257,701)	(121,345)	(201,637)
Non-deductible expenses for tax purposes	24,797	32,276	27,529
Unused tax losses and temporary differences not recognized as deferred tax assets (ii)	59,986	172,246	246,742
Super deduction for research and development expenses (iii)	(68,610)	(46,624)	(78,468)
Income not subject to tax	(9,544)	(11,968)	(119,594)
Previously unrecognized tax losses and used to reduce deferred tax expense	(69,456)	(11,189)	(7,691)
Adjustments for current tax of prior periods	(1,206)	2,327	7,964
	226,038	382,651	297,449

- (i) Reconciling differences are attributable to variations between the statutory tax rates applicable to certain subsidiaries and the parent company’s 25% rate.
- (ii) Deferred income tax assets relating to these unused tax losses are not recognized as the management considers it is uncertain to utilize these unrecognized tax credits prior to their expiry dates mainly based on considerations of future profitability.
- (iii) According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses for Track Record Period, so incurred as tax deductible expenses when determining their assessable profits for that year (“Super-deduction”). The Group has made its best estimation for the Super-deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the years ended December 31, 2023, 2024 and 2025.

13. DIVIDENDS

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Final cash dividends in respect of the previous year, declared and paid during the year (i)(ii)	187,313	425,319	118,795

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13. DIVIDENDS (Continued)

- (i) The final dividends of RMB2.50 and RMB0.70 per 10 shares (tax inclusive) in respect of the years ended December 31, 2023 and 2024 were approved by the Annual General Meeting of the Company.
- (ii) No dividends were declared for the year ended December 31, 2025.

14. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of basic earnings per share (EPS) is based on the following:

	Year ended December 31		
	2023	2024	2025
Profit attributable to ordinary shareholders of the Company (RMB’000)	1,964,525	1,085,641	1,386,067
Weighted average number of ordinary shares in issue (thousands)	1,702,011	1,701,237	1,761,672
Basic EPS (RMB per share)	1.15	0.64	0.79

(b) Diluted Earnings Per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculation of diluted earnings per share is based on the following:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB’000)	1,964,525	1,085,641	1,386,067
Weighted average number of ordinary shares in issue (thousands)	1,702,011	1,701,237	1,761,672
Adjustments for potential shares arising from share schemes (thousands)	765	142	–
Weighted average number of ordinary shares used in calculating diluted EPS (thousands)	1,702,776	1,701,379	1,761,672
Diluted EPS (RMB per share)	1.15	0.64	0.79

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. INVESTMENTS IN ASSOCIATES

The amounts of investments in associates recognized in the Historical Financial Information are as follows:

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Associates	<u>155,407</u>	<u>155,009</u>	<u>126,566</u>

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	139,767	155,407	155,009
Additions	35,000	–	214
Disposals	–	–	(27,735)
Share of results of associates	(10,821)	(398)	(922)
Currency translation differences	780	–	–
Less: provision for impairment	(9,319)	–	–
At the end of the year	<u>155,407</u>	<u>155,009</u>	<u>126,566</u>

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Group’s share of the results of individually immaterial associates are shown in aggregate as below, respectively.

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

The associates

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Aggregate carrying amount of individually immaterial associates	155,407	155,009	126,566
Aggregate amounts of the Group’s share of:			
Loss for the year	<u>(10,821)</u>	<u>(398)</u>	<u>(922)</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. INVESTMENTS IN ASSOCIATES (Continued)

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Associates	<u>84,720</u>	<u>90,305</u>	<u>90,740</u>

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	79,191	84,720	90,305
Additions	15,000	–	–
Share of results of associates	<u>(9,471)</u>	<u>5,585</u>	<u>435</u>
At the end of the year	<u>84,720</u>	<u>90,305</u>	<u>90,740</u>

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

The associates

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Aggregate carrying amount of individually immaterial associates	84,720	90,305	90,740
Aggregate amounts of the Group’s share of:			
Profit/(Loss) for the year	<u>(9,471)</u>	<u>5,585</u>	<u>435</u>

16. FINANCIAL INSTRUMENTS MEASURED AT FVOCI

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Asset			
Non-current:			
- Equity investments on unlisted entities (i)	<u>278,157</u>	<u>333,657</u>	<u>442,976</u>
Current:			
- Notes receivables at FVOCI (ii)	<u>290,477</u>	<u>252,612</u>	<u>285,278</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. FINANCIAL INSTRUMENTS MEASURED AT FVOCI (Continued)

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Asset			
Non-current:			
- Equity investments on unlisted entities (i)	<u>171,322</u>	<u>221,322</u>	<u>233,621</u>
Current:			
- Notes receivables at FVOCI (ii)	<u>16,446</u>	<u>18,920</u>	<u>97,221</u>

(i) **Equity investments on unlisted entities**

The above equity instruments were irrecoverably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Haidixin Semiconductor (Nantong) Co., Ltd. (海迪芯半導體 (南通) 有限公司)	21,322	21,322	25,884
Jiangsu Bohua Equity Investment Partnership Enterprise (Limited Partnership) (江蘇博華股權投資合夥企業 (有限合夥))	150,000	200,000	207,736
Kunshan Hostar Intelligence Technology Co., Ltd. (昆山鴻仕達智慧科技股份有限公司)	28,800	28,800	34,885
Dyness Digital Energy Technology Co., Ltd. (大秦數位能源技術股份有限公司)	50,000	50,000	73,899
Shinwu Optronics (Suzhou) Co., Ltd. (蘇州新吳光電股份有限公司)	22,035	22,035	21,771
Jinan Yingpu Technology Co., Ltd. (濟南影譜科技有限公司)	6,000	10,000	–
Shenzhen Ruoyu Technology Co., Ltd. (深圳若愚科技有限公司)	–	1,500	3,198
Shanghai Infinigence AI Intelligent Technology Co.,Ltd. (上海無問芯穹智能科技股份有限公司)	–	–	50,000
NEURON VENTURE OPPORTUNITY FUND II LP	–	–	24,601
China Renewable Power Infrastructure Fund GP Limited	–	–	1,002
	<u>278,157</u>	<u>333,657</u>	<u>442,976</u>

No material strategic investments were disposed of during 2025, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16. FINANCIAL INSTRUMENTS MEASURED AT FVOCI (Continued)

The Group (Continued)

(ii) Notes receivables at FVOCI

These notes receivables are classified and measured at FVOCI, as they are held under a business model whose objective is to both collect contractual cash flows and sell the financial assets. In the ordinary course of the Group’s treasury management, the Group discounts and endorses certain of these notes receivables, and such transactions satisfy the derecognition criteria. Details of notes receivables that have been endorsed or discounted but not yet matured as at the balance sheet date are set out below:

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amount transferred to suppliers	303,434	745,868	744,978
Amount transferred to banks	391,344	274,770	311,265
	694,778	1,020,638	1,056,243

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. SUBSIDIARIES

During the Track Record Period, the Company’s primary subsidiaries are as follows:

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/paid-up capital ‘000	Equity interest held by the Company						Principal activities
				As at December 31						
				2023		2024		2025		
	Direct	Indirect	Direct	Indirect	Direct	Indirect				
1	MFLEX Yancheng Co., Ltd. (鹽城維信電子有限公司)	PRC, limited liability company	USD 254,990	–	100%	–	100%	–	100%	Production of FPCs
2	MFLEX Suzhou Co., Ltd. (蘇州維信電子有限公司)	PRC, limited liability company	USD 268,800	–	100%	–	100%	–	100%	Production of FPCs
3	DSBJ PTE. LTD.	SG, limited liability company	USD 63,511	–	100%	–	100%	–	100%	Overseas operation
4	Yancheng Dongshan Precision Manufacturing Co., Ltd. (鹽城東山精密製造有限公司)	PRC, limited liability company	RMB 1,150,000	95%	5%	95%	5%	95%	5%	Production of LED packaging and testing
5	Muto Optronics Technology Co., Ltd. (牧東光電科技有限公司)	PRC, limited liability company	RMB 470,000	–	100%	–	100%	–	100%	Research and development of touch panel technologies and production of related components
6	Multi-Fineline Electronics Singapore Pte. Ltd.	SG, limited liability company	USD 46,357	–	100%	–	100%	–	100%	Overseas marketing and sales
7	Multi-Fineline Electronics (Thailand) Co., Ltd.	THA, limited liability company	THB 3,500,000	–	100%	–	100%	–	100%	Overseas production of PCBs
8	Suzhou Dongshan Display Inc. (晶端顯示精密電子(蘇州)有限公司)	PRC, limited liability company	RMB 1,043,693	100%	–	100%	–	100%	–	Production of liquid crystal displays
9	Yancheng Dongchuang Precision Manufacturing Co., Ltd. (鹽城東創精密製造有限公司)	PRC, limited liability company	RMB 500,000	90%	10%	90%	10%	90%	10%	Production of automotive precision components
10	Suzhou Dongyue New Energy Technology Co., Ltd. (蘇州東越新能源科技有限公司)	PRC, limited liability company	RMB 600,000	100%	–	100%	–	100%	–	Research and production of automotive precision components
11	Multek China Limited (德麗科技(珠海)有限公司)	PRC, limited liability company	USD 63,800	–	100%	–	100%	–	100%	Production of PCBs
12	Multek Group (Hong Kong) Limited (超毅集團(香港)有限公司)	PRC, limited liability company	USD 0.1	–	100%	–	100%	–	100%	Investment holding
13	Multek Industries Limited(珠海門門超毅實業有限公司)	PRC, limited liability company	USD 144,989	–	100%	–	100%	–	100%	Manufacture of electronic components
14	Source Photonics (Chengdu) Co., Ltd.(索爾思光電(成都)有限公司)	PRC, limited liability company	USD 104,675	–	–	–	–	–	97.5%	R&D, production, and sales of optical modules
15	Source Photonics (Macau Commercial Offshore) Limited(索爾思光電(澳門離岸商業服務)一人有限公司)	PRC, limited liability company	MOP 100,000	–	–	–	–	–	97.5%	Overseas sales of optical modules

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. SUBSIDIARIES (Continued)

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

	Name of subsidiary	Name of statutory auditors		
		2023	2024	2025
1	MFLEX Yancheng Co., Ltd.(鹽城維信電子有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
2	MFLEX Suzhou Co., Ltd.(蘇州維信電子有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
3	DSBJ PTE. LTD.	Price Waterhouse Coopers LLP Singapore	Price Waterhouse Coopers LLP Singapore	Assenture Public Accounting Corporation
4	Yancheng Dongshan Precision Manufacturing Co., Ltd.(鹽城東山精密製造有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
5	Mutto Optronics Technology Co., Ltd.(牧東光電科技有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
6	Multi-Fineline Electronix Singapore Pte. Ltd.	Price Waterhouse Coopers LLP Singapore	Price Waterhouse Coopers LLP Singapore	Price Waterhouse Coopers LLP Singapore
7	Multi-Fineline Electronics (Thailand) Co., Ltd.	Deloitte Touche Tohmatsu Jaiyos Co., Ltd.	Deloitte Touche Tohmatsu Jaiyos Co., Ltd.	Deloitte Touche Tohmatsu Jaiyos Co., Ltd.
8	Suzhou Dongshan Display Inc.(晶端顯示精密電子(蘇州)有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
9	Yancheng Dongchuang Precision Manufacturing Co., Ltd.(鹽城東創精密製造有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
10	Suzhou Dongyue New Energy Technology Co., Ltd.(蘇州東越新能源科技有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
11	Multek China Limited(德麗科技(珠海)有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
12	Multek Group (Hong Kong) Limited(超毅集團(香港)有限公司)	RUSSELL BEDFORD JAMES NGAI CPA LIMITED	RUSSELL BEDFORD JAMES NGAI CPA LIMITED	RUSSELL BEDFORD JAMES NGAI CPA LIMITED
13	Multek Industries Limited(珠海門門超毅實業有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
14	Source Photonics (Chengdu) Co., Ltd.(索爾思光電(成都)有限公司)	Grant Thornton (Special General Partnership)	Grant Thornton (Special General Partnership)	Pan-China Certified Public Accountants LLP
15	Source Photonics (Macau) Commercial Offshore Limited 索爾思光電(澳門離岸商業服務)一人有限公司(i)	—	—	Keng Ou Certified Public Accountants

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. SUBSIDIARIES (Continued)

(i) The entity has not appointed an auditor to issue statutory financial statements for the years ended December 31, 2023, 2024 and 2025, as it is not required to do so under the statutory requirements of its place of incorporation since incorporation.

The Company

Investments in subsidiaries

As at December 31		
2023	2024	2025
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
9,381,583	9,537,552	10,181,458

Investments in subsidiaries

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Freehold land	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023								
Cost	3,553,904	17,071,962	85,462	710,439	–	1,813,184	916,093	24,151,044
Accumulated depreciation	(1,363,251)	(8,841,978)	(59,379)	(467,939)	–	–	(424,259)	(11,156,806)
Impairment	–	(14,963)	–	(558)	–	–	–	(15,521)
Carrying amounts	2,190,653	8,215,021	26,083	241,942	–	1,813,184	491,834	12,978,717
Opening carrying amounts	2,190,653	8,215,021	26,083	241,942	–	1,813,184	491,834	12,978,717
Additions	15,127	67,949	535	13,434	193,543	3,856,921	80,780	4,228,289
Transfers from construction in progress	782,891	2,455,966	6,490	51,814	–	(3,801,470)	504,309	–
Transfers to intangible assets	–	–	–	–	–	(35,555)	–	(35,555)
Additions from business combination	105,377	243,161	100	75,461	–	9,445	34,407	467,951
Foreign currency translation differences	9	–	–	32	–	–	–	41
Transfers from right-of-use assets	–	9,256	–	–	–	–	–	9,256
Disposals	(1,150)	(249,840)	(178)	(6,628)	–	–	–	(257,796)
Depreciation charges	(185,600)	(1,559,317)	(5,628)	(77,709)	–	–	(253,148)	(2,081,402)
Closing carrying amounts	2,907,307	9,182,196	27,402	298,346	193,543	1,842,525	858,182	15,309,501
At December 31, 2023								
Cost	5,132,153	19,797,162	89,625	1,015,562	193,543	1,842,525	1,535,589	29,606,159
Accumulated depreciation	(2,220,276)	(10,602,888)	(62,223)	(716,522)	–	–	(677,407)	(14,279,316)
Accumulated impairment	(4,570)	(12,078)	–	(694)	–	–	–	(17,342)
Carrying amounts	2,907,307	9,182,196	27,402	298,346	193,543	1,842,525	858,182	15,309,501

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Freehold land	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024								
Cost	5,132,153	19,797,162	89,625	1,015,562	193,543	1,842,525	1,535,589	29,606,159
Accumulated depreciation	(2,220,276)	(10,602,888)	(62,223)	(716,522)	–	–	(677,407)	(14,279,316)
Impairment	(4,570)	(12,078)	–	(694)	–	–	–	(17,342)
Carrying amounts	2,907,307	9,182,196	27,402	298,346	193,543	1,842,525	858,182	15,309,501
Opening carrying amounts	2,907,307	9,182,196	27,402	298,346	193,543	1,842,525	858,182	15,309,501
Additions	–	278,060	6,022	442	5,417	4,712,341	293,564	5,295,846
Transfers from construction in progress	985,110	2,868,192	13,139	74,918	–	(3,975,849)	34,490	–
Transfers to intangible assets	–	–	–	–	–	(3,863)	–	(3,863)
Foreign currency translation differences	(2,412)	3,453	5	23	7,663	–	–	8,732
Disposals	(101,348)	(350,708)	(1,478)	(74,694)	–	–	(29,405)	(557,633)
Depreciation charges	(228,400)	(1,833,541)	(7,269)	(55,133)	–	–	(260,928)	(2,385,271)
Impairment	–	(394,267)	–	(174)	–	–	–	(394,441)
Closing carrying amounts	3,560,257	9,753,385	37,821	243,728	206,623	2,575,154	895,903	17,272,871
At December 31, 2024								
Cost	5,971,211	21,623,752	99,151	998,294	206,623	2,575,154	1,822,220	33,296,405
Accumulated depreciation	(2,406,384)	(11,467,373)	(61,330)	(753,699)	–	–	(926,317)	(15,615,103)
Accumulated impairment	(4,570)	(402,994)	–	(867)	–	–	–	(408,431)
Carrying amounts	3,560,257	9,753,385	37,821	243,728	206,623	2,575,154	895,903	17,272,871

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Freehold land	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025								
Cost	5,971,211	21,623,752	99,151	998,294	206,623	2,575,154	1,822,220	33,296,405
Accumulated depreciation	(2,406,384)	(11,467,373)	(61,330)	(753,699)	–	–	(926,317)	(15,615,103)
Impairment	(4,570)	(402,994)	–	(867)	–	–	–	(408,431)
Carrying amounts	3,560,257	9,753,385	37,821	243,728	206,623	2,575,154	895,903	17,272,871
Opening carrying amounts	3,560,257	9,753,385	37,821	243,728	206,623	2,575,154	895,903	17,272,871
Additions	1,691	185,657	1,529	12,248	–	4,226,456	80,915	4,508,496
Transfers from construction in progress	1,280,738	3,105,260	5,593	95,852	–	(4,718,381)	230,938	–
Additions from business combination	247,299	957,165	1,652	78,684	32,922	263,923	48,671	1,630,316
Foreign currency translation differences	3,048	(12,658)	(271)	(612)	3,919	(1,167)	(464)	(8,205)
Disposals	(5,138)	(433,909)	(10,391)	(20,539)	–	–	(45,827)	(515,804)
Depreciation charges	(277,349)	(2,132,166)	(10,053)	(81,760)	–	–	(226,141)	(2,727,469)
Closing carrying amounts	4,810,546	11,422,734	25,880	327,601	243,464	2,345,985	983,995	20,160,205
At December 31, 2025								
Cost	7,361,328	24,139,026	84,326	1,024,272	243,464	2,345,985	1,867,698	37,066,099
Accumulated depreciation	(2,546,387)	(12,410,441)	(58,446)	(695,804)	–	–	(883,703)	(16,594,781)
Accumulated impairment	(4,395)	(305,851)	–	(867)	–	–	–	(311,113)
Carrying amounts	4,810,546	11,422,734	25,880	327,601	243,464	2,345,985	983,995	20,160,205

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) *Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Buildings	15-30years
Machinery equipment	5-20years
Other equipment	3-12years
Motor vehicles	5-10years
Leasehold improvement	Shorter of their useful lives and lease terms

See Note 46 for the other accounting policies relevant to property, plant and equipment.

(b) *Depreciation of the Group’s property, plant and equipment has been recognized as follows:*

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of revenue	1,388,309	1,658,755	2,083,015
Inventories	504,522	507,965	411,548
General and administrative expenses	112,211	130,557	122,856
Research and development expenses	74,024	86,095	107,478
Selling and marketing expenses	2,336	1,899	2,572
	<u>2,081,402</u>	<u>2,385,271</u>	<u>2,727,469</u>

The Group has pledged machinery equipment with carrying amount of approximately RMB 418,051,000, nil and RMB151,552,000 as at December 31, 2023, 2024 and 2025 respectively to secure bank borrowings granted to the Group.

As at December 31, 2023, 2024 and 2025, the Group had RMB62,076,000, RMB31,717,000 and RMB25,944,000 plants for which ownership certificate applications were pending, respectively.

(c) *Impairment losses has been recognized as follows:*

For the year ended December 31, 2024, the Group recognised an impairment provision for property, plant and equipment amounting to RMB394 million, primarily due to the impairment of the subsidiary Yancheng Dongshan Precision Manufacturing Co., Ltd.

There was an impairment indicator for property, plant and equipment owned by Yancheng Dongshan Precision Manufacturing Co., Ltd. as the operating losses, low market prices and negative profit margins during 2024. The Group engaged an independent valuer to perform an impairment assessment on the related assets as at December 31, 2024.

The valuer has performed an assessment of the cash-generating unit (“CGU”). The carrying amount of the CGU is compared against the recoverable amount, which is the higher of value-in-use (“VIU”) and fair value less costs of disposal (“FVLCOD”). Based on the assessment, recoverable amounts is determined as the FVLCOD.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Impairment losses has been recognized as follows (Continued):

The recoverable amount is determined by net value of fair value less costs of disposal:

Item	Carrying amounts		Recoverable amounts		Impairment amounts		Determination of fair value and costs of disposal	Key parameters	Determination basis of key parameters
	RMB'000		RMB'000		RMB'000				
Machinery equipment	1,285,313		902,084		383,229		The fair value is determined using the market approach.	Evaluation unit price	Refer to recent trading prices or average quotes of assets in the market that are similar to the appraised assets and make adjustment and amendment for differences.
							Disposal costs mainly include direct costs incurred in the asset disposal.		

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Leasehold improvement</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023							
Cost	622,010	1,506,021	47,146	117,489	482,015	204,176	2,978,857
Accumulated depreciation	(296,121)	(626,309)	(40,744)	(104,768)	–	(47,709)	(1,115,651)
Carrying amounts	<u>325,889</u>	<u>879,712</u>	<u>6,402</u>	<u>12,721</u>	<u>482,015</u>	<u>156,467</u>	<u>1,863,206</u>
Opening carrying amounts	325,889	879,712	6,402	12,721	482,015	156,467	1,863,206
Additions	–	–	–	–	170,944	–	170,944
Transfers from construction in progress	15,454	356,593	3,792	4,786	(413,233)	32,608	–
Transfers to intangible assets	–	–	–	–	(2,401)	–	(2,401)
Disposals	–	(112,188)	(112)	(353)	–	(40,041)	(152,694)
Depreciation charges	(20,738)	(172,718)	(2,007)	(4,612)	–	(61,650)	(261,725)
Closing carrying amounts	<u>320,605</u>	<u>951,399</u>	<u>8,075</u>	<u>12,542</u>	<u>237,325</u>	<u>87,384</u>	<u>1,617,330</u>
At December 31, 2023							
Cost	637,464	1,737,557	48,722	121,872	237,325	196,743	2,979,683
Accumulated depreciation	(316,859)	(786,158)	(40,647)	(109,330)	–	(109,359)	(1,362,353)
Carrying amounts	<u>320,605</u>	<u>951,399</u>	<u>8,075</u>	<u>12,542</u>	<u>237,325</u>	<u>87,384</u>	<u>1,617,330</u>

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024							
Cost	637,464	1,737,557	48,722	121,872	237,325	196,743	2,979,683
Accumulated depreciation	(316,859)	(786,158)	(40,647)	(109,330)	–	(109,359)	(1,362,353)
Carrying amounts	320,605	951,399	8,075	12,542	237,325	87,384	1,617,330
Opening carrying amounts	320,605	951,399	8,075	12,542	237,325	87,384	1,617,330
Additions	–	–	–	–	230,326	374	230,700
Transfers from construction in progress	–	252,377	4,556	11,232	(314,005)	45,840	–
Disposals	(20)	(634,167)	(2,045)	(5,254)	–	–	(641,486)
Others	–	58	–	514	(5,153)	–	(4,581)
Depreciation charges	(18,889)	(121,579)	(2,163)	(2,018)	–	(44,268)	(188,917)
Closing carrying amounts	301,696	448,088	8,423	17,016	148,493	89,330	1,013,046
At December 31, 2024							
Cost	637,312	894,436	44,691	70,596	148,493	242,957	2,038,485
Accumulated depreciation	(335,616)	(446,348)	(36,268)	(53,580)	–	(153,627)	(1,025,439)
Carrying amounts	301,696	448,088	8,423	17,016	148,493	89,330	1,013,046

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company (Continued)

	Buildings	Machinery equipment	Motor vehicles	Other equipment	Construction in progress	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2025							
Cost	637,312	894,436	44,691	70,596	148,493	242,957	2,038,485
Accumulated depreciation	(335,616)	(446,348)	(36,268)	(53,580)	–	(153,627)	(1,025,439)
Carrying amounts	<u>301,696</u>	<u>448,088</u>	<u>8,423</u>	<u>17,016</u>	<u>148,493</u>	<u>89,330</u>	<u>1,013,046</u>
Opening carrying amounts	301,696	448,088	8,423	17,016	148,493	89,330	1,013,046
Additions	–	30,809	1,133	5	160,079	–	192,026
Transfers from construction in progress	12,428	112,062	1,525	11,043	(192,372)	55,314	–
Disposals	(5,798)	(78,477)	(280)	(2,281)	–	(46,488)	(133,324)
Depreciation charges	(19,557)	(85,909)	(2,213)	(3,631)	–	(35,965)	(147,275)
Closing carrying amounts	<u>288,769</u>	<u>426,573</u>	<u>8,588</u>	<u>22,152</u>	<u>116,200</u>	<u>62,191</u>	<u>924,473</u>
At December 31, 2025							
Cost	540,601	592,570	41,750	46,746	116,200	196,881	1,534,748
Accumulated depreciation	(251,832)	(165,997)	(33,162)	(24,594)	–	(134,690)	(610,275)
Carrying amounts	<u>288,769</u>	<u>426,573</u>	<u>8,588</u>	<u>22,152</u>	<u>116,200</u>	<u>62,191</u>	<u>924,473</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19. INVESTMENT PROPERTIES

(a) Investment property

	<u>Buildings</u>	<u>Land use</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At January 1, 2023			
Cost	5,309	–	5,309
Accumulated depreciation	(4,013)	–	(4,013)
Carrying amounts	<u>1,296</u>	=	<u>1,296</u>
Opening carrying amounts	1,296	–	1,296
Depreciation charges	(257)	–	(257)
Closing carrying amounts	<u>1,039</u>	=	<u>1,039</u>
At December 31, 2023			
Cost	5,309	–	5,309
Accumulated depreciation	(4,270)	–	(4,270)
Carrying amounts	<u>1,039</u>	=	<u>1,039</u>
	<u>Buildings</u>	<u>Land use</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At January 1, 2024			
Cost	5,309	–	5,309
Accumulated depreciation	(4,270)	–	(4,270)
Carrying amounts	<u>1,039</u>	=	<u>1,039</u>
Opening carrying amounts	1,039	–	1,039
Depreciation charges	(258)	–	(258)
Closing carrying amounts	<u>781</u>	=	<u>781</u>
At December 31, 2024			
Cost	5,309	–	5,309
Accumulated depreciation	(4,528)	–	(4,528)
Carrying amounts	<u>781</u>	=	<u>781</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19. INVESTMENT PROPERTIES (Continued)

	<u>Buildings</u>	<u>Land use rights</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2025			
Cost	5,309	–	5,309
Accumulated depreciation	(4,528)	–	(4,528)
Carrying amounts	<u>781</u>	<u>–</u>	<u>781</u>
Opening carrying amounts	781	–	781
Transfer from right-of-use assets	–	142,028	142,028
Depreciation charges	(254)	–	(254)
Closing carrying amounts	<u>527</u>	<u>142,028</u>	<u>142,555</u>
At December 31, 2025			
Cost	5,309	148,423	153,732
Accumulated depreciation and amortization	(4,782)	(6,395)	(11,177)
Carrying amounts	<u>527</u>	<u>142,028</u>	<u>142,555</u>

The investment properties are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	15-30 years
Land use rights	50 years

See Note 46 for the other accounting policies relevant to investment properties.

- (i) Properties held by the Group for the purpose of earning rental income, achieving capital appreciation, or both are presented as investment property. When there is a change in the use of such held properties, the Company shall reclassify the investment property to property, plant and equipment.

(b) Fair Value Disclosure

For disclosure purposes, the Company has engaged an independent valuer to assess the fair value of the investment properties. The fair value of the investment properties as at December 31, 2025 was approximately RMB 146,522,000, and the fair value hierarchy is set out below:

Description	<u>Valuation Technique</u>	<u>Significant unobservable input</u>	<u>Range of significant unobservable input</u>
Land unit located in China	Market Approach (level 2)	Market Unit Price (RMB/sqm)	4,000 to 7,000 RMB/sqm

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. LEASE

20.1 The Group and the Company as the lessee

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Group

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets			
Land use rights	421,663	543,663	365,806
Buildings	1,136,688	1,201,297	1,992,162
Machinery equipment	29,705	27,763	137,700
Motor vehicles	76	—	—
	1,588,132	1,772,723	2,495,668
Lease liabilities			
Current	29,698	131,842	500,891
Non-current	1,842,799	1,351,519	1,790,065
	1,872,497	1,483,361	2,290,956

- (i) Additions to the right-of-use assets during the years ended December 31, 2023, 2024 and 2025 were approximately RMB593,573,000, RMB283,196,000 and RMB1,087,772,000 respectively.

The Company

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets			
Buildings	4,566	2,609	652
Land use rights	58,364	56,830	23,231
	62,930	59,439	23,883
Lease liabilities			
Current	2,006	1,880	614
Non-current	2,741	861	—
	4,747	2,741	614

- (b) The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used. The discount rate used during the years ended December 31, 2023 and 2024 were remained at 1.64% to 6.00%. The discount rate used during the year ended December 31, 2025 was ranged from 1.64% to 9.60%.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. LEASE (Continued)

20.1 The Group and the Company as the lessee (Continued)

(c) *Depreciation charges of right-of-use assets have been recognized as follows:*

The consolidated statements of profit or loss and the consolidated statements of cash flow contain the following amounts relating to leases:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation charge of right-of-use assets:			
-Land use rights	12,859	16,682	17,986
-Buildings	70,452	69,996	92,142
-Machinery equipment	3,951	1,943	6,749
-Motor vehicles	130	76	—
	87,392	88,697	116,877

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest expense (included in finance cost)	93,255	69,674	111,289
Expense relating to short-term and low value leases not included in lease liabilities	18,684	8,045	58,365
	111,939	77,719	169,654

The total cash outflows for lease payments during the years ended December 31, 2023, 2024 and 2025 were approximately RMB 201,686,000, RMB652,362,000 and RMB325,595,000, respectively.

As a lessee, the Group leases buildings, machinery equipment, motor vehicles and land use rights. Lease contracts typically have fixed terms, ranging from 16 to 60 months for buildings, machinery equipment and motor vehicles, 50 years for land use rights. They are stated at cost less accumulated depreciation and accumulated impairment losses.

The Group has pledged machinery equipment with carrying amount of approximately RMB 1,252,668,000, RMB 1,259,000,000 and RMB2,209,354,000 as at December 31, 2023, 2024 and 2025, respectively to finance lease granted to the Group.

See Note 46 for the other accounting policies relevant to lease.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20. LEASE (Continued)

20.2 The Group as the lessor

(a) Operating Lease

(i) Lease Income

The Group

	<u>Year ended December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease income	2,074	647	3,496

(ii) Assets leased out under operating leases

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investment property	1,039	781	142,555

(iii) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	123	82	943
Between 1 and 2 years	—	—	949
Between 2 and 3 years	—	—	277
	<u>123</u>	<u>82</u>	<u>2,169</u>

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS

	<u>Software</u>	<u>Trademark right and Patent right</u>	<u>Know-how</u>	<u>Customer Resources</u>	<u>Goodwill</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023						
Cost	232,519	140,568	6,733	–	2,239,041	2,618,861
Accumulated amortization	(166,693)	(85,208)	(6,733)	–		(258,634)
Accumulated impairment	–	–	–	–	(47,101)	(47,101)
Carrying amounts . . .	<u>65,826</u>	<u>55,360</u>	<u>–</u>	<u>–</u>	<u>2,191,940</u>	<u>2,313,126</u>
Year ended December 31, 2023						
Opening carrying amounts	65,826	55,360	–	–	2,191,940	2,313,126
Additions	3,012	14,151	–	–	–	17,163
Transfers from construction in progress	35,555	–	–	–	–	35,555
Disposals	(1,077)	–	–	–	–	(1,077)
Additions from business combination (Note 42)	36,896	–	–	187,479	–	224,375
Amortization charges	(49,346)	(12,227)	–	(19,049)	–	(80,622)
Impairment	–	–	–	–	(29,243)	(29,243)
Foreign currency translation differences	1	(2,221)	–	(4,000)	–	(6,220)
Closing carrying amounts	<u>90,867</u>	<u>55,063</u>	<u>–</u>	<u>164,430</u>	<u>2,162,697</u>	<u>2,473,057</u>
At December 31, 2023						
Cost	362,387	154,719	6,733	183,479	2,239,041	2,946,359
Accumulated amortization	(271,520)	(99,656)	(6,733)	(19,049)	–	(396,958)
Accumulated impairment	–	–	–	–	(76,344)	(76,344)
Carrying amounts . . .	<u>90,867</u>	<u>55,063</u>	<u>–</u>	<u>164,430</u>	<u>2,162,697</u>	<u>2,473,057</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

	<u>Software</u>	<u>Trademark right and Patent right</u>	<u>Know-how</u>	<u>Customer Resources</u>	<u>Goodwill</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024						
Cost	362,387	154,719	6,733	183,479	2,239,041	2,946,359
Accumulated amortization	(271,520)	(99,656)	(6,733)	(19,049)	–	(396,958)
Accumulated impairment	–	–	–	–	(76,344)	(76,344)
Carrying amounts . . .	<u>90,867</u>	<u>55,063</u>	<u>–</u>	<u>164,430</u>	<u>2,162,697</u>	<u>2,473,057</u>
Year ended December 31, 2024						
Opening carrying amounts	90,867	55,063	–	164,430	2,162,697	2,473,057
Additions	49,239	162	–	–	–	49,401
Transfers from construction in progress	3,863	–	–	–	–	3,863
Disposals	(730)	–	–	–	–	(730)
Amortization charges	(54,183)	(9,745)	–	(20,780)	–	(84,708)
Impairment	–	–	–	–	(85,223)	(85,223)
Foreign currency translation differences	(41)	(5,445)	–	(5,421)	–	(10,907)
Closing carrying amounts	<u>89,015</u>	<u>40,035</u>	<u>–</u>	<u>138,229</u>	<u>2,077,474</u>	<u>2,344,753</u>
At December 31, 2024						
Cost	411,964	154,881	6,733	183,479	2,239,041	2,996,098
Accumulated amortization	(322,949)	(114,846)	(6,733)	(45,250)	–	(489,778)
Accumulated impairment	–	–	–	–	(161,567)	(161,567)
Carrying amounts . . .	<u>89,015</u>	<u>40,035</u>	<u>–</u>	<u>138,229</u>	<u>2,077,474</u>	<u>2,344,753</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

	<u>Software</u>	<u>Trademark right and Patent right</u>	<u>Development Expenditure</u>	<u>Customer Resources</u>	<u>Goodwill</u>	<u>Know-how</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2025							
Cost	411,964	154,881	–	183,479	2,239,041	6,733	2,996,098
Accumulated amortization	(322,949)	(114,846)	–	(45,250)	–	(6,733)	(489,778)
Accumulated impairment	–	–	–	–	(161,567)	–	(161,567)
Carrying amounts ...	<u>89,015</u>	<u>40,035</u>	<u>–</u>	<u>138,229</u>	<u>2,077,474</u>	<u>–</u>	<u>2,344,753</u>
Year ended							
December 31, 2025							
Opening carrying amounts	89,015	40,035	–	138,229	2,077,474	–	2,344,753
Additions	49,794	773	9,429	–	–	2,517	62,513
Transfer from development expenditure	–	–	(27,523)	–	–	27,523	–
Disposals	(1,444)	–	–	–	–	(30)	(1,474)
Amortization charges	(54,678)	(28,643)	–	(22,159)	–	(7,042)	(112,522)
Impairment	–	–	–	–	(107,245)	–	(107,245)
Additions from business combination (Note 42)	5,844	6,458	61,906	–	2,825,094	545,245	3,444,547
Foreign currency translation differences	(12)	62	(2,118)	539	(26,065)	(734)	(28,328)
Closing carrying amounts	<u>88,519</u>	<u>18,685</u>	<u>41,694</u>	<u>116,609</u>	<u>4,769,258</u>	<u>567,479</u>	<u>5,602,244</u>
At December 31, 2025							
Cost	462,781	208,915	51,377	183,479	5,038,070	654,670	6,599,292
Accumulated amortization	(374,262)	(190,230)	–	(66,870)	–	(66,765)	(698,127)
Accumulated impairment	–	–	(9,683)	–	(268,812)	(20,426)	(298,921)
Carrying amounts ...	<u>88,519</u>	<u>18,685</u>	<u>41,694</u>	<u>116,609</u>	<u>4,769,258</u>	<u>567,479</u>	<u>5,602,244</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(a) *Amortization expenses have been recognized as follows:*

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
General and administrative expenses	33,349	21,742	35,880
Cost of revenue	27,819	40,330	52,016
Inventories	10,116	12,354	10,279
Research and development expenses	9,248	9,215	13,048
Selling and marketing expenses	90	1,067	1,299
	<u>80,622</u>	<u>84,708</u>	<u>112,522</u>

(b) *Amortization Methods and Periods*

(i) *Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

(ii) *Trademark right and Patent right*

Trademark right and patent right are initially recognized at fair value and historical costs on the acquisition date and subsequently carried at cost less accumulated amortization and impairment losses.

(iii) *Customer Resources*

Customer resources are initially recognized at fair value on the acquisition date and subsequently carried at cost less accumulated amortization and impairment losses.

(iv) *Know-how*

Know-how is recognised as an intangible asset when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent to initial recognition, know-how is measured at cost less accumulated amortisation and accumulated impairment losses.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Software	3 years
Trademark right and patent right	10 years
Customer resources	10 years
Know-how	3-5 years

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(c) *Research and Development*

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) *Impairment Tests for Goodwill*

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The carrying amounts of goodwill allocated to the cash generating units or group of cash generating units (“CGU” or “CGUs”) are as follows:

	<u>Opening</u>	<u>Addition</u>	<u>Impairment</u>	<u>Closing</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2023				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	115,725	–	(29,243)	86,482
Suzhou RF	126,133	–	–	126,133
	<u>2,191,940</u>	<u>–</u>	<u>(29,243)</u>	<u>2,162,697</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(d) Impairment Tests for Goodwill (Continued)

	<u>Opening</u>	<u>Addition</u>	<u>Impairment</u>	<u>Closing</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2024				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	86,482	–	(48,393)	38,089
Suzhou RF	126,133	–	(36,830)	89,303
	<u>2,162,697</u>	<u>–</u>	<u>(85,223)</u>	<u>2,077,474</u>
Year ended December 31, 2025				
MFLEX	1,770,753	–	–	1,770,753
Multek	179,329	–	–	179,329
Mutto Optronics	38,089	–	(38,089)	–
Suzhou RF	89,303	–	(69,156)	20,147
Source Photonics	–	2,799,029	–	2,799,029
	<u>2,077,474</u>	<u>2,799,029</u>	<u>(107,245)</u>	<u>4,769,258</u>

- (i) The goodwill is generated from business combination of MFLEX Delaware, Inc (“MFLEX”). Management regards MFLEX as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.
- (ii) The goodwill is generated from business combination of Multek Hong Kong Limited (“Multek”). Management regards Multek as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.
- (iii) The goodwill is generated from business combination of Mutto Optronics Technology Co., Ltd. (“Mutto Optronics”). Management regards Mutto Optronics as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.
- (iv) The goodwill is generated from business combination of Suzhou RF Top Electric Communications Co., Ltd (“Suzhou RF”). Management regards Suzhou RF as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.
- (v) The goodwill is generated from business combination of Source Photonics Holdings (Cayman) Limited (“Source Photonics”). Management regards Source Photonics as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(d) Impairment Tests for Goodwill (Continued)

The following table sets out the key assumptions for these CGUs that have goodwill allocated to them:

Year ended December 31, 2023

	<u>MFLEX</u>	<u>Multek</u>	<u>Mutto Optronics</u>	<u>Suzhou RF</u>
Revenue annual growth rates	0.10% to 1.19%	-0.76% to 4.06%	1.50% to 8.73%	-1.34% to 24.14%
Operating profit margin	16.19% to 17.30%	16.49% to 17.45%	6.42% to 7.12%	18.00% to 24.69%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	11.68%	10.99%	10.84%	12.46%

Year ended December 31, 2024

	<u>MFLEX</u>	<u>Multek</u>	<u>Mutto Optronics</u>	<u>Suzhou RF</u>
Revenue annual growth rates	0.13% to 1.00%	0.99% to 2.09%	-19.66% to 2%	-1.34% to 27.80%
Operating profit margin	16.23% to 17.57%	17.22% to 18.00%	7.38% to 7.62%	7.54% to 19.23%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	13.83%	11.55%	9.49%	12.40%

Year ended December 31, 2025

	<u>MFLEX</u>	<u>Multek</u>	<u>Mutto Optronics</u>	<u>Suzhou RF</u>	<u>Source Photonics</u>
Revenue annual growth rates	0.00% to 0.40%	0.32% to 7.73%	6.00% to 6.00%	5.03% to 71.83%	1.85% to 16.03%
Operating profit margin	9.24% to 10.44%	9.74% to 11.63%	5.51% to 7.02%	12.79% to 17.48%	26.02% to 28.39%
Perpetual annual growth rates	0.00%	0.00%	0.00%	0.00%	0.00%
Pre-tax discount rates	12.73%	12.50%	9.30%	14.20%	16.70%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(d) Impairment Tests for Goodwill (Continued)

Operating profit margin	Based on past performance and management’s expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital (“WACC”) method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

(e) Impact of possible changes in key assumptions

Based on management’s assessment on the recoverable amounts, the headroom of these CGUs as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
MFLEX	7,674,174	4,396,518	7,807,868
Multek	195,185	246,458	282,723
Mutto Optronics	—	—	—
Suzhou RF	22,513	—	—
Source Photonics	—	—	386,108

Sensitivity analysis has been performed based on the assumptions that revenue annual growth rates, operating profit margin and pre-tax discount rates has been changed. Had the estimated key assumptions during the forecast period been changed as shown below, while other parameters remain constant, the headroom of the CGUs would be as follows:

For MFLEX CGU

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Average revenue annual growth rate decreased by 0.5%	7,594,174	4,326,518	7,647,868
Operating profit margin decreased by 0.5%	6,734,174	3,576,518	6,907,868
Pre-tax discount rate increased by 0.5%	7,034,174	3,956,518	7,207,868

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(e) Impact of possible changes in key assumptions (Continued)

The Group (Continued)

For Multek CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Average revenue annual growth rate decreased by 0.5%	185,185	226,458	246,723
Operating profit margin decreased by 0.5%	35,185	86,458	94,723
Pre-tax discount rate increased by 0.5%	85,185	136,458	136,723

For Suzhou RF CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Average revenue annual growth rate decreased by 0.5%	3,513	—	—
Operating profit margin decreased by 0.5%	3,513	—	—
Pre-tax discount rate increased by 0.5%	5,513	—	—

For Source Photonics CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Average revenue annual growth rate decreased by 0.5%	—	—	376,108
Operating profit margin decreased by 0.5%	—	—	326,108
Pre-tax discount rate increased by 0.5%	—	—	186,108

Based on the results of impairment test as at December 31, 2023, the recoverable amount of MFLEX CGU, Multek CGU and Suzhou RF CGU are significantly above the carrying amount of the Group.

Based on the results of impairment test as at December 31, 2024, the recoverable amount of MFLEX CGU and Multek CGU are significantly above the carrying amount of the Group. Management of the Group believes that any reasonably possible change in any of the key assumptions would not result in impairment.

Based on the results of impairment test as at December 31, 2025, the recoverable amount of MFLEX CGU, Multek CGU and Source Photonics CGU are significantly above the carrying amount of the Group.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(e) Impact of possible changes in key assumptions (Continued)

The Group (Continued)

The recoverable amounts of the CGUs would equal their carrying amounts if the key assumptions were to change as follows:

For MFLEX CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue annual growth rates	-45.98%	-31.40%	-25.25%
Operating profit margin	-4.10%	-2.69%	-4.34%
Pre-tax discount rates	10.92%	7.10%	11.35%

For Multek CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue annual growth rates	-10.24%	-9.00%	-3.93%
Operating profit margin	-0.80%	-0.77%	-0.75%
Pre-tax discount rates	1.35%	1.25%	1.00%

For Suzhou RF CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue annual growth rates	-0.59%	—	—
Operating profit margin	-0.59%	—	—
Pre-tax discount rates	0.65%	—	—

For Source Photonics CGU

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenue annual growth rates	—	—	-10.99%
Operating profit margin	—	—	-3.39%
Pre-tax discount rates	—	—	6.00%

(f) Impairment Tests for Development Expenditure

Development Expenditure is not subject to amortization for certain subsidiaries and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(f) *Impairment Tests for Development Expenditure (Continued)*

value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The following table sets out the key assumptions, where the Group used five-year period as the projection period for the cash flow forecast.

	Year ended December 31, 2025
Development Expenditure	
Revenue annual growth rates	0.00% to 16.82%
Perpetual annual growth rates	0.00%
Pre-tax discount rates	16.50%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital (“WACC”) method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

APPENDIX IA

ACCOUNTANTS' REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21. INTANGIBLE ASSETS (Continued)

(f) Impairment Tests for Development Expenditure (Continued)

Impact of possible changes in key assumptions

Based on management's assessment on the recoverable amounts, the headroom is as follows:

	<u>As at December 31 2025</u>
Development Expenditure	591,039

The recoverable amounts would equal their carrying amounts if the key assumptions were to change as follows:

	<u>As at December 31 2025</u>
Revenue annual growth rates	57.50%
Pre-tax discount rates	385.27%

Sensitivity analysis has been performed based on the assumptions that revenue annual growth rates and pre-tax discount rates has been changed. Had the estimated key assumptions during the forecast period been changed as shown below, while other parameters remain constant, the headroom would be as follows:

	<u>As at December 31 2025</u>
Average revenue annual growth rate decreased by 1%	7,000
Pre-tax discount rate increased by 1%	2,000

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 16)	290,477	252,612	285,278
Equity instruments at FVOCI(Note 16)	278,157	333,657	442,976
Financial assets at FVTPL (Note 28)	128,752	63,212	136,428
Derivative financial assets	17,389	14,932	65,126
	714,775	664,413	929,808
Financial assets measured at amortized cost:			
Trade and notes receivables (Note 24)	7,716,572	7,672,495	10,073,032
Restricted cash and term deposits (Note 29)	1,545,549	1,828,731	1,545,561
Cash and cash equivalents (Note 29)	5,644,487	5,343,600	6,104,723
Other receivables (Note 25)	147,467	144,770	722,285
	15,054,075	14,989,596	18,445,601
	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial liabilities			
Derivative financial liabilities	33,347	11,038	46,546
Financial liabilities measured at amortized cost:			
Trade and notes payables (Note 31)	8,948,278	10,594,850	14,045,950
Accruals and other payables (excluding non-financial liabilities) (Note 32)	377,184	143,598	705,336
Lease liabilities (Note 20)	1,872,497	1,483,361	2,290,956
Borrowings (Note 30)	12,329,399	12,427,288	17,345,850
	23,527,358	24,649,097	34,388,092

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 16)	16,446	18,920	97,221
Equity instruments at FVOCI (Note 16)	171,322	221,322	233,621
Financial assets at FVPL (Note 28)	–	–	725,590
Derivative financial assets	–	–	220
	187,768	240,242	1,056,652
Financial assets measured at amortized cost:			
Trade and notes receivables (Note 24)	2,084,886	3,143,493	2,968,231
Restricted cash and term deposits (Note 29)	642,980	551,130	444,001
Cash and cash equivalents (Note 29)	478,844	538,870	716,293
Other receivables (Note 25)	5,282,635	5,999,488	6,775,088
	8,489,345	10,232,981	10,903,613
	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial liabilities			
Financial liabilities measured at amortized cost:			
Trade and notes payables (Note 31)	1,775,847	1,975,513	2,508,002
Accruals and other payables (excluding non-financial liabilities) (Note 32)	3,906,537	5,101,961	5,522,584
Lease liabilities (Note 20)	4,747	2,741	614
Borrowings (Note 30)	6,149,783	5,343,507	4,738,555
	11,836,914	12,423,722	12,769,755

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax assets	1,078,141	1,067,531	1,442,116
Offsetting against deferred tax liabilities	(492,138)	(601,620)	(612,353)
Net deferred tax assets	<u>586,003</u>	<u>465,911</u>	<u>829,763</u>
Gross deferred tax liabilities	691,293	863,840	1,247,160
Offsetting against deferred tax assets	(492,138)	(601,620)	(612,353)
Net deferred tax liabilities	<u>199,155</u>	<u>262,220</u>	<u>634,807</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) *Deferred Tax Assets*

	Tax losses	Loss allowance and impairment provision	Government grants	Hedging instruments	Accrued expenses	Lease liabilities	Unrealized profits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	197,499	164,460	121,152	16,207	24,657	271,246	42,353	42,659	880,233
Credited/(charged) to profit or loss (note 12)	192,045	(36,030)	(13,897)	–	(4,216)	71,364	12,257	(31,209)	190,314
Credited/(charged) to other comprehensive income	–	–	–	(11,282)	–	–	–	–	(11,282)
Foreign exchange differences	–	–	–	–	–	–	5,043	–	5,043
Business combination	–	–	–	–	988	347	–	12,498	13,833
At December 31, 2023	389,544	128,430	107,255	4,925	21,429	342,957	59,653	23,948	1,078,141
At January 1, 2024	389,544	128,430	107,255	4,925	21,429	342,957	59,653	23,948	1,078,141
Credited/(charged) to profit or loss (note 12)	(27,023)	77,299	(21,585)	–	83,487	(113,524)	(3,685)	(2,571)	(7,602)
Credited/(charged) to other comprehensive income	–	–	–	(3,643)	–	–	–	–	(3,643)
Disposal	–	(486)	–	–	–	–	–	–	(486)
Foreign exchange differences	–	–	–	–	–	–	1,121	–	1,121
At December 31, 2024	362,521	205,243	85,670	1,282	104,916	229,433	57,089	21,377	1,067,531
At January 1, 2025	362,521	205,243	85,670	1,282	104,916	229,433	57,089	21,377	1,067,531
Credited/(charged) to profit or loss (note 12)	176,938	(74,271)	28,953	189	(65,084)	48,890	7,717	(3,511)	119,821
Credited/(charged) to other comprehensive income	–	–	–	(1,281)	–	–	–	–	(1,281)
Business combination	20,180	74,512	3,546	–	33,284	116,415	–	9,977	257,914
Foreign exchange differences	(340)	63	–	–	203	(17)	(1,886)	108	(1,869)
At December 31, 2025	559,299	205,547	118,169	190	73,319	394,721	62,920	27,951	1,442,116

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(b) *Deferred Tax Liabilities*

	Accelerated tax depreciation	Accruals	Right-of-use assets	Fair value adjustments of assets	Hedging instruments	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	380,450	14,088	252,035	–	770	647,343
Charged/(credited) to profit or loss (note 12)	(62,112)	4,830	14,370	(7,933)	–	(50,845)
Credited to other comprehensive income	–	–	–	–	(770)	(770)
Business combination	–	–	426	95,139	–	95,565
At December 31, 2023	<u>318,338</u>	<u>18,918</u>	<u>266,831</u>	<u>87,206</u>	<u>–</u>	<u>691,293</u>
At January 1, 2024	318,338	18,918	266,831	87,206	–	691,293
Charged/(credited) to profit or loss (note 12)	205,250	1,032	(25,538)	(7,334)	–	173,410
Charged to other comprehensive income	–	–	–	–	157	157
Disposal	–	(1,020)	–	–	–	(1,020)
At December 31, 2024	<u>523,588</u>	<u>18,930</u>	<u>241,293</u>	<u>79,872</u>	<u>157</u>	<u>863,840</u>
At January 1, 2025	523,588	18,930	241,293	79,872	157	863,840
Charged/(credited) to profit or loss (note 12)	53,777	9,710	4,333	(16,166)	(157)	51,497
Charged to other comprehensive income	10,860	–	–	–	–	10,860
Business combination	46,954	25,772	130,265	117,729	–	320,720
Foreign exchange differences	220	(6)	29	–	–	243
At December 31, 2025	<u>635,399</u>	<u>54,406</u>	<u>375,920</u>	<u>181,435</u>	<u>–</u>	<u>1,247,160</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(c) Deferred Tax Assets Not Recognized

The Group has not recognized deferred tax assets in respect of the items below, which were not likely to generate taxable profit:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tax losses	485,740	786,634	2,267,692
Temporary differences	1,030,553	575,907	1,451,855
	<u>1,516,293</u>	<u>1,362,541</u>	<u>3,719,547</u>

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2023, 2024 and 2025, the following table shows unused tax losses based on its expected expiry date:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
2024	17,422	—	—
2025	17,011	11,286	—
2026	34,769	25,187	87,658
2027	74,369	62,146	80,268
2028	70,018	55,894	112,994
2029	26,130	56,991	309,478
2030	—	—	441,673
2031	1,012	1,012	98,861
2032	19,592	2,206	152,322
2033	225,417	225,417	80,859
2034	—	346,495	190,605
2035	—	—	703,967
2036	—	—	172
2037	—	—	268
2038	—	—	433
2039	—	—	327
2040	—	—	274
2041	—	—	254
2042	—	—	338
Unlimited	—	—	6,941
	<u>485,740</u>	<u>786,634</u>	<u>2,267,692</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(c) Deferred Tax Assets Not Recognized (Continued)

The Company

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax assets	189,736	36,910	90,362
Offsetting against deferred tax liabilities	(921)	(535)	(295)
Net deferred tax assets	<u>188,815</u>	<u>36,375</u>	<u>90,067</u>

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) Deferred Tax Assets

	Tax losses	Loss allowance and impairment provision	Government grants	Accrued expenses	Lease liabilities	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	163,236	22,149	3,350	511	995	–	190,241
Credited/(charged) to profit or loss	(6,295)	6,746	(439)	(234)	(283)	–	(505)
At December 31, 2023	<u>156,941</u>	<u>28,895</u>	<u>2,911</u>	<u>277</u>	<u>712</u>	<u>–</u>	<u>189,736</u>
At January 1, 2024	156,941	28,895	2,911	277	712	–	189,736
Charged to profit or loss	(150,732)	(1,245)	(439)	(109)	(301)	–	(152,826)
At December 31, 2024	<u>6,209</u>	<u>27,650</u>	<u>2,472</u>	<u>168</u>	<u>411</u>	<u>–</u>	<u>36,910</u>
At January 1, 2025	6,209	27,650	2,472	168	411	–	36,910
Credited/(charged) to profit or loss	46,479	7,035	10	24	(319)	223	53,452
At December 31, 2025	<u>52,688</u>	<u>34,685</u>	<u>2,482</u>	<u>192</u>	<u>92</u>	<u>223</u>	<u>90,362</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23. DEFERRED TAX (Continued)

(b) *Deferred Tax Liabilities*

	Accruals	Right-of-use assets	Hedging instruments	Total
	<i>RMB’000</i>	<i>RMB’000</i>		<i>RMB’000</i>
At January 1, 2023	435	978	801	2,214
Credited to profit or loss	(199)	(293)	–	(492)
Credited to other comprehensive income	–	–	(801)	(801)
At December 31, 2023	236	685	–	921
At January 1, 2024	236	685	–	921
Credited to profit or loss	(92)	(294)	–	(386)
At December 31, 2024	144	391	–	535
At January 1, 2025	144	391	–	535
Charged/(credited) to profit or loss	21	(294)	–	(273)
Charged to other comprehensive income	–	–	33	33
At December 31, 2025	165	97	33	295

24. TRADE AND NOTES RECEIVABLES

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current:			
Trade receivables	–	–	281,695
Less: credit loss allowance	–	–	(1,408)
	–	–	280,287
Current:			
Trade receivables	8,194,146	7,960,638	10,200,816
Notes receivables	3,425	9,083	–
Less: credit loss allowance	(480,999)	(297,226)	(408,071)
	7,716,572	7,672,495	9,792,745

- (a) As at January 1, 2023, the gross carrying amounts of trade and notes receivables from contracts with customers are amounting to RMB7,054,813,000 (net of expected credit loss amounting to RMB991,046,000).

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24. TRADE AND NOTES RECEIVABLES (Continued)

The Group (Continued)

- (b) The Group grants credit terms to some customers ranging from 30 to 90 days from the date of billing or delivery of goods. For sales under instalment payment method that has instalment payment periods generally ranging from 36 to 60 months. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 6 months	7,444,151	7,558,742	9,816,164
7 to 12 months	78,620	111,118	145,140
1 to 2years	285,296	30,428	230,589
2 to 3 years	16,989	42,084	26,777
Over 3 years	369,090	218,266	263,841
	<u>8,194,146</u>	<u>7,960,638</u>	<u>10,482,511</u>

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	2,199,725	3,235,993	3,072,948
Notes receivables	183	–	–
Less: credit loss allowance	<u>(115,022)</u>	<u>(92,500)</u>	<u>(104,717)</u>
	<u>2,084,886</u>	<u>3,143,493</u>	<u>2,968,231</u>

The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 6 months	1,195,440	1,717,999	1,546,087
7 to 12 months	83,115	1,280,579	116,028
1 to 2 years	689,194	67,754	1,279,508
2 to 3 years	4,893	94,215	43,980
Over 3 years	227,083	75,446	87,345
	<u>2,199,725</u>	<u>3,235,993</u>	<u>3,072,948</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

25. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current:			
Prepayments:			
Prepayment for purchase of property, plant and equipment	136,933	51,247	28,700
Other receivables:			
Deposits	30,000	30,000	30,000
Acquisition Deposit	–	–	434,406
Others	–	–	49,036
Less: provision for impairment	–	–	(2,526)
	166,933	81,247	539,616
Current:			
Prepayments:			
Prepayments for raw materials	253,087	25,678	24,013
Prepayments for operating expenses	40,677	61,209	28,439
Prepaid corporate income tax	9,166	–	14,931
Others	562	2,303	–
	303,492	89,190	67,383
Other receivables:			
Intercompany balances	3,043,265	4,469,456	4,829,938
Dividend receivables	2,203,111	1,495,758	1,430,533
Deposits and warranties	2,042	1,325	5
Others	6,813	7,048	8,325
Less: provision for impairment	(2,596)	(4,099)	(4,629)
	5,252,635	5,969,488	6,264,172
	5,556,127	6,058,678	6,331,555

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Other current assets			
Deductible input VAT	340,313	743,119	784,369
Cost of returned goods receivable	29,833	28,123	25,697
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Other non-current assets			
Unrealized gains from sale-lease back transactions	26,662	19,414	7,711
Others	–	–	1,557
	<u>26,662</u>	<u>19,414</u>	<u>9,268</u>

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Other current assets			
Deductible input VAT	9,911	21,250	7,715
Cost of returned goods receivables	1,571	956	1,092
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Other non-current assets			
Unrealized gains from sale-lease back transactions	<u>26,662</u>	<u>19,414</u>	<u>7,711</u>

27. INVENTORIES

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials	1,137,853	1,654,515	2,758,783
Work in progress	891,175	1,003,085	2,333,780
Finished goods	4,974,174	4,503,261	4,985,685
Consumable materials	9,967	2,516	100,292
Less: provision for impairment	(719,290)	(1,010,721)	(1,249,596)
	<u>6,293,879</u>	<u>6,152,656</u>	<u>8,928,944</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27. INVENTORIES (Continued)

The Group (Continued)

- (i) The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of revenue. For the years ended December 31, 2023, 2024 and 2025, the cost of inventories carried forward to the cost of revenue amounted to approximately RMB27,662,285,000, RMB30,958,028,000 and RMB33,665,443,000, respectively.
- (ii) Provision for inventories recorded as cost of revenue during the years ended December 31, 2023, 2024 and 2025 were RMB397,215,000, RMB454,660,000 and RMB580,656,000, respectively.
- (iii) The written off of provisions for inventories during the years ended December 31, 2023, 2024 and 2025 were RMB132,220,000, RMB165,710,000 and RMB581,877,000, respectively.
- (iv) The impact of foreign exchange gains as at December 31, 2023, 2024 and 2025 were approximately RMB5,037,000, RMB2,481,000 and RMB240,097,000, respectively.

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials	150,058	217,251	188,936
Work in progress	186,172	54,954	65,305
Finished goods	1,040,563	806,476	544,225
Less: provision for impairment	<u>(77,610)</u>	<u>(91,834)</u>	<u>(123,994)</u>
	<u>1,299,183</u>	<u>986,847</u>	<u>674,472</u>

28. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets and liabilities at fair value through profit or loss

The group classifies the following financial assets and liabilities at fair value through profit or loss (FVTPL):

Equity investments that are held for trading, and equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

28. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Classification of financial assets and liabilities at fair value through profit or loss (Continued)

Financial assets and liabilities mandatorily measured at FVTPL include the following:

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets			
- Equity investments on unlisted entities	81,310	63,212	124,913
- Wealth management products	47,442	–	11,515
- Derivative financial assets	10,239	14,644	17,944
	138,991	77,856	154,372
Current liabilities			
- Derivative financial liabilities	215	2,691	24,159

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets			
- Convertible bond	–	–	725,590

(ii) Amounts recognized in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fair value gains/(losses) on financial assets at FVTPL	1,916	(820)	86,189
Fair value losses on financial liabilities at FVTPL	(11,657)	(17,078)	(24,167)
Net gains on disposal and holding of financial assets at FVTPL ...	24,025	10,297	7,578
	14,284	(7,601)	69,600

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

(a) Cash and Cash Equivalents

The Group

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	7,190,036	7,172,331	7,650,284
Less: Restricted cash and term deposits (i)	<u>(1,545,549)</u>	<u>(1,828,731)</u>	<u>(1,545,561)</u>
Cash and cash equivalents	<u>5,644,487</u>	<u>5,343,600</u>	<u>6,104,723</u>

(i) As at December 31, 2024 and 2025, the Group’s bank deposits amounting to RMB1,828,731,000 and RMB1,545,561,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit and derivative instruments granted to the Group.

As at December 31, 2023, the Group’s bank deposits amounting to RMB1,315,352,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit and derivative instruments granted to the Group, RMB230,197,000 deposits placed with banks were temporarily frozen for business combination.

The Company

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	1,121,824	1,090,000	1,160,294
Less: restricted cash and term deposits(ii)	<u>(642,980)</u>	<u>(551,130)</u>	<u>(444,001)</u>
Cash and cash equivalents	<u>478,844</u>	<u>538,870</u>	<u>716,293</u>

(ii) As at December 31, 2024 and 2025, the Group’s bank deposits amounting to RMB551,130,000 and RMB444,001,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit granted to the Group.

As at December 31, 2023, the Group’s bank deposits amounting to RMB412,783,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees, borrowings, letters of credit granted to the Group. RMB230,197,000 deposits placed with banks were temporarily frozen for business combination.

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS (Continued)

(b) *Cash and cash equivalents are Denominated in:*

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
RMB	3,189,574	2,766,293	3,103,409
USD	3,956,331	4,108,062	3,304,040
EUR	4,490	8,143	1,174,886
Others	39,641	289,833	67,949
	<u>7,190,036</u>	<u>7,172,331</u>	<u>7,650,284</u>

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
RMB	909,098	875,418	1,140,277
USD	211,602	213,500	18,787
Others	1,124	1,082	1,230
	<u>1,121,824</u>	<u>1,090,000</u>	<u>1,160,294</u>

30. BORROWINGS

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current			
Bank borrowings			
– Secured	2,472,169	2,193,607	3,354,405
– Unsecured	2,230,996	3,091,448	3,019,025
Interest payables	3,115	4,133	1,649
	<u>4,706,280</u>	<u>5,289,188</u>	<u>6,375,079</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30. BORROWINGS (Continued)

The Group (Continued)

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current			
Bank borrowings			
– Secured	2,881,081	2,517,842	5,728,534
– Unsecured	4,733,516	4,612,100	5,221,349
Interest payables	8,522	8,158	20,888
	<u>7,623,119</u>	<u>7,138,100</u>	<u>10,970,771</u>

(a) As at December 31, 2023, 2024 and 2025, the annual interest rate of short-term borrowings was ranged from 0.01% to 6.10%, 0.01% to 6.00% and 1.33% to 5.10%, respectively.

As at December 31, 2023, 2024 and 2025, the annual interest rate of long-term borrowings was ranged from 1.31% to 5.15%, 2.25% to 5.15% and 2.24% to 4.14%, respectively.

(b) As at December 31, 2023, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB60,000,000 guaranteed by the Company, Mr. Yuan Yonggang and Mr. Yuan Yongfeng, and pledged by certain equipments and equity; (ii) borrowings with a principal equivalent to approximately RMB3,496,328,000 guaranteed by the Company; (iii) borrowings with a principal equivalent to approximately RMB193,168,000 secured by trade receivables; (iv) borrowings with a principal equivalent to approximately RMB586,324,000 secured by notes receivables measured at amortized cost and notes receivables at FVOCI; (v) borrowings with a principal equivalent to approximately RMB817,430,000 guaranteed by the subsidiary’s equity; (vi) borrowings with a principal equivalent to approximately RMB200,000,000 guaranteed by the Company, Mr. Yuan Yonggang and Mr. Yuan Yongfeng.

As at December 31, 2024, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB2,860,368,000 guaranteed by the Company; (ii) borrowings with a principal equivalent to approximately RMB90,000,000 secured by trade receivables; (iii) borrowings with a principal equivalent to approximately RMB763,839,000 secured by notes receivables measured at amortized cost and notes receivables at FVOCI; (iv) borrowings with a principal equivalent to approximately RMB121,162,000 secured by restricted cash; (v) borrowings with a principal equivalent to approximately RMB676,080,000 guaranteed by the subsidiary’s equity; (vi) borrowings with a principal equivalent to approximately RMB200,000,000 guaranteed by the Company, Mr. Yuan Yonggang and Mr. Yuan Yongfeng.

As at December 31, 2025, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB3,978,558,000 guaranteed by the Company; (ii) borrowings with a principal equivalent to approximately RMB981,562,000 secured by trade receivables; (iii) borrowings with a principal equivalent to approximately RMB340,000,000 secured by notes receivables; (iv) borrowings with a principal equivalent to approximately RMB3,674,783,000 guaranteed by subsidiaries; (v) borrowings with a principal equivalent to approximately RMB105,292,000 pledged by equipment; (vi) borrowings with a principal equivalent to approximately RMB2,745,000 guaranteed by the subsidiary and the European Investment Bank as third-party guarantor.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30. BORROWINGS (Continued)

The Group (Continued)

As at December 31, 2023, 2024 and 2025, the Group’s borrowings were repayable as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	7,623,119	7,138,100	10,970,771
Between 1 and 2 years	2,414,980	3,460,489	1,921,047
Between 2 and 5 years	2,062,928	1,513,659	1,326,785
Over 5 years	228,372	315,040	3,127,247
	<u>12,329,399</u>	<u>12,427,288</u>	<u>17,345,850</u>

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current			
Bank borrowings			
– Secured	817,430	593,560	–
– Unsecured	1,587,170	1,656,300	1,356,020
Interest payables	838	1,757	832
	<u>2,405,438</u>	<u>2,251,617</u>	<u>1,356,852</u>
Current			
Bank borrowings			
– Secured	–	82,520	–
– Unsecured	3,740,161	3,008,708	3,379,330
Interest payables	4,184	662	2,373
	<u>3,744,345</u>	<u>3,091,890</u>	<u>3,381,703</u>

As at December 31, 2023, 2024 and 2025, the annual interest rate of short-term borrowings was ranged from 1.50% to 4.67%, 2.05% to 3.30% and 2.11% to 2.45%, respectively.

As at December 31, 2023, 2024 and 2025, the annual interest rate of long-term borrowings was ranged from 2.60% to 4.50%, 2.38% to 3.55% and 2.24% to 2.6%, respectively.

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31. TRADE AND NOTES PAYABLES

The Group

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes payables			
– Trade payables	8,039,107	9,659,269	13,043,137
– Notes payables	909,171	935,581	1,002,813
	<u>8,948,278</u>	<u>10,594,850</u>	<u>14,045,950</u>

(a) As at December 31, 2023, 2024 and 2025, trade payables include payables for construction and equipment amounting to RMB1,055,789,000, RMB2,235,671,000 and RMB2,493,240,000.

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	7,691,012	9,271,713	12,455,037
1 to 2 years	254,469	282,433	351,898
2 to 3 years	34,364	50,757	102,999
Over 3 years	59,262	54,366	133,203
	<u>8,039,107</u>	<u>9,659,269</u>	<u>13,043,137</u>

The Company

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes payables			
– Trade payables	1,326,777	1,389,943	1,713,486
– Notes payables	449,070	585,570	794,516
	<u>1,775,847</u>	<u>1,975,513</u>	<u>2,508,002</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31. TRADE AND NOTES PAYABLES (Continued)

The Company (Continued)

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	1,283,301	1,353,164	1,699,188
1 to 2 years	36,090	31,579	6,875
2 to 3 years	491	365	2,692
Over 3 years	6,895	4,835	4,731
	<u>1,326,777</u>	<u>1,389,943</u>	<u>1,713,486</u>

32. ACCRUALS AND OTHER PAYABLES

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current:			
Salaries, wages and benefits	–	–	142,470
Equity acquisition payables	48,708	22,449	–
	<u>48,708</u>	<u>22,449</u>	<u>142,470</u>

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current:			
Salaries, wages and benefits	553,179	597,573	995,232
Equity acquisition payables	248,288	26,986	564,039
Taxes other than income tax payables	50,269	53,382	128,156
Temporary receipt payables	60,966	54,102	77,244
Others	19,222	40,061	92,169
	<u>931,924</u>	<u>772,104</u>	<u>1,856,840</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

32. ACCRUALS AND OTHER PAYABLES (Continued)

The Company

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current:			
Intercompany balances	3,668,925	5,091,997	5,486,383
Equity acquisition payables	226,169	–	–
Salaries, wages and benefits	53,046	30,758	21,209
Taxes other than income tax payables	3,260	3,170	2,982
Others	11,443	9,964	36,201
	<u><u>3,962,843</u></u>	<u><u>5,135,889</u></u>	<u><u>5,546,775</u></u>

33. PROVISIONS

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current:			
Restructuring provisions (i)	–	–	134,345
Onerous contracts	–	–	81,478
Product warranties (ii)	30,236	30,534	21,411
Refund liabilities for sales return (iii)	30,549	27,725	26,523
	<u><u>60,785</u></u>	<u><u>58,259</u></u>	<u><u>263,757</u></u>

	<u>As at December 31</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current:			
Refund liabilities for sales return (iii)	–	–	17,813

(i) In 2025, the Group’s subsidiary, GMD Group, approved on two restructuring plans: in October 2025, GMD Group approved to close its ELY factory in Lyon, France; and in December 2025, it approved to dispose of the ESM factory. In accordance with French local labor regulations, employee compensation and length of service, as well as estimated disposal costs, the Group has recognized related restructuring provisions including employee severance payments, statutory and additional compensation, and litigation and legal service expenses.

(ii) The Group provides product quality warranty to its consumers and offers free warranties for faults and quality issues that occur within agreed years after the sale of such products. Based on historical warranty claim information and warranty experience, the Group estimates and accrues estimated

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33. PROVISIONS (Continued)

liabilities for the warranties provided to its customers when selling products. As the recent warranty experience may not reflect the warranty situation of the sold products in the future, the management of the Group needs to use judgement to estimate this estimated liability.

- (iii) Pursuant to the terms of sales return set out in the contracts with customers, based on historical sales returns information and experience, the Group estimates and accrues estimated liabilities for the sales returns provided to its customers when selling products.

34. DEFERRED INCOME

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government grants	<u>733,457</u>	<u>585,934</u>	<u>889,843</u>

The movements of deferred income for the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of the year	747,588	733,457	585,934
Grants received during the year	131,752	7,370	523,442
Amounts released to profit or loss during the year	<u>(145,883)</u>	<u>(154,893)</u>	<u>(219,533)</u>
At the end of the year	<u>733,457</u>	<u>585,934</u>	<u>889,843</u>

The Company

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government grants	<u>19,403</u>	<u>16,473</u>	<u>16,538</u>

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35. SHARE CAPITAL

The Group and The Company

	Year ended December 31					
	2023		2024		2025	
	Share capital	Number of shares	Share capital	Number of shares	Share capital	Number of shares
	RMB'000	'000	RMB'000	'000	RMB'000	'000
At the beginning of the year	1,709,867	1,709,867	1,709,867	1,709,867	1,705,914	1,705,914
Deregistration of shares under share schemes (i)	–	–	(3,953)	(3,953)	–	–
Issuance of new shares (ii)	–	–	–	–	125,694	125,694
At the end of the year	<u>1,709,867</u>	<u>1,709,867</u>	<u>1,705,914</u>	<u>1,705,914</u>	<u>1,831,608</u>	<u>1,831,608</u>

- (i) In August 2024, the Company deregistered the remaining 3,953,000 shares that were repurchased for the implementation of the ESOP, correspondingly reduced the Company’s treasury shares by RMB75,916,000 and reduced the capital reserve by RMB71,963,000.
- (ii) In June 2025, the Company issued 125,694,000 ordinary shares by way of private placement. The net proceeds from the issuance amounted to RMB1,391,514,000, of which RMB125,694,000 was recorded as share capital and RMB1,265,820,000 was recorded as other reserve.

36. TREASURY SHARES

The Group and The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	125,907	125,907	74,992
Repurchase of shares (i)(ii)	–	25,001	100,084
Deregistration of shares under share schemes	–	(75,916)	–
At the end of the year	<u>125,907</u>	<u>74,992</u>	<u>175,076</u>

- (i) Pursuant to the Proposal Regarding Repurchase of the Company’s Shares adopted at the 6th meeting of the 6th Board of Directors held on December 28, 2023. The Company repurchased 1,588,800 shares with the trading amount of RMB25,001,000.
- (ii) Pursuant to the Proposal Regarding Repurchase of the Company’s Shares adopted at the 18th meeting of the 6th Board of Directors held on April 9, 2025. The Company repurchased 4,202,000 shares with the trading amount of RMB 100,084,000.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37. SHARE INCENTIVE SCHEME

Share Option Incentive Plans

(a) Equity-Settled shared-based payment arrangement of the Company

The Company convened the 2022 First Extraordinary General Meeting on March 8, 2022, reviewed and approved the “Proposal on the Company’s 2022 Share Holding Plan for Core Management and Technical Personnel (Draft) and its Summary” and other related proposals (《關於公司 2022 年度核心管理人員和技術人才持股計劃（草案）及其摘要的議案》) and approved the grant of 1,366,120 repurchased shares to incentive employees on October 31, 2022, with a fair value of RMB 19.6 per share.

According to the plan provisions, and subject to the satisfaction of relevant individual performance assessment conditions, the granted shares will vest in two batches, with a vesting ratio of 50% for each batch:

The first batch: vests 12 months after the date on which the last batch of underlying shares is transferred to the share holding plan as announced by the Company;

The second batch: vests 24 months after the date on which the last batch of underlying shares is transferred to the share holding plan as announced by the Company.

	Year ended December 31		
	2023	2024	2025
	’000	’000	’000
At the beginning of the year	1,366	683	–
Granted	–	–	–
Exercise	(678)	(647)	–
Lapsed	(5)	(36)	–
At the end of the year	<u>683</u>	<u>–</u>	<u>–</u>

This plan does not involve an exercise price. Employees are not required to pay any consideration to vest the shares, which will be granted and vested in tranches based on the lock-up period and individual performance evaluation.

The fair value of the share options at the grant date is independently determined, with reference to the closing price of the company’s shares on the date of the shareholders’ meeting (held on October 31, 2022) that approved the employee share incentive scheme.

(b) Equity-Settled shared-based payment arrangement of Source Photonics

As at September 30, 2025, the Group acquired 97.48% equity interests of Source Photonics with the consideration of RMB4,358,976,000. Upon completion of the transactions, Source Photonics became the subsidiary of the Company.

Pursuant to the share option incentive scheme dual approved by the Board of Directors and Shareholders of Source Photonics on October 16, 2020 (the “2017 Share Plan (2020 Revisions)”), which authorizes that increase the maximum aggregate number of share options that may be issued to 31,115,675 Non-Voting Ordinary Shares.

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37. SHARE INCENTIVE SCHEME (Continued)

(b) Equity-Settled shared-based payment arrangement of Source Photonics (Continued)

The number of share options under the 2017 Share Plan (2020 Revisions) are summarized as follows:

	Year ended December 31
	2025
	<u>‘000</u>
At the beginning of the year	–
Business combination	31,116
Granted	–
Forfeited	–
Repurchase of employee share options	(22,099)
At the end of the year	<u>9,017</u>

38. RETAINED EARNINGS

The Group

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	7,297,404	9,025,096	9,288,044
Net profit	1,964,525	1,085,641	1,386,067
Appropriation to statutory reserves	(49,520)	(47,374)	(16,910)
Reclassification of other comprehensive income to retained earnings	–	(350,000)	–
Dividends (Note 13)	(187,313)	(425,319)	(118,795)
At the end of the year	<u>9,025,096</u>	<u>9,288,044</u>	<u>10,538,406</u>

The Company

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	224,498	482,854	133,904
Net profit	495,189	473,743	169,097
Appropriation to statutory reserves	(49,520)	(47,374)	(16,910)
Reclassification of other comprehensive income to retained earnings	–	(350,000)	–
Dividends (Note 13)	(187,313)	(425,319)	(118,795)
At the end of the year	<u>482,854</u>	<u>133,904</u>	<u>167,296</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. OTHER RESERVES

The Group

	<u>Share premium</u>	<u>Other comprehensive income</u>	<u>Statutory reserves</u>	<u>Capital surplus</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2023	7,896,511	(692,976)	135,348	158,383	7,497,266
Cash flow hedges	–	39,915	–	–	39,915
Currency translation differences of foreign operations	–	(61,604)	–	–	(61,604)
Share-based payment: -Share-based compensation expenses	–	–	–	8,874	8,874
Appropriation to statutory reserve	–	–	49,520	–	49,520
Balance at December 31, 2023	<u>7,896,511</u>	<u>(714,665)</u>	<u>184,868</u>	<u>167,257</u>	<u>7,533,971</u>

	<u>Share premium</u>	<u>Other comprehensive income</u>	<u>Statutory reserves</u>	<u>Capital surplus</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2024 ...	7,896,511	(714,665)	184,868	167,257	7,533,971
Cash flow hedges	–	13,126	–	–	13,126
Currency translation differences of foreign operations	–	34,435	–	–	34,435
Share-based payment : -Share-based compensation expenses	–	–	–	478	478
-Exercise of share-based payment	26,239	–	–	(26,239)	–
-Deregistration of shares under share schemes	(71,963)	–	–	–	(71,963)
Reclassification of other comprehensive income to retained earnings	–	350,000	–	–	350,000
Appropriation to statutory reserve	–	–	47,374	–	47,374
Balance at December 31, 2024	<u>7,850,787</u>	<u>(317,104)</u>	<u>232,242</u>	<u>141,496</u>	<u>7,907,421</u>

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. OTHER RESERVES (Continued)

The Group (Continued)

	<u>Share premium</u>	<u>Other comprehensive income</u>	<u>Statutory reserves</u>	<u>Capital surplus</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2025 . . .	7,850,787	(317,104)	232,242	141,496	7,907,421
Cash flow hedges	–	40,974	–	–	40,974
Currency translation differences of foreign operations	–	(10,504)	–	–	(10,504)
Changes in fair value of equity investments measured at FVOCI	–	43,716	–	–	43,716
Capital contribution from shareholders	1,265,820	–	–	–	1,265,820
Appropriation to statutory reserves	–	–	16,910	–	16,910
Remeasurement of defined benefit plan	–	2,085	–	–	2,085
Transactions with non- controlling interests	(211)	–	–	–	(211)
Balance at December 31, 2025	<u>9,116,396</u>	<u>(240,833)</u>	<u>249,152</u>	<u>141,496</u>	<u>9,266,211</u>

The Company

	<u>Share premium</u>	<u>Other comprehensive income</u>	<u>Statutory reserves</u>	<u>Capital surplus</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2023	7,926,381	(345,461)	135,348	26,975	7,743,243
Cash flow hedge reserves . . .	–	(4,539)	–	–	(4,539)
Share-based payment: -Share-based compensation expenses	–	–	–	8,882	8,882
Appropriation to statutory reserve	–	–	49,520	–	49,520
Balance at December 31, 2023	<u>7,926,381</u>	<u>(350,000)</u>	<u>184,868</u>	<u>35,857</u>	<u>7,797,106</u>

APPENDIX IA ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

39. OTHER RESERVES (Continued)

The Company (Continued)

	<u>Share premium</u>	<u>Other comprehensive income</u>	<u>Statutory reserves</u>	<u>Capital surplus</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2024	7,926,381	(350,000)	184,868	35,857	7,797,106
Share-based payment:					
-Share-based compensation expenses	–	–	–	478	478
-Exercise of share-based payment	26,239	–	–	(26,239)	–
-Deregistration of shares under share schemes ...	(71,963)	–	–	–	(71,963)
Reclassification of other comprehensive income to retained earnings	–	350,000	–	–	350,000
Appropriation to statutory reserve	–	–	47,374	–	47,374
Balance at December 31, 2024	<u>7,880,657</u>	<u>–</u>	<u>232,242</u>	<u>10,096</u>	<u>8,122,995</u>

	<u>Share premium</u>	<u>Other comprehensive income</u>	<u>Statutory reserves</u>	<u>Capital surplus</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2025	7,880,657	–	232,242	10,096	8,122,995
Cash flow hedges	–	187	–	–	187
Changes in fair value of equity investments measured at FVOCI	–	12,298	–	–	12,298
Capital contribution from shareholders	1,265,820	–	–	–	1,265,820
Appropriation to statutory reserves	–	–	16,910	–	16,910
Balance at December 31, 2025	<u>9,146,477</u>	<u>12,485</u>	<u>249,152</u>	<u>10,096</u>	<u>9,418,210</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

40. CONTINGENCIES AND COMMITMENTS

40.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2023, 2024 and 2025, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Historical Financial Information.

40.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment commitments:			
-Contracted, but not provided for	<u>259,478</u>	<u>246,858</u>	<u>2,974,064</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations:

	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before income tax for the year	2,191,088	1,467,711	1,690,416
Adjustments for:			
Interest income	(210,139)	(243,072)	(200,834)
Finance cost	464,863	438,226	443,476
Depreciation and amortization of non-current assets . .	2,249,416	2,558,676	2,519,385
Net losses on disposal of property, plant and equipment and intangible assets	26,368	243,093	379,287
Net impairment losses on financial assets	39,437	44,110	63,743
Impairment provision for inventories	397,215	454,660	580,656
Impairment on property, plant and equipment	–	394,441	–
Impairment of goodwill	29,243	85,223	107,245
Impairment on other current assets	(1,100)	–	–
Fair value losses/(gains) on financial assets at FVTPL	(1,916)	820	(86,189)
Fair value losses on financial liabilities at FVTPL	11,657	17,078	24,167
Share of profit of associates, net	10,821	398	922
Net gains on disposal and holding of financial instruments	(24,025)	(10,297)	(9,292)
Impairment provision for investments in associates . . .	9,319	–	–
Gains on business combination	(134,813)	–	(470,698)
Net losses on disposal of subsidiaries and associates . .	–	25,868	5,003
Net foreign exchange (gains)/losses	(129,905)	(294,655)	27,373
Share-based compensation expenses	8,882	478	–
(Increase)/ decrease in receivables	268,251	(445,997)	(3,142,781)
Increase in payables	401,517	706,310	3,540,693
Increase in inventories	(528,190)	(463,400)	(504,497)
Cash generated from operations	5,077,989	4,979,671	4,968,075

(b) Non-Cash Activities

	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Purchase of inventories and long-term assets by acceptance notes	2,313,979	1,923,542	2,830,841
Additions of right-of-use assets by way of leasing liabilities (Note 20)	593,573	283,196	354,081
	2,907,552	2,206,738	3,184,922

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

41. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(c) Debt Reconciliation

	<u>Borrowings</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	12,158,036	1,671,260	13,829,296
Financing cash flows	169,487	(183,002)	(13,515)
Interest paid	(379,553)	–	(379,553)
Interest accrued	370,434	93,255	463,689
Business combination	–	139,053	139,053
Other non-cash movements	10,995	151,931	162,926
At December 31, 2023	<u>12,329,399</u>	<u>1,872,497</u>	<u>14,201,896</u>
At January 1, 2024	12,329,399	1,872,497	14,201,896
Financing cash flows	93,277	(644,317)	(551,040)
Interest paid	(364,297)	–	(364,297)
Interest accrued	392,560	69,674	462,234
Other non-cash movements	(23,651)	185,507	161,856
At December 31, 2024	<u>12,427,288</u>	<u>1,483,361</u>	<u>13,910,649</u>
At January 1, 2025	12,427,288	1,483,361	13,910,649
Financing cash flows	3,240,856	(267,230)	2,973,626
Interest paid	(320,185)	–	(320,185)
Interest accrued	336,332	111,289	447,621
Business combination	1,681,961	772,682	2,454,643
Other non-cash movements	(20,402)	190,854	170,452
At December 31, 2025	<u>17,345,850</u>	<u>2,290,956</u>	<u>19,636,806</u>

42. BUSINESS COMBINATION

(a) Summary of acquisitions

During the year ended December 31, 2023, the acquisitions of new subsidiaries are summarized as follows:

	<u>Suzhou Display</u>	<u>Aranda</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(note (i))</i>	<i>(note (ii))</i>	
Total consideration transferred			
Cash consideration	1,382,684	289,947	1,672,631
Less: Net fair value of identifiable assets acquired and liabilities assumed	(1,517,497)	(289,947)	(1,807,444)
Goodwill	<u>(134,813)</u>	<u>–</u>	<u>(134,813)</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(a) Summary of acquisitions (Continued)

(i) Acquisition of Suzhou Display

As at February 1, 2023, the Group acquired 100.00% equity interests of Suzhou Dongshan Display Inc. (“Suzhou Display”) with the consideration of RMB 1,382,684,000. Upon completion of the transactions, Suzhou Display became the subsidiary of the Company. Suzhou Display is mainly engaged in research and development, production and sales of liquid crystal display and semi-conductor products.

Negative goodwill of approximately RMB 134,813,000 was recorded in the consolidated financial statements as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of the identifiable assets acquired and liabilities assumed with reference to the valuation report prepared by Topsun Assets Evaluation & Consulting Co., Ltd, an independent qualified professional valuer not connected to the Group. The gain on bargain purchase is mainly attributable to the immediate cash realisation and the Group’s capability in negotiating the terms of the Acquisition in favour of the Group with the Vendor.

(ii) Acquisition of Aranda

As at February 1, 2023, the Group acquired 100.00% equity interests of Aranda through a capital injection of RMB 289,947,000. Upon completion of the transactions, Aranda became the subsidiary of the Company. Aranda is mainly engaged in research and development, production and sales of welded assemblies, precision component sub-assemblies, and industrial tooling products.

(b) Financial information of acquisitions

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarized as follows. Valuation was performed by an independent valuer to determine the fair value of the identified assets.

	Suzhou Display	Aranda	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Fair value of identifiable net assets</i>			
Non-current assets			
Property, plant and equipment	358,540	109,411	467,951
Intangible assets	36,896	187,479	224,375
Right-of-use assets	104,188	126,559	230,747
Deferred income tax assets	13,833	–	13,833
Current assets			
Inventory	338,248	23,865	362,113
Trade receivables	404,451	61,622	466,073
Prepayments and other receivables	55,248	6,161	61,409
Cash and cash equivalents	503,175	8,682	511,857
Other current assets	3,302	65	3,367

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(b) Financial information of acquisitions (Continued)

	<u>Suzhou Display</u>	<u>Aranda</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Fair value of identifiable net assets</i>			
Non-current liabilities			
Lease liabilities	1,162	126,931	128,093
Deferred income tax liabilities	51,926	43,639	95,565
Deferred income	870	–	870
Provisions	–	4,605	4,605
Current liabilities			
Lease liabilities	–	10,960	10,960
Trade payables	190,671	36,555	227,226
Contract liabilities	–	298	298
Accruals and other payables	55,755	10,909	66,664
Less: Non-controlling interests	–	–	–
Fair value of the net assets acquired	<u>1,517,497</u>	<u>289,947</u>	<u>1,807,444</u>
<i>Cash impact</i>			
Cash paid (i)	1,156,515	219,120	1,375,635
Less: cash and cash equivalents in the subsidiaries acquired	<u>(503,175)</u>	<u>(8,682)</u>	<u>(511,857)</u>
Net cash outflow on acquisitions	<u>653,340</u>	<u>210,438</u>	<u>863,778</u>

- (i) As for Suzhou Display, as at December 31, 2023, the Group had paid consideration of RMB 1,156,515,000. The remaining RMB 226,169,000 will be paid by installment pursuant to the acquisition agreement.
- (ii) As for Aranda, as at December 31, 2023, the Group had paid consideration of RMB 219,120,000. The remaining RMB 70,827,000 will be paid by installment pursuant to the acquisition agreement.

The amounts of revenue and profit of subsidiaries since the acquisition date were included in the consolidated statement of comprehensive income for the year ended December 31, 2023 are summarized as follows:

	<u>Suzhou Display</u>	<u>Aranda</u>	<u>The Group (Excluding Suzhou Display & Aranda)</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	2,514,130	410,622	30,726,453	33,651,205
Net profit / (losses)	<u>129,643</u>	<u>(6,159)</u>	<u>1,841,566</u>	<u>1,965,050</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(b) Financial information of acquisitions (Continued)

If the acquisition had occurred on January 1, 2023, consolidated [REDACTED] revenue and net profit/(losses) of the Group for the year ended December 31, 2023 would have been [REDACTED] and [REDACTED] respectively.

[REDACTED]

(c) Summary of acquisitions

During the year ended December 31, 2025, the acquisitions of new subsidiaries are summarized as follows:

	<u>GMD Group</u>	<u>Source</u> <u>Photonics</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(note (i))</i>	<i>(note (ii))</i>	
Total consideration transferred			
Cash consideration	509,852	4,358,976	4,868,828
Less: Net fair value of identifiable assets acquired and liabilities assumed	(980,550)	(1,533,882)	(2,514,432)
Goodwill	<u>(470,698)</u>	<u>2,825,094</u>	<u>2,354,396</u>

(i) Acquisition of GMD Group

As at October 31, 2025, the Group acquired 100.00% equity interests of GMD Group with the consideration of RMB509,852,000. Upon completion of the transactions, GMD Group became the subsidiary of the Company. GMD Group is mainly engaged in precision metal stamping, sheet metal fabrication, and mechanical assembly for industrial applications.

Negative goodwill of approximately RMB 470,698,000 was recorded in the consolidated financial statements as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of the identifiable assets acquired and liabilities assumed with reference to the valuation report prepared by Topsun Assets Evaluation & Consulting Co., Ltd, an independent qualified professional valuer not connected to the Group. The gain on bargain purchase is mainly attributable to the immediate cash realisation and the Group’s capability in negotiating the terms of the Acquisition in favour of the Group with the Vendor.

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ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(c) Summary of acquisitions (Continued)

(ii) Acquisition of Source Photonics

As at September 30, 2025, the Group acquired 97.48% equity interests of Source Photonics with the consideration of RMB4,358,976,000. Upon completion of the transactions, Source Photonics became the subsidiary of the Company. Source Photonics is mainly engaged in the R&D, production and sales of products such as optical chips, optical components and optical modules.

(d) Financial information of acquisitions

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarized as follows. Valuation was performed by an independent valuer to determine the fair value of the identified assets.

	<u>GMD Group</u>	<u>Source Photonics</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Fair value of identifiable net assets</i>			
Non-current assets			
Property, plant and equipment	673,830	956,486	1,630,316
Intangible assets	34,062	585,391	619,453
Trade receivables	259,238	–	259,238
Right-of-use assets	638,309	95,382	733,691
Prepayments and other receivables	–	127,662	127,662
Deferred tax assets	107,642	6,346	113,988
Other non-current assets	11,265	3,147	14,412
Current assets			
Inventory	1,172,976	1,264,850	2,437,826
Trade and notes receivables	1,692,532	1,373,808	3,066,340
Prepayments and other receivables	175,848	74,504	250,352
Financial assets at fair value through profit or loss	–	12,035	12,035
Financial assets at fair value through other comprehensive income	–	4,918	4,918
Cash and cash equivalents	673,896	275,731	949,627
Restricted cash and term deposits	377,643	53,861	431,504
Other current assets	169,527	19,836	189,363
Non-current liabilities			
Lease liabilities	550,071	97,738	647,809
Deferred tax liabilities	86,582	90,212	176,794
Deferred income	95,396	23,643	119,039
Accruals and other payables	149,052	–	149,052
Convertible bonds	–	422,675	422,675
Provisions	174,422	–	174,422
Borrowings	70,475	10,000	80,475
Current liabilities			
Lease liabilities	109,222	15,651	124,873
Trade payables	1,452,584	1,493,303	2,945,887
Contract liabilities	392,906	259	393,165
Borrowings	1,042,868	558,618	1,601,486
Current tax liabilities	55,813	151,931	207,744
Provisions	–	2,776	2,776
Accruals and other payables	826,684	94,993	921,677
Less: Non-controlling interests	143	358,276	358,419
Fair value of the net assets acquired	980,550	1,533,882	2,514,432

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42. BUSINESS COMBINATION (Continued)

(d) Financial information of acquisitions (Continued)

	<u>GMD Group</u>	<u>Source</u> <u>Photonics</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Cash impact</i>			
Cash paid (i)	509,852	3,823,053	4,332,904
Less: cash and cash equivalents in the subsidiaries acquired	(673,896)	(275,731)	(949,627)
Net cash outflow on acquisitions	<u>(164,044)</u>	<u>3,547,322</u>	<u>3,383,277</u>

- (i) As for GMD Group, as at December 31, 2025, the Group had paid consideration of RMB509,852,000.
- (ii) As for Source Photonics, as at December 31, 2025, the Group had paid consideration of RMB3,823,053,000. The remaining RMB 535,923,000 will be paid by installment pursuant to the acquisition agreement.

The amounts of revenue and (losses)/profit of subsidiaries since the acquisition date were included in the consolidated statement of comprehensive income for the year ended December 31, 2025 are summarized as follows:

	<u>GMD</u> <u>Group</u>	<u>Source</u> <u>Photonics</u>	<u>The Group</u> <u>(Excluding GMD</u> <u>Group & Source</u> <u>Photonics)</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	1,292,325	1,435,535	37,396,999	40,124,859
Net profit /(losses)	<u>(27,086)</u>	<u>311,831</u>	<u>1,108,222</u>	<u>1,392,967</u>

If the acquisition had occurred on January 1, 2025, consolidated [REDACTED] revenue and net profit/(losses) of the Group for the year ended December 31, 2025 would have been [REDACTED] and [REDACTED] respectively.

[REDACTED]

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

43. DISPOSAL OF SUBSIDIARIES

The transaction of disposal of subsidiaries during the Track Record Period had no significant impact on the Group’s consolidated financial statements.

44. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	Place of incorporation	Ownership interest		
		As at December, 31		
		2023	2024	2025
Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen	Suzhou, Jiang Su, PRC	28.28%	28.34%	33.26%

The ultimate controlling parties are Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen.

(b) Names and Relationship with Related Parties

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling shareholder’s families. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended December 31, 2023, 2024 and 2025:

<u>Name of the related parties</u>	<u>Relationship with the Group</u>
Suzhou Toprun Electric Equipment Co., Ltd. (蘇州騰冉電氣設備股份有限公司)	An associate of the Group
SuZhou DongCan Optoelectronic Technology Co., Ltd. (蘇州東燦光電科技有限公司)	An associate of the Group
Shanghai Fu Shan Precision Manufacturing Co., Ltd. (上海復珊精密製造有限公司)	An associate of the Group
MULTEK INTERNATIONAL DEVELOPMENT LIMITED (超毅國際發展有限公司)	An associate of the Group
Anhui Landun Photoelectron Co., Ltd. (安徽藍盾光電子股份有限公司)	An entity controlled by the ultimate controlling shareholders
Shanghai Corkuna New Material Technologies Co., Ltd. (上海科穀納新材料科技有限公司)	An entity controlled by the ultimate controlling shareholders
Suzhou Keguna New Materials Technology Co., Ltd. (蘇州科穀納新材料科技有限公司)	An entity controlled by the ultimate controlling shareholders

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Material Transactions with Related Parties

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group has the following transactions with related parties:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Purchase of goods:			
Entities controlled by the ultimate controlling shareholders	11,427	17,362	60,779
Associates of the Group	<u>1,153</u>	<u>710</u>	<u>274</u>
	<u>12,580</u>	<u>18,072</u>	<u>61,053</u>

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Sales of goods:			
Associates of the Group	305	743	304
Entities controlled by the ultimate controlling shareholders	<u>1,234</u>	<u>–</u>	<u>81</u>
	<u>1,539</u>	<u>743</u>	<u>385</u>

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Guarantee provided by the ultimate controlling shareholders			
Bank borrowings	<u>260,000</u>	<u>200,000</u>	<u>–</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Material Transactions with Related Parties (Continued)

All these guarantees provided by the ultimate controlling shareholders Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen have been released during 2025.

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Guarantee provided by the Company and its subsidiaries			
Associates of the Group	<u>55,000</u>	<u>20,000</u>	<u>24,400</u>

(d) Balance with Related Parties

All the balances with the related parties are trade in natures.

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade nature			
Trade and notes receivables			
Associates of the Group	386	330	495
An entity controlled by the ultimate controlling shareholders	340	–	90
Less: credit loss allowance	<u>(25)</u>	<u>(93)</u>	<u>(155)</u>
	<u>701</u>	<u>237</u>	<u>430</u>

APPENDIX IA

ACCOUNTANTS’ REPORT OF THE GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

44. RELATED PARTY TRANSACTIONS (Continued)

(d) Balance with Related Parties (Continued)

For the year ended December 31, 2023, 2024 and 2025, the amount of net impairment losses recognized/(reversed) in the year in respect of bad and doubtful debts are RMB(158,000), RMB68,000 and RMB62,000, respectively.

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade nature			
Trade and notes payables			
Entities controlled by the ultimate controlling shareholders	7,339	6,763	27,762
Associates of the Group	<u>310</u>	<u>299</u>	<u>230</u>
	<u>7,649</u>	<u>7,062</u>	<u>27,992</u>

	As at December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade nature			
Prepayments			
An associate of the Group	<u>–</u>	<u>–</u>	<u>14,106</u>

(e) Key Management Compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company’s directors and supervisors as disclosed in Note 10(c), was as follows:

	Year ended December 31		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, wages and bonuses	22,628	22,628	23,465
Pension costs, housing fund, medical insurance and other social benefits	<u>907</u>	<u>907</u>	<u>1,052</u>
	<u>23,535</u>	<u>23,535</u>	<u>24,517</u>

As at December 31, 2023, 2024 and 2025, approximately RMB 4,380,000, RMB 4,699,000 and RMB4,296,000 of payroll payables were included in other payables and accruals.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

45. EVENTS AFTER THE REPORTING PERIOD

Except for the transactions mentioned above, the Group had no significant subsequent events after December 31, 2025, and up to the date of this report.

46. SUMMARY OF OTHER ACCOUNTING POLICIES

(1) Principles of Consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(1) Principles of Consolidation (Continued)

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

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

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9* or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in Associates

An associate is an entity over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(2) Investments in Associates (Continued)

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in the Group’s interests in associates

When the Group reduces its ownership interests in an associate but the Group continues to use the equity method (including situations that change of ownership interest in an associate due to capital increase of other shareholders to the associate), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

(3) Business Combinations

(i) Business Combination not Under Common Controls

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(3) Business Combinations (Continued)

(i) *Business Combination not Under Common Controls (Continued)*

incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

(4) Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee’s net assets including goodwill.

(5) Foreign Currencies

(i) *Functional and Presentation Currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company’s functional and the Group’s presentation currency.

(ii) *Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(5) Foreign Currencies (Continued)

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(6) Property, Plant and Equipment

The Group's accounting policy for buildings and equipment is explained in Note 18(a). Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(6) Property, Plant and Equipment (Continued)

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(7) Impairment of Non-Financial Assets

Goodwill, freehold land and intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(8) Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(9) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(9) Intangible assets (Continued)

(ii) Trademark right and patent right combination

Trademark right and Patent right are initially recognized at fair value and historical costs on the acquisition date. They have a finite useful life and subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life.

(iv) Customer resources

Customer resources are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

(10) Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in other comprehensive income.

(ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(10) Financial Assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.
- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/ (losses) in the statement of profit or loss as applicable.

(i) *Impairment of Financial Assets*

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flow will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(11) Financial Liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVTPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, other payables and accruals, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized part of the financial liability and the consideration paid is recognized in profit or loss for the current period.

(12) Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognized assets or liabilities or highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group’s risk management objective and strategy for undertaking the hedge.
- the hedging relationship meets all of the following hedge effectiveness requirements:

(i) there is an economic relationship between the hedged item and the hedging instrument; and

(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. However, that designation shall not

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(12) Derivative Financial Instruments and Hedging Activities (Continued)

reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognized or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, another portion is recognised directly in profit or loss.

If the forecast transaction being hedged is subsequently recognised as a non-financial asset or non-financial liability, or if the forecast transaction for the non-financial asset or non-financial liability results in a firm commitment to apply a fair value hedge, the amount of the cash flow hedging reserve that would otherwise have been recognised in other comprehensive income is reversed out to the amount initially recognised for that asset or liability. The remaining cash flow hedges are reversed out of the cash flow hedge reserve recognised in other comprehensive income to profit or loss in the same period in which the expected cash flows to be hedged affect profit or loss, if a sale is expected to occur.

Derivatives that do not apply hedge accounting

Certain derivative instruments do not apply hedge accounting. Changes in the fair value of such derivative instruments are recognized immediately in profit or loss and are included in other gains/(losses), net.

Accounting policy for fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments of fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged items that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within other gains/(losses).

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on the weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable 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.

(14) Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.2 for a description of the Group's impairment policies.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(15) Share Capital and Capital Reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(16) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(17) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(18) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(18) Borrowing Costs (Continued)

Other borrowing costs are expensed in the period in which they are incurred.

(19) Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(20) Employee Benefits

(i) *Short-Term Obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) *Housing Funds, Medical Insurances and Other Social Insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) *Post-Employment Benefits*

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group’s defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(20) Employee Benefits (Continued)

(v) *Basic Pensions*

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(21) Share-Based Payments

(i) *Equity-settled share-based payment transactions*

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(ii) *Share-based payment transactions among group entities*

The Company settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the Company's own equity instruments. Otherwise, the transaction shall be recognized as a cash settled share-based payment transaction. In its separate financial statements, the Company records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by the Company. The Company records a debit, recognizing the cash the employee paid when exercising the equity-settled share-based payment along with a decrease in reserves and a credit, recognizing share capital and share premium of the Company.

(iii) *Modifications and Cancellations*

The Group may modify the terms and conditions on which the share-based compensation plan was granted. If a modification increases the fair value of the equity instruments granted, the incremental fair

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(21) Share-Based Payments (Continued)

(iii) *Modifications and Cancellations (Continued)*

value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of the share-based compensation plan, that is canceled or settled during the vesting year, is treated as an acceleration of vesting. The Group will immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

(22) Dividend Distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities’ shareholders or directors, where appropriate.

(23) Interest Income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(24) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

(25) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(25) Earnings Per Share (Continued)

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(26) Government Grant

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(27) Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) *Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) *Deferred Income Tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(27) Current and Deferred Income Tax (Continued)

(ii) *Deferred Income Tax (Continued)*

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(28) Leases

(i) *Definition of a Lease*

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) *The Group as a Lessee*

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-Term Leases and Leases of Low-Value Assets

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(28) Leases (Continued)

(ii) *The Group as a Lessee (Continued)*

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

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

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

46. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

(28) Leases (Continued)

(ii) The Group as a Lessee (Continued)

Lease Liabilities (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

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

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

(iii) The Group as a Lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2025, and up to the date of this report.