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

[Letterhead of GTHK]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UNION SEMICONDUCTOR (HEFEI) CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

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

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and 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 the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2023, 2024 and 2025, of the Company's financial position as at 31 December 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and 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 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-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

[●]
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

[Date]

[●]
Practising Certificate No.: [●]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	*6*	1,238,293	1,501,020	1,783,135
Cost of sales		(910,776)	(1,173,871)	(1,395,394)
Gross profit		**327,517**	**327,149**	**387,741**
Other income	*7(a)*	32,512	26,784	32,488
Other gains and losses, net	*7(b)*	14,753	16,326	15,415
Selling and marketing expenses		(8,410)	(11,465)	(12,348)
Administrative expenses		(74,281)	(75,692)	(82,948)
Research and development expenses	*9*	(78,857)	(89,407)	(117,688)
Impairment losses	*9*	(16,554)	(17,673)	(26,362)
Finance costs	*8*	(1,097)	(22,672)	(37,501)
Share of results of associates, net		—	—	218
Profit before income tax	*9*	**195,583**	**153,350**	**159,015**
Income tax credit/(expense)	*10*	402	6,414	(4,284)
Profit for the year		**195,985**	**159,764**	**154,731**
Profit for the year attributable to:				
— Owners of the Company		195,985	159,764	154,731
Other comprehensive expense, net of tax:				
Item that will be reclassified subsequently to profit or loss:				
Fair value changes on financial assets at fair value through other comprehensive income ("**FVTOCI**"), net of tax		(470)	—	—
Total comprehensive income for the year		**195,515**	**159,764**	**154,731**
Total comprehensive income for the year attributable to:				
— Owners of the Company		195,515	159,764	154,731
Earnings per share attributable to owners of the Company	*12*			
Basic (in RMB)		0.24	0.19	0.19
Diluted (in RMB)		0.23	0.19	0.18

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*14*	2,575,797	2,767,451	2,802,049
Right-of-use assets	*15*	18,328	32,044	30,374
Intangible assets	*16*	11,401	17,811	22,793
Interests in associates	*17*	—	—	275,702
Deposits, prepayments and other receivables	*23*	160,002	79,043	21,451
Financial assets at fair value through profit or loss ("**FVTPL**")	*21*	50,000	50,364	113,072
Deferred tax assets	*31*	3,730	3,581	16,206
Time deposits	*24*	124,493	30,537	—
		2,943,751	**2,980,831**	**3,281,647**
Current assets				
Inventories	*19*	236,998	288,343	303,785
Trade and bills receivables	*20*	231,246	275,261	358,975
Deposits, prepayments and other receivables	*23*	43,520	76,846	78,816
Financial assets at FVTPL	*21*	20,192	681,606	534,505
Other financial assets at amortized cost	*22*	—	—	60,004
Restricted bank deposits	*24*	503	7,629	10,713
Bank balances, deposits and cash				
— Time deposits with original maturity over three months and due within one year	*24*	10,449	128,669	116,451
— Cash and cash equivalents	*24*	109,639	152,038	129,706
		652,547	**1,610,392**	**1,592,955**
Current liabilities				
Trade and bills payables	*25*	145,326	138,023	125,395
Other payables and accruals	*26*	28,699	20,842	73,758
Contract liabilities	*27*	2,906	1,719	6,023
Borrowings	*28*	185,593	—	84,577
Lease liabilities	*30*	2,362	1,841	1,206
Derivative financial instruments		—	—	2,653
Income tax payable		—	—	3,214
		364,886	**162,425**	**296,826**
Net current assets		**287,661**	**1,447,967**	**1,296,129**
Total assets less current liabilities		**3,231,412**	**4,428,798**	**4,577,776**

	Notes	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current liabilities				
Borrowings	*28*	—	1,113,988	930,956
Deferred income	*29*	98,112	112,763	97,233
Lease liabilities	*30*	1,269	976	592
		99,381	**1,227,727**	**1,028,781**
Net assets		**3,132,031**	**3,201,071**	**3,548,995**
EQUITY				
Share capital	*32*	834,853	837,976	868,943
Less: treasury shares	*32*	—	(99,978)	(51,451)
Reserves	*33*	2,297,178	2,463,073	2,731,503
Total equity		**3,132,031**	**3,201,071**	**3,548,995**

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*14*	1,691,895	1,722,315	1,739,679
Right-of-use assets	*15*	11,418	25,532	24,952
Intangible assets	*16*	6,897	13,764	15,224
Interests in subsidiaries	*18*	592,439	898,768	988,100
Interests in associates	*17*	—	—	247,184
Deposits, prepayments and other receivables	*23*	51,940	225,689	217,860
Financial assets at FVTPL	*21*	50,000	50,364	63,072
Deferred tax assets	*31*	3,730	3,581	16,206
Time deposits	*24*	124,493	30,537	—
		2,532,812	**2,970,550**	**3,312,277**
Current assets				
Inventories	*19*	157,886	190,282	211,661
Trade and bills receivables	*20*	316,347	208,020	268,582
Deposits, prepayments and other receivables	*23*	623,579	514,714	498,700
Financial assets at FVTPL	*21*	20,192	681,606	534,505
Other financial assets at amortized cost	*22*	—	—	60,004
Restricted bank deposits	*24*	—	3,000	3,060
Bank balances, deposits and cash				
— Time deposits with original maturity over three months and due within one year	*24*	10,449	128,669	42,298
— Cash and cash equivalents	*24*	94,308	87,254	79,993
		1,222,761	**1,813,545**	**1,698,803**
Current liabilities				
Trade and bills payables	*25*	77,283	114,564	76,811
Other payables and accruals	*26*	18,648	13,069	65,096
Contract liabilities	*27*	1,307	1,386	3,234
Borrowings	*28*	169,977	—	84,577
Lease liabilities		1,482	857	940
Derivative financial instruments		—	—	2,538
Income tax payable		—	—	3,214
		268,697	**129,876**	**236,410**
Net current assets		**954,064**	**1,683,669**	**1,462,393**
Total assets less current liabilities		**3,486,876**	**4,654,219**	**4,774,670**

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current liabilities				
Borrowings	*28*	—	1,113,988	930,956
Deferred income	*29*	95,803	98,592	81,869
Lease liabilities		543	716	592
		96,346	**1,213,296**	**1,013,417**
Net assets		**3,390,530**	**3,440,923**	**3,761,253**
EQUITY				
Share capital	*32*	834,853	837,976	868,943
Less: treasury shares	*32*	—	(99,978)	(51,451)
Reserves	*33*	2,555,677	2,702,925	2,943,761
Total equity		**3,390,530**	**3,440,923**	**3,761,253**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	**Treasury shares**	**Capital reserve**	**Equity component of convertible bonds**	**Other comprehensive income reserve**	**Statutory reserve**	**Retained earnings/ (accumulated losses)**	**Total equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(Note 32)	*(Note 32)*	*(Note 33)*	*(Note 28)*	*(Note 33)*	*(Note 33)*		
Balance at 1 January 2023	**834,853**	**—**	**2,102,827**	**—**	**470**	**30,209**	**(64,653)**	**2,903,706**
Profit for the year	—	—	—	—	—	—	195,985	195,985
Other comprehensive expense for the year	—	—	—	—	(470)	—	—	(470)
Total comprehensive (expense)/income for the year	**—**	**—**	**—**	**—**	**(470)**	**—**	**195,985**	**195,515**
Transactions with owners:								
Equity settled share-based payments *(note 9)*	—	—	32,810	—	—	—	—	32,810
Appropriation to statutory reserves	—	—	—	—	—	21,047	(21,047)	—
Total transactions with owners	**—**	**—**	**32,810**	**—**	**—**	**21,047**	**(21,047)**	**32,810**
Balance at 31 December 2023 and 1 January 2024	**834,853**	**—**	**2,135,637**	**—**	**—**	**51,256**	**110,285**	**3,132,031**
Profit for the year	—	—	—	—	—	—	159,764	159,764
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**159,764**	**159,764**
Transactions with owners:								
Dividends declared *(note 11)*	—	—	—	—	—	—	(82,440)	(82,440)
Issuance of convertible bonds *(note 28(d))*	—	—	—	36,955	—	—	—	36,955
Vesting of restricted shares under restricted share incentive plan *(note 32(a))*	3,123	—	17,426	—	—	—	—	20,549
Repurchase of ordinary shares *(note 32(b))*	—	(99,978)	—	—	—	—	—	(99,978)
Equity settled share-based payments *(note 9)*	—	—	34,190	—	—	—	—	34,190
Appropriation to statutory reserves	—	—	—	—	—	14,112	(14,112)	—
Total transactions with owners	**3,123**	**(99,978)**	**51,616**	**36,955**	**—**	**14,112**	**(96,552)**	**(90,724)**
Balance at 31 December 2024 and 1 January 2025	**837,976**	**(99,978)**	**2,187,253**	**36,955**	**—**	**65,368**	**173,497**	**3,201,071**

	Attributable to owners of the Company							
	Share capital	**Treasury shares**	**Capital reserve**	**Equity component of convertible bonds**	**Other comprehensive income reserve**	**Statutory reserve**	**Retained earnings/ (accumulated losses)**	**Total equity**
	RMB'000 *(Note 32)*	**RMB'000** *(Note 32)*	**RMB'000** *(Note 33)*	**RMB'000** *(Note 28)*	**RMB'000** *(Note 33)*	**RMB'000** *(Note 33)*	**RMB'000**	**RMB'000**
Balance at 1 January 2025	**837,976**	**(99,978)**	**2,187,253**	**36,955**	**—**	**65,368**	**173,497**	**3,201,071**
Profit for the year	—	—	—	—	—	—	154,731	154,731
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**154,731**	**154,731**
Transactions with owners:								
Dividends declared *(note 11)*	—	—	—	—	—	—	(78,478)	(78,478)
Shares issued upon the conversion of convertible bonds *(note 28(d) and 32(a))*	28,733	—	195,483	(7,035)	—	—	—	217,181
Vesting of restricted shares under restricted share incentive plan *(note 32(a))*	2,234	—	12,265	—	—	—	—	14,499
Treasury shares for employee stock ownership plan transferred *(note 32(b))*	—	48,527	(48,527)	—	—	—	—	—
Equity settled share-based payments *(note 9 and 31)*	—	—	39,991	—	—	—	—	39,991
Appropriation to statutory reserves	—	—	—	—	—	12,565	(12,565)	—
Total transactions with owners	**30,967**	**48,527**	**199,212**	**(7,035)**	**—**	**12,565**	**(91,043)**	**193,193**
Balance at 31 December 2025	**868,943**	**(51,451)**	**2,386,465**	**29,920**	**—**	**77,933**	**237,185**	**3,548,995**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Proceeds from sales of goods and services	1,119,661	1,536,611	1,785,587
Refund of other tax and surcharges	61,081	65,425	76,270
Cash received related to other operating activities	9,905	34,470	12,419
Interest income from bank balances	2,102	2,555	2,796
Cash paid for material and services	(642,686)	(895,679)	(925,092)
Cash paid for salaries	(164,377)	(198,570)	(208,946)
Income tax and other taxes paid	(4,602)	(5,144)	(16,413)
Cash paid for office operations, travel and business hospitality	(7,576)	(10,048)	(10,588)
Cash paid for research and development expense	(6,592)	(5,786)	(8,055)
Cash paid for intermediary service fees	(7,671)	(9,303)	(6,376)
Cash paid related to other operating activities	(7,785)	(13,667)	(9,143)
Net cash generated from operating activities	**351,460**	**500,864**	**692,459**
Cash flows from investing activities			
Proceeds from investment income	12,214	3,678	27,179
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	5,894	12,760	4,966
Proceeds from wealth management products and structured deposits	1,698,000	989,000	2,297,349
Purchase of property, plant and equipment, intangible assets and other non-current assets	(1,188,191)	(583,538)	(459,815)
Purchase of wealth management products and structured deposits	(998,000)	(1,649,000)	(2,207,349)
(Placement of)/decrease in time deposits, net	(30,000)	(20,370)	36,630
Investment in financial assets at fair value	(50,000)	(1,300)	(63,950)
Investments in associates	—	—	(275,484)
Payments for other investing activities	—	—	(1,662)
Net cash used in investing activities	**(550,083)**	**(1,248,770)**	**(642,136)**

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from issuance of convertible bonds	—	1,148,700	—
Proceeds from restricted share incentive plan and employee stock ownership plan	—	20,549	65,950
Proceeds from borrowings	185,422	395,530	17,967
Repayment of borrowings	—	(581,570)	(73,126)
Interest paid	(926)	(7,738)	(3,479)
Dividend paid to owners of the Company	—	(82,440)	(78,478)
Repurchase of ordinary shares	—	(99,978)	—
Payments for other financing activities	(5,500)	(7,845)	(4,630)
Net cash generated from/(used in) financing activities	**178,996**	**785,208**	**(75,796)**
Net (decrease)/increase in cash and cash equivalents	**(19,627)**	**37,302**	**(25,473)**
Cash and cash equivalents at the beginning of the year	128,774	109,639	152,038
Effect of foreign exchange rate changes	492	5,097	3,141
Cash and cash equivalents at the end of the year	**109,639**	**152,038**	**129,706**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "**PRC**") on 18 December 2015 as a limited liability company under the laws of the PRC and was converted into a joint stock company with limited liability on 30 March 2021. The Company's domestic shares (the "**A shares**") were listed on the Shanghai Stock Exchange (stock code: 688403) on 18 August 2022. The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of the Document.

During the years ended 31 December 2023, 2024 and 2025 (the "**Track Record Period**"), the Company and its subsidiaries (collectively, the "**Group**") are principally engaged in sales of services involving display driver integrated circuit ("**DDIC**") advanced packaging and testing.

In the opinion of the directors of the Company, the Company is controlled by the Single Largest Group of Shareholders (as defined in the section headed "Definitions" of the Document).

As at the date of this Historical Financial Information, the Company's principal subsidiary is as follows:

Name of subsidiary	Place of establishment/ incorporation and place of business	Particulars of issued and paid up capital/ registered capital	Attributable equity interest held as at 31 December			Principal activities	*Notes*
			2023	2024	2025		
Directly held by the Company							
Jiangsu Union Semiconductor Co., Ltd.# (江蘇匯成光電有限公司) ("**Jiangsu Union**")	The PRC	RMB861,640,200	100%	100%	100%	Sales of DDIC advanced packaging and testing services	*(c)*

Notes:

(a) The consolidated financial statements of the Group for the years ended 31 December 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Pan-China Certified Public Accountants LLP, 天健會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

(b) The consolidated financial statements of the Group for the year ended 31 December 2025 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Grant Thornton Zhitong Certified Public Accountants LLP, 致同會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

(c) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Pan-China Certified Public Accountants LLP, 天健會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

The statutory financial statements of this entity for the year ended 31 December 2025 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Grant Thornton Zhitong Certified Public Accountants LLP, 致同會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

\# The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards which collective term includes all applicable individual IFRS Accounting Standards and Interpretations are issued by the International Accounting Standards Board ("**IASB**").

All IFRS Accounting Standards, amendments, interpretations and annual improvements which are effective for the accounting period beginning from 1 January 2025 are consistently adopted by the Group in the preparation of the Historical Financial Information.

The Historical Financial Information also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The material accounting policies that have been used in the preparation of this Historical Financial Information are summarized in Note 3. These policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

The Historical Financial Information has been prepared on the historical cost basis, except for the certain financial assets and liabilities which are stated at their fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on the management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. 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 5.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Basis of consolidation

The Historical Financial Information incorporates the financial information of the Company and its subsidiaries and the Group's interests in associates for the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of subsidiaries in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealized losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

In the Company's statements of financial position, subsidiaries are carried at cost less any impairment loss (see Note 3.19). Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

3.2 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Historical Financial Information, an investment in associates is initially recognized at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss includes the Group's share of the post-acquisition, post-tax results of the associates for the Track Record Period and including any impairment loss on the investment in associates recognized for the Track Record Period.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in associates equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associates is the carrying amount of the investment under the equity method together with the Group's other long-term interests that in substance form part of the Group's net investment in the associates.

After the application of equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate.

In the Company's statements of financial position, interests in associates are accounted for using the equity method.

3.3 Foreign currency translation

Items included in the consolidated 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 Historical Financial Information are presented in RMB, which is the same as the Company's functional currency.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities at each reporting date are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income.

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the Track Record Period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognized in other comprehensive income and accumulated separately in the "Other comprehensive income reserve" in equity.

3.4 Property, plant and equipment

Property, plant and equipment (other than construction in progress ("**CIP**") as described below) are initially stated at acquisition cost or manufacturing costs (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). They are subsequently stated at costs less accumulated depreciation and accumulated impairment losses (see Note 3.19), if any.

Depreciation is recognized so as to write off the cost of assets (other than CIP) less their residual values over their estimated useful lives, using the straight-line basis over their estimated useful lives as follows:

Buildings and structures	20 to 30 years
Machinery and equipment	2 to 10 years
Office equipment	3 to 5 years
Motor vehicle	5 years

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

CIP represents property, plant and equipment under construction and is stated at cost less any impairment losses (see Note 3.19). Costs includes cost of construction and other direct costs (such as costs of materials, direct labor and borrowing costs).

No provision for depreciation has been provided for CIP until such time relevant assets are available for use, at which time they will be transferred to appropriate category of property, plant and equipment.

3.5 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 3.19). Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.6 Intangible assets and research and development activities

Intangible assets

Acquired intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortization commences when the intangible assets are available for use. The following useful lives are applied:

Software and others	3–5 years

The assets' amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite useful lives, are tested for impairment as described below in Note 3.19.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognized as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

3.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"), all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

— amortized cost;

— FVTPL; or

— FVTOCI.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within "Finance costs" or other financial items, net except for expected credit loss ("ECL") of trade and other receivables which is presented in "Impairment losses" as a separate line item in profit or loss.

Subsequent measurement of financial assets

Debt investments

<u>*Financial assets at amortized cost*</u>

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in "Finance costs" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables, other receivables and deposits, restricted bank deposits, time deposits, cash and cash equivalents and constant return wealth management products fall into this category of financial assets.

<u>*Financial assets at FVTOCI — recycling*</u>

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 "Financial Instruments" ("**IFRS 9**") apply.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in "Other comprehensive income reserve" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "Other gains and losses, net" in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, borrowings, liability component of convertible bonds, lease liabilities and derivative financial instruments.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss are included in "Finance costs".

Accounting policies of lease liabilities are set out in Note 3.13.

Trade and bills payables and other payables and accruals

Trade and bills payables and other payables and accruals are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless as at each reporting date, the Group has a right to defer settlement of the liability for at least twelve months after each reporting date.

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

Convertible bonds

Details of accounting policy of convertible bonds are set out in Note 3.10.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

3.8 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognize ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and trade and bills receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

— financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at each reporting date.

"12-month ECL" are recognized for the Stage 1 category while "lifetime ECL" are recognized for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due, and adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets measured at amortized cost and bills receivable at FVTOCI

The Group measures the loss allowance for other receivables and bills receivables at FVTOCI equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

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

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortized cost and bills receivable at FVTOCI are set out in Note 39.2.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognized in profit or loss of the period in which the reversal occurs.

3.9 Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.10 Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statements of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a prevailing market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The difference between the proceeds of the issuance of convertible bonds and the fair value assigned to the liability component is allocated to the conversion option that is recognised and included in equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years and is recognised in equity as ''equity component of convertible bonds''.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of convertible bonds.

When the convertible bonds are converted, the equity component of convertible bonds and the carrying amount of the liability component at the time of conversion are transferred to share capital and capital reserve as consideration for the shares issued.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

3.13 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

— the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

— the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

— the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments). The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

— there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

On the consolidated statements of financial position, prepaid lease payments, leasehold properties and leased motor vehicles have been included in right-of-use assets under non-current assets.

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

The Group as a lessor

As a lessor, the Group classifies its leases as operating leases. Rental income is recognized on a straight-line basis over the term of the lease.

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at each reporting date. Any transaction costs associated with the issuing of shares are deducted from capital reserve (net of any related income tax benefit) to the extent they are incremental costs directly attributable to such equity transaction.

3.16 Revenue recognition

Revenue arises mainly from the sales of goods and services involving DDIC advanced packaging and testing. This includes bumping, chip probing, chip-on-glass and chip-on-film.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognizing revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

Revenue from sales of goods and services

Revenue from sale of goods and services between the Group and its customers generally only includes a performance obligation for the transfer of goods or services, which is recognized when the performance obligation has been satisfied at a point in time.

Revenue for sale of goods and services in the Chinese mainland is recognised when the Group has delivered the products to the customers in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Revenue for export sale of goods and services is recognised when the Group has declared the goods and services for customs clearance in accordance with the contract terms, and has obtained a customs declaration or received acceptance and other proof of receipt from the customers.

Rental income

Accounting policies for rental income are set out in Note 3.13.

3.17 Interest income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

3.18 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. Government grants are deferred and recognized in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as "Deferred income" in the consolidated statements of financial position and are recognized in profit or loss on a straight-line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "Other income" in the consolidated statements of profit or loss and other comprehensive income.

3.19 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, intangible assets, interests in associates, deposits paid for acquisition of property, plant and equipment and lands, prepayments to suppliers and the Company's interests in subsidiaries and associates are subject to impairment testing. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.20 Employee benefits

Retirement benefit

The Group contributes to defined contribution retirement plans which are available to eligible employees. Contributions to the plans by the Group are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds. The Group's contributions to the defined contribution retirement plans are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other 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 at each reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

Salaries, discretionary bonuses, paid annual leave and the cost of non-monetary benefits are accrued and recognized as an expense in profit or loss in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the each reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

Termination benefit

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes costs for any related restructuring.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognized as an expense in profit or loss over the vesting period if vesting conditions apply, or recognized as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "Capital reserve" in equity. If vesting conditions apply, the expense is recognized over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently reviewed, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a review is recognized in the current period.

If the equity instruments granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancelation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognized for services receive over the remainder of the vesting period is recognized immediately in profit or loss.

3.21 Borrowing costs

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

3.22 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision makers (the "**CODM**") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

3.24 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the "Capital reserve".

3.25 Related parties

For the purpose of the Historical Financial Information, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

4. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS

All new and amended IFRS Accounting Standards, which are mandatory for the financial year beginning on 1 January 2025 are consistently applied to the Group throughout the Track Record Period.

A number of new and amended IFRS Accounting Standards have been issued but not yet effective for annual periods beginning after 1 January 2025, and have not been applied in preparing the Historical Financial Information:

IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 19	Subsidiaries without Public Accountability: Disclosures and related amendments[2]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature — dependent Electricity[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11[1]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual periods beginning on or after 1 January 2027
3 Effective date not yet determined

The directors of the Company anticipate that all of the new and amended IFRS Accounting Standards will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of these new and amended IFRS Accounting Standards. These new and amended IFRS Accounting Standards are not expected to have a material impact on the Group's results of operations and financial position.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and bills receivables, and other receivables within the scope of ECL under IFRS 9

The Group makes allowances on items subjects to ECL (including trade and bills receivables, and other receivables) based on assumptions about risk of default and expected loss rates. The Group uses judgment 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 each reporting date as set out in Note 3.8.

As at 31 December 2023, 2024 and 2025, the aggregate carrying amounts of trade and bills receivables and other receivables amounted to RMB231,640,000, RMB275,741,000 and RMB359,647,000, net of loss allowance of RMB12,672,000, RMB14,908,000 and RMB19,258,000 respectively.

The provision of ECL is sensitive to changes in estimates. When the actual future cash flows are different from expected, such difference will impact the carrying amounts of trade and bills receivables, and other receivables and related credit losses in the periods in which such estimate has been changed.

Net realizable value of inventories

Net realizable value of inventories is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at each reporting date. During the Track Record Period, the provision for inventories, amounting to RMB10,157,000, RMB15,437,000 and RMB22,012,000 have been provided during the years ended 31 December 2023, 2024 and 2025, respectively.

Impairment of non-financial assets

Items of property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment, deposits for land acquisitions, prepayments to suppliers, interests in associates and the Company's investments in subsidiaries and associates are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each CGU. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statements of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

As at 31 December 2023, 2024 and 2025, the carrying amounts of property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment, deposits for land acquisitions, prepayments to suppliers, interests in associates and the Company's investments in subsidiaries and associates are disclosed in Note 14, Note 15, Note 16, Note 23, Note 23, Note 23, Note 17 and Note 18, respectively.

Estimation of fair value of other financial assets

As at 31 December 2023, 2024 and 2025, financial assets at FVTPL that are not traded in an active market including unlisted equity investments and other investments were carried at fair value of RMB70,192,000, RMB731,970,000 and RMB647,577,000 respectively. The fair values are determined by using valuation techniques, details of which are set out in Note 39.7. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at each reporting date.

Useful lives of property, plant and equipment and intangible assets

The Group depreciates the property, plant and equipment and intangible assets over the estimated useful lives, using the straight-line method, commencing from the date the property, plant and equipment and intangible assets are available for use. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets. The Group assesses annually the useful lives of property, plant and equipment and intangible assets, and if the expectation differs from the original estimate, such a difference may impact the depreciation or amortization for the Track Record Period and the future period.

Estimation of fair value of restricted shares under restricted share incentive plan at the date of grant

The Company used the Black-Scholes Option Pricing Model to determine the fair value of the restricted shares under restricted share incentive plan as at the grant date, which is to be recorded in profit or loss over the vesting period. The model inputs are set out in Note 34(a). During the years ended 31 December 2023, 2024 and 2025, RMB22,260,000, RMB26,581,000 and RMB13,505,000 of employee compensation expenses, have been recognised in profit or loss respectively.

Deferred tax

Deferred tax are recognised on the temporary differences arising between the carrying amounts of assets or liabilities in the Group's consolidated statements of financial position and their tax basis. Significant management estimation is required to determine the amount of the deferred tax, including the likely timing and level of future taxable profits, future tax planning strategies, and applicability and sustainability of preferential tax policies.

6. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are disclosed in Note 1 to the Historical Financial Information. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the directors of the Company. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Disaggregation of revenue from contracts with customers			
DDIC advanced packaging and testing	1,168,454	1,356,592	1,579,071
Others *(note)*	69,839	144,428	204,064
	1,238,293	**1,501,020**	**1,783,135**

Note: Mainly includes sales of recovered gold.

Timing of revenue recognition

The Group derives revenue from the transfer of goods and services at a point in time and is analyzed as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At a point in time	**1,238,293**	**1,501,020**	**1,783,135**

Segment assets and segment liabilities

No information on segment assets and segment liabilities were presented as substantially all of the Group's assets and liabilities were attributable to the Group's single operating segment. The CODM does not regard the Group's interests in associates to be directly attributable to the Group's operating segment.

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the customers' place of incorporation.

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Revenue from external customers			
Chinese mainland	504,841	683,521	806,262
Taiwan	709,309	800,288	963,298
Others	24,143	17,211	13,575
	1,238,293	**1,501,020**	**1,783,135**

All significant non-current assets of the Group are located in Chinese mainland. Accordingly, no geographical information of non-current assets is presented.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	392,947	362,792	491,249
Customer B	242,330	321,791	309,908

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

(a) Other income

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest income	8,600	7,084	7,418
Government grants *(note)*	23,436	19,366	24,768
Sundry income	476	334	302
	32,512	**26,784**	**32,488**

Note: Government grants mainly relates to cash subsidies in respect of operating and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

(b) Other gains and losses, net

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gains on disposal of property, plant and equipment, net	2,620	6,345	2,229
Gains on disposal of financial assets at FVTPL, net	2,994	1,515	4,457
Change in fair value of financial assets at FVTPL	4,243	1,237	8,413
Net foreign exchange gain/(loss)	4,118	6,588	(1,332)
Others	778	641	1,648
	14,753	**16,326**	**15,415**

8. FINANCE COSTS

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on borrowings	901	22,541	37,397
Interest expenses on lease liabilities	196	131	104
	1,097	**22,672**	**37,501**

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Staff costs (including directors' emoluments *(note 13)*)			
Salaries, wages and other benefits	157,959	176,229	196,195
Contributions to defined contribution retirement plans *(note)*	10,608	12,822	14,115
Equity settled share-based payments	32,810	34,190	37,071
	201,377	**223,241**	**247,381**
Depreciation and amortization:			
Depreciation of property, plant and equipment	270,665	350,715	406,407
Depreciation of right-of-use assets *(note 15)*	2,694	3,227	2,793
Amortization of intangible assets *(note 16)*	1,714	3,219	6,192
Total depreciation and amortization	**275,073**	**357,161**	**415,392**
Research and development expenses:			
— Staff cost	31,353	34,840	38,999
— Raw material cost	12,130	15,737	24,029
— Depreciation and amortization	22,324	24,819	37,444
— Equity settled share-based payment	9,779	11,323	13,720
— Others	3,271	2,688	3,496
Total research and development expenses	**78,857**	**89,407**	**117,688**
Cost of inventories recognized as an expense	438,938	594,418	758,203
Provision for inventories	10,157	15,437	22,012
ECL allowances on trade and bills receivables	6,438	2,291	4,427
Reversal of ECL allowances on other receivables	(41)	(55)	(77)
Total provision, net	**16,554**	**17,673**	**26,362**
Auditor's remuneration	1,200	1,200	1,200
Expense relating to short-term leases and leases of low-value assets	366	1,042	1,461

Note: During the Track Record Period, no forfeited contributions were utilized by the Group to reduce its contributions. The Group has no plan to utilize any amount from forfeited contributions to reduce its contributions for the future years either.

10. INCOME TAX (CREDIT)/EXPENSE

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current — The PRC			
— (Credit)/charge for the year	(144)	29	13,988
— Under/(over) provision in respect of prior year	144	(29)	1
	—	**—**	**13,989**
Deferred income tax *(note 31)*	(402)	(6,414)	(9,705)
Income tax (credit)/expense	**(402)**	**(6,414)**	**4,284**

PRC corporate income tax

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the subsidiaries of the Group which operates in Chinese mainland are subject to corporate income tax at a rate of 25% on the taxable income unless those are subject to tax exemption set out below.

The Company is qualified as a "High and New Technology Enterprise" and therefore is entitled to a preferential income tax rate of 15% for the years ended 31 December 2023, 2024 and 2025. In addition, the Company is qualified as an integrated circuit enterprise and therefore is entitled to a preferential income tax policy of "two-year exemptions and three-year reductions", the income tax were exempted in 2023 and 2024, and the income tax rate of 12.5% was applied in 2025.

In addition, Jiangsu Union is qualified as a "High and New Technology Enterprise" in 2021 and 2024, and the income tax rate of 15% was applied for the years ended 31 December 2023, 2024 and 2025.

According to relevant laws and regulations in the PRC, qualified integrated circuit enterprises engaging in research and development activities are entitled to claim additional 120% of the eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended 31 December 2023, 2024 and 2025.

Hong Kong profits tax

According to the relevant tax rules in Hong Kong, pursuant to the Inland Revenue (Amendment) (No.3) Ordinance 2018, the two-tiered Profits tax rates regime will be applicable to Unionsemicon Technology (Hong Kong) Company Limited, a Company's subsidiary incorporated in Hong Kong. Under the two-tiered Profits tax rates regime, the first HK$2 million of profits of the qualifying entities are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%.

During the Track Record Period, no Hong Kong profit tax has been provided as the Company's subsidiary has no assessable profit for the years ended 31 December 2023, 2024 and 2025.

The difference between the actual income tax (credit)/expense in the consolidated statements of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Profit before income tax	195,583	153,350	159,015
Tax at the PRC corporate income tax rate of 15%	29,337	23,003	23,852
Effect of preferential tax rate	(7,634)	(17,672)	(5,503)
Tax effect of expenses not deductible	1,831	1,457	1,201
Tax losses and deductible temporary differences not recognised	3,268	2,305	519
Utilisation of previously unrecognised tax losses/ deductible temporary differences	(15,555)	(1,900)	(999)
Additional deduction on research and development expenses and expenditures for equipment and appliances purchasing	(11,793)	(13,578)	(14,754)
Under/(over) provision in respect of prior year	144	(29)	1
Others	—	—	(33)
Income tax (credit)/expense	(402)	(6,414)	4,284

11. DIVIDENDS

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Final dividends in respect of the previous year, declared and paid during the following year (tax inclusive)	—	82,440	78,478

The final dividends of RMB1.00 per 10 shares (tax inclusive), totalling RMB82,440,000, for the year ended 31 December 2023 were proposed and approved in 2023 Annual General Meeting of the Company after 31 December 2023. Accordingly, it has not been recognised as a liability as at 31 December 2023.

The final dividends of RMB0.95 per 10 shares (tax inclusive), totalling RMB78,478,000, for the year ended 31 December 2024 were proposed and approved in 2024 Annual General Meeting of the Company after 31 December 2024. Accordingly, it has not been recognised as a liability as at 31 December 2024.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share ("**EPS**") attributable to owners of the Company is based on the following data:

	Years ended 31 December		
	2023	2024	2025
Earnings:			
Earnings for the purpose of basic and diluted EPS (profit attributable to owners of the Company) (RMB'000)	195,985	159,764	154,731
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic EPS (thousand shares)	826,345	819,845	830,488
Adjustments for restricted shares (thousand shares)	7,973	6,704	6,140
Weighted average number of ordinary shares for the purpose of diluted EPS (thousand shares)	834,318	826,549	836,628
Basic EPS (RMB per share)	0.24	0.19	0.19
Diluted EPS (RMB per share)	0.23	0.19	0.18

The calculation of the basic EPS is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held for restricted share incentive plan and employee stock ownership plan.

The diluted profit per share for the years ended 31 December 2024 and 2025 did not assume the conversion of the convertible bonds (see Note 28) as their inclusion would be anti-dilutive.

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The emoluments paid or payable to each of the directors and supervisors were as follows:

Name of director/supervisor	*Notes*	Fees	Salaries, bonus and allowances	Retirement benefit scheme contributions	Equity settled share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023						
Directors:						
Mr. Cheng Jui-chun		—	1,434	8	5,987	7,429
Mr. Shen Chien-wei		—	—	—	—	—
Mr. Zhao Yabin	*(i)*	—	—	—	—	—
Mr. Wu Hailong	*(i)*	—	—	—	—	—
		—	**1,434**	**8**	**5,987**	**7,429**
Independent directors:						
Mr. Yang Hui		48	—	—	—	48
Ms. Cheng Min	*(ii)*	48	—	—	—	48
Dr. Lin Zhiting		48	—	—	—	48
		144	**—**	**—**	**—**	**144**
Supervisors:						
Mr. Guo Xiaopeng	*(iii)*	—	—	—	—	—
Mr. Chen Shu-fan	*(iv)*	—	—	—	—	—
Mr. Yang Huan	*(iii)*	—	—	—	—	—
Mr. Chao Chih-ching	*(iv)*	—	172	3	169	344
Ms. Cheng Hongyan		—	151	8	46	205
		—	**323**	**11**	**215**	**549**

Name of director/supervisor	Notes	Fees	Salaries, bonus and allowances	Retirement benefit scheme contributions	Equity settled share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024						
Directors:						
Mr. Cheng Jui-chun		—	1,031	5	7,030	8,066
Mr. Shen Chien-wei		—	—	—	—	—
Mr. Zhao Yabin	*(i)*	—	—	—	—	—
Mr. Wu Hailong	*(i)*	—	—	—	—	—
Mr. Hong Weigang	*(i)*	—	—	—	—	—
Mr. Zhu Jingyi	*(i)*	—	—	—	—	—
		—	**1,031**	**5**	**7,030**	**8,066**
Independent directors:						
Mr. Yang Hui		55	—	—	—	55
Dr. Lin Zhiting		55	—	—	—	55
Ms. Cheng Min	*(ii)*	21	—	—	—	21
Dr. Luo Kun	*(ii)*	39	—	—	—	39
		170	**—**	**—**	**—**	**170**
Supervisors:						
Mr. Guo Xiaopeng	*(iii)*	—	—	—	—	—
Mr. Chen Shu-fan	*(iv)*	—	—	—	—	—
Ms. Cheng Hongyan		—	150	8	46	204
		—	**150**	**8**	**46**	**204**
Year ended 31 December 2025						
Directors:						
Mr. Cheng Jui-chun		—	1,025	—	5,231	6,256
Mr. Shen Chien-wei		—	—	—	—	—
Mr. Hong Weigang	*(i)*	—	—	—	—	—
Mr. Zhu Jingyi	*(i)*	—	—	—	—	—
		—	**1,025**	**—**	**5,231**	**6,256**
Independent directors:						
Mr. Yang Hui		58	—	—	—	58
Dr. Luo Kun	*(ii)*	58	—	—	—	58
Dr. Lin Zhiting		58	—	—	—	58
		174	**—**	**—**	**—**	**174**
Supervisors:						
Mr. Guo Xiaopeng	*(iii)*	—	—	—	—	—
Mr. Chen Shu-fan	*(iv)*	—	—	—	—	—
Ms. Cheng Hongyan		—	119	7	49	175
		—	**119**	**7**	**49**	**175**

Notes:

(i) Mr. Zhao Yabin and Mr. Wu Hailong resigned as directors of the Company on 15 May 2024; Mr. Hong Weigang and Mr. Zhu Jingyi were appointed as directors of the Company on 15 May 2024.

(ii) Ms. Cheng Min resigned as an independent director of the Company and Dr. Luo Kun was appointed as an independent director of the Company on 15 May 2024.

(iii) Mr. Yang Huan resigned as a supervisor of the Company and Mr. Guo Xiaopeng was appointed a supervisor of the Company on 20 November 2023.

(iv) Mr. Chao Chih-ching resigned as a supervisor of the Company and Mr. Chen Shu-fan was appointed a supervisor of the Company on 11 May 2023.

The emoluments shown above represent emoluments received by the directors in the capacity as directors/employees of the companies comprising the Group during the Track Record Period.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023, 2024 and 2025 include 1, 1 and 1 director, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 4, 4 and 4 individuals for the years ended 31 December 2023, 2024 and 2025 were as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Salaries, bonus and allowances	4,354	3,677	4,617
Retirement benefit scheme contributions	24	24	16
Equity settled share-based payment	6,481	7,338	6,937
	10,859	**11,039**	**11,570**

The above individuals' emoluments are within the following band:

	Years ended 31 December		
	2023	**2024**	**2025**
	Number of individuals		
Emolument bands			
HK$2,000,001 to HK$2,500,000	1	2	1
HK$2,500,001 to HK$3,000,000	1	—	1
HK$3,000,001 to HK$3,500,000	—	1	1
HK$3,500,001 to HK$4,000,000	2	1	—
HK$4,000,001 to HK$4,500,000	—	—	1

No director or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No director or the five highest paid individuals has waived or agreed to waive any emoluments during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023						
Cost	368,499	2,152,544	1,667	16,173	77,972	2,616,855
Accumulated depreciation	(100,507)	(676,658)	(1,395)	(12,370)	—	(790,930)
Net carrying amount	**267,992**	**1,475,886**	**272**	**3,803**	**77,972**	**1,825,925**
Year ended 31 December 2023						
Opening net carrying amount	267,992	1,475,886	272	3,803	77,972	1,825,925
Additions	—	—	—	—	1,031,795	1,031,795
Transfer from CIP	19,078	899,526	1,417	6,694	(926,715)	—
Disposals/Written-off	—	(2,221)	(1)	(18)	(2,367)	(4,607)
Depreciation	(14,119)	(260,931)	(185)	(2,081)	—	(277,316)
Closing net carrying amount	**272,951**	**2,112,260**	**1,503**	**8,398**	**180,685**	**2,575,797**
At 31 December 2023 and 1 January 2024						
Cost	387,577	3,035,711	3,066	22,537	180,685	3,629,576
Accumulated depreciation	(114,626)	(923,451)	(1,563)	(14,139)	—	(1,053,779)
Net carrying amount	**272,951**	**2,112,260**	**1,503**	**8,398**	**180,685**	**2,575,797**
Year ended 31 December 2024						
Opening net carrying amount	272,951	2,112,260	1,503	8,398	180,685	2,575,797
Additions	—	—	—	—	559,387	559,387
Transfer from CIP	11,201	635,133	70	13,827	(660,231)	—
Disposals/Written-off	—	(5,605)	(8)	(1)	—	(5,614)
Depreciation	(15,256)	(340,960)	(357)	(5,546)	—	(362,119)
Closing net carrying amount	**268,896**	**2,400,828**	**1,208**	**16,678**	**79,841**	**2,767,451**
At 31 December 2024 and 1 January 2025						
Cost	398,778	3,652,616	2,962	36,360	79,841	4,170,557
Accumulated depreciation	(129,882)	(1,251,788)	(1,754)	(19,682)	—	(1,403,106)
Net carrying amount	**268,896**	**2,400,828**	**1,208**	**16,678**	**79,841**	**2,767,451**
Year ended 31 December 2025						
Opening net carrying amount	268,896	2,400,828	1,208	16,678	79,841	2,767,451
Additions	—	—	—	—	447,639	447,639
Transfer from CIP	124,459	308,943	643	6,609	(440,654)	—
Disposals/Written-off	—	(2,554)	—	(5)	—	(2,559)
Depreciation	(16,250)	(386,343)	(322)	(7,567)	—	(410,482)
Closing net carrying amount	**377,105**	**2,320,874**	**1,529**	**15,715**	**86,826**	**2,802,049**
As at 31 December 2025						
Cost	523,237	3,951,510	3,605	42,887	86,826	4,608,065
Accumulated depreciation	(146,132)	(1,630,636)	(2,076)	(27,172)	—	(1,806,016)
Net carrying amount	**377,105**	**2,320,874**	**1,529**	**15,715**	**86,826**	**2,802,049**

The Company

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023						
Cost	172,545	1,571,897	895	8,229	55,707	1,809,273
Accumulated depreciation	(29,634)	(388,763)	(662)	(6,141)	—	(425,200)
Net carrying amount	**142,911**	**1,183,134**	**233**	**2,088**	**55,707**	**1,384,073**
Year ended 31 December 2023						
Opening net carrying amount	142,911	1,183,134	233	2,088	55,707	1,384,073
Additions	—	—	—	—	676,268	676,268
Transfer from CIP	9,703	667,481	1,417	3,502	(682,103)	—
Disposals/Written-off	—	(156,365)	—	(25)	(8,485)	(164,875)
Depreciation	(6,706)	(195,642)	(184)	(1,039)	—	(203,571)
Closing net carrying amount	**145,908**	**1,498,608**	**1,466**	**4,526**	**41,387**	**1,691,895**
At 31 December 2023 and 1 January 2024						
Cost	182,248	2,063,827	2,312	11,472	41,387	2,301,246
Accumulated depreciation	(36,340)	(565,219)	(846)	(6,946)	—	(609,351)
Net carrying amount	**145,908**	**1,498,608**	**1,466**	**4,526**	**41,387**	**1,691,895**
Year ended 31 December 2024						
Opening net carrying amount	145,908	1,498,608	1,466	4,526	41,387	1,691,895
Additions	—	—	—	—	322,985	322,985
Transfer from CIP	251	296,222	—	4,888	(301,361)	—
Disposals/Written-off	—	(41,799)	—	—	(9,315)	(51,114)
Depreciation	(7,128)	(231,298)	(348)	(2,677)	—	(241,451)
Closing net carrying amount	**139,031**	**1,521,733**	**1,118**	**6,737**	**53,696**	**1,722,315**
At 31 December 2024 and 1 January 2025						
Cost	182,499	2,304,614	2,312	16,360	53,696	2,559,481
Accumulated depreciation	(43,468)	(782,881)	(1,194)	(9,623)	—	(837,166)
Net carrying amount	**139,031**	**1,521,733**	**1,118**	**6,737**	**53,696**	**1,722,315**
Year ended 31 December 2025						
Opening net carrying amount	139,031	1,521,733	1,118	6,737	53,696	1,722,315
Additions	—	—	—	—	307,916	307,916
Transfer from CIP	124,459	168,204	458	2,863	(295,984)	—
Disposals/Written-off	—	(26,090)	—	—	(1,289)	(27,379)
Depreciation	(7,937)	(251,718)	(303)	(3,215)	—	(263,173)
Closing net carrying amount	**255,553**	**1,412,129**	**1,273**	**6,385**	**64,339**	**1,739,679**
As at 31 December 2025						
Cost	306,958	2,420,651	2,770	19,223	64,339	2,813,941
Accumulated depreciation	(51,405)	(1,008,522)	(1,497)	(12,838)	—	(1,074,262)
Net carrying amount	**255,553**	**1,412,129**	**1,273**	**6,385**	**64,339**	**1,739,679**

15. RIGHT-OF-USE ASSETS

The Group

	Prepaid lease payments	Leasehold properties	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023				
Cost	17,339	2,931	2,751	23,021
Accumulated depreciation	(2,647)	(976)	(612)	(4,235)
Net carrying amount	**14,692**	**1,955**	**2,139**	**18,786**
Year ended 31 December 2023				
Opening net carrying amount	14,692	1,955	2,139	18,786
Additions	—	2,602	—	2,602
Lease termination	—	(366)	—	(366)
Depreciation	(347)	(1,455)	(892)	(2,694)
Closing net carrying amount	**14,345**	**2,736**	**1,247**	**18,328**
At 31 December 2023 and 1 January 2024				
Cost	17,339	4,800	2,751	24,890
Accumulated depreciation	(2,994)	(2,064)	(1,504)	(6,562)
Net carrying amount	**14,345**	**2,736**	**1,247**	**18,328**
Year ended 31 December 2024				
Opening net carrying amount	14,345	2,736	1,247	18,328
Additions	15,033	2,480	—	17,513
Lease termination	—	(570)	—	(570)
Depreciation	(647)	(1,688)	(892)	(3,227)
Closing net carrying amount	**28,731**	**2,958**	**355**	**32,044**
At 31 December 2024 and 1 January 2025				
Cost	32,372	5,444	2,751	40,567
Accumulated depreciation	(3,641)	(2,486)	(2,396)	(8,523)
Net carrying amount	**28,731**	**2,958**	**355**	**32,044**
Year ended 31 December 2025				
Opening net carrying amount	28,731	2,958	355	32,044
Additions	—	1,157	—	1,157
Lease termination	—	(34)	—	(34)
Depreciation	(647)	(1,791)	(355)	(2,793)
Closing net carrying amount	**28,084**	**2,290**	**—**	**30,374**
As at 31 December 2025				
Cost	32,372	5,328	—	37,700
Accumulated depreciation	(4,288)	(3,038)	—	(7,326)
Net carrying amount	**28,084**	**2,290**	**—**	**30,374**

The Group has lease contracts for various items of land, properties and motor vehicles for its operations. Lease of properties and motor vehicles generally have lease terms between 2 to 3 years. Lump sum payments were made upfront to acquire the land use rights with lease periods of 50 years and no ongoing payments will be made under the terms of these land leases.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Details of the lease maturity analysis of lease liabilities are set out in Notes 30 and 39.6.

The Company

	Prepaid lease payments	Leasehold properties	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023				
Cost	10,650	2,198	1,690	14,538
Accumulated depreciation	(1,242)	(731)	(411)	(2,384)
Net carrying amount	**9,408**	**1,467**	**1,279**	**12,154**
Year ended 31 December 2023				
Opening net carrying amount	9,408	1,467	1,279	12,154
Additions	—	1,031	—	1,031
Depreciation	(213)	(1,006)	(548)	(1,767)
Closing net carrying amount	**9,195**	**1,492**	**731**	**11,418**
At 31 December 2023 and 1 January 2024				
Cost	10,650	3,229	1,690	15,569
Accumulated depreciation	(1,455)	(1,737)	(959)	(4,151)
Net carrying amount	**9,195**	**1,492**	**731**	**11,418**
Year ended 31 December 2024				
Opening net carrying amount	9,195	1,492	731	11,418
Additions	15,033	1,699	—	16,732
Lease termination	—	(570)	—	(570)
Depreciation	(514)	(986)	(548)	(2,048)
Closing net carrying amount	**23,714**	**1,635**	**183**	**25,532**
At 31 December 2024 and 1 January 2025				
Cost	25,683	3,092	1,690	30,465
Accumulated depreciation	(1,969)	(1,457)	(1,507)	(4,933)
Net carrying amount	**23,714**	**1,635**	**183**	**25,532**
Year ended 31 December 2025				
Opening net carrying amount	23,714	1,635	183	25,532
Additions	—	1,157	—	1,157
Lease termination	—	(34)	—	(34)
Depreciation	(514)	(1,006)	(183)	(1,703)
Closing net carrying amount	**23,200**	**1,752**	**—**	**24,952**
As at 31 December 2025				
Cost	25,683	2,976	—	28,659
Accumulated depreciation	(2,483)	(1,224)	—	(3,707)
Net carrying amount	**23,200**	**1,752**	**—**	**24,952**

16. INTANGIBLE ASSETS

The Group

	Software and others
	RMB'000
At 1 January 2023	
Cost	13,883
Accumulated amortization	(10,843)
Net carrying amount	**3,040**
Year ended 31 December 2023	
Opening net carrying amount	3,040
Additions	10,075
Amortization	(1,714)
Closing net carrying amount	**11,401**
At 31 December 2023 and 1 January 2024	
Cost	23,958
Accumulated amortization	(12,557)
Net carrying amount	**11,401**
Year ended 31 December 2024	
Opening net carrying amount	11,401
Additions	9,629
Amortization	(3,219)
Closing net carrying amount	**17,811**
At 31 December 2024 and 1 January 2025	
Cost	33,587
Accumulated amortization	(15,776)
Net carrying amount	**17,811**
Year ended 31 December 2025	
Opening net carrying amount	17,811
Additions	11,174
Amortization	(6,192)
Closing net carrying amount	**22,793**
As at 31 December 2025	
Cost	44,761
Accumulated amortization	(21,968)
Net carrying amount	**22,793**

The Company

	Software and others
	RMB'000
At 1 January 2023	
Cost	7,830
Accumulated amortization	(5,745)
Net carrying amount	**2,085**
Year ended 31 December 2023	
Opening net carrying amount	2,085
Additions	5,661
Amortization	(849)
Closing net carrying amount	**6,897**
At 31 December 2023 and 1 January 2024	
Cost	13,491
Accumulated amortization	(6,594)
Net carrying amount	**6,897**
Year ended 31 December 2024	
Opening net carrying amount	6,897
Additions	8,691
Amortization	(1,824)
Closing net carrying amount	**13,764**
At 31 December 2024 and 1 January 2025	
Cost	22,182
Accumulated amortization	(8,418)
Net carrying amount	**13,764**
Year ended 31 December 2025	
Opening net carrying amount	13,764
Additions	5,574
Amortization	(4,114)
Closing net carrying amount	**15,224**
As at 31 December 2025	
Cost	27,756
Accumulated amortization	(12,532)
Net carrying amount	**15,224**

17. INTERESTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	—	—	—
Addition	—	—	275,484
Share of results, net	—	—	218
At the end of the year	**—**	**—**	**275,702**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Share of net assets	—	—	247,184

Details of the Group's interests in associates, which are unlisted entities whose quoted market prices are not available and accounted for using the equity method in the Historical Financial Information as at 31 December 2023, 2024 and 2025, are as follows:

Name of associates	Place of Incorporation/ establishment and operations	Particulars of registered capital	Principal activities	Attributable equity interest held by the Group As at 31 December 2023 Direct	2023 Indirect	2024 Direct	2024 Indirect	2025 Direct	2025 Indirect
Hefei Xinfeng Technology Inc# 合肥鑫豐科技有限公司 ("**Hefei Xinfeng Technology**") *(note a)*	The PRC	RMB393,081,000	Integrated circuit equipment manufacturing and sales	N/A	N/A	N/A	N/A	20.94%	3.96%
Hefei Jinghui Chuangxin Equity Investment Fund Partnership (Limited Partnership)# 合肥晶匯創芯股權投資基金合夥企業(有限合夥) ("**Hefei Jinghui**") *(note b)*	The PRC	RMB350,500,000	Investment	N/A	N/A	N/A	N/A	14.27%	N/A
Suzhou Industrial Park Jinghui Juxin Venture Capital Partnership (Limited Partnership)# 蘇州工業園區晶匯聚鑫創業投資合夥企業(有限合夥) ("**Suzhou Jinghui**") *(note c)*	The PRC	RMB301,000,000	Investment	N/A	N/A	N/A	N/A	33.22%	N/A

Notes:

(a) The directors of the Company consider that the Group has significant influence over the operating and financial activities of Hefei Xinfeng Technology through its representation on the Board of Directors of Hefei Xinfeng Technology, and accounts for it as an associate.

(b) Pursuant to partnership agreement between the Group and certain independent third parties, the investment decision committee, which is the final decision-making body of Hefei Jinghui, consists of 5 members, of whom 1 is nominated by the Group and 4 are nominated by other partners. Both of the Group and the other partners have the rights to the net assets of Hefei Jinghui. Although the Group holds less than 20% of the equity interest of Hefei Jinghui, the Group can exercise significant influence over Hefei Jinghui by virtue of its contractual right to nominate member of the investment decision committee and has the power to participate in the key operating decisions of Hefei Jinghui. As such, the investment in Hefei Jinghui was recognised as an associate of the Group and accounted for using the equity method.

(c) Pursuant to partnership agreement between the Group and certain independent third parties, the investment decision committee, which is the final decision-making body of Suzhou Jinghui, consists of 3 members, of whom 1 is nominated by the Group and 2 are nominated by another partner. Both of the Group and the other partner have the rights to the net assets of Suzhou Jinghui. Accordingly, the investment in Suzhou Jinghui was recognised as an associate of the Group and accounted for using the equity method.

The English translations of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

In the opinion of the directors of the Company, there is no associate that is individually significant to the Group.

Aggregate financial information of associates that are not individually material:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Aggregate amounts of the Group's share of profit for the year	—	—	218
Aggregate carrying amount of the Group's interests in these associates	—	—	275,702

18. INTERESTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Unlisted shares, at cost	592,439	898,768	988,100

Details of the Company's principal subsidiary are stated in Note 1.

During the year ended 31 December 2023, Jiangsu Union effected an increase in registered capital whereby the Company injected additional capital to Jiangsu Union amounting to RMB300,000,000. Upon the completion of the capital increase, the registered capital of Jiangsu Union changed from RMB261,640,000 to RMB561,640,000. As a result of such an increase in registered capital, the Company's equity interests in Jiangsu Union remained unchanged at 100% and Jiangsu Union was still wholly owned by the Company.

During the year ended 31 December 2024, Jiangsu Union effected an increase in registered capital whereby the Company injected additional capital to Jiangsu Union amounting to RMB300,000,000. Upon the completion of the capital increase, the registered capital of Jiangsu Union changed from RMB561,640,000 to RMB861,640,000. As a result of such an increase in registered capital, the Company's equity interests in Jiangsu Union remained unchanged at 100% and Jiangsu Union was still wholly owned by the Company.

Suzhou Industrial Park Xinpu Venture Capital Partnership (Limited Partnership)[#] (蘇州工業園區芯璞創業投資合夥企業(有限合夥)) ("**Suzhou Xinpu**") was established on 16 July 2025, with a registered capital of RMB107,400,000, of which the Company's subscribed capital amounted to RMB106,400,000 and paid-in capital amounted to RMB85,100,000. As at 31 December 2025, the Company had outstanding capital contribution commitments amounting to RMB21,300,000 in respect of Suzhou Xinpu.

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

19. INVENTORIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Raw materials	151,696	179,774	188,415
Work in progress	7,911	8,718	12,179
Finished goods	85,589	111,566	117,409
	245,196	300,058	318,003
Less: provision for inventories	(8,198)	(11,715)	(14,218)
	236,998	**288,343**	**303,785**

Movements in the provision for inventories of the Group:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	10,455	8,198	11,715
Provision	10,157	15,437	22,012
Reversed upon sales of inventories	(12,414)	(11,920)	(19,509)
At the end of the year	**8,198**	**11,715**	**14,218**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Raw materials	104,320	117,025	133,555
Work in progress	5,827	5,309	7,843
Finished goods	50,816	75,212	80,167
	160,963	197,546	221,565
Less: provision for inventories	(3,077)	(7,264)	(9,904)
	157,886	**190,282**	**211,661**

Movements in the provision for inventories of the Company:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	3,544	3,077	7,264
Provision	2,193	7,282	13,102
Reversed upon sales of inventories	(2,660)	(3,095)	(10,462)
At the end of the year	**3,077**	**7,264**	**9,904**

20. TRADE AND BILLS RECEIVABLES

The Group

	Notes	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables	*(a)*			
— Third parties		243,417	289,234	377,771
Less: ECL allowance of trade receivables		(12,171)	(14,462)	(18,889)
		231,246	**274,772**	**358,882**
Bills receivable	*(b)*			
— Measured at FVTOCI		—	489	93
		231,246	**275,261**	**358,975**

The Company

	Notes	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables	*(a)*			
— Third parties		193,168	218,968	282,718
— A subsidiary		132,837	—	—
		326,005	218,968	282,718
Less: ECL allowance of trade receivables		(9,658)	(10,948)	(14,136)
		316,347	**208,020**	**268,582**

The Group usually provides customer with a credit term ranged from 7 to 120 days. All bills receivables held by the Group are with a maturity period of less than one year. The directors of the Company consider that the fair values of trade and bills receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

(a) ***Trade receivables***

The aging analysis of trade receivables based on the revenue recognition date at each reporting date, net of ECL allowance, are as follows:

The Group

	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	231,246	274,772	358,882

The Company

	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	316,347	208,020	268,582

The Group has applied the simplified approach to measure the provision for ECL prescribed by IFRS 9, which permits the use of lifetime ECL provision for all trade receivables.

The Group performs ECL assessments collectively and individually. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

The impairment analysis for the ECL of trade receivables is performed by considering the probability of default by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In addition, credit-impaired trade receivables are assessed for ECL individually.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

The Group

	As at 31 December 2023		
	Gross carrying Amount	ECL	ECL rate
	RMB'000	RMB'000	%
Collectively impaired			
Within 1 year	243,417	(12,171)	5

	As at 31 December 2024		
	Gross carrying Amount	ECL	ECL rate
	RMB'000	RMB'000	%
Collectively impaired			
Within 1 year	289,234	(14,462)	5

	As at 31 December 2025		
	Gross carrying Amount	ECL	ECL rate
	RMB'000	RMB'000	%
Collectively impaired			
Within 1 year	377,771	(18,889)	5

Set out below is the information about the credit risk exposure on the Company's trade receivables:

The Company

	As at 31 December 2023		
	Gross carrying Amount	ECL	ECL rate
	RMB'000	RMB'000	%
Collectively impaired			
Within 1 year	326,005	(9,658)	3

	As at 31 December 2024		
	Gross carrying Amount	ECL	ECL rate
	RMB'000	RMB'000	%
Collectively impaired			
Within 1 year	218,968	(10,948)	5

	As at 31 December 2025		
	Gross carrying Amount	**ECL**	**ECL rate**
	RMB'000	**RMB'000**	**%**
Collectively impaired			
Within 1 year	282,718	(14,136)	5

The movement in the ECL allowance of trade receivables is as follows:

The Group

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Balance at the beginning of the year	5,733	12,171	14,462
ECL allowance recognized	6,438	2,291	4,427
Balance at the end of the year	**12,171**	**14,462**	**18,889**

The Company

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Balance at the beginning of the year	4,183	9,658	10,948
ECL allowance recognized	5,475	1,290	3,188
Balance at the end of the year	**9,658**	**10,948**	**14,136**

(b) Bills receivable

The Group manages its bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, bills receivable are classified as financial assets at FVTOCI and are stated at fair value. The fair value is within Level 2 of the fair value hierarchy.

The Group endorsed certain bills receivable accepted by banks in the PRC to certain suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMBNil, RMB4,158,000 and RMB2,859,000 as at 31 December 2023, 2024 and 2025 respectively (the "**Derecognised Bills**"). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

During the Track Record Period, all the Group's and the Company's bills receivable are neither past due nor impaired. The Group and the Company expect that there is no significant credit risk associated with bills receivable since they are held with reputable banks in the PRC. The directors of the Company do not expect that there will be any significant credit losses from non-performance by these counterparties. Accordingly, no provision for loss allowance was made during the Track Record Period.

21. FINANCIAL ASSETS AT FVTPL

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current			
Unlisted equity investments	50,000	50,364	63,072
Other investments *(note (a))*	—	—	50,000
	50,000	50,364	113,072
Current			
Wealth management products *(note (b))*	20,192	376,014	464,267
Structured deposits *(note (b))*	—	305,592	70,238
	20,192	681,606	534,505
Total	**70,192**	**731,970**	**647,577**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current			
Unlisted equity investments	50,000	50,364	63,072
Current			
Wealth management products *(note (b))*	20,192	376,014	464,267
Structured deposits *(note (b))*	—	305,592	70,238
	20,192	681,606	534,505
Total	**70,192**	**731,970**	**597,577**

The fair value of the Group's and the Company's unlisted investments, wealth management products and structured deposits have been measured as described in Note 39.7.

Notes:

(a) During the year ended 31 December 2025, the Group entered into debt conversion agreements (the "**Debt Conversion Agreements**") with Hefei WinRock Electric Limited# 合肥萬諾康電子有限公司 ("**WinRock**") and an independent third party (together, the "**Investees**"), respectively, pursuant to which the Group agreed to pay cash consideration of RMB25,000,000 to each of the Investees (together, the "**Convertible Debts**").

According to the Debt Conversion Agreements, the Convertible Debts will be treated as capital contributions from the Group and will be converted into equity interests in the Investees, respectively, upon the satisfaction of certain performance conditions (the "**Conversion**"). In the event that the Conversion cannot be executed, the Investees shall return the Convertible Debts to the Group, together with interests calculated at the annual interest rate of 6% (simple interest).

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

(b) As at 31 December 2023, 2024 and 2025, the Company invested in certain wealth management products and structured deposits offered by the financial institutions. The wealth management products and structured deposits will be matured within one year on their inception. The interest is payable at the maturity of these wealth management products and structured deposits, ranged from 1.80% to 4.00%, 0.10% to 4.50% and 0.75% to 6.32%, per annum respectively. The returns on all of these wealth management products and structured deposits were not guaranteed, hence their contractual cash flows did not qualify for solely payments of principal and interest. Therefore, they were measured at FVTPL. The objective of the Company's business model was collecting contractual cash flows and selling these financial assets.

22. OTHER FINANCIAL ASSETS AT AMORTIZED COST

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Constant return wealth management products	—	—	60,004

Other financial assets at amortized cost is subject to the impairment assessment according to IFRS 9, the identified impairment loss was immaterial as at 31 December 2025. Details are disclosed in Note 39.2.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current			
Deposits paid for acquisition of property, plant and equipment	150,053	73,255	12,303
Prepayments to suppliers	6,949	5,788	8,648
Deposits for land acquisitions *(note (a))*	3,000	—	—
Others	—	—	500
	160,002	**79,043**	**21,451**
Current			
Deposits and other receivables	895	926	1,041
Less: ECL allowance of other receivables	(501)	(446)	(369)
	394	**480**	**672**
Prepayments to suppliers	1,143	6,062	3,753
Value-added tax recoverable	40,420	70,170	73,773
Others	1,563	134	618
	43,126	**76,366**	**78,144**
	43,520	**76,846**	**78,816**
	203,522	**155,889**	**100,267**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current			
Deposits paid for acquisition of property, plant and equipment	43,852	20,873	10,660
Prepayments to suppliers	5,088	4,816	6,700
Deposits for land acquisitions *(note (a))*	3,000	—	—
Amounts due from a subsidiary *(note (b))*	—	200,000	200,000
Others	—	—	500
	51,940	**225,689**	**217,860**
Current			
Deposits and other receivables	855	849	940
Amounts due from a subsidiary *(note (b))*	617,753	496,319	487,036
	618,608	497,168	487,976
Less: ECL allowance of other receivables	(461)	(403)	(320)
	618,147	**496,765**	**487,656**
Prepayments to suppliers	836	3,684	109
Value-added tax recoverable	3,033	14,131	10,317
Others	1,563	134	618
	5,432	**17,949**	**11,044**
	623,579	**514,714**	**498,700**
	675,519	**740,403**	**716,560**

Notes:

(a) Deposits for land acquisitions arise from the acquisitions of lands in the PRC. These deposits would be converted into right-of-use assets when the rights to use have been obtained. The carrying amounts of the Group's deposits for land acquisitions are denominated in RMB.

(b) The amounts due from a subsidiary are unsecured and non-interest bearing. The non-current portion of amounts due from a subsidiary are repayable in August 2027, and the current portion of amounts due from a subsidiary are repayable on demand.

The directors of the Company considered that the fair values of deposits, prepayments and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The movement in the ECL allowance of other receivables is as follows:

The Group

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	542	501	446
ECL allowance reversed	(41)	(55)	(77)
Balance at the end of the year	**501**	**446**	**369**

The Company

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	497	461	403
ECL allowance reversed	(36)	(58)	(83)
Balance at the end of the year	**461**	**403**	**320**

24. BANK BALANCES, DEPOSITS AND CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Time deposits	124,493	30,537	—
Current			
Cash at banks and on hand	109,639	152,038	129,706
Time deposits with original maturity over three months and due within one year	10,449	128,669	116,451
Restricted bank deposits	503	7,629	10,713
	120,591	288,336	256,870
	245,084	**318,873**	**256,870**
Representing:			
Cash and cash equivalents	109,639	152,038	129,706

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current			
Time deposits	124,493	30,537	—
Current			
Cash at banks and on hand	94,308	87,254	79,993
Time deposits with original maturity over three months and due within one year	10,449	128,669	42,298
Restricted bank deposits	—	3,000	3,060
	104,757	218,923	125,351
	229,250	**249,460**	**125,351**
Representing:			
Cash and cash equivalents	94,308	87,254	79,993

The Group's and the Company's restricted bank deposits consist primarily of restricted bank balances placed at banks as guarantee for bills payables and borrowings. All restricted bank balances are placed in major financial institutions in segregated accounts. Details are disclosed in Note 35 to the Historical Financial Information.

25. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Trade payables			
— Third parties	141,330	131,897	119,743
Bills payables	3,996	6,126	5,652
	145,326	**138,023**	**125,395**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Trade payables			
— Third parties	73,287	112,064	76,811
Bills payables	3,996	2,500	—
	77,283	**114,564**	**76,811**

All amounts are short term and hence the carrying amounts of the Group's trade and bills payables are considered to be a reasonable approximation of fair value.

The Group was granted certain credit terms by major suppliers, which ranged from 30 to 60 days. An ageing analysis of the trade and bills payables as at each reporting date, based on the time of purchasing materials, goods or receiving services, is as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year	141,019	128,236	122,230
Between 1 year and 2 years	3,916	7,538	1,573
Over 2 years	391	2,249	1,592
	145,326	**138,023**	**125,395**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year	74,572	110,222	74,436
Between 1 year and 2 years	2,320	3,146	1,265
Over 2 years	391	1,196	1,110
	77,283	**114,564**	**76,811**

26. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Payables in relation to employee stock ownership plan	—	—	51,451
Accrued staff salaries and benefits	26,069	18,520	19,207
Value-added tax and other tax payables	1,983	1,783	2,179
Other accrued charges and payables *(note)*	647	539	921
	28,699	**20,842**	**73,758**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Payables in relation to employee stock ownership plan	—	—	51,451
Accrued staff salaries and benefits	16,874	11,512	11,597
Value-added tax and other tax payables	1,180	1,136	1,256
Other accrued charges and payables *(note)*	594	421	792
	18,648	**13,069**	**65,096**

Note: All amounts are short term and hence the carrying amounts of the Group's other payables and accruals are considered to be a reasonable approximation of fair value.

27. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Receipts in advance from customers for sales of goods and services	2,906	1,719	6,023

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Receipts in advance from customers for sales of goods and services	1,307	1,386	3,234

The Group receives payments from customers based on billing schedule as established in contracts. The decrease in contract liabilities as at 31 December 2024 was mainly due to decrease in billings in advance of DDIC advanced packaging and testing services and the increase in contract liabilities as at 31 December 2025 was mainly due to increase in billings in advance of DDIC advanced packaging and testing services.

All contract liabilities included in the carrying amount as at 31 December 2023 and 2024 were transferred to operating revenue in following year.

All contract liabilities included in the carrying amount as at 31 December 2025 are expected to be transferred to operating revenue in following year.

28. BORROWINGS

The Group

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	**RMB'000**	**RMB'000**
Non-current				
Convertible bonds	*(d)*	—	1,113,988	930,956
Current				
Credit borrowings		185,593	—	67,008
Pledged borrowings		—	—	17,569
		185,593	—	84,577
		185,593	**1,113,988**	**1,015,533**

Notes:

(a) As at 31 December 2023 and 2025, the borrowings of the Group bore effective interest rates from 3.00% to 3.20% and 0.75% to 1.80% per annum, respectively.

(b) Banking facilities amounted to RMB132,980,000, RMB299,787,000 and RMB311,980,000 had not been utilised as at 31 December 2023, 2024 and 2025 respectively.

(c) During the year ended 31 December 2025, The Group has entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates of the bills payables issued by the Group. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks within one year after settlement by the banks with interest ranges from 0.75% to 1.80% per annum, which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group's short term borrowing rates.

Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the consolidated statements of financial position. In the consolidated statements of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks of RMB139,927,000 during the year ended 31 December 2025 are disclosed as non-cash transactions.

As at 31 December 2025, the Group's borrowings represent borrowings under supplier finance arrangements of RMB84,577,000 for which suppliers have received payment from the relevant banks.

(d) On 7 August 2024 ("**date of issuance**"), the Company issued six-year convertible bonds in an aggregate principal amount of RMB1,148,700,000, which were listed in the Shanghai Stock Exchange (the "**Convertible Bonds**").

The interest rates of the Convertible Bonds were 0.2% and 0.4%, for the years ended 31 December 2024 and 2025 respectively.

The conversion period is on or after 13 February 2025 up to 6 August 2030 (the "**Maturity date**") and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially RMB7.70 per share (subject to anti-dilutive adjustments).

Within five business days after the close of business on the Maturity date, the Company would redeem all unconverted bonds from bondholders at the price of 112% of their principal amount, together with accrued and unpaid interest thereon.

The Convertible Bonds comprise two components, the liability and equity components. The initial fair value of the two components was determined based on proceeds at issuance. The initial fair value of the liability component was estimated to be RMB1,099,010,000, after deducting transaction cost of RMB5,937,000, as at the date of issuance using residual method, taking into account the terms and conditions of the Convertible Bonds determined using a prevailing market rate for an equivalent non-convertible bond. The liability component is subsequently measured at amortised cost using effective interest rate method. The effective interest rate of the liability component of the Convertible Bonds is 3.38% per annum. The residual amount representing the value of the equity component of RMB36,955,000, after deducting deferred tax liabilities of RMB6,563,000 recognised as set out in Note 31 and issuance cost of RMB235,000, was presented in the consolidated statements of changes in equity under the heading "equity component of convertible bonds".

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the liability component and equity component in proportion to their respective fair values. Transaction costs relating to the liability component were included in the carrying amount of the liability portion and amortised over the period using the effective interest method.

	Liability component	Equity component	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2023 and 1 January 2024	—	—	—
Issuance of the Convertible Bonds	1,104,947	43,753	1,148,700
Transaction cost	(5,937)	(235)	(6,172)
Interest recognised in profit or loss	14,978	—	14,978
Others	—	(6,563)	(6,563)
As at 31 December 2024 and 1 January 2025	**1,113,988**	**36,955**	**1,150,943**
Interest recognised in profit or loss	36,446	—	36,446
Conversion	(218,660)	(7,035)	(225,695)
Payment of interest	(2,297)	—	(2,297)
Others	1,479	—	1,479
As at 31 December 2025	**930,956**	**29,920**	**960,876**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current			
Convertible bonds	—	1,113,988	930,956
Current			
Credit borrowings	169,977	—	67,008
Pledged borrowings	—	—	17,569
	169,977	—	84,577
	169,977	**1,113,988**	**1,015,533**

Certain Group's banking facilities are subject to the fulfilment of certain financial and non-financial covenants relating to certain of the Group's subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group or the Company was to breach the covenants, the drawn down facilities would become payable on demand.

During the Track Record Period, the Group did not violate any financial covenants under the agreements of borrowings.

29. DEFERRED INCOME

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	114,057	98,112	112,763
Additions	1,266	30,950	5,043
Credited to profit or loss	(17,211)	(16,299)	(20,573)
At the end of the year	**98,112**	**112,763**	**97,233**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	112,130	95,803	98,592
Additions	—	18,000	—
Credited to profit or loss	(16,327)	(15,211)	(16,723)
At the end of the year	**95,803**	**98,592**	**81,869**

Note: The deferred income represented government grants received and are credited to profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed.

30. LEASE LIABILITIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Total minimum lease payments:			
— Due within one year	2,477	1,913	1,254
— Due in the second to fifth years	1,297	1,005	600
	3,774	2,918	1,854
Less: future finance charges on lease liabilities	(143)	(101)	(56)
Present value of lease liabilities	**3,631**	**2,817**	**1,798**
Present value of minimum lease payments:			
— Due within one year	2,362	1,841	1,206
— Due in the second to fifth years	1,269	976	592
	3,631	2,817	1,798
Less: Portion due within one year included under current liabilities	(2,362)	(1,841)	(1,206)
Portion due after one year included under non-current liabilities	**1,269**	**976**	**592**

During the years ended 31 December 2023, 2024 and 2025, the total cash outflows for the leases (including short-term leases and leases of low-value assets) were amounted to RMB3,232,000, RMB3,897,000 and RMB3,707,000 respectively.

31. DEFERRED TAXATION

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

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Deferred tax assets	16,873	21,650	26,049
Deferred tax liabilities	(13,143)	(18,069)	(9,843)
	3,730	**3,581**	**16,206**

The movements in the deferred tax assets during the Track Record Period and its components as at 31 December 2023, 2024 and 2025 were as follows:

	Impairment provision	Tax losses	Share-based payment	Lease liabilities	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	**—**	**6,641**	**—**	**225**	**11,244**	**—**	**18,110**
(Reversed)/recognized in profit or loss	—	(1,830)	614	118	(139)	—	(1,237)
At 31 December 2023 and 1 January 2024	**—**	**4,811**	**614**	**343**	**11,105**	**—**	**16,873**
Recognized/(reversed) in profit or loss	2,327	(725)	475	78	2,505	117	4,777
At 31 December 2024 and 1 January 2025	**2,327**	**4,086**	**1,089**	**421**	**13,610**	**117**	**21,650**
Recognized/(reversed) in profit or loss	718	(1,646)	4,152	(90)	(2,127)	472	1,479
Recognized in capital reserve	—	—	2,920	—	—	—	2,920
At 31 December 2025	**3,045**	**2,440**	**8,161**	**331**	**11,483**	**589**	**26,049**

The movements in the deferred tax liabilities during the Track Record Period and its components as at 31 December 2023, 2024 and 2025 were as follows:

	Convertible bonds	Accelerated depreciation allowance	Right-of-use assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	**—**	**14,557**	**225**	**—**	**14,782**
(Reversed)/recognized in profit or loss	—	(1,761)	122	—	(1,639)
As at 31 December 2023 and 1 January 2024	**—**	**12,796**	**347**	**—**	**13,143**
(Reversed)/recognized in profit or loss	(1,217)	(725)	104	201	(1,637)
Equity component of convertible bonds	6,563	—	—	—	6,563
As at 31 December 2024 and 1 January 2025	**5,346**	**12,071**	**451**	**201**	**18,069**
(Reversed)/recognized in profit or loss	(5,259)	(3,179)	(150)	362	(8,226)
As at 31 December 2025	**87**	**8,892**	**301**	**563**	**9,843**

As at 31 December 2023, 2024 and 2025, the Group had deductible temporary differences of RMB11,744,000, RMB23,509,000 and RMB24,500,000, and estimated unrecognized tax losses of RMB365,408,000, RMB357,460,000 and RMB338,369,000, respectively, to carry forward against future taxable income. Pursuant to the relevant laws and regulations in the PRC, the estimated unrecognized tax losses at the end of each reporting date will expire in the following years:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Expiry year:			
2024	7,948	—	—
2025	6,937	6,937	—
2027	171,046	171,046	155,060
2028	27,977	27,977	28,268
2029 and beyond	151,500	151,500	155,041
	365,408	**357,460**	**338,369**

32. SHARE CAPITAL AND TREASURY SHARES

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Share capital	834,853	837,976	868,943
Treasury shares	—	(99,978)	(51,451)

(a) The changes in share capital are as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Issued and fully paid:			
At the beginning of the year	834,853	834,853	837,976
Shares issued upon the conversion of convertible bonds *(note (ii))*	—	—	28,733
Vesting of restricted shares under restricted share incentive plan *(note (iii))*	—	3,123	2,234
At the end of the year	**834,853**	**837,976**	**868,943**
Number of ordinary shares (in thousands)	**834,853**	**837,976**	**868,943**

Notes:

(i) Ordinary shares have a par value of RMB1 per share.

(ii) During the year ended 31 December 2025, a total of approximately RMB218,660,000 of the Convertible Bonds were converted, and a total of approximately 28,733,000 ordinary shares were issued. The conversions during the year ended 31 December 2025 represent 19.04% of the Convertible Bonds.

(iii) Pursuant to the "Proposal on the 2023 Restricted Share Incentive Plan (Draft Revision) and its Summary of the Company" approved at the 2023 First Extraordinary General Meeting of the Company, the Company's implementation of restricted share incentive plan ("**2023 Restricted Share Incentive Plan**") was approved on 15 June 2023.

At the 3rd meeting of the second session of the Board of Directors of the Company and the 3rd meeting of the second session of the Board of Supervisors of the Company held on 1 July 2024, the proposal in relation to satisfaction of the vesting conditions for the first vesting period of the Type II restricted shares under the first grant of the 2023 Restricted Share Incentive Plan was approved. It was agreed to vest a total of 3,123,000 Type II restricted shares granted to 65 participants. Such vested restricted shares became tradable on 27 September 2024.

At the 11th meeting of the second session of the Board of Directors of the Company and the 10th meeting of the second session of the Board of Supervisors of the Company held on 14 July 2025, the proposal in relation to satisfaction of the vesting conditions for the second vesting period of the Type II restricted shares under the first grant of the 2023 Restricted Share Incentive Plan and the first vesting period of the Type II restricted shares under the reserved grant of the 2023 Restricted Share Incentive Plan was approved. It was agreed to vest a total of 2,234,000 Type II restricted shares granted to 64 participants. Such vested restricted shares became tradable on 30 July 2025.

(b) The changes in treasury shares are as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	—	—	99,978
Repurchase of ordinary shares *(note (i))*	—	99,978	—
Treasury shares for employee stock ownership plan transferred *(note (ii))*	—	—	(48,527)
At the end of the year	**—**	**99,978**	**51,451**
Number of shares (in thousands)	—	11,910	—

Notes:

(i) On 21 December 2023, the proposal in relation to the repurchase plan of the Company's A Shares through centralised price bidding for employee stock ownership plan or share incentive was considered and approved by the Board of Directors of the Company. It was agreed that the Company shall use its self-owned funds of no less than RMB50 million (RMB50 million inclusive) and no more than RMB100 million (RMB100 million inclusive) to repurchase the A Shares of the Company at a price not more than RMB16.33 per A Share (RMB16.33 per A Share inclusive). The repurchase period shall be no more than 12 months from the date on which the board of directors of the Company considered and approved the repurchase plan. As at 31 December 2024, the Company had accumulatively repurchased 11,910,000 A Shares, representing 1.42% of the total share capital of the Company. The highest and lowest repurchase price was RMB8.95 per A Share and RMB7.81 per A Share, respectively. The total amount paid was approximately RMB99,978,000.

(ii) Pursuant to the proposals approved at the 10th meeting of the second session of the Board of Directors of the Company, the 9th meeting of the second session of the Board of Supervisors of the Company held on 29 April 2025, and the 2025 First Extraordinary General Meeting of the Company held on 15 May 2025 such as "Proposal on the 2025 Employee Stock Ownership Plan (Draft) and its Summary of the Company", the Company's implementation of the 2025 employee stock ownership plan (the "**2025 Employee Stock Ownership Plan**") was approved.

During the year ended 31 December 2025, the Company transferred 11,910,000 shares of the Company held under the specific securities account for repurchase to the securities account of the 2025 Employee Stock Ownership Plan of the Company by way of non-trade transfer, at a transfer price of RMB4.32 per share, resulting in a decrease in treasury shares of approximately RMB48,527,000. Contribution of approximately RMB51,451,000 was received by the Company from the participants, resulting in an increase in repurchase obligations for restricted shares of approximately RMB51,451,000.

33. RESERVES

The Group

During the Track Record Period, the amounts of the Group's reserves and the changes therein are presented in the consolidated statements of changes in equity.

(a) *Capital reserve*

Capital reserve mainly represents the excess of the net proceeds from issuance of shares of the Company over its par value.

Capital reserve also includes: (i) the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by shareholders upon the establishment of the Company; (ii) difference between the carrying amount and the consideration of the treasury shares; and (iii) the reserve for difference between the market price value at the grant date and grant price value of the restricted shares in restricted share incentive plan and employee stock ownership plan which is dealt with in accordance with the accounting policy set out in Note 3.20.

(b) *Other comprehensive income reserve*

The other comprehensive income reserve represents the cumulative net change in the fair value of financial assets at FVTOCI (recycling).

(c) *Statutory reserve*

Statutory reserve represents the amount set aside from the retained earnings by the Company. In accordance with the relevant regulations and the Company's Articles of Association, the Company is required to allocate at least 10% of its after-tax profit according to the PRC GAAP and regulations to statutory reserve until such reserve has reached 50% of registered capital. This reserve can only be used for specific purposes and is not distributable or transferable to loans, advances and cash dividends.

The Company

The movement of the Company's reserves during the Track Record Period are as follows:

	Capital reserve	Other comprehensive income reserve	Equity component of convertible bonds	Statutory reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	**2,010,308**	**470**	**—**	**30,209**	**271,876**	**2,312,863**
Transactions with owners:						
Equity settled share-based payments *(note 9)*	32,810	—	—	—	—	32,810
Appropriation to statutory reserve	—	—	—	21,047	(21,047)	—
Total transactions with owners	**32,810**	**—**	**—**	**21,047**	**(21,047)**	**32,810**
Profit for the year	—	—	—	—	210,474	210,474
Other comprehensive expense for the year	—	(470)	—	—	—	(470)
Total comprehensive (expense)/income for the year	**—**	**(470)**	**—**	**—**	**210,474**	**210,004**
As at 31 December 2023	**2,043,118**	**—**	**—**	**51,256**	**461,303**	**2,555,677**

	Capital reserve	Other comprehensive income reserve	Equity component of convertible bonds	Statutory reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024	**2,043,118**	**—**	**—**	**51,256**	**461,303**	**2,555,677**
Transactions with owners:						
Dividends declared *(note 11)*	—	—	—	—	(82,440)	(82,440)
Issuance of convertible bonds *(note 28(d))*	—	—	36,955	—	—	36,955
Vesting of restricted shares under restricted share incentive plan	17,426	—	—	—	—	17,426
Equity settled share-based payments *(note 9)*	34,190	—	—	—	—	34,190
Appropriation to statutory reserve	—	—	—	14,112	(14,112)	—
Total transactions with owners	**51,616**	**—**	**36,955**	**14,112**	**(96,552)**	**6,131**
Profit for the year	—	—	—	—	141,117	141,117
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**141,117**	**141,117**
As at 31 December 2024	**2,094,734**	**—**	**36,955**	**65,368**	**505,868**	**2,702,925**
As at 1 January 2025	**2,094,734**	**—**	**36,955**	**65,368**	**505,868**	**2,702,925**
Transactions with owners:						
Dividends declared *(note 11)*	—	—	—	—	(78,478)	(78,478)
Shares issued upon the conversion of convertible bonds	195,483	—	(7,035)	—	—	188,448
Vesting of restricted shares under restricted share incentive plan	12,265	—	—	—	—	12,265
Treasury shares for employee stock ownership plan transferred	(48,527)	—	—	—	—	(48,527)
Equity settled share-based payments *(note 9 and 31)*	39,991	—	—	—	—	39,991
Appropriation to statutory reserves	—	—	—	12,565	(12,565)	—
Others	1,483	—	—	—	—	1,483
Total transactions with owners	**200,695**	**—**	**(7,035)**	**12,565**	**(91,043)**	**115,182**
Profit for the year	—	—	—	—	125,654	125,654
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**125,654**	**125,654**
As at 31 December 2025	**2,295,429**	**—**	**29,920**	**77,933**	**540,479**	**2,943,761**

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Restricted share incentive plan

In 2020, the Group adopted a restricted share incentive plan (the "**2020 Restricted Share Incentive Plan**"). Pursuant to the 2020 Restricted Share Incentive Plan, the Company granted 9,675,000 restricted shares at nil consideration to the eligible grantees through employee shareholding platforms (the "**Platforms**").

The vesting period consists of the following scenarios: (i) The restricted shares shall vest when the service period from grant date to the date after three years since the completion of listing of A shares were fulfilled. (ii) The restricted shares shall vest after three years since the completion of listing of A shares.

If employment of the grantees were terminated before the restricted shares become vested, these grantees have to transfer out their equity interests to the ultimate controlling shareholder of the Company or the person designated by it at nil consideration.

The fair value of each share granted in the 2020 Restricted Share Incentive Plan at the grant date was determined by the recent equity transfer transactions price per registered capital prior to the grant date at RMB5.5 per registered capital.

The number of restricted shares to the 2020 Restricted Share Incentive Plan is summarised as follows:

	As at 31 December		
	2023	2024	2025
	'000	'000	'000
	Number of restricted shares		
At the beginning of the year	8,508	8,408	8,388
Forfeited during the year	(100)	(20)	—
Released/Vested during the year	—	—	(8,388)
At the end of the year	**8,408**	**8,388**	**—**

On 16 June 2023, pursuant to the 2023 Restricted Share Incentive Plan, a total of 10,460,000 Type II restricted shares were granted to 66 participants at a grant price of RMB6.68 per share.

On 13 June 2024, pursuant to the 2023 Restricted Share Incentive Plan, a total of 540,000 Type II restricted shares were reservedly granted to 3 participants at a grant price of RMB6.58 per share.

Type II restricted shares refer to newly issued ordinary shares granted to the participants and subscribed for upon the satisfaction of the Group's performance appraisal and individual performance appraisal under the 2023 Restricted Share Incentive Plan. Upon the satisfaction of certain vesting conditions under the 2023 Restricted Share Incentive Plan, the participants of Type II restricted shares have the right to subscribe new ordinary shares.

These granted Type II restricted shares have a contractual term of no more than 60 months and will be vested 30%, 20%, 20% and 30%, respectively over a four-years period beginning 12 months after the grant date.

According to the 2023 Restricted Share Incentive Plan, the grant price of the Type II restricted shares would be adjusted if the Company declared share dividends, executed stock splits, rights issue or share reduction or transferred share premium into share capital.

The number of restricted shares to the 2023 Restricted Share Incentive Plan is summarised as follows:

	As at 31 December		
	2023	**2024**	**2025**
	'000	**'000**	**'000**
	Number of restricted shares		
At the beginning of the year	—	10,410	7,827
Granted during the year	10,460	540	—
Forfeited during the year	(50)	—	(85)
Released/Vested during the year	—	(3,123)	(2,234)
At the end of the year	**10,410**	**7,827**	**5,508**

The Black-Scholes option pricing model has been used to estimate the fair value of restricted shares. The variables and assumptions used in computing the fair value of restricted shares were valued by the directors of the Company. The weighted average fair value per share for restricted shares granted during the years ended 31 December 2023 and 2024 was approximately RMB6.90 per share and RMB2.69 per share, respectively.

Changes in variables and assumptions may result in changes in the fair value of restricted shares. These fair values and corresponding inputs into the model were as follows:

(i) ***Restricted shares granted during the year ended 31 December 2023***

Restricted share plan	Closing price per share of grant date	Unadjusted grant price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
	RMB	**RMB**	**%**	**Years**	**%**	**%**
2023 Restricted Share Incentive Plan	13.18	6.68	13.28 to 16.31	4	1.50 to 2.75	0.00

(ii) ***Restricted shares granted during the year ended 31 December 2024***

Restricted share plan	Closing price per share of grant date	Unadjusted grant price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
	RMB	**RMB**	**%**	**Years**	**%**	**%**
2023 Restricted Share Incentive Plan	9.08	6.58	13.25 to15.27	4	1.50 to 2.75	1.14

(b) Employee stock ownership plan

As mentioned in Note 32, during the year ended 31 December 2025, pursuant to the 2025 Employee Stock Ownership Plan, the Company transferred 11,910,000 shares of the Company held under the specific securities account for repurchase to the securities account of the 2025 Employee Stock Ownership Plan of the Company by way of non-trade transfer, at a transfer price of RMB4.32 per share.

The duration period of the 2025 Employee Stock Ownership Plan shall be 36 months, commencing from the date on which the Company announced that the last batch of the granted underlying shares was transferred to the employee stock ownership plan. The granted underlying shares will be unlocked after 12 months and 24 months from the date on which the Company announced that the last batch of the granted underlying shares was transferred to the employee stock ownership plan, with unlocking ratios of 50% and 50% respectively. The maximum vesting percentage for each period will be 50% according to the Company's performance appraisal and individual performance appraisal, etc.

Movements in the numbers of shares granted in the employee stock ownership plan are as below:

	As at 31 December		
	2023	2024	2025
	'000	'000 Number of shares	'000
At the beginning of the year	—	—	—
Granted during the year	—	—	11,910
At the end of the year	**—**	**—**	**11,910**

The fair value of each shares granted in the employee stock ownership plan at the grant dates were determined by the closing market price of the Company's shares on the grant date minus the transfer price, which was approximately RMB7.08 per share.

35. PLEDGED ASSETS

The carrying amounts of the pledged assets of the Group at 31 December 2023, 2024 and 2025 are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Restricted bank deposits *(note 24)*	503	7,629	10,713

36. CAPITAL COMMITMENTS

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted but not provided for:			
— Acquisition of property, plant and equipment	245,923	181,243	281,137
— Equity investments	—	—	25,000
	245,923	**181,243**	**306,137**

37. RELATED PARTY DISCLOSURES

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the 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) Parent entity

Name	Type	Place of incorporation	Ownership interest As at 31 December		
			2023	2024	2025
			%	%	%
Yangzhou Xinruilian Investment Partnership (Limited Partnership)# 揚州新瑞連投資合夥企業(有限合夥) ("**Yangzhou Xinruilian**")	Investment	Yangzhou	20.85	20.78	20.04

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

The Company's parent company is Yangzhou Xinruilian, and the ultimate controlling shareholder is the Single Largest Group of Shareholders (as defined in the section headed "Definitions" of the Document).

(b) Names and relationships with related parties

The following companies are related parties of the Group that had transactions with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
Hefei Xinfeng Technology *(note (i))*	An entity in which Mr. Hong Weigang and Mr. Huang Cheng-fang (a deputy general manager of the Company) served as directors; an associate of the Group
Hefei Jinghui *(note (i))*	An associate of the Group
Suzhou Jinghui *(note (i))*	An associate of the Group
Mr. Cheng Han	An immediate family member of the Company's ultimate controlling shareholder
WinRock *(note (ii))*	An entity on which Mr. Cheng Han has significant influence

(i) Details of the information of these related parties are disclosed in Note 17.

(ii) Details of the transaction with WinRock are disclosed in Note 21.

(c) Compensation of key management personnel

The remuneration of directors and key management personnel during the Track Record Period were as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	7,196	5,897	6,885
Contributions to defined contribution retirement plan	57	53	40
Equity settled share-based payment	14,287	16,676	14,021
	21,540	22,626	20,946

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the Track Record Period:

	Bank borrowings	Convertible bonds	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	**—**	**—**	**4,065**	**4,065**
Cash flows	185,422	—	(2,670)	182,752
Interest paid	(730)	—	(196)	(926)
Interest expenses	901	—	196	1,097
Other non-cash movements	—	—	2,236	2,236
As at 31 December 2023 and 1 January 2024	**185,593**	**—**	**3,631**	**189,224**
Cash flows	(186,040)	1,148,700	(2,724)	959,936
Interest paid	(7,607)	—	(131)	(7,738)
Interest expenses	7,563	14,978	131	22,672
Recognition of equity component	—	(36,955)	—	(36,955)
Recognition of transaction cost	—	(6,172)	—	(6,172)
Recognition of deferred tax liabilities	—	(6,563)	—	(6,563)
Other non-cash movements	491	—	1,910	2,401
As at 31 December 2024 and 1 January 2025	**—**	**1,113,988**	**2,817**	**1,116,805**
Cash flows	(55,159)	—	(2,142)	(57,301)
Interest paid	(1,078)	(2,297)	(104)	(3,479)
Interest expenses	951	36,446	104	37,501
Borrowings under supplier finance arrangements	139,927	—	—	139,927
Conversion	—	(218,660)	—	(218,660)
Other non-cash movements	(64)	1,479	1,123	2,538
As at 31 December 2025	**84,577**	**930,956**	**1,798**	**1,017,331**

(b) Major non-cash transactions

During the Track Record Period, the Group endorsed certain bills receivables accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts of as follows.

	Years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Settlement of trade payables through endorsement of bills receivables	5,039	10,481	13,673

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include credit risk, interest rate risk, foreign exchange risk, equity price risk and liquidity risk. The Group's overall risk management strategy seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

39.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets			
Financial assets at amortized cost			
Trade receivables	231,246	274,772	358,882
Other receivables	394	480	672
Restricted bank deposits	503	7,629	10,713
Time deposits	134,942	159,206	116,451
Cash and cash equivalents	109,639	152,038	129,706
Other financial assets at amortized cost	—	—	60,004
	476,724	594,125	676,428
Financial assets at FVTPL	70,192	731,970	647,577
Bills receivables at FVTOCI	—	489	93
	546,916	**1,326,584**	**1,324,098**
Financial liabilities			
Financial liabilities at amortized cost			
Trade and bills payables	145,326	138,023	125,395
Other payables and accruals	26,716	19,059	71,579
Borrowings	185,593	1,113,988	1,015,533
Lease liabilities	3,631	2,817	1,798
	361,266	1,273,887	1,214,305
Financial liabilities at FVTPL			
Derivative financial instruments	—	—	2,653
	361,266	**1,273,887**	**1,216,958**

39.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's credit risk exposures are primarily attributable to trade and bills receivables and other receivables.

(i) *Trade receivables*

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the management. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

As at 31 December 2023, 2024 and 2025, in terms of gross carrying amounts, 36.43%, 24.94% and 18.46% of the total trade receivables was due from the Group's largest customer, and 72.03%, 66.13% and 66.10% of the total trade receivables were due from the Group's top five customers.

The Group has applied the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for all trade receivables. Information based on the collective basis is disclosed in Note 20.

(ii) ***Other financial assets measured at amortized cost and bills receivables measured at FVTOCI***

Other financial assets at amortised cost include other receivables, restricted bank deposits, time deposits, cash and cash equivalents and constant return wealth management products.

Other receivables are collectively assessed for impairment. The management makes periodic assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management use the aging of other receivables to assess the impairment.

For the remaining items of other receivables, impairment is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

Credit risk in respect of bills receivables measured at FVTOCI is limited because there was no material default by the counterparties in the past.

Restricted bank deposits, time deposits and cash and cash equivalents are placed with banks which are regulated. The 12-month ECL on restricted bank deposits, bank balances and deposits is considered to be insignificant and therefore no loss allowance was recognized.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification.

	12-month ECL	Lifetime ECL			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023					
Trade and bills receivables	—	—	—	243,417	243,417
Other receivables	355	3	537	—	895
Restricted bank deposits	503	—	—	—	503
Time deposits	134,942	—	—	—	134,942
Cash and cash equivalents	109,639	—	—	—	109,639
	245,439	**3**	**537**	**243,417**	**489,396**
At 31 December 2024					
Trade and bills receivables	489	—	—	289,234	289,723
Other receivables	320	193	413	—	926
Restricted bank deposits	7,629	—	—	—	7,629
Time deposits	159,206	—	—	—	159,206
Cash and cash equivalents	152,038	—	—	—	152,038
	319,682	**193**	**413**	**289,234**	**609,522**
At 31 December 2025					
Trade and bills receivables	93	—	—	377,771	377,864
Other receivables	539	165	337	—	1,041
Restricted bank deposits	10,713	—	—	—	10,713
Time deposits	116,451	—	—	—	116,451
Cash and cash equivalents	129,706	—	—	—	129,706
Other financial assets at amortized cost	60,004	—	—	—	60,004
	317,506	**165**	**337**	**377,771**	**695,779**

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are set out in Notes 20 and 23, respectively.

39.3 Interest rate risk

The Group's interest rate risk primarily arises from borrowings and long-term bonds. Bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at variable rates and fixed rates based on the market environment. The Group has been monitoring the level of interest rates, and management did not consider it necessary to use interest rate swaps to hedge the exposure to interest rate risk.

39.4 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily through business activities which give rise to receivables, payables and bank deposits that are denominated in a foreign currency that is not the entity's functional currency. The currencies giving risk to the foreign exchange risk is primarily United States dollars ("**USD**").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each of the Track Record Period are as follows:

	Assets	Liabilities	Net exposure
	RMB'000	**RMB'000**	**RMB'000**
As at 31 December 2023			
— USD	175,984	(20,149)	155,835
— Others	—	(1,356)	(1,356)
	175,984	**(21,505)**	**154,479**
As at 31 December 2024			
— USD	211,319	(33,427)	177,892
— Others	—	(3,870)	(3,870)
	211,319	**(37,297)**	**174,022**
As at 31 December 2025			
— USD	202,344	(38,408)	163,936
— Others	—	(1,218)	(1,218)
	202,344	**(39,626)**	**162,718**

As at 31 December 2023, 2024 and 2025, if RMB appreciates or depreciates by 5% against the USD, it is estimated that the Group's profit after tax (and retained earnings) will decrease or increase by RMB7,657,000, RMB8,639,000 and RMB7,138,000 respectively. Management believes that 5% is a reasonable range of possible changes in the RMB against the USD.

Other change in foreign exchange rates have no significant impact on foreign currency risk.

The Group has entered into forward currency contracts to manage its exposures in exchange rate.

39.5 Equity price risk

The Group is not exposed to significant price risk as there has been no involvement with equity investment on an active market.

39.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, lease liabilities, convertible bonds and bank borrowing and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Less than 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amounts
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023					
Trade and bills payables	145,326	—	—	145,326	145,326
Other payables and accruals	26,716	—	—	26,716	26,716
Bank borrowings	193,155	—	—	193,155	185,593
Lease liabilities	2,477	1,297	—	3,774	3,631
	367,674	**1,297**	**—**	**368,971**	**361,266**
As at 31 December 2024					
Trade and bills payables	138,023	—	—	138,023	138,023
Other payables and accruals	19,059	—	—	19,059	19,059
Convertible bonds	925	60,019	1,277,291	1,338,235	1,113,988
Lease liabilities	1,913	1,005	—	2,918	2,817
	159,920	**61,024**	**1,277,291**	**1,498,235**	**1,273,887**
As at 31 December 2025					
Trade and bills payables	125,395	—	—	125,395	125,395
Other payables and accruals	71,579	—	—	71,579	71,579
Bank borrowings	84,577	—	—	84,577	84,577
Convertible bonds	1,498	1,080,176	—	1,081,674	930,956
Lease liabilities	1,254	600	—	1,854	1,798
Derivative financial instruments	2,653	—	—	2,653	2,653
	286,956	**1,080,776**	**—**	**1,367,732**	**1,216,958**

39.7 Fair values measurement

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2023			
Financial assets at FVTPL			
— Wealth management products	20,192	—	20,192
— Unlisted investments	—	50,000	50,000
	20,192	**50,000**	**70,192**
As at 31 December 2024			
Financial assets at FVTPL			
— Wealth management products	376,014	—	376,014
— Structured deposits	305,592	—	305,592
— Unlisted investments	—	50,364	50,364
	681,606	50,364	731,970
Financial assets at FVTOCI			
— Bills receivables	489	—	489
	682,095	**50,364**	**732,459**
As at 31 December 2025			
Financial assets at FVTPL			
— Wealth management products	464,267	—	464,267
— Structured deposits	70,238	—	70,238
— Unlisted investments	—	63,072	63,072
— Other investments	—	50,000	50,000
	534,505	113,072	647,577
Financial assets at FVTOCI			
— Bills receivables	93	—	93
	534,598	**113,072**	**647,670**
Financial liabilities at FVTPL			
Derivative financial instruments	2,653	—	2,653
	537,251	**113,072**	**650,323**

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Track Record Period. The Group's policy is to recognize transfers between levels of fair value hierarchy as at each reporting date in which they occur.

The fair value of bills receivable at FVTOCI in level 2 is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The valuation of wealth management products, structured deposits and derivative financial instruments measured at fair value in level 2 uses the fair value at the end of each year provided by relevant financial institutions.

Information on Level 3 fair value measurements

The movement during the Track Record Period in the balance of the level 3 fair value measurements of financial assets at FVTPL are as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets at FVTPL			
At the beginning of the year	—	50,000	50,364
Addition	50,000	1,300	63,950
Change in fair value	—	(936)	(1,242)
At the end of the year	**50,000**	**50,364**	**113,072**

Below is a summary of significant unobservable inputs to the valuation of these financial assets at FVTPL together with a quantitative sensitivity analysis at each reporting date:

As at 31 December 2023

	Fair Value	**Valuation techniques**	**Significant unobservable inputs**	**Range**	**Sensitivity of fair value to the input**
	RMB'000				
Financial assets at FVTPL					
— Unlisted investments	50,000	Adjusted net assets approach	Adjusted net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%

As at 31 December 2024

	Fair Value	**Valuation techniques**	**Significant unobservable inputs**	**Range**	**Sensitivity of fair value to the input**
	RMB'000				
Financial assets at FVTPL					
— Unlisted investments	49,570	Adjusted net assets approach	Adjusted net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%
	794	Net assets approach	Net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%
	50,364				

As at 31 December 2025

	Fair Value	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
	RMB'000				
Financial assets at FVTPL					
— Unlisted investments	62,658	Adjusted net assets approach	Adjusted net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%
	414	Net assets approach	Net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%
— Other investments	50,000	Backsolve from recent transaction price	N/A	N/A	N/A
	113,072				

40. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the management considers cost of capital and the risks associated with the issued share capital. The Group may, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The asset-liability ratio as at 31 December 2023, 2024 and 2025 are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total assets	3,596,298	4,591,223	4,874,602
Total liabilities	464,267	1,390,152	1,325,607
Asset-liability ratio	12.91%	30.28%	27.19%

41. CONTINGENT LIABILITIES

As of 31 December 2023, 2024 and 2025, the Group did not have any material contingent liabilities.

42. EVENTS AFTER THE REPORTING PERIOD

(a) In March 2026, the Convertible Debts with interests calculated according to the Debt Conversion Agreements totalling RMB51,870,000 were repaid by the Investees due to cancellation of the Conversion.

(b) The final dividends of RMB0.5 per 10 shares (tax inclusive) in respect of the year ended 31 December 2025 were approved in the 2025 Annual General Meeting of the Company on 9 April 2026. The dividends were not recognized as liabilities as at 31 December 2025. Such dividends totalling approximately RMB49,547,000 were paid on 20 May 2026.

(c) Pursuant to the Company's announcement dated 14 April 2026 published on the website of the Shanghai Stock Exchange, the Company will exercise the early redemption right in respect of the Convertible Bonds at the redemption price of RMB100.29 per bond (the "**Early Redemption**"). Accordingly, the Convertible Bonds were convertible at the option of the bondholders on or before the close of business on 27 April 2026 (the "**Conversion Cut-off Date**").

From 1 January 2026, until the close of business on the Conversion Cut-off Date, bondholders have converted convertible bonds with an aggregate principal amount of RMB928,391,000. All the convertible bonds outstanding after the close of business on the Conversion Cut-off Date have been early redeemed by the Company at RMB1,653,000 on 28 April 2026. Upon completion of the Early Redemption, the Convertible Bonds were delisted from the Shanghai Stock Exchange.

(d) On 24 March 2026, pursuant to the entrusted processing service agreement entered into between the Group and one of its customers (the "**Customer**"), a USD7,000,000 performance guarantee bond (the "**Bond**") was issued by a bank (the "**Bank**") with a validity period of 24 months in favour of the Customer, to secure the Group's performance of its contractual obligations under the aforementioned agreement. In the event that the Group fails to fulfil its contractual obligations as agreed, the Customer shall have the right to demand payment of the guaranteed amount from the Bank under the Bond. Pursuant to the indemnity arrangement between the Group and the Bank, the Group shall be liable to reimburse the Bank for any compensation amount paid by the Bank under the Bond.

43. 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 31 December 2025 and up to the date of this report.