

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, [PricewaterhouseCoopers], 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.

[Letterhead of PricewaterhouseCoopers]

[DRAFT]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FREETECH (ZHEJIANG) INTELLIGENT TECHNOLOGY CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Freetech (Zhejiang) Intelligent Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-64, which comprises the consolidated statements of financial position as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of comprehensive loss, 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 I-3 to I-64 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (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 accountant’s 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 accountant’s 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 accountant 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.

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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 accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2023, 2024 and 2025 and the consolidated financial position of the Group as at December 31, 2023, 2024 and 2025 and of its consolidated financial performance and its consolidated 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 I-3 have been made.

Dividends

We refer to note 38 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[REDACTED]

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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 accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”) (the “Underlying Financial Statements”).

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Revenue	5	907,632	1,283,266	2,280,205
Cost of sales	8	(841,796)	(1,139,865)	(1,914,866)
Gross profit		65,836	143,401	365,339
Selling expenses	8	(41,130)	(49,587)	(39,616)
Administrative expenses	8	(91,236)	(100,075)	(110,472)
Research and development expenses	8	(561,232)	(446,775)	(540,510)
Net impairment gains on financial assets	3	26,625	8,435	3,500
Other income	6	15,978	23,410	30,889
Other losses – net	7	(2,557)	(2,581)	(1,049)
Operating loss		(587,716)	(423,772)	(291,919)
Finance income	10	569	2,088	3,085
Finance costs	10	(142,657)	(102,862)	(68,650)
Finance costs – net		(142,088)	(100,774)	(65,565)
Share of net loss of associates accounted for using the equity method	17	(6,345)	(1,872)	(581)
Loss before income tax		(736,149)	(526,418)	(358,065)
Income tax expense	11	(1,952)	(1,331)	(93)
Loss for the year		(738,101)	(527,749)	(358,158)
Loss for the year attributable to:				
Owners of the Company		(738,101)	(527,749)	(358,158)
Other comprehensive loss for the year, net of tax				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive income of associates accounted for using the equity method		1,012	–	2,089
Total comprehensive loss for the year		(737,089)	(527,749)	(356,069)
Loss per share attributable to the owners of the Company (in RMB)				
Basic and diluted	12	(0.96)	(0.58)	(0.36)

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	132,943	118,153	125,248
Right-of-use assets	15	18,209	11,452	10,304
Intangible assets	16	297,117	214,257	219,957
Investments accounted for using the equity method	17	27,635	26,113	25,421
Long-term bank time deposits	22	–	11,820	11,820
Prepayments and other receivables	20	–	1,006	721
		<u>475,904</u>	<u>382,801</u>	<u>393,471</u>
Current assets				
Inventories	18	419,193	573,901	846,052
Trade and notes receivables	19	497,882	735,638	752,796
Prepayments and other receivables	20	23,541	15,717	50,742
Financial assets at fair value through other comprehensive income	21	12,958	31,361	5,336
Restricted cash	22	22,300	3,000	49,050
Cash and cash equivalents	22	60,149	654,160	633,008
		<u>1,036,023</u>	<u>2,013,777</u>	<u>2,336,984</u>
Total assets		<u>1,511,927</u>	<u>2,396,578</u>	<u>2,730,455</u>
EQUITY				
Paid-in capital	23	805,911	–	–
Share capital	24	–	1,004,466	1,004,466
Treasury stock	25	(1,251,000)	–	–
Reserves	25	1,267,686	1,682,681	1,712,813
Accumulated losses		<u>(2,591,999)</u>	<u>(2,606,754)</u>	<u>(2,964,912)</u>
Total (deficit)/equity		<u>(1,769,402)</u>	<u>80,393</u>	<u>(247,633)</u>
LIABILITIES				
Non-current liabilities				
Borrowings	30	622,193	625,546	1,200,013
Lease liabilities	15	10,645	4,826	3,827
Deferred income	31	11,032	7,957	6,668
Redemption liabilities	33	1,396,597	–	–
		<u>2,040,467</u>	<u>638,329</u>	<u>1,210,508</u>
Current liabilities				
Trade and notes payables	28	460,441	956,462	1,037,063
Other payables and accruals	29	143,868	172,249	165,557
Contract liabilities	5	13,725	11,230	17,424
Borrowings	30	610,102	529,652	540,999
Lease liabilities	15	12,726	8,263	6,537
		<u>1,240,862</u>	<u>1,677,856</u>	<u>1,767,580</u>
Total liabilities		<u>3,281,329</u>	<u>2,316,185</u>	<u>2,978,088</u>
Total equity and liabilities		<u>1,511,927</u>	<u>2,396,578</u>	<u>2,730,455</u>
Net current (liabilities)/assets		<u>(204,839)</u>	<u>335,921</u>	<u>569,404</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment		49	48	48
Intangible assets		26	4	–
Investments in subsidiaries	13	1,566,148	2,134,778	2,156,571
Other receivables	20	107,145	107,145	107,145
		<u>1,673,368</u>	<u>2,241,975</u>	<u>2,263,764</u>
Current assets				
Trade and notes receivables	19	239,356	36,258	34,118
Prepayments and other receivables	20	288,394	353,227	472,000
Cash and cash equivalents	22	16,092	338,191	241,586
		<u>543,842</u>	<u>727,676</u>	<u>747,704</u>
Total assets		<u>2,217,210</u>	<u>2,969,651</u>	<u>3,011,468</u>
EQUITY				
Paid-in capital	23	805,911	–	–
Share capital	24	–	1,004,466	1,004,466
Treasury stock	25	(1,251,000)	–	–
Reserves	25	1,266,674	1,681,669	1,709,712
Accumulated losses		(434,899)	(40,454)	(85,621)
Total equity		<u>386,686</u>	<u>2,645,681</u>	<u>2,628,557</u>
LIABILITIES				
Non-current liabilities				
Borrowings	30	135,000	110,500	79,080
Redemption liabilities	33	1,396,597	–	–
		<u>1,531,597</u>	<u>110,500</u>	<u>79,080</u>
Current liabilities				
Trade and notes payables	28	137,430	–	–
Other payables and accruals	29	13,497	27,030	15,747
Borrowings	30	148,000	186,440	288,084
		<u>298,927</u>	<u>213,470</u>	<u>303,831</u>
Total liabilities		<u>1,830,524</u>	<u>323,970</u>	<u>382,911</u>
Total equity and liabilities		<u>2,217,210</u>	<u>2,969,651</u>	<u>3,011,468</u>
Net current assets		<u>244,915</u>	<u>514,206</u>	<u>443,873</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				
		Paid-in capital	Treasury stock	Reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023		751,784	(945,000)	994,579	(1,853,898)	(1,052,535)
Comprehensive loss						
Loss for the year		–	–	–	(738,101)	(738,101)
Other comprehensive income		–	–	1,012	–	1,012
Total comprehensive loss		–	–	1,012	(738,101)	(737,089)
Transactions with owners in their capacity as owners						
Capital contributions from shareholders	23/25	54,127	–	258,304	–	312,431
Recognition of redemption liabilities		–	(306,000)	–	–	(306,000)
Share-based payments	26	–	–	13,791	–	13,791
		54,127	(306,000)	272,095	–	20,222
As at December 31, 2023		<u>805,911</u>	<u>(1,251,000)</u>	<u>1,267,686</u>	<u>(2,591,999)</u>	<u>(1,769,402)</u>

	Note	Attributable to owners of the Company					
		Paid-in capital	Share capital	Treasury stock	Reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024		805,911	–	(1,251,000)	1,267,686	(2,591,999)	(1,769,402)
Comprehensive loss							
Loss for the year		–	–	–	–	(527,749)	(527,749)
Total comprehensive loss		–	–	–	–	(527,749)	(527,749)
Transactions with owners in their capacity as owners							
Capital contributions from shareholders	23/25	151,166	–	–	446,841	–	598,007
Recognition of redemption liabilities	25	–	–	(352,886)	–	–	(352,886)
Derecognition of redemption liabilities	25	–	–	1,603,886	195,273	–	1,799,159
Conversion into a joint stock company	23	(957,077)	957,077	–	(512,994)	512,994	–
Issuance of shares	24	–	47,389	–	252,611	–	300,000
Share-based payments	26	–	–	–	33,264	–	33,264
		(805,911)	1,004,466	1,251,000	414,995	512,994	2,377,544
As at December 31, 2024		<u>–</u>	<u>1,004,466</u>	<u>–</u>	<u>1,682,681</u>	<u>(2,606,754)</u>	<u>80,393</u>

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		Attributable to owners of the Company			
	<i>Note</i>	<u>Share capital</u>	<u>Reserves</u>	<u>Accumulated losses</u>	<u>Total</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2025		1,004,466	1,682,681	(2,606,754)	80,393
Comprehensive loss					
Loss for the year		–	–	(358,158)	(358,158)
Other comprehensive income . . .		–	2,089	–	2,089
Total comprehensive loss		–	2,089	(358,158)	(356,069)
Transactions with owners in their capacity as owners					
Share-based payments	26	–	28,043	–	28,043
		–	28,043	–	28,043
As at December 31, 2025		<u>1,004,466</u>	<u>1,712,813</u>	<u>(2,964,912)</u>	<u>(247,633)</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash used in operations	34	(496,654)	(153,451)	(415,747)
Interest received		491	2,088	3,085
Income taxes paid		(1,952)	(1,331)	(93)
Net cash used in operating activities . .		(498,115)	(152,694)	(412,755)
Cash flows from investing activities				
Investments in associates		(2,450)	(350)	–
Proceeds from short-term bank time deposits		10,000	–	–
Proceeds from sales of property, plant and equipment		22	146	268
Payments for property, plant and equipment		(24,631)	(23,064)	(16,854)
Payments for intangible assets		(9,732)	(3,840)	(96,090)
Proceeds from disposals of financial assets at fair value through profit or loss	3	–	–	245,322
Payments for financial assets at fair value through profit or loss		–	–	(245,000)
Loans to related parties	36(b)	(2,013)	(200,000)	–
Repayment of loans by related parties . .	36(b)	–	204,189	–
Interest received from time deposits . . .		78	–	–
Net cash used in investing activities . .		(28,726)	(22,919)	(112,354)
Cash flows from financing activities				
Proceeds injected by shareholders	23	312,431	598,007	–
Proceeds from issuance of shares	24	–	300,000	–
Principal payments of lease liabilities . .		(12,287)	(12,001)	(7,110)
Proceeds from borrowings	30, 34	630,108	469,190	1,769,178
Repayments of borrowings	30, 34	(669,828)	(560,900)	(1,212,482)
[REDACTED] expenses paid		–	(701)	(6,097)
Interest paid for borrowings		(11,530)	(23,113)	(39,123)
Interest paid for lease liabilities		(468)	(858)	(409)
Net cash generated from financing activities		248,426	769,624	503,957
Net (decrease)/increase in cash and cash equivalents		(278,415)	594,011	(21,152)
Cash and cash equivalents at beginning of the year	22	338,564	60,149	654,160
Cash and cash equivalents at end of the year	22	60,149	654,160	633,008

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the People’s Republic of China (the “PRC”) on September 28, 2016 as a limited liability company. The address of the Company’s registered office is Building 1, 1st Floor, No. 16 Xingfa Road, Wuzhen Town, Tongxiang City, Jiaxing City, Zhejiang Province, the PRC.

The Company and its subsidiaries as listed in Note 13 below (together, “the Group”) are principally engaged in the development, manufacturing and sales of intelligent driving products and solutions in the PRC (the “[REDACTED] Business”). The Company was converted into a joint stock company in September 2024. The ultimate controlling party of the Group is Dr. Zhang Lin (張林博士).

2 BASIS OF PREPARATION

(i) Compliance with IFRS

The Historical Financial Information of the Group has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

(ii) Going concern

The Group incurred loss of approximately RMB738,101,000, RMB527,749,000 and RMB358,158,000 for the years ended December 31, 2023, 2024 and 2025, respectively. As of December 31, 2025, the Group had net liability of approximately RMB247,633,000. Historically, the Group has relied principally on capital contribution from shareholders and borrowings from commercial banks to fund its operations and business development.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. These considerations include:

- the management is confident that the Group can fulfil the banks’ requirement, secure necessary new borrowings and renew the short-term borrowings;
- the Group will continue to improve its operating cashflows by increasing its sales of products, controlling operating expenditures and enhancing the collection of receivables; and
- the Group will continue to manage its capital expenditures in line with its operating activities and financing activities.

The directors, after making due enquiries and considering the basis of management’s assessment and measures described above, believe that the Group’s current cash and cash equivalents, and the anticipated cash flows from operating and financing activities will be sufficient to meet its anticipated working capital requirements, capital expenditure requirements and to repay its liabilities for the next twelve months from December 31, 2025. Accordingly, the Historical Financial Information has been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

(iii) Accounting policies

The accounting policies applied in the preparation of the Historical Financial Information has been consistently applied to all the years presented, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 41 to this Historical Financial information.

(iv) Historical cost convention

The Historical Financial Information has been prepared on a historical cost basis, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(v) New and amended standards and interpretations adopted by the Group

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

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(vi) New and amended standards and interpretations not yet adopted

The following amended standards have been issued but not yet effective for the Track Record Period and not been early adopted by the Group:

Standards and amendments	Effective for annual periods beginning on or after
Amendments to IFRS 9 and IFRS 7 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 project Annual improvements to IFRS Accounting Standards – volumes 11	January 1, 2026
IFRS 18. Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19. Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IFRS 19 Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IAS 21. Translation to a Hyperinflationary Presentation Currency	January 1, 2027
Amendments to IFRS 10 and IFRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new or amended accounting standards and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, except for the adoption of IFRS 18 for the reporting periods beginning on or after January 1, 2027.

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group’s consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

Impact on consolidated statements of comprehensive loss:

Although the adoption of IFRS 18 will have no impact on the Group’s net profit, the Group expects that grouping items of income and expenses in the income statement into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:

Foreign exchange differences

Foreign exchange differences currently aggregated in the line item ‘other losses - net’ in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.

Impact on consolidated statements of financial position:

The line items presented on the primary financial statements might change as a result of the application of the concept of ‘useful structured summary’ and the enhanced principles on aggregation and disaggregation.

Impact on disclosures:

The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged, however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles.

Impact on consolidated statements of cash flows:

From a cash flow statement perspective, there will be a change to how interest received is presented. Interest received will be presented as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with HKFRS 18.

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3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the years ended December 31, 2023, 2024 and 2025.

(a) *Market risk*

(i) *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 Group entities’ functional currency. The Group primarily conducts its operations in PRC with majority of activities settled in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents and trade payables denominated in HKD and USD. The Group is subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group did not have other significant exposure to foreign exchange risk.

(ii) *Cash flow and fair value interest rate risk*

Except for cash and cash equivalents, restricted cash and financial assets at fair value through profit and loss (“FVPL”), the Group has no significant interest-generating assets. The Group’s income and operating cash flows are substantially independent of changes in market interest rates. The Group’s interest-rate risk mainly arises from borrowings and lease liabilities. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 30. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the Track Record Period.

As at December 31, 2023, 2024 and 2025, if the Group’s interest rates on borrowings obtained at variable rates had been 50 basis points higher/lower, loss before income tax for the year then ended would have been approximately RMB117,000, RMB11,000 and RMB59,000 higher/lower respectively.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, restricted cash, short-term bank time deposits, long-term bank time deposits, as well as trade and notes receivables, other receivables and financial assets at fair value through other comprehensive income. The carrying amounts of each class of the above financial assets represent the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) *Risk Management*

To manage risk arising from cash and cash equivalents, restricted cash, short-term bank time deposits, long-term bank time deposits, the Group only transacts with state-owned or reputable financial institutions which are all high-credit quality financial institutions all over the world. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade and notes receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating losses. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

(ii) *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, short-term bank time deposits and long-term bank time deposits;
- trade and notes receivables;
- other receivables; and
- financial assets at fair value through other comprehensive income (“FVOCI”);

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(1) Cash and bank balances

Cash and cash equivalents, restricted cash, short-term bank time deposits and long-term bank time deposits are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash, short-term bank time deposits and long-term bank time deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss is immaterial.

(2) Trade and notes receivables

Notes receivables are received for sales to customers in the PRC and most of the notes receivables of the Group are bank acceptance notes that with good credit rating. Therefore, the credit risk of notes receivables is regarded as minimal. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The Group calculates expected loss rates based on the exposure at default and the expected loss rates. The determination of the expected loss rates is based on the probability of default and the loss given the default at the end of each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

When considering forward-looking information, the Group takes different economic scenarios into consideration. The Group regularly monitors and reviews the assumptions and parameters related to the calculation of expected loss rates, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, Gross Domestic Product (“GDP”), Consumer Price Index (“CPI”), industry sales growth rate, etc.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognized impairment losses.

The Group’s trade receivables mainly represented receivables received from the sales of products and providing solutions and services to customers as described in Note 19.

The Group divided trade receivables into three categories to measure the expected credit loss rates:

- Category 1: customers who are insolvent or in operating difficulty with a relatively high credit risk.
- Category 2: customers who are listed companies with a relatively low credit risk and no default history.
- Category 3: customers who are neither listed with a relatively low credit risk and no default history nor insolvent or in operating difficulty with a relatively high credit risk.

With different types of customers, the Group calculated the expected credit loss rates respectively.

In 2023, the Group implemented enhanced credit management and intensified collection efforts, leading to improved aging profiles. Specifically, the expected loss rates decreased as at December 31, 2023, 2024 and 2025, considering the collectability of these accounts receivable in Category 2. As at December 31, 2023, 2024 and 2025, the loss allowance provision for the trade receivables was determined as follows.

	As at December 31, 2023		
	Gross carrying amount	Expected credit loss rate	Loss allowance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Category 1 – individual basis	24,082	100.00%	(24,082)
Category 2 – collective basis	454,310	8.41%	(38,211)
Category 3 – collective basis	50,254	37.98%	(19,088)
	528,646	15.39%	(81,381)
	528,646	15.39%	(81,381)
	As at December 31, 2024		
	Gross carrying amount	Expected credit loss rate	Loss allowance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Category 1 – individual basis	24,082	100.00%	(24,082)
Category 2 – collective basis	690,953	4.70%	(32,451)
Category 3 – collective basis	63,201	26.08%	(16,480)
	778,236	9.38%	(73,013)
	778,236	9.38%	(73,013)

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	As at December 31, 2025		
	Gross carrying amount	Expected credit loss rate	Loss allowance
	RMB'000	RMB'000	RMB'000
Category 1 – individual basis	32,987	100.00%	(32,987)
Category 2 – collective basis	719,307	4.04%	(29,047)
Category 3 – collective basis	43,869	16.97%	(7,443)
	<u>796,163</u>	<u>8.73%</u>	<u>(69,477)</u>

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

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Opening loss allowance as at January 1	110,166	81,381	73,013
Impairment losses reversal – net (Note 19)	(26,665)	(8,368)	(3,536)
Bad debts written-off	(2,120)	–	–
Closing loss allowance as at December 31	<u>81,381</u>	<u>73,013</u>	<u>69,477</u>

(3) Other receivables

Other receivables mainly include amounts due from related parties, refundable deposits and others. All of the Group’s financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on other receivables are presented as net impairment gains/(losses) within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The loss allowances for other receivables as at the years ended December 31, 2023, 2024 and 2025 reconcile to the opening loss allowances as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Opening loss allowance as at January 1	79	119	52
Impairment losses recognized/(reversal)	40	(67)	36
Closing loss allowance as at December 31	<u>119</u>	<u>52</u>	<u>88</u>

(4) Financial assets at FVOCI

Financial assets at FVOCI are received for sales to customers in the PRC and most of the financial assets at FVOCI of the Group are bank acceptance notes with good credit rating. Therefore, the credit risk of financial assets at FVOCI is regarded as minimal.

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate cash and cash equivalents to meet the Group’s liquidity requirements.

The table below analyses the Group’s financial liabilities (exclude redemption liabilities) into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximated their carrying balances as the impact of discounting is not significant.

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	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>At December 31, 2023</u>					
Borrowings (Note 30)	648,803	167,870	304,690	240,119	1,361,482
Trade and notes payables (Note 28)	460,441	–	–	–	460,441
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 29)	52,505	–	–	–	52,505
Lease liabilities (Note 15)	13,893	4,598	6,897	–	25,388
	<u>1,175,642</u>	<u>172,468</u>	<u>311,587</u>	<u>240,119</u>	<u>1,899,816</u>
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>At December 31, 2024</u>					
Borrowings (Note 30)	576,214	147,138	545,049	–	1,268,401
Trade and notes payables (Note 28)	956,462	–	–	–	956,462
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 29)	88,321	–	–	–	88,321
Lease liabilities (Note 15)	8,332	3,777	1,258	–	13,367
	<u>1,629,329</u>	<u>150,915</u>	<u>546,307</u>	<u>–</u>	<u>2,326,551</u>
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>At December 31, 2025</u>					
Borrowings (Note 30)	601,984	890,479	345,036	–	1,837,499
Trade and notes payables (Note 28)	1,037,063	–	–	–	1,037,063
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 29)	88,098	–	–	–	88,098
Lease liabilities (Note 15)	6,791	2,658	1,400	–	10,849
	<u>1,733,936</u>	<u>893,137</u>	<u>346,436</u>	<u>–</u>	<u>2,973,509</u>
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>At December 31, 2025</u>					
Financial guarantee for a related party (Note 36(b))	24,000	–	–	–	24,000

For redemption liabilities, please refer to Note 33 for more details.

3.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company’s shares. In the opinion of the management of the Company, the Group’s capital risk is manageable. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

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3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the statements of financial position. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the Track Record Period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group’s assets and liabilities that are measured at fair value as at December 31, 2023, 2024 and 2025:

	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2023				
Assets				
Financial assets at FVOCI (Note 21)	–	–	12,958	12,958
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2024				
Assets				
Financial assets at FVOCI (Note 21)	–	–	31,361	31,361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2025				
Assets				
Financial assets at FVOCI (Note 21)	–	–	5,336	5,336
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>

The Group’s policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each Track Record Period.

(b) Valuation technique used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

The fair value of trade and notes receivables, other receivables, cash and cash equivalents, restricted cash, short-term bank time deposits and long-term bank time deposits approximated their carrying amounts.

The fair value of trade payables, other payables and accruals (excluding payroll and welfare payables and other tax payables), current borrowings, and lease liabilities approximated their carrying amounts.

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(c) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the years ended December 31, 2023, 2024 and 2025:

Financial assets at FVPL

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1	–	–	–
Acquisitions.	–	–	245,000
Disposals	–	–	(245,322)
Fair value changes (<i>Note 7</i>)	–	–	322
As at December 31	–	–	–

The changes of financial assets at FVPL for the years ended December 31, 2023, 2024 and 2025 have been presented in Note 22.

Financial assets at FVOCI

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1	15,438	12,958	31,361
Acquisitions	12,958	31,361	5,336
Disposals	(15,438)	(12,958)	(31,361)
As at December 31	12,958	31,361	5,336

(d) There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2023, 2024 and 2025.

(e) *Valuation inputs and relationships to fair value*

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

As at December 31, 2023

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	<i>RMB'000</i>			
Notes receivable	12,958	Discount rate	1.68%-1.69%	The higher the discount rate, the lower the fair value

As at December 31, 2024

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	<i>RMB'000</i>			
Notes receivable	31,361	Discount rate	1.53%-2.13%	The higher the discount rate, the lower the fair value

As at December 31, 2025

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	<i>RMB'000</i>			
Notes receivable	5,336	Discount rate	1.61%-1.63%	The higher the discount rate, the lower the fair value

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As at December 31, 2023, 2024 and 2025, if the discount rate had been higher/lower by 0.5%, the fair value of financial assets at FVOCI would have been approximately RMB27,000, RMB67,000 and RMB13,000 lower/higher respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions, as well as forward-looking estimates at the end of each Track Record Period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(b) Inventory provision

Inventories are stated at the lower of cost and net realizable value. The 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. Even though the management of the Group has made the best estimate about the loss from inventory write-down predicted to occur and provided allowance for write-down, the write-down assessment may still be significantly changed due to the change of market situations.

(c) Recognition of share-based payment expenses

As disclosed in Note 26, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payment expenses.

The Group has engaged an independent valuer to determine the total fair value of the equity incentives granted to employees. The discounted cash flow method and back-solve method were used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the equity incentives. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management’s best estimates. Further details are included in Note 26.

(d) Income taxes and deferred income tax

There are many transactions and events 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 recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management’s judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income and details of unrecognized tax losses have been set out in Note 11.

(e) Recoverability of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. These calculations require the use of judgments and estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result 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 recognize impairment charge in profit or loss (Note 14).

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5 REVENUE

(a) Description of segments and principal activities

During the Track Record Period, the Group is engaged in the development, manufacture and sales of intelligent driving products and solutions. The executive directors of the Company review the operating results of the Group’s business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one business segment which is used to make strategic decisions.

(b) Revenue during the Track Record Period

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Timing of revenue recognition			
– At a point in time			
Sales of intelligent driving products and solutions . .	788,352	1,229,066	2,159,702
Intelligent driving-related research and development (“R&D”) services	119,280	54,200	120,503
	<u>907,632</u>	<u>1,283,266</u>	<u>2,280,205</u>

(c) Contract liabilities

(i) The Group recognized the following contract liabilities related to the contracts with customers:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract liabilities	13,725	11,230	17,424

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services or goods are yet to be provided.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue 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 contract liabilities balance at the beginning of the year	19,674	9,165	7,375

(iii) Unsatisfied performance obligations

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied as at December 31	146,805	181,096	185,069

Management expects that the unsatisfied obligations of RMB21,093,000, RMB75,774,000 and RMB83,616,000 as at December 31, 2023, 2024 and 2025, respectively will be recognized as revenue within the next twelve months. The remaining unsatisfied obligations will be recognized in one to three year(s).

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(d) Information about major customers

For the years ended December 31, 2023, 2024 and 2025, revenue derived from customers who accounted for more than 10% of the Group’s total revenue was set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer 1	43.31%	59.41%	78.86%
Customer 2	N/A	18.86%	N/A

N/A: The customer contributed less than 10% of total revenue for the corresponding year.

(e) Accounting policies for the Group’s principal revenue streams

The Group mainly provides intelligent driving solutions to its customers. The Group assesses the goods and services promised in a contract to identify performance obligations. Each distinct good or service that an entity promises to transfer is a performance obligation. Where there are multiple promises in a contract, management will need to determine whether goods or services are distinct, and therefore separate performance obligations.

The following is a description of the accounting policies for the principal revenue streams of the Group:

(i) Sales of intelligent driving products and solutions

Revenue generated from sales of intelligent driving products and solutions primarily includes integrated intelligent driving solutions relating to advanced controllers and sophisticated sensors. The intelligent driving products and solutions are provided to customers through a combination of driving hardware, software algorithms and service, all of which are highly interdependent and interrelated with each other. Accordingly, the intelligent driving products and solutions are accounted for as a single performance obligation. Revenue is recognized at the point in time when it satisfies a performance obligation by transferring control over a product to its customers, i.e., original equipment manufactures (“OEM”) for vehicles, which generally occur upon the acceptance of the products by the OEM customers. Revenue is measured based on consideration, less value-added tax, other requirements specified in a contract with a customer, and as adjusted for variable consideration (i.e., rebate or annual price adjustments) based on contract terms and historical patterns.

(ii) Provision of intelligent driving related R&D services

The Group provides R&D services relating to research and development of intelligent driving solutions and products. The Group does not have any enforceable right to payment before the agreed deliverables are accepted by customers, while the customers cannot simultaneously receive and consume the benefits provided by the Group’s performance as the Group performs. Accordingly, the Group recognizes revenue at a point in time when performance obligations are satisfied as well as the agreed deliverables are accepted by customers.

Contract fulfilment costs which are included in the amount of inventories represent costs that relate directly to a contract for intelligent driving related research and development services provided by the Group, primarily including direct labour, direct materials and allocated indirect costs incurred in providing the promised services directly to the customers. When performance obligations are satisfied as well as the agreed deliverables are accepted by the customers, the Group recognizes revenue and the accumulated costs in relation to fulfilling the contract’s performance obligations are transferred to cost of sales. The Group recognizes an impairment loss in profit or loss to the extent that the total of the carrying amount of contract fulfilment costs recognized, the estimated costs to completion and the estimated costs necessary to make the sale exceeds the remaining amount of consideration that the Group expects to receive in exchange for such services.

6 OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants	8,524	18,490	16,092
Additional VAT input deduction	6,949	3,392	14,233
Interest income on loans to related parties (Note 36(b)).	–	1,049	–
Others	505	479	564
	<u>15,978</u>	<u>23,410</u>	<u>30,889</u>

Government grants provided to the Group is mainly related to financial subsidies received from the local governments in the PRC. There were no unfulfilled conditions or contingencies attached to these grants.

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7 OTHER LOSSES — NET

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net fair value gains on financial assets at fair value through profit or loss <i>(Note 3.3(c))</i>	—	—	322
Net loss on disposal of property, plant and equipment	(128)	(253)	(94)
Net foreign exchange losses	(700)	(707)	(1,135)
Others	(1,729)	(1,621)	(142)
	<u>(2,557)</u>	<u>(2,581)</u>	<u>(1,049)</u>

8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follow:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Changes in inventories of contract fulfilment costs	(53,922)	(50,136)	(3,927)
Changes in inventories of semi-finished goods	(7,719)	(13,393)	9,401
Changes in inventories of finished goods	(68,671)	(83,571)	(61,063)
Raw materials and consumables used	871,944	1,230,991	1,900,547
Employee benefit expenses <i>(Note 9)</i>	435,506	340,024	373,007
Design and development expenditure	118,376	115,036	150,983
Depreciation and amortization expenses <i>(Notes 14 and 16)</i>	114,605	115,428	133,835
Service fees of professional organizations	14,149	10,963	19,325
Provisions for impairment of inventories <i>(Note 18)</i>	47,389	2,013	15,847
[REDACTED] expenses	—	14,991	12,418
Travelling and transportation expenses	11,746	9,276	9,730
Office expenses	11,742	7,755	9,159
Depreciation of right-of-use assets <i>(Note 15)</i>	16,607	8,476	5,533
Rental expenses related to short-term leases and low-value leases <i>(Note 15)</i>	3,600	7,100	4,929
Freight expenses	3,452	4,633	3,479
Advertising and publicity expenses	1,310	1,457	1,829
Warranty expenses	558	663	1,145
Auditors’ remuneration – Audit services	142	242	250
Others <i>(a)</i>	14,580	14,354	19,037
	<u>1,535,394</u>	<u>1,736,302</u>	<u>2,605,464</u>

(a) The others mainly includes tax and surcharges fee, property management fee and property maintenance expenses during the Track Record Period.

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wages and salaries	307,918	211,879	237,922
Discretionary bonuses	23,063	34,784	43,978
Pension obligations, housing funds, medical insurances and other social insurances	67,420	47,299	48,966
Share-based payment expenses <i>(Note 26)</i>	13,791	33,264	28,043
Termination benefit	14,263	5,436	7,144
Other employee benefits	9,051	7,362	6,954
	<u>435,506</u>	<u>340,024</u>	<u>373,007</u>

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(i) Pension obligations, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group’s liabilities in respect of benefits schemes are limited to the contribution payable in each year.

No forfeited contributions were utilized during the Track Record Period to offset the Group’s contribution to the abovementioned retirement benefit schemes.

(ii) Other employee benefits

Other employee benefits mainly include labour union expenditure, meal, rent and other allowances.

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2023, 2024 and 2025 include 1, 1 and 2 directors respectively, whose emoluments are disclosed in the Note 37. The aggregate amounts of emoluments for the remaining 4, 4 and 3 highest paid individuals for each of the years ended December 31, 2023, 2024 and 2025, respectively are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages and salaries	4,530	5,987	3,919
Discretionary bonuses	2,192	2,423	1,644
Pension obligations, housing funds, medical insurances and other social insurances	505	529	302
Share-based payment expenses	1,210	3,312	5,589
	<u>8,437</u>	<u>12,251</u>	<u>11,454</u>

The emoluments fell within the following bands:

	Year ended December 31,		
	2023	2024	2025
	Emolument bands (in HK dollar)		
Nil to 1,000,000	–	–	–
1,000,001 to 1,500,000	–	–	–
1,500,001 to 2,000,000	–	2	–
2,000,001 to 2,500,000	3	–	–
2,500,001 to 3,000,000	1	–	1
3,000,001 to 3,500,000	–	1	–
4,000,001 to 4,500,000	–	–	1
5,000,001 to 5,500,000	–	1	–
5,500,001 to 6,000,000	–	–	1
	<u>4</u>	<u>4</u>	<u>3</u>

10 FINANCE COSTS — NET

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Finance income:			
Interest income on bank deposits	569	2,088	3,085
Finance costs:			
Interest expenses on borrowings	(45,285)	(52,328)	(68,241)
Interest expenses on lease liabilities (Note 15)	(468)	(858)	(409)
Interest expenses on redemption liabilities (Note 33)	(96,904)	(49,676)	–
	<u>(142,657)</u>	<u>(102,862)</u>	<u>(68,650)</u>
Finance costs – net	<u>(142,088)</u>	<u>(100,774)</u>	<u>(65,565)</u>

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11 INCOME TAX EXPENSES

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax on profits for the year	(1,952)	(1,331)	(93)
Deferred income tax (Note 32)	—	—	—
	<u>(1,952)</u>	<u>(1,331)</u>	<u>(93)</u>

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates.

(a) 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 Track Record 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.

(b) Income tax rates

Taxes on profits assessable have been calculated at the rates of tax prevailing in the jurisdictions in which relevant entities operate.

(i) PRC corporate income tax (“PRC CIT”)

The Company and its subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations for the Track Record Period, except for disclosed below.

The Group’s subsidiary, Freetech Intelligent Systems Co., Ltd. (福瑞泰克智能系統有限公司) obtained its High and New Technology Enterprises (“HNTE”) status in year 2021 and 2024, is entitled to a preferential tax rate of 15% for a three-year period commencing 2021 and 2024. In addition, the Group’s subsidiary, Fosi (Hangzhou) Intelligent Technology Co., Ltd. 福思(杭州)智能科技有限公司 was qualified as HNTE for a three-year period, commencing in year 2023 and hence is entitled to a preferential tax rate of 15%.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2021 onwards, enterprises engaged in R&D activities are entitled to claim an additional tax deduction amounting to 100% of the qualified R&D expenses incurred in determining its tax assessable profits for that year (“Super Deduction”).

The Group’s subsidiary, Freetech (Tongxiang) Intelligent Systems Sales Co., Ltd. (福瑞泰克(桐鄉)智能系統銷售有限公司) was qualified as “Small Low-Profit Enterprise” during the years ended December 31, 2023, 2024 and 2025. It was subject to an effective preferential income tax rate of 5% on the taxable profit for 2023, 2024 and 2025.

The difference between the actual income tax expense charged to the consolidated statements of comprehensive loss and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss before income tax	(736,149)	(526,418)	(358,065)
Income tax credit computed at the applicable income tax rate of 25%	(184,037)	(131,604)	(89,517)
Preferential tax rates	36,848	46,010	34,075
Super deduction in respect of R&D expenditures	(34,802)	(37,829)	(44,315)
Expenses not deductible for taxation purposes	24,976	12,510	202
Share of net loss of associates accounted for using the equity method	1,589	358	81
Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	157,378	111,886	99,567
Income tax expenses	<u>1,952</u>	<u>1,331</u>	<u>93</u>

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12 LOSS PER SHARE

On September 13, 2024, the Company was converted into a joint stock company with limited liabilities and total 957,077,277 ordinary shares with par value of RMB1 each were issued and allotted to the respective owners of the Company according to the share capital registered under these equity holders on that day. For the purpose of computation of basic and diluted losses per share, the weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined assuming the share capital had been fully converted into ordinary share deemed in issue at the same conversion ratio of 1:1 as upon conversion into joint stock company.

(a) Basic loss per share

Basic loss per share for the years ended December 31, 2023, 2024 and 2025 is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

The redemption liabilities were treated as treasury share before the termination of preferred rights as described in Note 33 and such treasury shares were included in the calculation of weighted average number of ordinary shares outstanding.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net loss attributable to owners of the Company (RMB'000)	(738,101)	(527,749)	(358,158)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	766,094	904,255	1,004,466
Basic loss per share (expressed in RMB per share)	(0.96)	(0.58)	(0.36)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Group incurred losses for the years ended December 31, 2023, 2024 and 2025, these potential ordinary shares, i.e. shares with preferred rights, were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2023, 2024 and 2025 are the same as basic loss per share of the respective years.

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13 SUBSIDIARIES

(a) Subsidiaries of the Company

As at the date of this report, the Company has direct interests in the following subsidiaries:

Name of entity	Date of incorporation	Place of incorporation/ operation	Registered share capital	Effective Interest held by the Group			Principal activities	Notes
				As at December 31,		As at		
				2023	2024	the date of this report		
Directly held:								
Freetech (Tongxiang) Intelligent Systems Sales Co., Ltd.	October 28, 2016	Zhejiang, China	RMB50,000,000	100%	100%	100%	Sales of products and services	(i)
Freetech Intelligent Systems Co., Ltd.	March 30, 2017	Zhejiang, China	RMB1,500,000,000	100%	100%	100%	Manufacturing of products	(i)
Wuzhen Zhitu (Tongxiang) Investment Management Co., Ltd. 烏鎮智途(桐鄉)投資管理有限公司	March 30, 2017	Zhejiang, China	RMB10,000,000	100%	100%	100%	Leasing and business services	(i)
Fosi (Hangzhou) Intelligent Technology Co., Ltd.	September 8, 2020	Zhejiang, China	RMB500,000,000	100%	100%	100%	Information transmission, software and information technology services	(i)
Fosi (Hangzhou) Intelligent Systems Co., Ltd. 福思(杭州)智能系統有限公司	August 1, 2023	Zhejiang, China	RMB100,000,000	100%	100%	100%	Manufacturing of products	(i)
Indirectly held:								
Tongxiang Wuzhen Intelligent Driving Industry No. 1 Investment Partnership Enterprise (Limited Partnership) 桐鄉烏鎮智能駕駛產業壹號投資合夥企業(有限合夥)	April 13, 2017	Zhejiang, China	RMB600,000,000	100%	100%	100%	Investment management	(i)
Changxing Jirui Intelligent Systems Co., Ltd. 長興吉瑞智能系統有限公司	June 28, 2024	Zhejiang, China	RMB70,000,000	N/A	100%	100%	Software and information technology services	(i)
Freetech (Deqing) Automotive Intelligent Technology Co., Ltd.	October 20, 2020	Zhejiang, China	RMB10,000,000	N/A	N/A	N/A	Software development	(ii)

(i) The statutory financial statements of the entity for the years ended December 31, 2023, where relevant, were audited by ZhongHui Certified Public Accountants LLP 中匯會計師事務所 (特殊普通合夥), certified public accountants registered in the PRC. The statutory financial statements of the entity for the years ended December 31, 2024 and 2025, where relevant, were audited by Zhonghua Certified Public Accountants LLP 眾華會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

(ii) Freetech (Deqing) Automotive Intelligent Technology Co., Ltd. was deregistered at August 8, 2023.

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(b) Investments in subsidiaries — the Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	1,555,229	2,093,806	2,093,806
Deemed investment in relation to share-based compensation	16,113	40,972	62,765
Provision for impairment	(5,194)	—	—
	<u>1,566,148</u>	<u>2,134,778</u>	<u>2,156,571</u>

14 PROPERTY, PLANT AND EQUIPMENT

The detailed information of property, plant and equipment during the Track Record Period is as follows:

	Machinery and molds	Vehicles	Electronic equipment and others	Furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023							
Cost	67,818	4,444	36,538	1,107	15,292	35,916	161,115
Accumulated depreciation	(21,321)	(2,629)	(15,406)	(986)	(3,451)	—	(43,793)
Net book amount	<u>46,497</u>	<u>1,815</u>	<u>21,132</u>	<u>121</u>	<u>11,841</u>	<u>35,916</u>	<u>117,322</u>
Year ended December 31, 2023							
Opening net book amount	46,497	1,815	21,132	121	11,841	35,916	117,322
Additions	4,005	1,614	3,984	300	405	34,746	45,054
Transfers	53,308	—	1,133	—	—	(54,441)	—
Disposals	(70)	—	(74)	(6)	—	—	(150)
Depreciation charge	(14,358)	(979)	(8,052)	(68)	(5,826)	—	(29,283)
Closing net book amount	<u>89,382</u>	<u>2,450</u>	<u>18,123</u>	<u>347</u>	<u>6,420</u>	<u>16,221</u>	<u>132,943</u>
As at December 31, 2023							
Cost	124,905	6,058	41,017	1,361	13,993	16,221	203,555
Accumulated depreciation	(35,523)	(3,608)	(22,894)	(1,014)	(7,573)	—	(70,612)
Net book amount	<u>89,382</u>	<u>2,450</u>	<u>18,123</u>	<u>347</u>	<u>6,420</u>	<u>16,221</u>	<u>132,943</u>
	Machinery and molds	Vehicles	Electronic equipment and others	Furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024							
Opening net book amount	89,382	2,450	18,123	347	6,420	16,221	132,943
Additions	—	173	—	68	2,319	11,777	14,337
Transfers	19,951	—	1,335	—	—	(21,286)	—
Disposals	(259)	(2)	(138)	—	—	—	(399)
Depreciation charge	(18,003)	(991)	(7,184)	(91)	(2,459)	—	(28,728)
Closing net book amount	<u>91,071</u>	<u>1,630</u>	<u>12,136</u>	<u>324</u>	<u>6,280</u>	<u>6,712</u>	<u>118,153</u>
As at December 31, 2024							
Cost	141,735	6,226	40,490	1,429	16,312	6,712	212,904
Accumulated depreciation	(50,664)	(4,596)	(28,354)	(1,105)	(10,032)	—	(94,751)
Net book amount	<u>91,071</u>	<u>1,630</u>	<u>12,136</u>	<u>324</u>	<u>6,280</u>	<u>6,712</u>	<u>118,153</u>

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	Machinery and molds	Vehicles	Electronic equipment and others	Furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2025							
Opening net book amount	91,071	1,630	12,136	324	6,280	6,712	118,153
Additions	7,457	–	11,776	26	6,942	12,793	38,994
Transfers	11,650	–	–	–	–	(11,650)	–
Disposals	(218)	(24)	(120)	–	–	–	(362)
Depreciation charge	(21,502)	(638)	(7,632)	(108)	(1,657)	–	(31,537)
Closing net book amount	88,458	968	16,160	242	11,565	7,855	125,248
As at December 31, 2025							
Cost	159,536	5,747	50,934	1,455	23,254	7,855	248,781
Accumulated depreciation	(71,078)	(4,779)	(34,774)	(1,213)	(11,689)	–	(123,533)
Net book amount	88,458	968	16,160	242	11,565	7,855	125,248

- (a) As at December 31, 2023, 2024 and 2025, the Group had borrowings from certain finance leasing companies in the form of sales-leaseback arrangements, whereby certain machinery and molds of the Group were sold and leased back over a 1-2 year lease term. The Group had the option to re-acquire the machinery and molds on completion of the leases at insignificant nominal values. During such lease term and before the exercise of the completion of the repurchase options, ownership of such machinery and molds were transferred to the finance leasing company as security for the borrowings and were restricted under the agreements where lessors’ consent must be obtained for the pledge or disposal of these assets. As at December 31, 2023, 2024 and 2025, the carrying value of the aforementioned assets amounted to approximately RMB26,887,000, RMB8,943,000 and RMB7,892,000 respectively (Note 30(c)).
- (b) Depreciation expenses have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales	16,604	15,370	12,930
Research and development expenses	6,724	7,866	11,813
Administrative expenses	5,905	5,445	6,754
Selling expenses	50	47	40
	29,283	28,728	31,537

- (c) All property, plant and equipment are stated at historical cost less depreciation. 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 costs, net of their residual values, over their estimated useful lives as follows:

- Machinery and molds 3-10 years
- Vehicles 4-5 years
- Electronic equipment and others 3-4 years
- Furniture 4 years
- Leasehold improvements 2-5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year during the Track Record 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 (Note 41.4).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognized within “other gains/(losses) — net” included in the consolidated statements of comprehensive loss.

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(d) Impairment tests for property, plant and equipment, right-of-use assets and intangible assets

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	132,943	118,153	125,248
Right-of-use assets	18,209	11,452	10,304
Intangible assets	297,117	214,257	219,957
	<u>448,269</u>	<u>343,862</u>	<u>355,509</u>

Impairment review on the property, plant and equipment, right-of-use assets and intangible assets (collectively the “long-term operating assets”) has been conducted by management of the Company as at December 31, 2023, 2024 and 2025 according to IAS 36 “Impairment of assets”. Management considered that the long-term operating assets are all attributable to one cash generating unit (“CGU”) which is the CGU for the sales of intelligent driving products and solutions. For the purpose of impairment review, the recoverable amount of the CGU is determined based on the higher amount of the fair value less cost of disposal (“FVLCD”) and value-in-use calculations.

As at December 31, 2023, 2024 and 2025, the recoverable amount of aforementioned CGU was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a ten-year period. The management consider the length of the forecast period to be appropriate as it generally takes longer for a intelligent driving company to reach a stable growth state, compared to companies in other industries, especially taking into account the fact that the intelligent driving industry in China is an emerging industry with fast growth in the recent years and that our Group is still in the initial stage of rapid growth. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. Management engaged an independent external valuer to assess the recoverable amounts of the long-term operating assets and leveraged their extensive experiences in the automotive industry and provided forecast based on past performance and their expectation of future business plans and market developments.

Based on the results of the abovementioned assessments as conducted by management and the independent external valuer, the directors of the Company concluded that no impairment loss on the aforementioned long-term operating assets are required to be recognized as at December 31, 2023, 2024 and 2025.

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

Year ended December 31, 2023	
Gross margin (%)	11.1% to 25.0%
Annual growth rate (%)	3.0% to 44.4%
Pre-tax discount rate (%)	20.1%
Year ended December 31, 2024	
Gross margin (%)	13.1% to 25.0%
Annual growth rate (%)	3.0% to 44.4%
Pre-tax discount rate (%)	19.8%
Year ended December 31, 2025	
Gross margin (%)	13.9% to 21.4%
Annual growth rate (%)	3.0% to 36.5%
Pre-tax discount rate (%)	20.1%

The budgeted gross margins used in the impairment testing, were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross margins are following the business projections approved by the Company’s directors. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

Based on the result of the long-term operating assets impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was approximately RMB542,699,000, RMB963,989,000 and RMB1,961,716,000 as at December 31, 2023, 2024 and 2025, respectively.

The directors of the Company therefore concluded that any reasonably possible changes to the key assumption as adopted in the impairment assessment will not result in any impairment charge to be recognized.

(e) Impairment of non-financial assets

Intangible assets that have an indefinite useful life 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 tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be 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 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 (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each Track Record Period.

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15 LEASES

(a) Amounts recognized in the consolidated statements of financial position

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets			
Leased offices and factories	18,209	11,452	10,304
Lease liabilities			
Current	12,726	8,263	6,537
Non-current	10,645	4,826	3,827
	<u>23,371</u>	<u>13,089</u>	<u>10,364</u>

Additions to right-of-use assets during the years ended December 31, 2023, 2024 and 2025 were approximately RMB15,662,000, RMB6,452,000 and RMB5,198,000 respectively.

(b) Amounts recognized in the consolidated statements of comprehensive loss

	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			
– Leased offices and factories (<i>Note 8</i>)	16,607	8,476	5,533
Interest expenses on lease liabilities (<i>Note 10</i>)	468	858	409
Expense relating to short-term leases (included in cost of sales and administrative expenses) (<i>Note 8</i>).	3,600	7,100	4,929
	<u>4,068</u>	<u>7,958</u>	<u>5,338</u>

The total cash outflow for leases other than short-term leases during the years ended December 31, 2023, 2024 and 2025 were approximately RMB12,755,000, RMB12,859,000 and RMB7,519,000 respectively.

(c) The Group’s leasing activities and how these are accounted for

The Group leases various offices and factories. Rental contracts are typically made for fixed periods of one year to four years but they might have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of leases of office and factories across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group’s operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16 INTANGIBLE ASSETS

	Software
	<i>RMB'000</i>
As at January 1, 2023	
Cost	820,607
Accumulated amortization	(447,900)
Net book amount	<u>372,707</u>
Year ended December 31, 2023	
Opening net book amount	372,707
Additions	9,732
Amortization charge (<i>Note 8</i>)	(85,322)
Closing net book amount	<u>297,117</u>

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	Software
	<i>RMB'000</i>
As at December 31, 2023	
Cost	826,208
Accumulated amortization	(529,091)
Net book amount	297,117
Year ended December 31, 2024	
Opening net book amount	297,117
Additions	3,840
Amortization charge (<i>Note 8</i>)	(86,700)
Closing net book amount	214,257
As at December 31, 2024	
Cost	830,048
Accumulated amortization	(615,791)
Net book amount	214,257
Year ended December 31, 2025	
Opening net book amount	214,257
Additions	107,998
Amortization charge (<i>Note 8</i>)	(102,298)
Closing net book amount	219,957
As at December 31 2025	
Cost	938,046
Accumulated amortization	(718,089)
Net book amount	219,957

(a) Software

Computer softwares are initially recognized and measured at costs incurred to acquire and bring them to use, amortized on a straight-line basis over their estimated useful lives, and recorded in amortization within operating expenses in the consolidated statements of comprehensive loss.

(b) Research and development (“R&D”)

Research expenditure is recognized as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

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

Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

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.

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(c) Amortization methods and periods

The Group amortises intangible assets with a finite useful life, using the straight-line method over the following periods:

- Software 4-10 years

(d) Amortization expenses have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Research and development expenses	82,628	84,892	101,265
Cost of sales	2,541	1,527	906
Administrative expenses	141	269	115
Selling expenses	12	12	12
	<u>85,322</u>	<u>86,700</u>	<u>102,298</u>

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments in associates, accounted for using the equity method			
Opening balance as at January 1	30,518	27,635	26,113
Addition of investments accounted for using the equity method	2,450	350	–
Share of net loss of associates accounted for using the equity method	(6,345)	(1,872)	(581)
Share of other comprehensive income of associates accounted for using the equity method	1,012	–	2,089
Disposal of investments	–	–	(2,200)
Closing balance as at December 31	<u>27,635</u>	<u>26,113</u>	<u>25,421</u>

Set out below are the associates of the Group as at December 31, 2023, 2024 and 2025. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business of each entity, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Nature of relationship	Place of business/ country of incorporation	% of ownership interest			Principal activities
			As at December 31, 2023	As at December 31, 2024	As at December 31, 2025	
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd. (桐鄉烏鎮智擎智能科技有限公司)	associate	PRC	25%	25%	25%	Research and experimental development
Hangzhou Zhenshi Intelligent Technology Co., Ltd. (杭州 枕石智能科技有限公司) (i)	associate	PRC	17%	17%	–	Software and Information Technology Services Industry

(i) During the Track Record Period, the Group seconded managerial personnel to Hangzhou Zhenshi Intelligent Technology Co., Ltd.. The Group had the power to exercise significant influence over the financial and operating policies and practices of the company and therefore regarded it as an associate of the Group.

As at December 31, 2025, the Group disposed of its investment in Hangzhou Zhenshi Intelligent Technology Co., Ltd.

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(a) Summarized financial information for the material associate

The tables below provide the summarized financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Company’s share of that amount.

Summarized balance sheets

Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd.			
As at December 31,			
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets			
– Cash and cash equivalents	8,750	36,824	21,460
– Other current assets	6,108	23,921	5,650
Total current assets	14,858	60,745	27,110
Total non-current assets	181,871	181,987	182,203
Total current liabilities	22,243	44,707	2,913
Total non-current liabilities	82,183	102,118	104,714
Net assets	92,303	95,907	101,686
Reconciliation to carrying amounts:			
Opening net assets as at January 1	84,959	92,303	95,907
Capital contribution	3,200	8,000	–
Profit/(loss) for the year	96	(4,396)	(2,579)
Other comprehensive income	4,048	–	8,358
Closing net assets as at December 31	92,303	95,907	101,686
Group’s share in %	25%	25%	25%
Group’s share in RMB	23,076	23,977	25,422
Carrying amount	23,076	23,977	25,422
Revenue	8,068	3,417	3,018
Profit/(loss) for the year	96	(4,396)	(2,579)

18 INVENTORIES

As at December 31,			
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and parts	194,582	204,203	436,612
Semi-finished goods	44,742	58,135	48,734
Finished goods	141,327	216,501	267,047
Contract fulfilment costs	90,843	126,887	123,371
	471,494	605,726	875,764
Less: provision for inventories			
– Raw materials and parts	(24,621)	(8,451)	(4,459)
– Semi-finished goods	(1,916)	(953)	(960)
– Finished goods	(9,077)	(5,435)	(5,873)
– Contract fulfilment costs	(16,687)	(16,986)	(18,420)
	(52,301)	(31,825)	(29,712)
	419,193	573,901	846,052

Raw materials primarily consist of materials for volume production which will be transferred into production cost when incurred as well as using for research and development.

Semi-finished goods and finished goods include products prepared for sale at production plants or in transit to fulfill customer orders.

Contract fulfilment costs represented costs that relate directly to a contract for intellectual driving related R&D services provided by the Company to customers, primarily including direct labour, direct materials and allocations of costs incurred in providing the promised services to the customers.

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Inventories are stated at the lower of cost and net realizable value. Cost is determined using actual consumption method. 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 necessary to make the sale.

Provision for inventories is recognized for the amount by which the carrying amount of the inventories exceeds the net realizable value or net recoverable amount, and is recorded in cost of sales in the consolidated statements of comprehensive income or loss. The provision for inventories recognized for the years ended December 31, 2023, 2024 and 2025 amounted to approximately RMB47,389,000, RMB2,013,000 and RMB15,847,000 respectively.

During the years ended December 31, 2023, 2024 and 2025, the provision for impairment of inventories as utilized upon the Group’s ultimate sales of the related intelligent driving products and solutions amounted to approximately RMB66,686,000, RMB22,489,000 and RMB17,960,000, respectively and there was not any reversal of over-provision recognized in profit or loss for the respective periods.

The cost of inventories recognized as cost of sales for the year ended December 31, 2023, 2024 and 2025 amounted to RMB741,632,000, RMB 1,083,891,000 and RMB1,844,958,000 respectively.

19 TRADE AND NOTES RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
Third parties	292,650	308,997	206,766
Related parties (Note 36)	235,996	469,239	589,397
Notes receivables	50,617	30,415	26,110
	<u>579,263</u>	<u>808,651</u>	<u>822,273</u>
Less: allowance for impairment.	(81,381)	(73,013)	(69,477)
	<u>497,882</u>	<u>735,638</u>	<u>752,796</u>

(a) Trade and notes receivables

As at December 31, 2023, 2024 and 2025, the aging analysis of trade and notes receivables based on invoice dates, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 6 months	487,459	761,338	759,006
Between 6 months and 1 year.	58,175	3,945	14,880
1-2 years	13,614	10,255	9,659
Over 2 years.	20,015	33,113	38,728
	<u>579,263</u>	<u>808,651</u>	<u>822,273</u>

The Group’s trade and notes receivables are denominated in RMB and their carrying amounts approximated their fair values as at the balance sheet dates.

As at December 31, 2025, the balance of bank borrowing amounting to RMB20,000,000 was pledged by trade receivables amounting to RMB20,000,000 (Note 30(b)).

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables from subsidiaries	222,503	36,774	34,624
Notes receivable	20,000	–	–
	<u>242,503</u>	<u>36,774</u>	<u>34,624</u>
Less: allowance for impairment.	(3,147)	(516)	(506)
	<u>239,356</u>	<u>36,258</u>	<u>34,118</u>

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As at December 31, 2023, 2024 and 2025, the aging analysis of trade and notes receivables based on invoice dates, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 6 months	96,272	–	693
Between 6 months and 1 year	81,325	2,685	–
1-2 years	64,906	34,089	2,685
Over 2 years	–	–	31,246
	<u>242,503</u>	<u>36,774</u>	<u>34,624</u>

The Company’s trade and notes receivables are denominated in RMB and their carrying amounts approximated their fair values as at the balance sheet dates.

(b) Classification as trade and notes receivables

Trade and notes receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 months or a normal operating cycle and therefore all classified as current.

Trade and notes 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 it measures them subsequently at amortized cost using the effective interest method. Details about the Group’s impairment policies and the calculation of the loss allowance are provided in Note 3.1(b).

20 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets			
Other receivables			
– Equity transfer payment	–	–	2,200
– Refundable deposits	4,341	1,905	1,393
– Due from related parties (Note 36)	3,140	–	–
– Others	117	95	103
	<u>7,598</u>	<u>2,000</u>	<u>3,696</u>
Less: provision for impairment (Note 3.1)	(119)	(52)	(88)
	<u>7,479</u>	<u>1,948</u>	<u>3,608</u>
Prepayments for			
– [REDACTED] expenses	–	4,956	9,703
– Service fees to third parties	1,197	3,489	5,758
– Purchase of raw materials from third parties	10,454	1,628	4,525
– Rental expenses relating to short-term leases	145	873	1,929
– Others	31	422	637
	<u>11,827</u>	<u>11,368</u>	<u>22,552</u>
Input VAT to be deducted	4,235	2,401	24,582
Total	<u>23,541</u>	<u>15,717</u>	<u>50,742</u>
Non-current assets			
Long-term receivables			
– Refundable rental deposits	–	1,006	721

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As at December 31, 2023, 2024 and 2025, the Group’s prepayments and other receivables were mainly denominated in RMB and the fair values of other receivables of the Group, except for prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current assets			
Other receivables			
– Due from subsidiaries	286,973	352,679	465,802
– Refundable deposits	350	332	332
– Due from related parties	3,140	–	–
– Others	3	4	3
	<u>290,466</u>	<u>353,015</u>	<u>466,137</u>
Less: provision for impairment	(4,080)	(4,878)	(6,339)
	<u>286,386</u>	<u>348,137</u>	<u>459,798</u>
Prepayments for			
– Service fees to third parties	–	–	167
– [REDACTED] expenses	–	4,956	9,703
	<u>–</u>	<u>4,956</u>	<u>9,870</u>
Input VAT to be deducted	2,008	134	2,332
Total	<u>288,394</u>	<u>353,227</u>	<u>472,000</u>
Non-current assets			
Long-term receivables			
– Due from subsidiaries	107,145	107,145	107,145
	<u>107,145</u>	<u>107,145</u>	<u>107,145</u>

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)

The Group

(a) Financial assets at FVOCI

Classification of financial assets at FVOCI

The Group classifies the followings financial assets at FVOCI:

Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets.

The Group’s financial assets measured at FVOCI include the following:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current assets			
Notes receivables	12,958	31,361	5,336
	<u>12,958</u>	<u>31,361</u>	<u>5,336</u>

22 CASH AND CASH EQUIVALENTS

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash at banks	82,449	668,980	693,878
Less: restricted cash (a)	(22,300)	(3,000)	(49,050)
Less: long-term bank time deposits (b)	–	(11,820)	(11,820)
Cash and cash equivalents	<u>60,149</u>	<u>654,160</u>	<u>633,008</u>

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(a) The Group’s restricted cash comprised:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
– Security deposits	20,000	3,000	49,050
– Others	2,300	–	–
	<u>22,300</u>	<u>3,000</u>	<u>49,050</u>

As at December 31, 2023, 2024 and 2025, the restricted cash with an amount of RMB20,000,000, RMB3,000,000 and RMB49,050,000 respectively was pledged as security deposits for issuance of letters of credit to the Group’s suppliers.

(b) Long-term bank time deposits as at December 31, 2025, were bank deposits with original maturities over one year and redeemable on maturity. The effective interest rate for the long-term bank time deposits was 2.1% per annum.

(c) The Group’s cash at banks are denominated in:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
– RMB	82,427	668,939	693,824
– USD	22	41	53
– HKD	–	–	1
	<u>82,449</u>	<u>668,980</u>	<u>693,878</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents	16,092	338,191	241,586

The Company’s cash at banks are denominated in:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
– RMB	16,092	338,191	241,585
– HKD	–	–	1
	<u>16,092</u>	<u>338,191</u>	<u>241,586</u>

23 PAID-IN CAPITAL

The Group and the Company

A summary of movements in the Company’s issued and fully paid paid-in capital is as follows:

	Number of shares	Paid-in capital
	’000	RMB’000
As at January 1, 2023	751,784	751,784
Capital contribution from shareholders (a)(c)	54,127	54,127
As at December 31, 2023	<u>805,911</u>	<u>805,911</u>
As at January 1, 2024	805,911	805,911
Capital contribution from shareholders (a)(d)	151,166	151,166
Conversion into a joint stock company (Note 24(a))	(957,077)	(957,077)
As at December 31, 2024 and 2025	<u>–</u>	<u>–</u>

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- (a) In October 2020, the Company entered into an investment agreement with Hangzhou Fulixin Enterprise Management Consulting Partnership (Limited Partnership) (杭州福勵芯企業管理諮詢合夥企業(有限合夥)) (“Fulixin”), pursuant to which total capital of RMB28,296,069 was contributed into the Company. The proceeds of RMB7,755,529, RMB5,483,667, RMB1,310,506, RMB2,495,707 and RMB11,250,660 were received by the Company in March 2021, June 2022, March 2023, October 2023 and May 2024 respectively, with RMB6,409,528, RMB4,531,956, RMB3,145,631 and RMB9,298,066 credited to the Company’s paid-in capital in 2021, 2022, 2023 and 2024, respectively.

In October 2020, the Company entered into an investment agreement with Hangzhou Lulixin Enterprise Management Consulting Partnership (Limited Partnership) (杭州祿勵芯企業管理諮詢合夥企業(有限合夥)) (“Lulixin”), pursuant to which total capital of RMB13,256,178 was contributed into the Company. The proceeds of RMB2,953,149, RMB3,076,284, RMB2,624,556 and RMB4,602,189 were received by the Company in March 2021, June 2022, October 2023 and May 2024, respectively, with RMB2,440,619, RMB2,542,383, RMB2,169,055 and RMB3,803,462 credited to the Company’s paid-in capital in 2021, 2022, 2023 and 2024, respectively.

In December 2020, the Company entered into an investment agreement with Jiaxing Jilixin Enterprise Management Consulting Partnership (Limited Partnership) (嘉興繼勵芯企業管理諮詢合夥企業(有限合夥)) (“Jilixin”), pursuant to which the Company issued 57,234,430 shares with total consideration of RMB200,000,000. As at December 31, 2021, Jilixin had not yet actually paid its capital contribution.

In December 2020, the Company entered into an investment agreement with Yunxiang Wuzhen (Tongxiang) Equity Investment Co., Ltd. (雲享烏鎮(桐鄉)股權投資有限公司) (“Wuzhen”), pursuant to which total capital of RMB100,000,000 was contributed into the Company. The proceeds of RMB100,000,000 were received by the Company in January 2021, with RMB28,617,215 credited to the Company’s paid-in capital in 2021.

In June 2021, the Company entered into an investment agreement with series A-1 investors, pursuant to which total capital of RMB275,000,000 was contributed into the Company. The proceeds of RMB275,000,000 were received by the Company in July 2021, with RMB 56,563,714 credited to the Company’s paid-in capital in 2021. Certain preferred rights upon capital contribution were granted to series A-1 investors (Note 33).

In July 2021, the Company entered into an investment agreement with series A-2 investors, pursuant to which total capital of RMB25,000,000 was contributed into the Company. The proceeds of RMB25,000,000 were received by the Company in July 2021, with RMB5,142,156 credited to the Company’s paid-in capital in 2021. Certain preferred rights upon capital contribution were granted to series A-2 investors (Note 33).

In September 2021, the Company entered into an investment agreement with series A+ investors, pursuant to which total capital of RMB60,000,000 was contributed into the Company. The proceeds of RMB60,000,000 were received by the Company in October 2021, with RMB12,341,174 credited to the Company’s paid-in capital in 2021. Certain preferred rights upon capital contribution were granted to series A+ investors (Note 33).

- (b) In April 2020, the Company entered into an investment agreement with Taizhou Yousheng Xifu Investment Partnership Enterprise (Limited Partnership)(台州優晟熙福投資合夥企業(有限合夥)) (“Taizhou Yousheng Xifu”), pursuant to which the Company issued 20,833,300 shares with total consideration of RMB25,033,100. In July 2020, Taizhou Yousheng Xifu transferred its 2,604,167 shares of the Company’s equity to Chengdu Houtong Longchu Intelligent Industry Investment Fund Partnership Enterprise (Limited Partnership). In January 2022, the proceeds of RMB9,387,429 from Taizhou Yousheng Xifu were received by the Company, with RMB7,812,500 credited to the Company’s paid-in capital in 2022. The remaining proceeds of RMB12,516,534 were received by the Company in February 2022, with RMB10,416,634 credited to the Company’s paid-in capital in 2022.

In May 2022, Jilixin transferred its 22,893,772 shares of the Company’s equity to Jiaxing Yilixin Enterprise Management Consulting Partnership (Limited Partnership) (嘉興屹勵芯企業管理諮詢合夥企業(有限合夥)) (“Yilixin”). As at December 31, 2022, Jilixin and Yilixin had not yet actually paid their capital contribution.

In addition, in November 2022, the Company entered into an investment agreement with series B-1 investors, pursuant to which total capital of RMB485,000,000 was contributed into the Company. The proceeds of RMB485,000,000.00 were received by the Company in November 2022, with RMB78,919,523 credited to the Company’s paid-in capital in 2022. Certain preferred rights upon capital contribution were granted to series B-1 investors (Note 33).

In December 2022, the Company entered into an investment agreement with series B-2 investors, pursuant to which total capital of RMB100,000,000 was contributed into the Company. The proceeds of RMB100,000,000 were received by the Company in December 2022, with RMB16,272,066 credited to the Company’s paid-in capital in 2022. Certain preferred rights upon capital contribution were granted to series B-2 investors (Note 33).

- (c) In February 2023, the Company entered into an investment agreement with series B-3 investors, pursuant to which total capital of RMB100,000,000 was contributed into the Company. The proceeds of RMB100,000,000 were received by the Company in March 2023, with RMB16,272,066 credited to the Company’s paid-in capital in 2023. Certain preferred rights upon capital contribution were granted to series B-3 investors (Note 33).

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In August 2023, the Company entered into an investment agreement with series C-1 investors, pursuant to which total capital of RMB206,000,000 was contributed into the Company. The proceeds of RMB170,000,000 were received by the Company in September 2023, with RMB26,853,637 credited to the Company’s paid-in capital in 2023. The remaining proceeds of RMB36,000,000 were received by the Company in October 2023, with RMB5,686,653 credited to the Company’s paid-in capital in 2023. Certain preferred rights upon capital contribution were granted to series C-1 investors (Note 33).

- (d) In April 2024, the Company entered into investment agreements with series C-2 investors, pursuant to which total capital of RMB102,886,080 was contributed into the Company. The proceed of RMB102,886,080 was received by the Company in April 2024, with RMB16,252,150 credited to the Company’s paid-in capital in 2024. Certain preferred rights upon capital contribution were granted to series C-2 investors (Note 33).

In April 2024, the proceed of RMB120,000,000 was received by the Company from Jilixin. Then in the same month, Jilixin transferred half of the shares to series C-2 investors. In the end, 17,170,329 shares belonging to Jilixin credited to the Company’s paid-in capital with RMB17,170,329 in 2024.

In addition, the proceed of RMB80,000,000 was received by the Company from Yilixin in April 2024. Then in the same month, Yilixin transferred half of the shares to series C-2 investors. In the end, 11,446,886 shares belonging to Yilixin credited to the Company’s paid-in capital with RMB11,446,886 in 2024.

In November 2022, the Company entered into an investment agreement with Fanhai Hongxin Enterprise Management Consulting Partnership (Limited Partnership) (杭州泛海弘鑫企業管理諮詢合夥企業(有限合夥)), pursuant to which total capital of RMB29,268,750 was contributed into the Company. The proceed of RMB29,268,750 was received by the Company in April 2024, with RMB25,087,500 credited to the Company’s paid-in capital in 2024.

In May 2024, the Company entered into investment agreements with series C-3 investors, pursuant to which total capital of RMB250,000,000 was contributed into the Company. The proceed of RMB250,000,000 was received by the Company in May 2024, with RMB39,490,643 credited to the Company’s paid-in capital in 2024. Certain preferred rights upon capital contribution were granted to series C-3 investors (Note 33).

Series A-1 investor, series A-2 and series A+ investors are collectively referred as “Series A Investors”. Series B-1 investors, series B-2 investors and series B-3 investor are collectively referred as “Series B Investors”. Series C-1 investors, series C-2 investors and series C-3 investor are collectively referred as “Series C Investors”.

24 SHARE CAPITAL

The Group and the Company

A summary of movements in the Company’s issued and fully paid share capital is as follows:

	<u>Number of shares</u>	<u>Share capital</u>
		<i>RMB’000</i>
As at January 1, 2024	—	—
Conversion into a joint stock company (a)	957,077,277	957,077
Issuance of shares (b)	47,388,722	47,389
As at December 31, 2024 and 2025	<u>1,004,465,999</u>	<u>1,004,466</u>

- (a) In September 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion base date were converted into 957,077,277 ordinary shares at RMB1 each, the excess of net assets converted over nominal value of the ordinary shares and other reserves was credited to the Company’s share premium with approximately RMB1,247,616,000 (Note 25).

- (b) In December 2024, the Company entered into investment agreements with certain investors (“Pre-[REDACTED] investors”), pursuant to which total capital of RMB300,000,000 was contributed into the Company. The proceed of RMB300,000,000 was received by the Company in December 2024, with approximately RMB47,389,000 and RMB252,611,000 (Note 25) credited to the Company’s share capital and share premium respectively in 2024.

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25 TREASURY STOCK AND RESERVES

The Group

The following table shows a breakdown of the consolidated statements of financial position line items “treasury stock” and “reserves” and their movements during the respective years. A description of the nature and purpose of each reserve is provided in the table below.

	Reserves					Total
	Treasury stock	Capital reserves	Share premium	Share-based payments reserves	Other comprehensive income	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	(945,000)	860,192	–	134,387	–	994,579
Capital contributions from equity holders (Note 23)	–	258,304	–	–	–	258,304
Recognition of redemption liabilities (a)	(306,000)	–	–	–	–	–
Share-based payments (Note 26)	–	–	–	13,791	–	13,791
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	1,012	1,012
As at December 31, 2023	(1,251,000)	1,118,496	–	148,178	1,012	1,267,686
As at January 1, 2024	(1,251,000)	1,118,496	–	148,178	1,012	1,267,686
Capital contributions from equity holders (Note 23)	–	446,841	–	–	–	446,841
Recognition of redemption liabilities (a)	(352,886)	–	–	–	–	–
Derecognition of redemption liabilities (b)	1,603,886	195,273	–	–	–	195,273
Conversion into a joint stock company (Note 24(a))	–	(1,760,610)	1,247,616	–	–	(512,994)
Issuance of shares (Note 24(b))	–	–	252,611	–	–	252,611
Share-based payments (Note 26)	–	–	–	33,264	–	33,264
As at December 31, 2024	–	–	1,500,227	181,442	1,012	1,682,681
As at January 1, 2025	–	–	1,500,227	181,442	1,012	1,682,681
Share-based payments (Note 26)	–	–	–	28,043	–	28,043
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	2,089	2,089
As at December 31, 2025	–	–	1,500,227	209,485	3,101	1,712,813

The Company

The following table shows a breakdown of the statements of financial position line items “treasury stock” and “reserves” and their movements during the respective years. A description of the nature and purpose of each reserve is provided in the table below.

	Reserves				Total
	Treasury stock	Capital reserves	Share premium	Share-based payments reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	(945,000)	860,192	–	134,387	994,579
Capital contributions from equity holders (Note 23)	–	258,304	–	–	258,304
Recognition of redemption liabilities (a)	(306,000)	–	–	–	–
Share-based payments (Note 26)	–	–	–	13,791	13,791
As at December 31, 2023	(1,251,000)	1,118,496	–	148,178	1,266,674

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	Reserves				
	Treasury stock	Capital reserves	Share premium	Share-based payments reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024	(1,251,000)	1,118,496	–	148,178	1,266,674
Capital contributions from equity holders (Note 23)	–	446,841	–	–	446,841
Recognition of redemption liabilities (a)	(352,886)	–	–	–	–
Derecognition of redemption liabilities (b)	1,603,886	195,273	–	–	195,273
Conversion into a joint stock company (Note 24(a))	–	(1,760,610)	1,247,616	–	(512,994)
Issuance of shares (Note 24(b))	–	–	252,611	–	252,611
Share-based payments (Note 26)	–	–	–	33,264	33,264
As at December 31, 2024	–	–	1,500,227	181,442	1,681,669
As at January 1, 2025	–	–	1,500,227	181,442	1,681,669
Share-based payments (Note 26)	–	–	–	28,043	28,043
As at December 31, 2025	–	–	1,500,227	209,485	1,709,712

- (a) The Group recorded treasury stock to reflect the carrying amount of redemption liabilities at the date of issuance of series A-1 financing, series A-2 financing, series A+ financing, series B-1 financing, series B-2 financing, series B-3 financing, series C-1, series C-2 and series C-3 financing. Further details are described in Note 33.
- (b) On 31 May 2024, upon termination of the preferred rights of the Series A Investors, Series B Investors and Series C Investors, all the treasury stocks were derecognized and the difference between the balance of the redemption liabilities derecognized and the balance of treasury stock was credited to the capital reserves. Further details are described in Note 33.

26 SHARE-BASED PAYMENTS

(a) Share award schemes

(i) In August 2020, the establishment of the Company’s Share Incentive Plans (ESOP I Plan) was approved by shareholders of the Company. The eligible employees of the Group (the “Incentive targets”) were granted with the shares of Fulixin and Lulixin, as rewards for their services and in exchange for their full-time devotion and professional expertise.

20,444,560 shares, 2,954,706 shares, 2,406,672 shares, 3,550,000 shares and 610,337 shares with a grant price of RMB1.21 per unit capital of the Company were granted to the Incentive targets in November 2020, September 2021, March 2023, April 2024 and August 2024 through Fulixin, respectively. 7,920,121 shares, 2,676,273 shares, 1,005,791 shares, 1,622,267 shares, 221,692 shares and 200,000 shares with a grant price of RMB1.21 per unit capital of the Company were granted to the Incentive targets in November 2020, September 2021, March 2023, April 2024, March 2025 and November 2025 through Lulixin, respectively. The Incentive targets are eligible to receive 50% and 50% of the number of awarded restricted shares after 2 years and 3 years, respectively, from the first [REDACTED] day of the successful [REDACTED] of the Company’s shares, and each equity vesting is subject to meeting the corresponding vesting conditions. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and the forfeited shares would be purchased back by the general partner Hangzhou Litong Enterprise Management Consulting Co., Ltd. (杭州勵同企業管理諮詢有限公司) or its designated third party other than the Company at the price prescribed in the ESOP I Plan.

Set out below is the movement in the number of awarded restricted shares under the ESOP I Plan:

	Number of restricted shares
As at January 1, 2023	28,981,590
Granted	3,412,463
Forfeited	(2,564,370)
As at December 31, 2023	29,829,683

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	Number of restricted shares
As at January 1, 2024	29,829,683
Granted.	5,782,604
Forfeited	(1,493,279)
As at December 31, 2024	34,119,008
As at January 1, 2025	34,119,008
Granted.	421,692
Forfeited	(200,000)
As at December 31, 2025	34,340,700

(ii) In December 2022, the shareholders approved another Share Incentive Plans (special ESOP Plan), which proposes to grant certain incentive shares of the Company to the core personnel of the Company in the form of a capital increase, in order to reward their past work performance and incentivize their performance in 2022.

Set out below is the movement in the number of awarded shares under the special ESOP Plan:

	Number of restricted shares
As at January 1, 2023	24,287,500
Granted.	800,000
As at December 31, 2023, 2024 and 2025.	25,087,500

(iii) In January 2022, the establishment of the Company’s Share Incentive Plans (ESOP II Plan) was approved by shareholders of the Company. 17,170,329 shares, 283,300 shares, 2,382,277 shares and 1,375,140 shares with a grant price of RMB3.5 per unit capital of the Company were granted to the Incentive targets in April 2024, August 2024, March 2025 and November 2025 through Jilixin, respectively. 11,446,886 shares with a grant price of RMB3.5 per unit capital of the Company were granted to the Incentive targets in April 2024 through Yilixin.

The Incentive targets are eligible to receive 30%, 30% and 40% of the number of awarded restricted shares after 1 year, 2 years and 3 years, respectively, from the first [REDACTED] day of the successful [REDACTED] of the Company’s shares, and each equity vesting is subject to meeting the corresponding vesting conditions. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and the forfeited shares would be purchased back by the general partner Hangzhou Litong Enterprise Management Consulting Co., Ltd. (杭州勵同企業管理諮詢有限公司) or its designated third party other than the Company at the price prescribed in the ESOP II Plan.

Set out below is the movement in the number of awarded restricted shares under the ESOP II Plan:

	Number of restricted shares
As at January 1, 2024	–
Granted.	28,900,515
Forfeited	(408,300)
As at December 31, 2024	28,492,215
As at January 1, 2025	28,492,215
Granted.	3,757,417
Forfeited	(3,820,150)
As at December 31, 2025	28,429,482

The fair value of each awarded restricted share was calculated based on the most recent transaction prices of the Company’s shares at the grant dates.

(iv) The discounted cash flow method and back-solve method were used to determine the underlying equity fair value of the Company and the fair value of the shares granted. The key assumptions built into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	Key assumptions
Risk-free interest rate	1.83% – 2.65%
Volatility	41.02% – 49.42%
Dividend yield	0%

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(b) Expenses arising from share-based payments transactions

The Group operates equity-settled share-based payments schemes, under which the Group receives services from eligible employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense in the Historical Financial Information. 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; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each Track Record Period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

Total expenses arising from share-based payments transactions recognized during the Track Record Period as part of employee benefit expense were as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share-based payment expenses	13,791	33,264	28,043

27 FINANCIAL INSTRUMENTS BY CATEGORY

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 at amortized cost:			
– Trade and notes receivables (<i>Note 19</i>)	497,882	735,638	752,796
– Other receivables (<i>Note 20</i>)	7,479	1,948	3,608
– Long-term receivables (<i>Note 20</i>).	–	1,006	721
– Cash and cash equivalents (<i>Note 22</i>)	60,149	654,160	633,008
– Restricted cash (<i>Note 22</i>).	22,300	3,000	49,050
– Long-term bank time deposits (<i>Note 22</i>)	–	11,820	11,820
Financial assets at FVOCI (<i>Note 21</i>).	12,958	31,361	5,336
	<u>600,768</u>	<u>1,438,933</u>	<u>1,456,339</u>
Financial liabilities			
Liabilities at amortized cost:			
– Borrowings (<i>Note 30</i>)	1,232,295	1,155,198	1,741,012
– Redemption liabilities (<i>Note 33</i>)	1,396,597	–	–
– Trade and notes payables (<i>Note 28</i>).	460,441	956,462	1,037,063
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (<i>Note 29</i>)	52,505	88,321	88,098
– Lease liabilities (<i>Note 15</i>)	23,371	13,089	10,364
	<u>3,165,209</u>	<u>2,213,070</u>	<u>2,876,537</u>

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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 at amortized cost:			
– Trade and notes receivables (Note 19)	239,356	36,258	34,118
– Other receivables (Note 20)	286,386	348,137	459,798
– Long-term receivables (Note 20).	107,145	107,145	107,145
– Cash and cash equivalents (Note 22)	16,092	338,191	241,586
	<u>648,979</u>	<u>829,731</u>	<u>842,647</u>
Financial liabilities			
Liabilities at amortized cost:			
– Borrowings (Note 30)	283,000	296,940	367,164
– Redemption liabilities (Note 33)	1,396,597	–	–
– Trade and notes payables (Note 28)	137,430	–	–
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 29)	7,574	21,239	15,376
	<u>1,824,601</u>	<u>318,179</u>	<u>382,540</u>

Trade and notes payables, other payables and accruals, borrowings and lease liabilities are carried at amortized cost.

The Group’s exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of each year in the Track Record Period is the carrying amount of each class of financial assets mentioned above.

(a) Classification of financial assets

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group’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 either be recorded in profit or loss or 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 account for the equity investment at fair value through other comprehensive income (FVOCI):

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition of financial assets

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 asset. 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.

(c) Measurement of financial assets

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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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”. Impairment losses are presented as separate line item in the consolidated statements of comprehensive loss.
- **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) — net”. 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) — net” and impairment expenses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within in “other gains/(losses) — net” in the period in which it arises.

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 FVPL are recognized in profit or loss and presented in “other gains/(losses) — net” in the consolidated statements of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The assessment of impairment of financial assets and the details of expected credit losses are set out in Note 3.1(b) above.

28 TRADE AND NOTES PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	460,441	956,462	977,756
Notes payable	—	—	59,307
	460,441	956,462	1,037,063

As at December 31, 2023, 2024 and 2025, the aging analysis of the trade payables based on invoice date was as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 6 months	397,761	899,153	1,032,707
Between 6 months and 1 year	58,717	11,410	4,104
Between 1 year and 2 years	3,953	45,690	94
Over 2 years	10	209	158
	460,441	956,462	1,037,063

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As at December 31, 2023, 2024 and 2025, the Group’s trade payables are denominated in RMB and the carrying amounts are considered to approximate their fair values due to their short-term nature.

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	7,430	–	–
Notes payable	130,000	–	–
	<u>137,430</u>	<u>–</u>	<u>–</u>

As at December 31, 2023, 2024 and 2025, the aging analysis of the trade and notes payables based on invoice date was as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 6 months	<u>137,430</u>	<u>–</u>	<u>–</u>

29 OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Payroll and welfare payables	82,195	75,003	74,087
Accrued expenses	20,895	58,240	59,826
Payables for purchases of long-term assets	27,943	11,982	15,730
Payables for [REDACTED] expenses	–	16,581	8,845
Other taxes payables	9,168	8,925	3,372
Others (a)	3,667	1,518	3,697
	<u>143,868</u>	<u>172,249</u>	<u>165,557</u>

As at December 31, 2023, 2024 and 2025, the Group’s other payables and accruals are denominated in RMB and the carrying amounts are considered to approximate their fair values due to their short-term in nature.

(a) As at December 31, 2023, 2024 and 2025, others mainly include accrued warranty provision and supplier deposits.

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Payables for [REDACTED] expenses	–	16,581	8,845
Accrued expenses	7,158	4,658	4,388
Payroll and welfare payables	5,244	5,314	231
Other taxes payables	679	477	140
Others	416	–	2,143
	<u>13,497</u>	<u>27,030</u>	<u>15,747</u>

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30 BORROWINGS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
– Long term bank borrowings, unsecured and guaranteed, excluding current portion (a)	135,000	110,500	654,050
– Long term bank borrowings, unsecured and unguaranteed	–	–	2,980
– Long term other borrowings, secured and unguaranteed, excluding current portion (c)	487,193	515,046	542,983
	<u>622,193</u>	<u>625,546</u>	<u>1,200,013</u>
Current liabilities			
– Current portion of long term bank borrowings, unsecured and guaranteed (a)	18,000	141,500	48,300
– Bank borrowings, unsecured and guaranteed (a)	130,000	283,166	422,085
– Bank borrowings, secured and unguaranteed (b)	–	30,000	20,000
– Bank borrowings, unsecured and unguaranteed	5,000	10,000	10,000
– Current portion of long term other borrowings, secured and unguaranteed (c)	250,000	40,000	20,000
– Other borrowings, secured and unguaranteed (c)	22,500	4,986	614
– Other borrowings, unsecured and unguaranteed (d)	184,602	20,000	20,000
	<u>610,102</u>	<u>529,652</u>	<u>540,999</u>
	<u>1,232,295</u>	<u>1,155,198</u>	<u>1,741,012</u>

(a) Bank borrowings, unsecured and guaranteed

As at December 31, 2023, 2024 and 2025, the Group’s long term bank borrowings, unsecured and guaranteed, were guaranteed by Freetech Intelligent Systems Co., Ltd, a subsidiary of the Group, and amounted to RMB153,000,000, RMB252,000,000 and RMB127,380,000 respectively, of which approximately RMB18,000,000, RMB141,500,000 and RMB48,300,000 respectively, would will be due within one year from the respective balance sheet date. The bank borrowings will be fully repayable in variable instalments by September 2028.

As at December 31, 2025, the Group’s long term bank borrowings, unsecured and guaranteed, were guaranteed by Freetech (Zhejiang) Intelligent Technology Co., Ltd., amounted to RMB570,000,000 of which approximately nil would be due within one year from the respective balance sheet date. The bank borrowings will be fully repayable in variable instalments by May 2027.

As at December 31, 2025, the Group’s long term bank borrowings, unsecured and guaranteed, were guaranteed by Fosi (Hangzhou) Intelligent Systems Co., Ltd. amounted to RMB4,970,000 of which approximately nil would be due within one year from the respective balance sheet date. The bank borrowings will be fully repayable in variable instalments by September 2028.

As at December 31, 2023, 2024 and 2025, the Group’s short term bank borrowings, unsecured and guaranteed, were guaranteed by Freetech (Zhejiang) Intelligent Technology Co., Ltd., Freetech Intelligent Systems Co., Ltd. and Fosi (Hangzhou) Intelligent Systems Co., Ltd., subsidiaries of the Group.

(b) Bank borrowings, secured and unguaranteed

As at December 31, 2024 and 2025, the Group had a short-term bank borrowing of RMB30,000,000 and RMB20,000,000 respectively which was secured by the pledge of the Group’s trade receivables amounting to RMB66,984,000 and RMB20,000,000 (Note 19(a)).

(c) Other borrowings, secured and unguaranteed

The Group obtained long-term borrowings from Tongxiang government of Zhejiang province, the PRC, which was secured by the Group’s patents amounting to RMB nil. As at December 31, 2023, 2024 and 2025, the borrowing, inclusive of accrued interest amounted to RMB737,193,000, RMB555,046,000 and RMB562,983,000, of which RMB250,000,000, RMB40,000,000 and RMB20,000,000 was due in one year and recognized in current portion of long-term borrowing respectively.

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In August 2023, the Group entered into a one-year borrowing with a total amount of RMB30,000,000, with a certain finance leasing company, through sales and leaseback arrangement, whereby certain machinery and molds of the Group with carrying value of RMB26,887,000 (Note 14(a)) were sold and leased back over a 12-month lease term. The Group had the option to re-acquire the machinery and molds upon the completion of the leases at an insignificant nominal value. During such lease term and before the exercise of the completion repurchase options, ownership of such machinery and molds were transferred to the financial leasing company as security for the borrowings. The short-term borrowing had an effective interest rate of 8.00% per annum. As at December 31, 2023, the borrowing amounted to RMB22,500,000.

In February 2024, the Group entered into a two-year borrowing with a total amount of RMB8,490,000, with a certain finance leasing company, through sales and leaseback arrangement, whereby certain machinery and molds of the Group with carrying value of RMB10,110,000 were sold and leased back over a 24-month lease term. As at December 31, 2024 and 2025, the carrying value of the aforementioned assets amounted to approximately RMB8,943,000 and RMB7,892,000 (Note 14(a)) respectively. The Group had the option to re-acquire the machinery and molds upon the completion of the leases at an insignificant nominal value. During such lease term and before the exercise of the completion repurchase options, ownership of such machinery and molds were transferred to the financial leasing company as security for the borrowings. The long-term borrowing had an effective interest rate of 7.02% per annum. As at December 31, 2025, the borrowing amounted to RMB614,000 was all due within one year.

- (d) Other current borrowings arose from discount of certain notes receivable before maturity, which cannot be derecognized due to the retention of risks and rewards.

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

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Less than 1 year	153,000	464,666	500,385
Between 1 and 2 years	135,000	110,500	657,030
	<u>288,000</u>	<u>575,166</u>	<u>1,157,415</u>

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

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Less than 1 year	457,102	64,986	40,614
Between 1 and 2 years	–	614	250,000
Between 2 and 5 years	250,000	514,432	292,983
Over 5 years	237,193	–	–
	<u>944,295</u>	<u>580,032</u>	<u>583,597</u>

As at December 31, 2023, 2024 and 2025, the Group’s borrowings are denominated in RMB.

The weighted average effective interest rates per annum for the years ended December 31, 2023, 2024 and 2025 were 4.71%, 4.79% and 3.53%, respectively.

- (e) The Group has complied with the financial covenants of its bank loans throughout the Track Record Period.

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Included in non-current liabilities:			
– Bank borrowings, unsecured and guaranteed	135,000	110,500	79,080
Included in current liabilities:			
– Bank borrowings, unsecured and guaranteed	128,000	186,440	288,084
– Bank borrowings, unsecured and unguaranteed	20,000	–	–
	<u>148,000</u>	<u>186,440</u>	<u>288,084</u>
	<u>283,000</u>	<u>296,940</u>	<u>367,164</u>

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The Company’s long-term unsecured and guaranteed bank borrowings at December 31, 2023, 2024 and 2025 were guaranteed by Freetech Intelligent Systems Co., Ltd. to the extent of RMB153,000,000, RMB252,440,000 and RMB127,844,000 respectively, of which RMB52,000,000, RMB18,000,000 and RMB48,300,000 respectively will be due within one year from the respective balance sheet date.

As at December 31, 2023, 2024 and 2025, the guaranteed short-term bank borrowings were guaranteed by Freetech Intelligent Systems Co., Ltd. to the extent of RMB110,000,000, RMB44,500,000 and RMB209,320,000 respectively.

As at December 31, 2023, 2024 and 2025, the guaranteed short-term bank borrowings were guaranteed by Freetech Intelligent Systems Co., Ltd. and Fosi (Hangzhou) Intelligent Systems Co., Ltd. to the extent of nil, nil and RMB30,000,000 respectively.

As at December 31, 2023, 2024 and 2025, the guaranteed short-term bank borrowings were guaranteed by Freetech Intelligent Systems Co., Ltd. and Freetech (Tongxiang) Intelligent Systems Sales Co., Ltd. to the extent of RMB30,000,000, nil and nil respectively.

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

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Less than 1 year	148,000	186,440	288,084
Between 1 and 2 years	135,000	110,500	79,080
	<u>283,000</u>	<u>296,940</u>	<u>367,164</u>

31 DEFERRED INCOME

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants	11,032	7,957	6,668

The Group’s government grants mainly for subsidizing the Group’s purchases of property, plant and equipment. These government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful lives of the related property, plant and equipment.

32 DEFERRED INCOME TAX

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total deferred income tax assets (a)	2,731	1,718	2,044
Net-off with deferred income tax liabilities (b)	(2,731)	(1,718)	(2,044)
Net deferred income tax assets	<u>—</u>	<u>—</u>	<u>—</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to the same tax authority.

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable. Deferred income tax assets have not been recognized in respect of the following items:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Tax losses	1,846,511	2,600,719	3,447,282
Deductible temporary difference	1,294,022	1,356,141	1,209,584
	<u>3,140,533</u>	<u>3,956,860</u>	<u>4,656,866</u>

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Tax losses that are not recognized for deferred income tax assets will expire as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2024	11,956	–	–
2025	13,929	13,929	–
2026	21,757	21,757	21,757
2027	148,166	148,166	148,166
2028	248,926	248,926	248,926
2029	197,610	270,386	270,386
2030	265,461	265,461	459,445
2031	261,029	261,029	261,029
2032	167,165	167,165	167,165
2033	510,512	510,512	510,512
2034	–	693,388	693,388
2035	–	–	666,508
	<u>1,846,511</u>	<u>2,600,719</u>	<u>3,447,282</u>

The analysis of deferred income tax assets is as follows:

(a) *Deferred income tax assets*

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Lease liabilities	<u>2,731</u>	<u>1,718</u>	<u>2,044</u>

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Lease liabilities
	RMB'000
As at January 1, 2023	3,347
Charged to profit or loss	(616)
As at December 31, 2023 and January 1, 2024	<u>2,731</u>
Charged to profit or loss	(1,013)
As at December 31, 2024 and January 1, 2025	<u>1,718</u>
Credited to profit or loss	326
As at December 31, 2025	<u>2,044</u>

(b) *Deferred income tax liabilities*

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Right-of-use assets	<u>2,731</u>	<u>1,718</u>	<u>2,044</u>

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The movement in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Right-of-use assets
	<i>RMB'000</i>
As at January 1, 2023	3,347
Credited to profit or loss	(616)
As at December 31, 2023 and January 1, 2024	2,731
Credited to profit or loss	(1,013)
As at December 31, 2024 and January 1, 2025	1,718
Charged to profit or loss	326
As at December 31, 2025	2,044

33 REDEMPTION LIABILITIES

The Group and the Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Redemption liabilities	1,396,597	–	–

A contract that contains an obligation to purchase the Company’s equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the Company’s obligations to purchase are conditional on the counterparty exercising a right to redeem, redemption liabilities are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

The Group’s redemption liabilities as at December 31, 2023 represented the paid-in capital of the Company with redemption rights held by certain investors (Note 23). The Group recognized redemption liabilities as financial liabilities considering that all triggering events for the key redemption rights that could be exercised by the Series A Investors, Series B Investors and Series C Investors, were out of the control of the Company and these financial instruments did not meet the definition of equity of the Company. The financial liabilities were initially measured at present value of the redemption amount and subsequently measured at amortized cost. The present value was the amount expected to be paid to the investors upon redemption which was assumed at the dates of issuance of the financial instruments.

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The carrying amount of redemption liabilities is credited into the equity.

The movements of redemption liabilities for the years ended December 31, 2023, 2024 and 2025 were as follows:

	Redemption liabilities
	<i>RMB'000</i>
As at January 1, 2023	993,693
Recognition of redemption liabilities (a)	306,000
Charged to finance costs (Note 10).	96,904
As at December 31, 2023	1,396,597
As at January 1, 2024	1,396,597
Recognition of redemption liabilities (a)	352,886
Charged to finance costs (Note 10).	49,676
Derecognition of redemption liabilities (b)	(1,799,159)
As at December 31, 2024 and 2025	–

Details of the preferential rights granted to the various series of investors are set out below:

(a) Series A, Series B and Series C financing

Series A financing

In June 2021, the Company entered into an investment agreement with series A-1 investors, pursuant to which the Company issued and allotted approximately 56,563,714 shares, representing approximately 7.91% of the equity interests of the Company, to the series A-1 investors, at a consideration of RMB275,000,000. Series A-1 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB275,000,000 were received by the Company in July 2021. Upon the Company’s shares with preferred rights were issued to the series A-1 investors,

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the Company had initially recognized the related redemption liabilities at RMB275,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A-1 investors exercise their preferred rights) in 2021. The Company applied an effective interest rate of 7.97% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In July 2021, the Company entered into an investment agreement with series A-2 investors, pursuant to which the Company issued and allotted approximately 5,142,156 shares, representing approximately 0.71% of the equity interests of the Company, to the series A-2 investors, at a consideration of RMB25,000,000. Series A-2 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB25,000,000 were received by the Company in July 2021. Upon the Company’s shares with preferred rights were issued to the series A-2 investors, the Company had initially recognized the related redemption liabilities at RMB25,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A-2 investors exercise their preferred rights) in 2021. The Company applied an effective interest rate of 7.97% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In September 2021, the Company entered into an investment agreement with series A+ investors, pursuant to which the Company issued and allotted approximately 12,341,174 shares, representing approximately 1.69% of the equity interests of the Company, to the series A+ investors, at a consideration of RMB60,000,000. Series A+ Investors were granted certain preferred rights upon capital contribution. The proceeds of RMB60,000,000 were received by the Company in October 2021. Upon the Company’s shares with preferred rights were issued to the series A+ investors, the Company had initially recognized the related redemption liabilities at RMB60,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A+ investors exercise their preferred rights) in 2021. The Company applied an effective interest rate of 7.97% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

Series B financing

In November 2022, the Company entered into an investment agreement with series B-1 investors, pursuant to which the Company issued and allotted approximately 78,919,523 shares, representing approximately 9.44% of the equity interests of the Company, to the series B-1 investors, at a consideration of RMB485,000,000. Series B-1 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB485,000,000 were received by the Company in November 2022. Upon the Company’s shares with preferred rights were issued to the series B-1 investors, the Company had initially recognized the related redemption liabilities at RMB485,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series B-1 investors exercise their preferred rights) in 2022. The Company applied an effective interest rate of 8.81% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In December 2022, the Company entered into an investment agreement with a series B-2 investors, pursuant to which the Company issued and allotted approximately 16,272,066 shares, representing approximately 1.91% of the equity interests of the Company, to the series B-2 investors, at a consideration of RMB100,000,000. Series B-2 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB100,000,000 were received by the Company in December 2022. Upon the Company’s shares with preferred rights were issued to the series B-2 investors, the Company had initially recognized the related redemption liabilities at RMB100,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series B-2 investors exercise their preferred rights) in 2022. The Company applied an effective interest rate of 8.81% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In February 2023, the Company entered into an investment agreement with a series B-3 investors, pursuant to which the Company issued and allotted approximately 16,272,066 shares, representing approximately 1.87% of the equity interests of the Company, to the series B-3 investors, at a consideration of RMB100,000,000. Series B-3 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB100,000,000 were received by the Company in January 2021 and March 2023. Upon the Company’s shares with preferred rights were issued to the series B-3 investors, the Company had initially recognized the related redemption liabilities at RMB100,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series B-3 investors exercise their preferred rights) in 2022. The Company applied an effective interest rate of 8.81% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

Series C financing

In August 2023, the Company entered into an investment agreement with a series C-1 investor, pursuant to which the Company issued and allotted approximately 32,540,290 shares, representing approximately 3.61% of the equity interests of the Company, to the series C-1 investor, at a consideration of RMB206,000,000. Series C-1 investor was granted certain preferred rights upon capital contribution. The proceeds of RMB206,000,000 were received by the Company in September 2023. Upon the Company’s shares with preferred rights were issued to the series C-1 investor, the Company had initially recognized the related redemption liabilities at RMB206,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series C-1 investor exercises its preferred rights) in 2023. The Company applied an effective interest rate of 8.45% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In April 2024, the Company entered into an investment agreement with a series C-2 investor, pursuant to which the Company issued and allotted approximately 16,252,150 shares, representing approximately 5.74% of the equity interests of the Company, to the series C-2 investor, at a consideration of RMB102,886,080. Series C-2 investor was granted certain preferred rights upon capital contribution. The proceeds of RMB102,886,080 were received by the Company in April 2024. Upon the Company’s shares with preferred rights were issued to the series C-2 investor, the

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Company had initially recognized the related redemption liabilities at RMB102,886,080 (representing the present value of the estimated amount to be paid out by the Company if the series C-2 investor exercises its preferred rights) in 2024. The Company applied an effective interest rate of 8.36% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In May 2024, the Company entered into an investment agreement with a series C-3 investor, pursuant to which the Company issued and allotted approximately 39,490,643 shares, representing approximately 4.13% of the equity interests of the Company, to the series C-3 investor, at a consideration of RMB250,000,000. Series C-3 investor was granted certain preferred rights upon capital contribution. The proceeds of RMB250,000,000 were received by the Company in May 2024. Upon the Company’s shares with preferred rights were issued to the series C-3 investor, the Company had initially recognized the related redemption liabilities at RMB250,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series C-3 investor exercises its preferred rights) in 2024. The Company applied an effective interest rate of 8.36% per annum to derive the present value of the issued financial instruments. Redemption liabilities were subsequently measured at amortized costs.

In accordance with Series A, Series B and Series C investment agreements, Series A Investors, Series B Investors and Series C Investors were granted certain preferred rights (the “Preferred Rights”) upon capital contribution. These Preferred Rights mainly included the followings:

(i) *Redemption right*

Series A Investors, Series B Investors and Series C Investors had a right to require the Company to redeem their investments if the Company failed to get [REDACTED].

The redemption amount of Series A Investors, Series B Investors and Series C Investors was calculated as the original investment principal from Series A Investors, Series B Investors and Series C Investors, plus an interest rate of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year).

The redemption rights held by Series A Investors, Series B Investors and Series C Investors upon no successful [REDACTED] within a specified period and other contingent events would constitute the Company’s obligation to repurchase its own equity instruments under the situations which were beyond the Company’s and the [REDACTED]’ control. The financial liability in connection with the obligation was therefore recognized initially at present value (representing the present value of the aforementioned redemption amount based on the most likely scenario among all the possible situations), and subsequently measured at amortized cost using the effective interest method.

(ii) *Anti-dilution right*

Should the Company subsequently issue equity interests to new [REDACTED] at a price lower than the initial investments paid by Series A Investors, Series B Investors and Series C, Series A Investors, Series B Investors and Series C has the right to require the Company to adjust the equity ratio of the current round of [REDACTED] by issuing additional registered capital at the lowest price permitted by law according to the unit price of the new issuance, so that the initial subscription unit price paid by the current round of [REDACTED] is not higher than the unit price of the new issuance.

The directors of the Company considered that the fair value of the anti-dilution right was immaterial and therefore no derivative liability was recognized by the Company.

(iii) *Liquidation preferences*

In the event of any liquidation, dissolution or winding up of the Company, Series A Investors, Series B Investors and Series C Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares of the Company.

The liquidation preference amount of Series A Investors, Series B Investors and Series C Investors was calculated as 106% of the original investment principal amounts from Series A Investors, Series B Investors and Series C Investors (“Liquidation Preference Cap”). If the amount of distributable assets of the Company was less than the total Liquidation Preference Cap, Series A Investors, Series B Investors and Series C Investors shall be entitled the amount based on the percentage of each [REDACTED]’s share.

The following events shall be treated as a “Deemed Liquidation Event”: (i) any sale, disposition or conveyance by the Company of all or substantially all of its assets (including the exclusive licensing of all or substantially all the intellectual property assets of the Company); (ii) any merger, consolidation or other transactions resulting in the Company acquired by other entity or after which change the substantial control of the Company.

(b) Termination of Preferred Rights

The Company charged approximately RMB96,904,000, RMB49,676,000 and nil to finance costs in profit or loss during Track Record Period, respectively. On May 31, 2024, the Company entered into a termination agreement to terminate the abovementioned Preferred Rights (including redemption right, anti-dilution right, and Deemed Liquidation Event under liquidation preference) with Series A Investors, Series B Investors and Series C Investors without reinstatement. Pursuant to the termination agreement, redemption liabilities of approximately RMB1,799,159,000 and the treasury stock of approximately RMB1,603,886,000 were derecognized accordingly. The difference of approximately RMB195,273,000, was credited to capital reserves (Note 25).

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34 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax	(736,149)	(526,418)	(358,065)
Adjustments for:			
Net impairment reversed on financial assets	(26,625)	(8,435)	(3,500)
Loss on disposal of property, plant and equipment (<i>Note 7</i>)	128	253	94
Depreciation of property, plant and equipment (<i>Note 14</i>)	29,283	28,728	31,537
Depreciation of right-of-use assets (<i>Note 15</i>)	16,607	8,476	5,533
Amortization of intangible assets (<i>Note 16</i>)	85,322	86,700	102,298
Provisions for impairment of inventories	47,389	2,013	15,847
Share-based payment expenses (<i>Note 26</i>)	13,791	33,264	28,043
Net fair value gains on financial assets at FVPL (<i>Note 7</i>)	–	–	(322)
Finance costs – net (<i>Note 10</i>)	142,088	100,774	65,565
Share of net loss from associates accounted for using the equity method (<i>Note 17</i>)	6,345	1,872	581
Amortization of government grants	(3,075)	(3,075)	(3,089)
Operating profit before changes in working capital	(424,896)	(275,848)	(115,478)
Changes in working capital:			
Increase in inventories	(77,797)	(156,721)	(287,998)
Increase in trade and notes receivables	(275,565)	(251,224)	(46,275)
Decrease/(increase) in prepayments and other receivables	26,751	3,397	(26,765)
Decrease in long-term receivables	1,556	–	285
(Decrease)/increase in contract liabilities	(8,694)	(2,495)	6,194
Increase in trade and notes payables	254,033	496,021	80,601
Increase/(decrease) in other payables and accruals	7,776	44,342	(8,086)
(Increase)/decrease in restricted cash	(2,298)	7,480	(46,050)
Increase in deferred income	–	–	1,800
Decrease/(increase) in financial assets at fair value through other comprehensive income	2,480	(18,403)	26,025
Cash used in operations	(496,654)	(153,451)	(415,747)

(b) Major non-cash investing and financing activities

Major non-cash investing and financing activities disclosed in other notes are:

- additions to right-of-use assets in respect of leased offices and factories – Note 15
- recognition and derecognition of financial instruments with preferred rights at amortized cost – Note 33
- acquisition of property, plant and equipment through notes receivables of approximately RMB2,768,000, RMB7,230,000, RMB32,654,000 for the years ended December 31, 2023, 2024 and 2025 – Note 19.

(c) Net debt reconciliation

	Borrowings	Lease liabilities	Redemption liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at December 31, 2023	1,271,282	23,158	993,693	2,288,133
Cash flows from financing activities	(51,250)	(12,755)	306,000	241,995
Derecognition of notes receivables and borrowings	(33,022)	–	–	(33,022)
New leases entered	–	15,662	–	15,662
Lease termination	–	(3,162)	–	(3,162)
Interest expenses	45,285	468	96,904	142,657

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	Borrowings	Lease liabilities	Redemption liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at December 31, 2023 and January 1, 2024	1,232,295	23,371	1,396,597	2,652,263
Cash flows from financing activities . .	(114,823)	(12,859)	352,886	225,204
Derecognition of notes receivables and borrowings	(14,602)	–	–	(14,602)
New leases entered	–	6,452	–	6,452
Lease termination	–	(4,733)	–	(4,733)
Derecognition of redemption liabilities	–	–	(1,799,159)	(1,799,159)
Interest expenses	52,328	858	49,676	102,862
Net debt as at December 31, 2024 and January 1, 2025	1,155,198	13,089	–	1,168,287
Cash flows from financing activities . .	517,573	(7,519)	–	510,054
New leases entered	–	5,198	–	5,198
Lease termination	–	(813)	–	(813)
Interest expenses	68,241	409	–	68,650
Net debt as at December 31, 2025 . . .	1,741,012	10,364	–	1,751,376

35 CAPITAL COMMITMENTS

Significant capital expenditures contracted for at the end of the year/period during the Track Record Period but not recognized as liabilities are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property, plant and equipment and intangible assets	7,394	39,622	59,603

36 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The following significant transactions 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.

(a) Names and relationships with related parties

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

Name of related parties	Relationship with the Company
Dr. Zhang Lin	Chairman
Hangzhou Zhenshi Intelligent Technology Co., Ltd.	An associate of the Company
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd.	An associate of the Company
Shanghai Xinsheng Lianke Technology Development Co., Ltd. (上海新盛聯科科技開發有限公司)	Subsidiary of an associate of the Company
Yilixin	Shareholder of the Company
Jilixin	Shareholder of the Company
Lulixin	Shareholder of the Company
Hangzhou Lintongzhihe Enterprise Management Consulting Partnership (Limited Partnership) (杭州林同至和企業管理諮詢合夥企業(有限合夥)).	Shareholder of the Company

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Name of related parties	Relationship with the Company
Fulixin	Shareholder of the Company
Harmolin Group (HK) Limited	Controlled by Dr. Zhang Lin
Mr. Li Shufu	Shareholder of the Company
Zhejiang Geely Holding Group (浙江吉利控股集團有限公司) and its subsidiaries (“Geely Group”)	Controlled by Mr. Li Shufu
Zhejiang Geely Business Service Co., Ltd. (浙江吉利商務服務有限公司)	Controlled by Mr. Li Shufu

(b) Transactions with related parties

Related party transactions of the Group are listed as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods			
Geely Group	393,138	762,484	1,798,124
Purchases of raw materials			
Geely Group	1,647	535,867	965,141
Shanghai Xinsheng Lianke Technology Development Co., Ltd.	10,252	–	–
Hangzhou Zhenshi Intelligent Technology Co., Ltd.	31	–	–
	<u>11,930</u>	<u>535,867</u>	<u>965,141</u>
Purchases of services			
Hangzhou Zhenshi Intelligent Technology Co., Ltd.	14,725	9,512	–
Zhejiang Geely Business Service Co., Ltd.	162	1,220	1,667
Geely Group	7	–	–
	<u>14,894</u>	<u>10,732</u>	<u>1,667</u>
Increase of right-of-use assets			
Geely Group	–	–	5,198
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd.	12,677	–	–
	<u>12,677</u>	<u>–</u>	<u>5,198</u>
Interest expenses of lease liabilities			
Geely Group	–	–	37
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd.	275	697	354
	<u>275</u>	<u>697</u>	<u>391</u>

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest incomes from related parties			
Jilixin	–	378	–
Yilixin	–	525	–
Fulixin	–	71	–
Lulixin	–	75	–
	<u>–</u>	<u>1,049</u>	<u>–</u>
Loans to related parties			
Jilixin	–	120,000	–
Yilixin	–	80,000	–
Lulixin	917	–	–
Fulixin	1,096	–	–
	<u>2,013</u>	<u>200,000</u>	<u>–</u>

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Repayment of loans by related parties			
Jilixin	–	120,378	–
Yilixin	–	80,525	–
Fulixin	–	1,688	–
Lulixin	–	1,598	–
	–	204,189	–

Financial guarantee for a related party

The Group provides the guarantee for Yilixin with maximum amount of RMB24,000,000 from September 13, 2024 to September 13, 2030, which is non-trade in nature and is not expected to be released upon [REDACTED]. The expected credit losses on the financial guarantee liability was insignificant as at December 31, 2025.

(c) **Balances with related parties**

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and notes receivables (trade in nature)			
Geely Group.	235,996	469,239	589,397
Less: allowance for credit losses	(13,842)	(14,323)	(13,849)
	222,154	454,916	575,548
Other receivables (non-trade in nature)			
Fulixin	1,617	–	–
Lulixin	1,523	–	–
	3,140	–	–
Less: allowance for credit losses	(16)	–	–
	3,124	–	–
Prepayments (trade in nature)			
Zhejiang Geely Business Service Co., Ltd.	–	87	37
Lease liabilities (trade in nature)			
Geely Group.	–	–	5,235
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd.	16,403	14,533	4,073
	16,403	14,533	9,308
Trade payables (trade in nature)			
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd..	414	–	–
Geely Group.	1,967	536,054	350,723
Zhejiang Geely Business Service Co., Ltd.	162	–	–
Hangzhou Zhenshi Intelligent Technology Co., Ltd..	1,303	–	–
Shanghai Xinsheng Lianke Technology Development Co., Ltd..	16	–	–
	3,862	536,054	350,723
Other payables (trade in nature)			
Tongxiang Wuzhen Zhiqing Intelligent Technology Co., Ltd..	2,192	580	–
Contract liabilities (trade in nature)			
Geely Group.	4,209	4,419	10,669

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(d) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wages and salaries	6,393	7,381	7,031
Discretionary bonuses	2,368	2,897	2,616
Pension obligations, housing funds, medical insurances and other social insurances	609	601	501
Share-based payment expenses	3,939	10,518	11,435
	<u>13,309</u>	<u>21,397</u>	<u>21,583</u>

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and supervisors’ emoluments

The remuneration paid or payable to the directors and supervisors of the Company (including emoluments for services as employee/directors/supervisors of the group entities prior to becoming the directors of the Company) during the years ended December 31, 2023, 2024 and 2025 was as follows.

Name	Year ended December 31, 2023				
	Wages and salaries	Discretionary bonuses	Pension obligations, housing funds, medical insurances and other social insurances	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors:					
Dr. Zhang Lin	2,034	420	14	2,439	4,907
Mr. Peng Wenshuai (i)	565	300	121	648	1,634
Ms. Zhao Xinrui (ii)	474	–	79	(418)	135
Ms. Ding Mingqin (iii)	508	220	115	55	898
Mr. Yang Jian (ix)	–	–	–	–	–
	<u>3,581</u>	<u>940</u>	<u>329</u>	<u>2,724</u>	<u>7,574</u>
Name of supervisors:					
Ms. Yang Xijuan	241	62	57	–	360

Name	Year ended December 31, 2024				
	Wages and salaries	Discretionary bonuses	Pension obligations, housing funds, medical insurances and other social insurances	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors:					
Dr. Zhang Lin	2,034	420	15	4,120	6,589
Mr. Peng Wenshuai (i)	496	262	116	1,269	2,143
Ms. Ding Mingqin (iii)	487	257	109	53	906
Mr. Shen Junqiang (iv)	99	64	18	1,765	1,946
Mr. Tang Pengfei (vi)	–	–	–	–	–
Mr. Yang Jian (ix)	–	–	–	–	–
	<u>3,116</u>	<u>1,003</u>	<u>258</u>	<u>7,207</u>	<u>11,584</u>
Name of supervisors:					
Ms. Yang Xijuan	264	86	61	–	411
Mr. Han Lin (v)	177	51	46	744	1,018
Mr. Zhang Jianwei (vii)	–	–	–	–	–
Mr. Liu Zhangzhe (xiii)	–	–	–	–	–
	<u>441</u>	<u>137</u>	<u>107</u>	<u>744</u>	<u>1,429</u>

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Year ended December 31, 2025

Name	Wages and salaries	Discretionary bonuses	Pension obligations, housing funds, medical insurances and other social insurances	Share-based payment expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of directors:					
Dr. Zhang Lin	2,034	420	15	4,031	6,500
Mr. Shen Junqiang (iv)	781	500	114	1,815	3,210
Mr. Tang Pengfei (vi)	–	–	–	–	–
Mr. Yang Jian (ix)	–	–	–	–	–
	2,815	920	129	5,846	9,710
Name of supervisors:					
Ms. Yang Xijuan	298	51	70	–	419
Mr. Zhang Jianwei (vii)	–	–	–	–	–
Mr. Liu Zhangzhe (viii)	–	–	–	–	–
	298	51	70	–	419

- (i) Mr. Peng Wenshuai was resigned as the director of the Company on November 15, 2024.
- (ii) Ms. Zhao Xinrui was resigned as the director of the Company on August 16, 2023.
- (iii) Ms. Ding Mingqin was resigned as the director of the Company on November 15, 2024.
- (iv) Dr. Shen Junqiang was appointed as the director of the Company on November 15, 2024.
- (v) Mr. Han Lin was appointed as the supervisor of the Company on August 12, 2024 and resigned on November 15, 2024.
- (vi) Mr. Tang Pengfei was appointed as the director of the Company on November 15, 2024.
- (vii) Mr. Zhang Jianwei was appointed as the supervisor of the Company on November 15, 2024.
- (viii) Mr. Liu Zhangzhe was appointed as the supervisor of the Company on November 15, 2024.
- (ix) Mr. Yang Jian was appointed as the director of the Company since January 2020 and redesignated as non-executive Director on November 15, 2024.

(b) Directors’ and supervisors’ retirement benefits

No retirement benefits were paid to or receivable by any directors or supervisors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries’ undertaking during the Track Record Period.

No payment was made to the directors as compensation for early termination of appointment during the Track Record Period.

(c) Directors’ and supervisors’ termination benefits

No payment was made to the directors or supervisors as compensation for early termination of appointment during the Track Record Period.

(d) Consideration provided to third parties for making available directors’ and supervisors’ services

No payment was made to any former employers of the directors or supervisors for making available the services of them as a director of the Company during the Track Record Period.

(e) Information about loans, quasi-loans or other dealings in favour of directors, supervisors and bodies corporate, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 37, there were no loans, quasi-loans and other dealings in favour of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the Track Record Period.

(f) Directors’ and supervisors’ material interests in transactions, arrangements or contracts

Save as disclosed in Note 37, there were no significant transactions, arrangements and contracts in relation to the Group’s business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

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38 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2023, 2024 and 2025.

39 CONTINGENT LIABILITIES

As at December 31, 2023, 2024 and 2025, there were no significant contingencies for the Group and the Company.

40 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to December 31, 2025, and up the date of this report.

41 SUMMARY OF OTHER ACCOUNTING POLICIES

41.1 Principles of consolidation and equity accounting

(i) *Subsidiaries*

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

(iii) *Equity method*

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 and joint ventures 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.

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.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 14(e).

41.2 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 testing 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 in the consolidated financial statements of the investee’s net assets including goodwill.

41.3 Foreign currency translation

(a) *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”). The consolidated financial statements are presented in RMB, which is the functional currency of the Company and its subsidiaries and also the presentation currency of the Company.

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(b) 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 and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive 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 fair value through profit or loss 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.

41.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 financial period in which they are incurred.

Construction in progress represents unfinished construction and equipment under construction or pending for installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

41.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the entity currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

41.6 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

41.7 Paid-in capital/Share capital

Ordinary shares are classified as equity. Redemption liabilities described in Note 34 are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the [REDACTED].

41.8 Treasury stock

Treasury stock is recorded to reflect the carrying amount of redemption liabilities when it is initially reclassified from equity and will be reversed when redemption liabilities are derecognized upon when the Group’s obligations in connection with those financial instruments are discharged, cancelled or have expired which will then be reclassified back to equity (Note 33).

41.9 Trade and other payables

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

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41.10 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 extinguished, cancelled 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 finance costs.

Borrowings are classified as current liabilities unless, at the end of the Track Record Period, the Group has a right to defer settlement of the liability for at least 12 months after the Track Record Period.

41.11 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.

All other borrowing costs are expensed in the period in which they are incurred.

41.12 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 income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *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 Track Record 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 it 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.

(b) *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 income 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 Track Record 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 Group 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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income 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.

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41.13 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits 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 Track Record 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 consolidated statements of financial position.

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

The employees of the Group 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 period.

(d) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the Track Record Period are discounted to present value.

41.14 Leases

Lease as lessee

The Group leases various offices and factories. Rental contracts are typically made for fixed periods of one year to four years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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 (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment 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 lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;

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- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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, 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs, if any.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of building are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

41.15 Earnings per share

(a) *Basic earnings per share*

Basic profit per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- 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 stock.

(b) *Diluted earnings per share*

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

41.16 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

APPENDIX I

ACCOUNTANT’S REPORT

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 are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

41.17 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7.

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, see Note 10.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

41.18 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time when the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees on initial recognition equals the present value of the premium in an arm’s length transaction.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

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.