
APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from our Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU BBL HOME TECHNOLOGY COMPANY LIMITED AND DBS ASIA CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Jiangsu BBL Home Technology Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-97, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-97 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “Document”) in connection with the [REDACTED] of the 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 preparation set out in note 2.1 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’ judgement, including the assessment of risks of material misstatement of the Historical Financial

APPENDIX I

ACCOUNTANTS’ REPORT

Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at December 31, 2023, 2024 and 2025, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE [REDACTED] 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-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[•]

Certified Public Accountants

Hong Kong

[date]

APPENDIX I

ACCOUNTANTS’ REPORT

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 financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the HKICPA (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.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	5	2,297,629	2,356,268	2,530,548
Cost of sales		(1,738,224)	(1,773,456)	(1,888,090)
Gross profit.		559,405	582,812	642,458
Other income and gains	5	34,541	49,413	31,602
Selling and distribution expenses		(196,316)	(214,752)	(272,505)
Administrative expenses		(70,858)	(75,297)	(74,596)
Research and development expenses		(51,719)	(50,837)	(53,012)
(Impairment loss)/reversal of impairment loss on financial assets and contract assets, net		(27,167)	(36,598)	6,553
Other expenses	7	(15,194)	(2,039)	(19,110)
Finance costs	8	(2,656)	(1,964)	(2,660)
PROFIT BEFORE TAX.	6	230,036	250,738	258,730
Income tax expense	11	(32,766)	(27,081)	(19,398)
PROFIT FOR THE YEAR		<u>197,270</u>	<u>223,657</u>	<u>239,332</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations.		(111)	(3,456)	(20,746)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(111)	(3,456)	(20,746)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(111)	(3,456)	(20,746)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.		<u>197,159</u>	<u>220,201</u>	<u>218,586</u>
Profit attributable to:				
Owners of the parent		197,419	223,627	239,330
Non-controlling interests		(149)	30	2
Total comprehensive income attributable to:				
Owners of the parent		197,316	220,179	218,589
Non-controlling interests		(157)	22	(3)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	13	<u>3.94</u>	<u>4.46</u>	<u>4.77</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	258,772	270,714	336,363
Right-of-use assets	15(a)	59,901	57,009	62,723
Intangible assets	16	891	878	875
Pledged deposits	22	990	56,207	153,144
Deferred tax assets	23	75,422	85,078	81,249
Prepayments, deposits and other receivables	17	22,429	16,267	22,438
Time deposits	22	—	50,766	30,161
Total non-current assets		418,405	536,919	686,953
CURRENT ASSETS				
Inventories	18	368,226	343,619	353,873
Trade and bills receivables	19	379,509	335,877	430,360
Prepayments, deposits and other receivables	17	109,879	130,854	159,605
Derivative financial instruments	20	—	2,178	—
Financial assets at fair value through profit or loss	21	296,356	255,819	110,310
Time deposits	22	—	12,572	50,860
Pledged deposits	22	203,552	159,891	118,244
Cash and cash equivalents	22	184,695	335,045	304,376
Contract assets		3,049	4,696	7,590
Total current assets		1,545,266	1,580,551	1,535,218
CURRENT LIABILITIES				
Trade and bills payables	24	1,038,283	1,025,866	985,558
Other payables and accruals	25	113,904	118,508	121,124
Contract liabilities	26	124,036	54,801	50,507
Derivative financial instruments	20	6,455	—	—
Interest-bearing bank borrowings	27	—	50,000	—
Lease liabilities	15(b)	5,050	5,111	7,220
Income tax payable		41,770	39,936	30,147
Amounts due to related parties	33(d)	10,580	7,813	16,732
Total current liabilities		1,340,078	1,302,035	1,211,288

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NET CURRENT ASSETS		<u>205,188</u>	<u>278,516</u>	<u>323,930</u>
TOTAL ASSETS LESS CURRENT LIABILITIES .		<u>623,593</u>	<u>815,435</u>	<u>1,010,883</u>
NON-CURRENT LIABILITIES				
Lease liabilities	15(b)	13,125	12,619	21,242
Deferred tax liabilities	23	<u>4,758</u>	<u>5,757</u>	<u>2,848</u>
Total non-current liabilities		<u>17,883</u>	<u>18,376</u>	<u>24,090</u>
Net assets		<u>605,710</u>	<u>797,059</u>	<u>986,793</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	50,149	50,149	50,149
Reserves	29	<u>555,712</u>	<u>747,039</u>	<u>936,776</u>
		605,861	797,188	986,925
Non-controlling interests		<u>(151)</u>	<u>(129)</u>	<u>(132)</u>
Total equity		<u>605,710</u>	<u>797,059</u>	<u>986,793</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2023

	Attributable to owners of the parent								
	Share capital	Share premium*	Share award reserve*	Exchange fluctuation reserve*	Reserve fund*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	50,149	220,204	187	676	616	135,565	407,397	6	407,403
Profit for the year	-	-	-	-	-	197,419	197,419	(149)	197,270
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations.	-	-	-	(103)	-	-	(103)	(8)	(111)
Total comprehensive income for the year	-	-	-	(103)	-	197,419	197,316	(157)	197,159
Transfer from retained profits.	-	-	-	-	4,572	(4,572)	-	-	-
Equity-settled share-based payment	-	-	1,148	-	-	-	1,148	-	1,148
At December 31, 2023	50,149	220,204	1,335	573	5,188	328,412	605,861	(151)	605,710

Year ended December 31, 2024

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium*	Share award reserve*	Exchange fluctuation reserve*	Reserve fund*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	50,149	220,204	1,335	573	5,188	328,412	605,861	(151)	605,710
Profit for the year	-	-	-	-	-	223,627	223,627	30	223,657
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations.	-	-	-	(3,448)	-	-	(3,448)	(8)	(3,456)
Total comprehensive income for the year	-	-	-	(3,448)	-	223,627	220,179	22	220,201
Transfer from retained profits.	-	-	-	-	3,799	(3,799)	-	-	-
Dividends (note 12).	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Equity-settled share-based payment	-	-	1,148	-	-	-	1,148	-	1,148
At December 31, 2024	50,149	220,204	2,483	(2,875)	8,987	518,240	797,188	(129)	797,059

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2025

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium*	Share award reserve*	Exchange fluctuation reserve*	Reserve fund*	Retained profits*	Total	
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000
At January 1, 2025	50,149	220,204	2,483	(2,875)	8,987	518,240	797,188	(129)
Profit for the year	-	-	-	-	-	239,330	239,330	2
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	-	-	-	(20,741)	-	-	(20,741)	(5)
Total comprehensive income for the year	-	-	-	(20,741)	-	239,330	218,589	(3)
Transfer from retained profits	-	-	-	-	1,358	(1,358)	-	-
Dividends (note 12)	-	-	-	-	-	(30,000)	(30,000)	-
Equity-settled share-based payment	-	-	1,148	-	-	-	1,148	-
At December 31, 2025	50,149	220,204	3,631	(23,616)	10,345	726,212	986,925	(132)

* These reserve accounts represent the total consolidated reserves of RMB555,712,000, RMB747,039,000 and RMB936,776,000 in the consolidated statements of financial position as at December 31, 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		230,036	250,738	258,730
Adjustments for:				
Losses/(gains) on derivative financial instruments . . .	5, 7	11,388	(2,462)	1,041
Interest income	5	(3,069)	(11,959)	(17,187)
Fair value changes on financial assets at fair value through profit or loss	5	(5,481)	(8,302)	(5,469)
Impairment losses/(reversal of impairment losses) on financial assets and contract assets, net	6	27,167	36,598	(6,553)
Loss on disposal of items of property, plant and equipment.	7	1,759	234	848
Gains on early cancellation of leases.	5	(331)	–	–
Finance costs	8	2,656	1,964	2,660
Depreciation of property, plant and equipment	6,14	31,094	37,342	44,435
Depreciation of right-of-use assets	6,15	5,017	5,940	8,932
Amortization of other intangible assets	6,16	127	304	340
Foreign exchange (gains)/losses, net	5,7	(1,669)	(2,886)	2,316
Equity-settled share-based payment expenses	30	1,148	1,148	1,148
		299,842	308,659	291,241
(Increase)/decrease in inventories		(139,978)	24,607	(17,557)
(Increase)/decrease in trade and bills receivables . . .		(123,017)	7,766	(100,240)
Decrease/(increase) in contract assets.		42	(1,734)	(3,047)
Increase in prepayments, deposits and other receivables		(51,286)	(17,305)	(19,785)
(Increase)/decrease of pledged deposits		(112,437)	43,661	50,476
Increase/(decrease) in trade and bills payables		313,867	(12,417)	(40,308)
Increase/(decrease) in contract liabilities.		47,837	(69,235)	(4,294)
Increase in other payables and accruals		21,895	4,116	927
(Increase)/decrease on derivative financial instruments		(27,139)	(6,171)	1,137
Cash flows from operations		229,626	281,947	158,550
Income tax paid.		(29,245)	(37,572)	(28,267)
Interest received		2,225	10,369	15,174
Net cash flows from operating activities.		202,606	254,744	145,457

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		844	752	590
Purchases of property, plant and equipment.		(85,203)	(50,671)	(126,478)
Purchases of other intangible assets		(1,018)	(291)	(338)
Proceeds from disposal of property, plant and equipment.		5,964	1,923	4,743
Purchase of structured deposits and wealth management products.		(987,700)	(907,504)	(697,000)
Withdrawal of structured deposits and wealth management products.		877,045	956,343	847,978
Purchase of time deposits.		(120,788)	(317,717)	(164,670)
Withdrawal of time deposits		190,788	200,000	47,644
Net cash flow used in investing activities.		(120,068)	(117,165)	(87,531)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		–	(30,000)	(30,000)
New interest-bearing bank borrowings		160,140	157,480	300,000
Repayment of interest-bearing bank borrowings		(194,140)	(107,480)	(350,000)
Placement of pledged deposits		–	–	(5,000)
Interest paid		(2,656)	(1,964)	(2,660)
Payment of principal portion of lease liabilities		(3,344)	(4,125)	(5,886)
Advanced from related parties		9,975	14,627	11,674
Repayment to related parties		(27,928)	(17,394)	(2,755)
Net cash flows (used in)/from financing activities.		(57,953)	11,144	(84,627)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Effect of foreign exchange rate changes, net		1,835	1,627	(3,968)
Cash and cash equivalents at beginning of year		158,275	184,695	335,045
CASH AND CASH EQUIVALENTS AT END OF YEAR		184,695	335,045	304,376
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances.		184,695	335,045	304,376
Cash and cash equivalents as stated in the consolidated statements of cash flows and the consolidated statements of financial position		184,695	335,045	304,376

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	7,036	6,111	5,777
Right-of-use assets	15	1,241	709	177
Intangible assets	16	860	582	549
Pledged deposits	22	–	51,824	98,167
Prepayments, deposits and other receivables	17	4,983	4,004	4,386
Deferred tax assets	23	1,559	–	895
Time deposits	22	–	–	30,161
Investments in subsidiaries	1	235,350	306,769	306,769
Total non-current assets		251,029	369,999	446,881
CURRENT ASSETS				
Inventories	18	23,431	7,584	4,055
Trade receivables	19	24,785	25,789	18,334
Prepayments, deposits and other receivables	17	52,697	34,554	30,245
Amounts due from subsidiaries	37	508,535	437,682	513,429
Financial assets at fair value through profit or loss	21	285,355	255,819	110,310
Time deposits	22	–	12,572	50,250
Pledged deposits	22	131,995	96,282	35,625
Cash and cash equivalents	22	31,206	199,488	118,399
Contract assets		–	1,847	1,832
Derivative financial instruments		–	2,178	–
Total current assets		1,058,004	1,073,795	882,479
CURRENT LIABILITIES				
Trade and bills payables	24	347,935	269,926	255,354
Other payables and accruals	25	10,699	12,185	7,363
Contract liabilities	26	25,141	6,670	5,214
Amounts due to related parties		180	–	–
Amounts due to subsidiaries	37	621,660	845,641	776,608
Income tax payable		4,714	8,518	59
Lease liabilities	15	1,533	733	183
Derivative financial instruments	20	6,455	–	–
Total current liabilities		1,018,317	1,143,673	1,044,781
NET CURRENT ASSETS/(LIABILITIES)		39,687	(69,878)	(162,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		290,716	300,121	284,579
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26	–	268	–
Total non-current liabilities		–	268	–
Net assets		290,716	299,853	284,579
EQUITY				
Share capital	28	50,149	50,149	50,149
Reserves	29	240,567	249,704	234,430
Total equity		290,716	299,853	284,579

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Jiangsu BBL Home Technology Company Limited (hereinafter the “Company”) was registered in the People’s Republic of China (hereinafter referred to as the “PRC”) as a limited liability company in 2019. The registered office of the Company is located at Nanfang Village, Henglin Town, Wujin District, Changzhou City, Jiangsu Province. The Company was converted from a limited liability company into a joint-stock limited company on December 7, 2021.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) were mainly engaged in the manufacture and sale of Polyvinyl Chloride (hereinafter “PVC”) flooring products and wood flooring products.

During the Relevant Periods and as at the date of this report, Jiangsu BBL Holdings Co., Ltd. 江蘇貝爾控股有限公司, a limited liability company established in the PRC, holds 79.76% equity interest in the Company. In the opinion of the directors of the Company, the intermediate holding company and the ultimate holding company of the Company is Jiangsu BBL Holdings Co., Ltd.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries as follows:

Name	Notes	Place and date of incorporation/ registration and operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Jiangsu Huayao Decoration Technology Co., Ltd.* (江蘇華耀裝飾科技有限公司)	(a)	PRC/Chinese Mainland December 5, 2019	RMB50,000,000	100	–	Sale of flooring products
Changzhou Bemate HOME Technology Co., Ltd.* (常州市貝美家居科技有限公司)	(b)	PRC/Chinese Mainland December 10, 2019	RMB30,000,000	100	–	Manufacture and sales of flooring products
Changzhou Huaju New Material Co., Ltd.* (常州市華居新材料有限公司)	(b)	PRC/Chinese Mainland December 10, 2019	RMB11,000,000	100	–	Sale of flooring products
Shanghai Chong'erchang Home Technology Co., Ltd.* (上海崇爾昶家居科技有限公司)	(b)	PRC/Chinese Mainland April 18, 2022	RMB1,000,000	100	–	Sale of flooring products
Hainan Sichang Investment Co., Ltd.* (海南思昶投資有限公司)	(b)	PRC/Chinese Mainland September 3, 2021	RMB1,000,000	100	–	Sale of flooring products
BBL Home Holding PTE. Ltd.	(c)	Singapore September 17, 2021	United States dollar (“USD”)100	100	–	Sale of flooring products

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Notes	Place and date of incorporation/ registration and operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
BBL Floor (MYANMAR) Company Limited	(b)	Myanmar October 16, 2019	USD6,000,000	–	85	Manufacture and sale of flooring products
BBL Home New Materials Co., Ltd.	(d)	Vietnam March 23, 2022	USD17,000,000	–	100	Manufacture and sales of flooring products
Anhui Changyang Home Technology Co., Ltd.* (安徽常揚家居科技有限公司)	(b)	PRC/Chinese Mainland March 21, 2022	RMB20,000,000	100	–	Sale of flooring products
ESSENCE Home Limited	(b)	Macao September 15, 2023	Macanese Pataca (“MOP”) 25,000	100	–	Sale of flooring products
Hongkong Ruotian International Company Limited	(e)	Hong Kong February 10, 2020	USD10,000,000	100	–	Sale of flooring products
DDC Global Sourcing Ltd.	(b)	Canada February 28, 2024	–	–	100	Sale of flooring products
Jiangsu Happy Home Decors Co., Ltd.* (江蘇悅空間家居科技有限公司)	(b)	PRC/Chinese Mainland June 9, 2022	RMB10,000,000	–	100	Sale of flooring products
DDCC North America Inc.	(b)	The United States December 28, 2022	USD1,000	–	100	Sale of flooring products
DDCC Global Sourcing Inc.	(b)	The United States June 12, 2014	USD100	–	100	Sale of flooring products
DDC Texas Inc.	(b)	The United States June 24, 2019	USD1,000	–	100	Sale of flooring products
IBF North America Inc.	(b)	The United States July 16, 2024	–	–	100	Sale of flooring products
IBF California Inc.	(b)	The United States July 16, 2024	–	–	100	Sale of flooring products

Notes:

- (a) No audited financial statements have been prepared for this entity for the year ended December 31, 2023. The statutory financial statements of this entity for the year ended December 31, 2024 prepared in accordance with China Accounting System for Business Enterprises were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2025.
- (b) No audited financial statements have been prepared for these entities for the years ended December 31, 2023, 2024 and 2025

APPENDIX I

ACCOUNTANTS’ REPORT

- (c) No audited financial statements have been prepared for this entity for the financial year ended August 31, 2023. The statutory financial statements of this entity for the financial ended August 31, 2024 prepared in accordance with Singapore Financial Reporting Standards were audited by ChangAnn PAC, certified public accountants registered in Singapore. As at the date of this report, no audited financial statements have been prepared for the period from September 1, 2024 to August 31, 2025.
 - (d) The statutory financial statements of this entity for the year ended December 31, 2023 prepared in accordance with the Vietnam Accounting Standards (“VAS”) were audited by Vietnam Accounting and Auditing Limited Liability Company, certified public accountants registered in Vietnam. The statutory financial statements of this entity for the years ended December 31, 2024 and 2025 prepared in accordance with the VAS Auditing and Consulting Limited Liability Company, certified public accountants registered in Vietnam.
 - (e) The statutory financial statements of this entity for the year ended December 31, 2023 and 2024 prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities were audited by LIF & Wong CPA Limited, certified public accountant registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2025.
- * *The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.*

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”), which comprise all standards and interpretations approved by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

¹ Effective for annual periods beginning on or after January 1, 2026

² Effective for annual/reporting periods beginning on or after January 1, 2027

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after January 1, 2027 with earlier

APPENDIX I

ACCOUNTANTS’ REPORT

application permitted. Retrospective application is required. The new requirements are expected to impact the Group’s presentation in the statement of profit or loss and other comprehensive income and disclosures of the Group’s financial performance. The new standard is not expected to have any impact on the Group’s results of operations and financial position.

The Group is in the process of making an assessment of the impact of other new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

APPENDIX I

ACCOUNTANTS’ REPORT

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

APPENDIX I

ACCOUNTANTS’ REPORT

Related parties

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 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;

or

- (b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);
 - (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); and
 - (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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

APPENDIX I

ACCOUNTANTS’ REPORT

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4% to 33.33%
Motor vehicles	23.75%
Machinery and equipment	9% to 31.67%
Office equipment and fixtures	19% to 31.67%
Leasehold improvements	31.67% to 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

APPENDIX I

ACCOUNTANTS’ REPORT

Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 10 years.

Research and development expenses

All research costs are charged to profit or loss as incurred.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 6 years
Land use rights	20 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable,

APPENDIX I

ACCOUNTANTS’ REPORT

variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or

APPENDIX I

ACCOUNTANTS’ REPORT

for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

APPENDIX I

ACCOUNTANTS’ REPORT

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the end of each reporting period (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

APPENDIX I

ACCOUNTANTS’ REPORT

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as derivative financial instruments, loans and borrowings and payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, amounts due to related parties, interest-bearing bank borrowings, or derivative financial instruments.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group’s normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial instruments.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortized cost (trade and bills payables, other payables and borrowings)

After initial recognition, trade and bills payables, other payables and interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

APPENDIX I

ACCOUNTANTS’ REPORT

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short- term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

APPENDIX I

ACCOUNTANTS’ REPORT

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or 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.

APPENDIX I

ACCOUNTANTS’ REPORT

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

Revenue from the sale of flooring products

The Group sells flooring products. Revenue from the sale of products is recognized when control of the goods has been transferred to the customers, and there is no unfulfilled obligation that could affect the customer’s acceptance of the goods.

Some contracts for the sale of flooring products provide customers with volume rebates, giving rise to variable consideration.

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from freight service

Revenue from the provision of freight service is recognized over the period from the initiation to the completion of delivering goods to the designated destination as specified in the contract.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

Share-based payments

The Company operates an employee share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by the grantees. The fair value of the shares granted is determined with reference to recent transactions prices, further details of which are given in note 30 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Other employee benefits

Pension schemes

The employees of the Company and its subsidiaries which operate in Chinese Mainland and Vietnam are required to participate in a central pension scheme operated by the local municipal government. These entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for employees of the Company and its PRC subsidiaries pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds are limited to the contributions payable in each reporting period.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies rather than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognized tax losses and deductible temporary differences as at December 31, 2023, 2024 and 2025 were RMB6,594,000, RMB23,044,000 and RMB33,892,000, respectively. Further details are included in note 23 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables for groupings of various customer segments that have similar loss patterns.

APPENDIX I

ACCOUNTANTS’ REPORT

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 19 to the Historical Financial Information.

Net realizable value of inventories

Net realizable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a

APPENDIX I

ACCOUNTANTS’ REPORT

similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Operating segment information

The board of directors reviews the consolidated results of the Group when making decisions about resource allocation and assessing the performance of the Group. The board of directors considers that the Group operates in one business segment and the measurement of segment results is based on the profit from operations as presented in the consolidated statement of profit or loss and other comprehensive income. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	497,863	313,811	223,876
Asia (except for Chinese Mainland)	37,779	64,511	50,507
European Union.	244,354	331,955	322,802
North America	1,392,729	1,447,797	1,761,836
South America	26,823	45,010	44,134
Other countries/jurisdictions	98,081	153,184	127,393
Total revenue	<u>2,297,629</u>	<u>2,356,268</u>	<u>2,530,548</u>

The revenue information above is based on the locations of the customers.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Non-current assets

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	217,322	198,648	190,199
Vietnam	116,762	143,363	215,932
Other countries/jurisdictions	7,909	2,857	16,268
Total non-current assets	<u>341,993</u>	<u>344,868</u>	<u>422,399</u>

The non-current asset information of operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customer

The revenue from an external customer which amounted to over 10% of total revenue of the Group during each of the Relevant Periods was as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	<u>732,146</u>	<u>673,402</u>	<u>739,871</u>

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	<u>2,297,629</u>	<u>2,356,268</u>	<u>2,530,548</u>
Total	<u>2,297,629</u>	<u>2,356,268</u>	<u>2,530,548</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
PVC flooring products	1,476,569	1,692,999	1,985,521
Wood flooring products	718,963	585,967	477,123
Others	102,097	77,302	67,904
Total	2,297,629	2,356,268	2,530,548
Timing of revenue recognition			
Goods transferred at a point in time	2,285,646	2,346,609	2,521,026
Services transferred over time	11,983	9,659	9,522
Total	2,297,629	2,356,268	2,530,548

The following table shows the amounts of revenue recognized in each reporting period that were included in the contract liabilities at the beginning of each reporting period:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period	76,199	124,036	54,801

(b) Performance obligations

Information about the Group’s performance obligations is summarized below:

Sales of goods and services

Revenue from the sale of flooring

The performance obligation is satisfied upon delivery to the agreed-upon locations in accordance with the contracts. The Group generally collects deposits from customers before delivery and the remaining payment is generally due within 30 to 120 days from the date of completion of delivery.

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from freight service

The performance obligation is satisfied over the period from the initiation to the completion of delivering goods to the designated destination as specified in the contract. Payment is generally due within 30 to 120 days from the date of completion of freight service.

All amounts of transaction prices allocated to the performance obligations of sales of goods and services are expected to be recognized as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration of more than one year, thus management applied the practical expedient under IFRS 15 and did not disclose the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other income:			
Additional deduction for value-added tax	7,065	7,421	6,172
Government grants*	7,743	7,097	2,720
Bank interest income	3,069	11,959	17,187
	<u>17,877</u>	<u>26,477</u>	<u>26,079</u>
Other gains:			
Foreign exchange differences, net.	10,628	11,846	–
Realized gains on derivative financial instruments. .	–	284	–
Fair value gains on derivative financial instruments.	–	2,178	–
Realized gains on financial assets at fair value			
through profit or loss	5,481	7,485	5,159
Fair value gains on financial assets at fair value			
through profit or loss	–	817	310
Gains on early cancellation of leases.	331	–	–
Others.	224	326	54
	<u>16,664</u>	<u>22,936</u>	<u>5,523</u>
Total	<u>34,541</u>	<u>49,413</u>	<u>31,602</u>

* The government grants mainly represent subsidies received from the government that relate to expenses. Government grants are released to profit or loss over the periods that the expenses for which they are intended to compensate are expensed when all attaching conditions and requirements are complied with (if any). During the Relevant Periods, there were no unfulfilled conditions or contingencies relating to these government grants.

APPENDIX I

ACCOUNTANTS’ REPORT

6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of inventories sold*		1,728,145	1,764,000	1,878,987
Cost of service provided*		10,079	9,456	9,103
Depreciation of property, plant and equipment	14	31,094	37,342	44,435
Depreciation of right-of-use assets	15	5,017	5,940	8,932
Amortization of other intangible assets	16	127	304	340
Research and development expenses*		51,719	50,837	53,012
Foreign exchange differences, net	5,7	(10,628)	(11,846)	14,480
Interest income	5	(3,069)	(11,959)	(17,187)
Losses on disposal of items of property, plant and equipment, net	7	1,759	234	848
Fair value changes on financial assets at fair value through profit or loss, net		(5,481)	(8,302)	(5,469)
Impairment losses/(reversal of impairment losses) on financial assets and contract assets, net				
Impairment of trade receivables		27,475	35,866	5,757
Impairment of contract assets, net		(3)	87	153
Impairment of financial assets included in prepayments, deposits and other receivables, net		(305)	645	(12,463)
		27,167	36,598	(6,553)
Write-down of inventories to net realizable value, net**		4,826	(547)	4,884
Expense relating to short-term leases		764	2,680	6,860
Expense relating to leases of low-value assets		110	327	341
		874	3,007	7,201
Employee benefit expense (excluding directors’ remuneration (note 9)):				
Wages, salaries and other allowances		118,410	122,409	114,868
Pension scheme contributions and social welfare		7,310	7,986	7,398
Equity-settled share-based payment expenses .		356	356	356
		126,076	130,751	122,622

APPENDIX I

ACCOUNTANTS’ REPORT

* Cost of inventories sold, cost of service provided and research and development expenses include expenses relating to staff cost, depreciation and amortization expenses and impairment losses on inventories, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Write-down of inventories to net realizable value, net is recognized as “cost of sales” in the consolidated statement of profit or loss and other comprehensive income.

7. OTHER EXPENSES

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Realized losses on derivative financial instruments	8,123	–	1,041
Fair value losses on derivative financial instruments	3,265	–	–
Donations	1,212	1,099	1,426
Losses on disposal of items of property, plant and equipment assets	1,759	234	848
Foreign exchange differences, net.	–	–	14,480
Others.	835	706	1,315
Total	15,194	2,039	19,110

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	1,415	343	622
Interest on discounted bills	403	770	791
Interest on lease liabilities	838	851	1,247
Total	2,656	1,964	2,660

APPENDIX I

ACCOUNTANTS’ REPORT

9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Directors’ and chief executive’s remuneration as recorded during the Relevant Periods is set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	300	300	300
Other emoluments:			
Salaries, allowances and benefits in kind	3,063	2,564	2,401
Performance related bonuses (i)	1,370	1,440	1,740
Pension scheme contributions and social welfare	111	120	113
Equity-settled share-based payment expenses (ii)	705	734	792
	5,249	4,858	5,046
Total	5,549	5,158	5,346

(i) Certain directors of the Company were entitled to bonus payments which are associated with the operating results of the Group.

(ii) Certain directors were granted restricted shares in respect of their services to the Group, further details of which are set out in note 30 to the Historical Financial Information.

(a) Independent non-executive directors

The fee paid to independent non-executive directors during the Relevant Periods is set out as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Mr. LI Yu	100	100	100
Ms. XIN Minqi	100	100	100
Mr. WANG Pengfei	100	100	100
Total	300	300	300

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Executive directors and the chief executive

Year ended December 31, 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity- settled share- based payment expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Ms. ZHANG Xiaoling (i)	176	770	28	705	1,679
Mr. LIN Haidi	1,188	–	27	–	1,215
Mr. ZHANG Guohong	489	600	28	–	1,117
Mr. Xiao Zhiyuan (ii)	1,210	–	28	–	1,238
	<u>3,063</u>	<u>1,370</u>	<u>111</u>	<u>705</u>	<u>5,249</u>

Year ended December 31, 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity- settled share- based payment expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Ms. ZHANG Xiaoling (i)	65	680	29	705	1,479
Mr. LIN Haidi	1,245	–	28	–	1,273
Mr. ZHANG Guohong	466	600	29	–	1,095
Mr. Xiao Zhiyuan (ii)	426	–	24	–	450
Non-executive director:					
Mr. HU Helai (iii)	362	160	10	29	561
	<u>2,564</u>	<u>1,440</u>	<u>120</u>	<u>734</u>	<u>4,858</u>

Year ended December 31, 2025

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity- settled share- based payment expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Ms. ZHANG Xiaoling (i)	134	700	28	705	1,567
Mr. LIN Haidi	1,098	160	28	–	1,286
Mr. ZHANG Guohong	471	600	29	–	1,100
Non-executive director:					
Mr. HU Helai (iii)	698	280	28	87	1,093
	<u>2,401</u>	<u>1,740</u>	<u>113</u>	<u>792</u>	<u>5,046</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) Ms. ZHANG Xiaoling is also the chairwoman of the Company’s board of directors and the chief executive officer of the Company.
- (ii) Mr. Xiao Zhiyuan resigned as executive director in November 2024.
- (iii) Mr. Hu Helai joined the Group in November 2019 and was appointed as non-executive director in September 2024. The remuneration disclosed herein excludes remuneration earned by Mr. Hu Helai prior to his appointment as non-executive director; the remuneration earned by Mr. Hu Helai prior to his appointment as non-executive director was RMB494,000 in 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2023, 2024 and 2025 included 4, 4 and 4 directors, respectively, details of whose remuneration are set out in note 9 to the Historical Financial Information.

Details of the remuneration for the remaining 1, 1, and 1 highest paid employees who are neither directors nor the chief executive of the Company during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	578	675	735
Performance related bonuses	200	200	200
Pension scheme contributions and social welfare	85	29	29
Equity-settled share-based payment expenses	60	75	75
Total	923	979	1,039

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended December 31,		
	2023	2024	2025
HK\$1,000,001 to HK\$1,500,000.	1	1	1
Total	1	1	1

APPENDIX I

ACCOUNTANTS’ REPORT

11. INCOME TAX

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

Chinese Mainland

Under the law of the PRC on corporate income tax (the “CIT Law”) and the implementation regulation of the CIT Law, the CIT rate of the PRC subsidiaries is 25% unless they are entitled to preferential tax as set out below.

In 2022, Changzhou Bemate Home Technology Co., Ltd. was accredited as a “High and New Technology Enterprise” (“HNTE”) and was entitled to a preferential income tax rate of 15% for a period of three years from November 2022 to November 2025. This subsidiary subsequently renewed its HNTE qualification in 2025 and is entitled to the preferential tax rate of 15% from November 2025 to November 2028.

Shanghai Chongerchang Home Technology Co., Ltd. and Hainan Sichang Investment Co., Ltd. have qualified for and applied the preferential corporate income tax rate for small and micro-sized enterprises (“SMEs”) since their respective incorporation dates, for which the applicable income tax rate is 5% during the Relevant Periods.

Hong Kong

Hong Kong Ruotian International Company Limited is a corporate entity established in Hong Kong, subject to a 16.5% income tax rate.

Vietnam

BBL Home New Materials Co., Ltd. is a fully export-oriented enterprise established in an economically underdeveloped area of Vietnam (Quang Ninh Province). It has started generating taxable income since 2024, is exempt from taxes for two years from the year it generates taxable income (i.e. 2024) and is eligible for a 50% reduction in profits tax for the following four years.

Singapore

BBL Home Holding PTE. Ltd. is a corporate entity established in Singapore, is subject to income tax at a rate of 17%.

Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions is calculated on the estimated assessable profit for each of the Relevant Periods at the respective rates prevailing in the relevant jurisdictions.

APPENDIX I

ACCOUNTANTS’ REPORT

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current income tax:			
Charge for the year	45,572	33,983	18,932
Underprovision/(overprovision) in respect of prior years	2,742	1,755	(454)
Deferred income tax (note 23).	(15,548)	(8,657)	920
Total	<u>32,766</u>	<u>27,081</u>	<u>19,398</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before tax	<u>230,036</u>	<u>250,738</u>	<u>258,730</u>
Tax at the statutory tax rate at 25%	57,509	62,685	64,683
Effect of tax rate differences in other jurisdictions	(3,380)	(6,670)	(8,837)
Expenses not deductible for tax	399	397	688
Additional deductible allowance for research and development costs*	(7,067)	(7,095)	(6,361)
Deductible temporary differences and tax losses not recognized	517	3,216	2,625
Utilization of tax losses not recognized in previous years	(341)	–	(441)
Effect of preferential tax rates	(17,613)	(27,207)	(32,505)
Adjustments in respect of current tax of previous years	<u>2,742</u>	<u>1,755</u>	<u>(454)</u>
Tax charge at the Group’s effective rate.	<u>32,766</u>	<u>27,081</u>	<u>19,398</u>

* Additional deductible allowance was for qualified research and development expenses.

12. DIVIDENDS

During the years ended December 31, 2023, 2024 and 2025, dividends of nil, RMB30,000,000 (approximately RMB0.5982 per share) and RMB30,000,000 (approximately RMB0.5982 per share), respectively were declared and paid by the Company to its shareholders.

APPENDIX I

ACCOUNTANTS’ REPORT

On May 16, 2026, the 2025 profit distribution plan was approved by shareholders, with a dividend of RMB5.980 for every 10 shares of the Company’s shares as at that date, amounting to total dividend of approximately RMB29,989,000.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods.

The Group had no potentially dilutive shares in issue during the Relevant Periods.

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Earnings			
Profit attributable to ordinary equity shareholders of the parent, used in the basic and diluted earnings per share calculation	197,419	223,627	239,330
	<u>197,419</u>	<u>223,627</u>	<u>239,330</u>
	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Shares			
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted earnings per share calculation	50,149,000	50,149,000	50,149,000
	<u>50,149,000</u>	<u>50,149,000</u>	<u>50,149,000</u>

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Motor vehicles	Machinery and equipment	Office equipment and fixtures	Leasehold improvements	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
December 31, 2023							
At January 1, 2023:							
Cost	84,915	12,340	212,123	8,368	1,595	8,563	327,904
Accumulated depreciation	(12,650)	(10,410)	(87,991)	(5,696)	(526)	–	(117,273)
Net carrying amount	<u>72,265</u>	<u>1,930</u>	<u>124,132</u>	<u>2,672</u>	<u>1,069</u>	<u>8,563</u>	<u>210,631</u>
At January 1, 2023, net of accumulated depreciation . . .	72,265	1,930	124,132	2,672	1,069	8,563	210,631
Additions	586	301	3,421	430	1,400	80,814	86,952
Transfers	30,334	311	49,303	28	–	(79,976)	–
Depreciation provided during the year	(7,251)	(711)	(21,540)	(1,060)	(532)	–	(31,094)
Disposals	(492)	(43)	(6,539)	(115)	(534)	–	(7,723)
Exchange realignment	5	–	5	–	–	(4)	6
At December 31, 2023, net of accumulated depreciation . .	<u>95,447</u>	<u>1,788</u>	<u>148,782</u>	<u>1,955</u>	<u>1,403</u>	<u>9,397</u>	<u>258,772</u>
At December 31, 2023:							
Cost	115,343	12,096	252,830	8,593	1,928	9,397	400,187
Accumulated depreciation	(19,896)	(10,308)	(104,048)	(6,638)	(525)	–	(141,415)
Net carrying amount	<u>95,447</u>	<u>1,788</u>	<u>148,782</u>	<u>1,955</u>	<u>1,403</u>	<u>9,397</u>	<u>258,772</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Motor vehicles	Machinery and equipment	Office equipment and fixtures	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2024							
At January 1, 2024:							
Cost	115,343	12,096	252,830	8,593	1,928	9,397	400,187
Accumulated depreciation	(19,896)	(10,308)	(104,048)	(6,638)	(525)	–	(141,415)
Net carrying amount.	95,447	1,788	148,782	1,955	1,403	9,397	258,772
At January 1, 2024, net of Accumulated depreciation . . .	95,447	1,788	148,782	1,955	1,403	9,397	258,772
Additions	3,455	–	456	884	2,164	46,047	53,006
Transfers	1,908	–	29,126	121	–	(31,155)	–
Depreciation provided for the year	(6,620)	(641)	(27,397)	(921)	(1,763)	–	(37,342)
Disposals	(974)	(99)	(1,058)	(26)	–	–	(2,157)
Exchange realignment	(597)	(6)	(905)	(5)	(8)	(44)	(1,565)
At December 31, 2024, net of Accumulated depreciation . .	92,619	1,042	149,004	2,008	1,796	24,245	270,714
At December 31, 2024:							
Cost	119,122	10,344	276,496	9,252	4,084	24,245	443,543
Accumulated depreciation	(26,503)	(9,302)	(127,492)	(7,244)	(2,288)	–	(172,829)
Net carrying amount.	92,619	1,042	149,004	2,008	1,796	24,245	270,714
	Buildings	Motor vehicles	Machinery and equipment	Office equipment and fixtures	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2025							
At January 1, 2025:							
Cost	119,122	10,344	276,496	9,252	4,084	24,245	443,543
Accumulated depreciation	(26,503)	(9,302)	(127,492)	(7,244)	(2,288)	–	(172,829)
Net carrying amount.	92,619	1,042	149,004	2,008	1,796	24,245	270,714
At January 1, 2025, net of accumulated depreciation. . . .	92,619	1,042	149,004	2,008	1,796	24,245	270,714
Additions	–	174	12,286	478	6,563	105,992	125,493
Transfers	58,310	–	63,861	415	–	(122,586)	–
Depreciation provided during the year	(8,885)	(227)	(31,280)	(942)	(3,101)	–	(44,435)
Disposals	–	–	(5,591)	–	–	–	(5,591)
Exchange realignment	(3,464)	(14)	(4,715)	(17)	(84)	(1,524)	(9,818)
At December 31, 2025, net of accumulated depreciation . .	138,580	975	183,565	1,942	5,174	6,127	336,363
At December 31, 2025:							
Cost	173,968	10,504	335,857	10,128	10,563	6,127	547,147
Accumulated depreciation	(35,388)	(9,529)	(152,292)	(8,186)	(5,389)	–	(210,784)
Net carrying amount.	138,580	975	183,565	1,942	5,174	6,127	336,363

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

			Office equipment and fixtures	Leasehold improvements		
	Buildings	Motor vehicles			Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
December 31, 2023						
At January 1, 2023:						
Cost	6,460	3,752	1,075	258	11,545	
Accumulated depreciation . . .	(307)	(2,484)	(619)	(180)	(3,590)	
Net carrying amount	6,153	1,268	456	78	7,955	
At January 1, 2023, net of accumulated depreciation .	6,153	1,268	456	78	7,955	
Additions	–	–	175	–	175	
Depreciation provided during the year	(307)	(478)	(257)	(51)	(1,093)	
Disposals	–	–	(1)	–	(1)	
At December 31, 2023, net of accumulated depreciation .	5,846	790	373	27	7,036	
At December 31, 2023:						
Cost	6,460	3,752	1,226	258	11,696	
Accumulated depreciation . . .	(614)	(2,962)	(853)	(231)	(4,660)	
Net carrying amount	5,846	790	373	27	7,036	
	Buildings	Motor vehicles	Office equipment and fixtures	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2024						
At January 1, 2024:						
Cost	6,460	3,752	1,226	258	–	11,696
Accumulated depreciation	(614)	(2,962)	(853)	(231)	–	(4,660)
Net carrying amount	5,846	790	373	27	–	7,036
At January 1, 2024, net of accumulated depreciation	5,846	790	373	27	–	7,036
Additions	–	–	171	–	25	196
Depreciation provided during the year	(307)	(477)	(239)	(27)	–	(1,050)
Disposals	–	(60)	(11)	–	–	(71)
At December 31, 2024, net of accumulated depreciation . .	5,539	253	294	–	25	6,111
At December 31, 2024:						
Cost	6,460	2,790	1,213	258	25	10,746
Accumulated depreciation	(921)	(2,537)	(919)	(258)	–	(4,635)
Net carrying amount	5,539	253	294	–	25	6,111

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Motor vehicles	Office equipment and fixtures	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2025						
At January 1, 2025:						
Cost	6,460	2,790	1,213	258	25	10,746
Accumulated depreciation	(921)	(2,537)	(919)	(258)	–	(4,635)
Net carrying amount.	<u>5,539</u>	<u>253</u>	<u>294</u>	<u>–</u>	<u>25</u>	<u>6,111</u>
At January 1, 2025, net of accumulated depreciation . . .	5,539	253	294	–	25	6,111
Additions	–	–	211	–	23	234
Transfers	–	–	25	–	(25)	–
Depreciation provided during the year	(306)	(114)	(148)	–	–	(568)
At December 31, 2025, net of accumulated depreciation . .	<u>5,233</u>	<u>139</u>	<u>382</u>	<u>–</u>	<u>23</u>	<u>5,777</u>
At December 31, 2025:						
Cost	6,460	2,790	1,449	258	23	10,980
Accumulated depreciation	(1,227)	(2,651)	(1,067)	(258)	–	(5,203)
Net carrying amount.	<u>5,233</u>	<u>139</u>	<u>382</u>	<u>–</u>	<u>23</u>	<u>5,777</u>

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights and buildings used in its operations. Generally lump sum payments were made upfront to acquire the leased land with useful lives of 20 years to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. Other rental agreements generally have lease terms of 12 months or less or are individually of low value.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Land use rights	Buildings	Total
	RMB’000	RMB’000	RMB’000
As at January 1, 2023	54,592	14,777	69,369
Additions	–	4,310	4,310
Depreciation provided	(2,033)	(2,984)	(5,017)
Early cancellation of leases	–	(8,583)	(8,583)
Exchange realignment	(280)	102	(178)
As at December 31, 2023	<u>52,279</u>	<u>7,622</u>	<u>59,901</u>
As at January 1, 2024	52,279	7,622	59,901
Additions	–	3,611	3,611
Depreciation provided	(2,036)	(3,904)	(5,940)
Exchange realignment	(628)	65	(563)
As at December 31, 2024	<u>49,615</u>	<u>7,394</u>	<u>57,009</u>
As at January 1, 2025	49,615	7,394	57,009
Additions	918	15,766	16,684
Depreciation provided	(3,352)	(5,580)	(8,932)
Exchange realignment	(1,978)	(60)	(2,038)
As at December 31, 2025	<u>45,203</u>	<u>17,520</u>	<u>62,723</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at the beginning of the year	26,018	18,175	17,730
New leases	4,310	3,611	16,684
Accretion of interest recognized during the year . .	838	851	1,247
Payments	(4,182)	(4,976)	(7,133)
Early cancellation of leases	(8,914)	–	–
Exchange realignment	105	69	(66)
	<u>18,175</u>	<u>17,730</u>	<u>28,462</u>
Carrying amount at the end of the year	<u>18,175</u>	<u>17,730</u>	<u>28,462</u>
Analyzed into:			
Current portion	5,050	5,111	7,220
Non-current portion	<u>13,125</u>	<u>12,619</u>	<u>21,242</u>

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on lease liabilities	838	851	1,247
Depreciation charge of right-of-use assets	5,017	5,940	8,932
Gains on early cancellation of leases	(331)	–	–
Expense relating to short-term leases	764	2,680	6,860
Expense relating to leases of low-value assets	<u>110</u>	<u>327</u>	<u>341</u>
Total amount recognized in profit or loss	<u>6,398</u>	<u>9,798</u>	<u>17,380</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (d) The maturity analysis of lease liabilities is disclosed as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within one year.	5,050	5,111	7,220
After one year but within two years	2,434	3,800	4,492
After two years but within three years.	1,886	1,332	3,942
After three years but within four years	1,319	466	4,085
After four years but within five years	466	489	2,705
After five years.	7,020	6,532	6,018
Total	<u>18,175</u>	<u>17,730</u>	<u>28,462</u>

The Company as a lessee

- (a) Right-of-use assets

The carrying amounts of the Company’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Buildings
	RMB’000
As at January 1, 2023	165
Additions	1,596
Depreciation provided	<u>(520)</u>
As at December 31, 2023	<u>1,241</u>
As at January 1, 2024	1,241
Depreciation provided	<u>(532)</u>
As at December 31, 2024	<u>709</u>
As at January 1, 2025	709
Depreciation provided	<u>(532)</u>
As at December 31, 2025	<u>177</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at the beginning of the year	726	1,533	733
New leases	1,596	–	–
Accretion of interest recognized during the year . .	29	25	–
Payments	(818)	(825)	(550)
Carrying amount at the end of the year	<u>1,533</u>	<u>733</u>	<u>183</u>
Analyzed into:			
Current portion	<u>1,533</u>	<u>733</u>	<u>183</u>

APPENDIX I

ACCOUNTANTS’ REPORT

16. INTANGIBLE ASSETS

The Group

	<u>Software</u>
	<i>RMB’000</i>
At January 1, 2023:	
Cost	–
Accumulated amortization	<u>–</u>
Net carrying amount	<u><u>–</u></u>
At January 1, 2023, net of accumulated amortization	–
Additions	1,018
Amortization provided during the year	<u>(127)</u>
At December 31, 2023, net of accumulated amortization	<u><u>891</u></u>
At December 31, 2023:	
Cost	1,018
Accumulated amortization	<u>(127)</u>
Net carrying amount	<u><u>891</u></u>
At January 1, 2024:	
Cost	1,018
Accumulated amortization	<u>(127)</u>
Net carrying amount	<u><u>891</u></u>
At January 1, 2024, net of accumulated amortization	891
Additions	291
Amortization provided during the year	<u>(304)</u>
At December 31, 2024, net of accumulated amortization	<u><u>878</u></u>
At December 31, 2024:	
Cost	1,309
Accumulated amortization	<u>(431)</u>
Net carrying amount	<u><u>878</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Software</u>
	<i>RMB’000</i>
At January 1, 2025:	
Cost	1,309
Accumulated amortization.	<u>(431)</u>
Net carrying amount	<u>878</u>
At January 1, 2025, net of accumulated amortization	878
Additions	338
Amortization provided during the year	(340)
Exchange realignment	<u>(1)</u>
At December 31, 2025, net of accumulated amortization.	<u>875</u>
At December 31, 2025:	
Cost	1,646
Accumulated amortization.	<u>(771)</u>
Net carrying amount	<u>875</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Software</u>
	<i>RMB’000</i>
December 31,2023	
At January 1, 2023:	
Cost	—
Accumulated amortization.	<u>—</u>
Net carrying amount	<u><u>—</u></u>
At January 1, 2023, net of accumulated amortization	—
Additions	983
Amortization provided during the year	<u>(123)</u>
At December 31, 2023, net of accumulated amortization.	<u><u>860</u></u>
At December 31, 2023:	
Cost	983
Accumulated amortization.	<u>(123)</u>
Net carrying amount	<u><u>860</u></u>
December 31,2024	
At January 1, 2024:	
Cost	983
Accumulated amortization.	<u>(123)</u>
Net carrying amount	<u><u>860</u></u>
At January 1, 2024, net of accumulated amortization	<u>860</u>
Amortization provided during the year	<u>(278)</u>
At December 31, 2024, net of accumulated amortization.	<u><u>582</u></u>
At December 31, 2024:	
Cost	983
Accumulated amortization.	<u>(401)</u>
Net carrying amount	<u><u>582</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Software</u>
	<i>RMB’000</i>
December 31, 2025	
At January 1, 2025:	
Cost	983
Accumulated amortization.	<u>(401)</u>
Net carrying amount	<u><u>582</u></u>
At January 1, 2025, net of accumulated amortization	582
Additions	261
Amortization provided during the year	<u>(294)</u>
At December 31, 2025, net of accumulated amortization	<u><u>549</u></u>
At December 31, 2025:	
Cost	1,244
Accumulated amortization.	<u>(695)</u>
Net carrying amount	<u><u>549</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current			
Value-added-tax recoverable	56,074	54,899	57,521
Prepayments	11,710	12,509	27,067
Deposits and other receivables	125,688	146,088	101,990
Insurance indemnity	517	10,337	16,211
Others	8,090	9,686	9,474
	202,079	233,519	212,263
Impairment allowance	(92,200)	(102,665)	(52,658)
	<u>109,879</u>	<u>130,854</u>	<u>159,605</u>
Non-current			
Value-added-tax recoverable	8,639	4,324	7,821
Prepayments for equipment	13,790	11,943	14,617
	<u>22,429</u>	<u>16,267</u>	<u>22,438</u>

As at the end of each of reporting period, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each of the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

As at December 31, 2023

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023.	–	–	91,988	91,988
Impairment losses	212	–	–	212
As at December 31, 2023.	212	–	91,988	92,200

As at December 31, 2024

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024.	212	–	91,988	92,200
(Reversal of impairment loss)/impairment losses	(43)	–	10,508	10,465
As at December 31, 2024.	169	–	102,496	102,665

As at December 31, 2025

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025.	169	–	102,496	102,665
Reversal of impairment	4	–	(11)	(7)
Amounts written off as uncollectible . . .	–	–	(50,000)	(50,000)
As at December 31, 2025.	173	–	52,485	52,658

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current			
Value-added-tax recoverable	51,758	33,820	23,723
Prepayments	551	446	5,884
Deposits and other receivables	23	13	20
Others	490	373	690
	52,822	34,652	30,317
Impairment allowance	(125)	(98)	(72)
	52,697	34,554	30,245
Non-current			
Value-added-tax recoverable	4,983	4,004	4,386
	57,680	38,558	34,631

As at the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each of the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2023

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023.	–	–	–	–
Impairment losses	125	–	–	125
As at December 31, 2023.	125	–	–	125

As at December 31, 2024

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	125	–	–	125
Reversal of impairment	(27)	–	–	(27)
As at December 31, 2024	98	–	–	98

As at December 31, 2025

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025	98	–	–	98
Amounts written off as uncollectible	(26)	–	–	(26)
As at December 31, 2025	72	–	–	72

APPENDIX I

ACCOUNTANTS’ REPORT

18. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	76,715	101,138	100,910
Finished goods in transit	192,616	155,586	145,176
Raw materials	68,991	53,725	73,436
Work in progress	29,904	33,170	34,351
	<u>368,226</u>	<u>343,619</u>	<u>353,873</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	3,346	229	1,128
Finished goods in transit	19,838	7,281	2,853
Raw materials	247	74	74
	<u>23,431</u>	<u>7,584</u>	<u>4,055</u>

19. TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	517,413	503,817	595,891
Impairment	(138,804)	(168,415)	(166,907)
Trade receivables, net	378,609	335,402	428,984
Bills receivable	900	475	1,376
Trade and bills receivables	<u>379,509</u>	<u>335,877</u>	<u>430,360</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Group provides credit terms to certain customers with satisfied creditworthiness and long-term relationship. The credit periods are generally around 30 to 120 days. Each of these customers has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Bills receivables are aged within six months. As of December 31, 2023, 2024 and 2025, bills receivable of RMB900,000, RMB475,000 and RMB1,376,000 were classified as financial assets at fair value through other comprehensive income.

An ageing analysis of the Group’s trade receivables, based on the invoice date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	356,330	325,156	418,315
1 to 2 years	11,724	9,905	9,591
2 to 3 years	10,555	341	1,078
Total	<u>378,609</u>	<u>335,402</u>	<u>428,984</u>

The movements in the impairment of trade receivables are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	117,957	138,804	168,415
Impairment losses, net.	27,475	35,866	5,757
Amounts written off as uncollectible	<u>(6,628)</u>	<u>(6,255)</u>	<u>(7,265)</u>
At end of year	<u>138,804</u>	<u>168,415</u>	<u>166,907</u>

The Group applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective assessment approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at December 31, 2023

	<u>Expected credit loss rate</u>	<u>Gross carrying amount</u>	<u>Expected credit losses</u>	<u>Net carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Within 1 year	1.55%	360,066	(5,596)	354,470
1 to 2 years	24.97%	12,804	(3,197)	9,607
2 to 3 years	55.89%	<u>8,533</u>	<u>(4,769)</u>	<u>3,764</u>
Provision on an individual basis	92.08%	<u>136,010</u>	<u>(125,242)</u>	<u>10,768</u>
		<u>517,413</u>	<u>(138,804)</u>	<u>378,609</u>

As at December 31, 2024

	<u>Expected credit loss rate</u>	<u>Gross carrying amount</u>	<u>Expected credit losses</u>	<u>Net carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Within 1 year	2.17%	332,382	(7,226)	325,156
1 to 2 years	36.30%	15,550	(5,645)	9,905
2 to 3 years	75.45%	1,389	(1,048)	341
Over 3 years	100.00%	<u>1,814</u>	<u>(1,814)</u>	<u>–</u>
Provision on an individual basis	100.00%	<u>152,682</u>	<u>(152,682)</u>	<u>–</u>
		<u>503,817</u>	<u>(168,415)</u>	<u>335,402</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2025

	<u>Expected credit loss rate</u>	<u>Gross carrying amount</u>	<u>Expected credit losses</u>	<u>Net carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Within 1 year	2.57%	429,345	(11,030)	418,315
1 to 2 years	52.30%	20,105	(10,514)	9,591
2 to 3 years	90.80%	11,718	(10,640)	1,078
Over 3 years	100.00%	<u>2,138</u>	<u>(2,138)</u>	<u>–</u>
Provision on an individual basis	100.00%	<u>132,585</u>	<u>(132,585)</u>	<u>–</u>
		<u>595,891</u>	<u>(166,907)</u>	<u>428,984</u>

The Company

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	25,689	27,494	21,737
Impairment losses, net.	<u>(904)</u>	<u>(1,705)</u>	<u>(3,403)</u>
Trade receivables, net	<u>24,785</u>	<u>25,789</u>	<u>18,334</u>

The Company provides credit terms to certain customers with satisfied creditworthiness and long-term relationship. The credit periods are generally around 30 to 120 days. Each of these customers has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Company’s trade receivables, based on the invoice date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	22,730	23,915	17,387
1 to 2 years	1,987	1,854	847
2 to 3 years	<u>68</u>	<u>20</u>	<u>100</u>
Total	<u>24,785</u>	<u>25,789</u>	<u>18,334</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in the impairment of trade receivables are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	1,483	904	1,705
Impairment losses, net.	(579)	801	1,698
At end of year	904	1,705	3,403

The Company applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective assessment approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix:

As at December 31, 2023

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB’000	RMB’000	RMB’000
Provision on a collective basis:				
Within 1 year	0.18%	22,772	(42)	22,730
1 to 2 years	8.81%	2,179	(192)	1,987
2 to 3 years	49.63%	135	(67)	68
Provision on an individual basis	100.00%	603	(603)	–
		25,689	(904)	24,785

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2024

	<u>Expected credit loss rate</u>	<u>Gross carrying amount</u>	<u>Expected credit losses</u>	<u>Net carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Within 1 year	0.44%	24,021	(106)	23,915
1 to 2 years	22.10%	2,380	(526)	1,854
2 to 3 years	90.61%	213	(193)	20
Over 3 years	100.00%	<u>135</u>	<u>(135)</u>	<u>–</u>
Provision on an individual basis	100.00%	<u>745</u>	<u>(745)</u>	<u>–</u>
		<u>27,494</u>	<u>(1,705)</u>	<u>25,789</u>

As at December 31, 2025

	<u>Expected credit loss rate</u>	<u>Gross carrying amount</u>	<u>Expected credit losses</u>	<u>Net carrying amount</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Within 1 year	0.72%	17,755	(128)	17,627
1 to 2 years	58.28%	1,455	(848)	607
2 to 3 years	95.81%	<u>2,385</u>	<u>(2,285)</u>	<u>100</u>
Provision on an individual basis	100.00%	<u>142</u>	<u>(142)</u>	<u>–</u>
		<u>21,737</u>	<u>(3,403)</u>	<u>18,334</u>

APPENDIX I

ACCOUNTANTS’ REPORT

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at December 31, 2023	
	Assets	Liabilities
	RMB’000	RMB’000
Foreign currency forward contracts	–	6,455

	As at December 31, 2024	
	Assets	Liabilities
	RMB’000	RMB’000
Foreign currency forward contracts	2,178	–

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each of the Relevant Periods. Derivatives are used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as “held for trading” for accounting purposes and are accounted for at fair value through profit or loss.

All the derivative financial instruments of the Group do not qualify for hedge accounting, thus, changes in the fair value of which are recognized immediately in “other income and gains” or “other expenses” in profit or loss.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss:			
Structured deposits	100,005	255,819	110,310
Wealth management products	196,351	–	–
Total	296,356	255,819	110,310

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss:			
Structured deposits	100,005	255,819	110,310
Wealth management products	185,350	—	—
Total	<u>285,355</u>	<u>255,819</u>	<u>110,310</u>

The structured deposits and wealth management products were issued by banks. These financial assets were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and bank balances	184,695	335,045	304,376
Time deposits	—	63,338	81,021
Pledged deposits	<u>204,542</u>	<u>216,098</u>	<u>271,388</u>
Subtotal.	389,237	614,481	656,785
Less: Short-term bank deposits with original maturities of over three months and due within one year	—	(12,572)	(50,860)
Long-term bank deposits with original maturities of over one year	—	(50,766)	(30,161)
Pledged deposits:			
Current portion	(203,552)	(159,891)	(118,244)
Non-current portion	<u>(990)</u>	<u>(56,207)</u>	<u>(153,144)</u>
Cash and cash equivalents	<u>184,695</u>	<u>335,045</u>	<u>304,376</u>
Denominated in			
RMB	63,758	211,797	90,538
USD.	113,551	119,144	207,602
HKD	834	846	1,315
Euro (“EUR”)	33	45	137
VND	6,519	3,212	4,706
Others.	<u>—</u>	<u>1</u>	<u>78</u>
	<u>184,695</u>	<u>335,045</u>	<u>304,376</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and bank balances	31,206	199,488	118,398
Time deposits	–	12,572	80,411
Pledged deposits	131,995	148,106	133,793
Subtotal	163,201	360,166	332,602
Less: Short-term bank deposits with original maturities of over three months and due within one year	–	(12,572)	(50,250)
Long-term bank deposits with original maturities of over one year	–	–	(30,161)
Pledged deposits:			
Current portion	(131,995)	(96,282)	(35,625)
Non-current portion	–	(51,824)	(98,167)
Cash and cash equivalents	31,206	199,488	118,399
Denominated in			
RMB	19,388	155,575	39,119
USD	11,818	43,898	79,280
EUR	–	15	–
	31,206	199,488	118,399

The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits with original maturity above 3 months are classified as time deposits. The non-current portion of time deposits as at December 31, 2024 and 2025 had a maturity of 36 months.

The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

APPENDIX I

ACCOUNTANTS’ REPORT

23. DEFERRED TAX

The Group

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Accrued expenses	Tax losses	Impairment provision	Change in fair value of derivative financial instruments	Unrealized profit from intercompany transactions	Lease liability	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	453	–	55,892	5,551	3,566	968	66,430
Deferred tax credited/(charged) to profit or loss	1,668	–	9,068	(3,939)	7,700	82	14,579
As at December 31, 2023 and January 1, 2024	2,121	–	64,960	1,612	11,266	1,050	81,009
Deferred tax credited/(charged) to profit or loss	(1,282)	–	8,423	(1,612)	1,859	2,300	9,688
As at December 31, 2024 and January 1, 2025	839	–	73,383	–	13,125	3,350	90,697
Deferred tax credited/(charged) to profit or loss	(839)	14,888	(16,150)	–	(1,912)	(220)	(4,233)
At December 31, 2025	–	14,888	57,233	–	11,213	3,130	86,464

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	Temporary differences in depreciation of fixed assets	Change in fair value of derivative financial instruments	Accrued interest on pledged deposits	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	10,365	–	–	949	11,314
Deferred tax charged/ (credited) to profit or loss	(1,424)	–	–	455	(969)
As at December 31, 2023 and January 1, 2024	8,941	–	–	1,404	10,345
Deferred tax charged/ (credited) to profit or loss	(1,236)	749	115	1,403	1,031
As at December 31, 2024 and January 1, 2025	7,705	749	115	2,807	11,376
Deferred tax credited to profit or loss	(2,215)	(749)	(115)	(234)	(3,313)
At December 31, 2025	5,490	–	–	2,573	8,063

APPENDIX I

ACCOUNTANTS’ REPORT

For presentation purposes, deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the consolidated statements of financial position	75,422	85,078	81,249
Net deferred tax liabilities recognized in the consolidated statements of financial position	4,758	5,757	2,848

The amounts of unrecognized tax losses as at December 31, 2023, 2024 and 2025 were RMB6,594,000, RMB 11,634,000 and RMB24,323,000, respectively, which will expire within five years for offsetting against future taxable profits of the companies in which the losses arose. The amounts of unrecognized deductible temporary differences as at December 31, 2023, 2024 and 2025 were nil, RMB11,410,000 and RMB9,569,000, respectively, which will indefinitely offset against future taxable profits of the relevant companies. Deferred tax assets have not been recognized in respect of these tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilized.

The Company

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Impairment provision	Change in fair value of derivative financial instruments	Lease liability	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023.	371	5,551	–	5,922
Deferred tax charged to profit or loss . .	(114)	(3,939)	–	(4,053)
As at December 31, 2023 and January 1, 2024.	257	1,612	–	1,869
Deferred tax credited/(charged) to profit or loss.	218	(1,612)	183	(1,211)
As at December 31, 2024 and January 1, 2025.	475	–	183	658
Deferred tax credited/(charged) to profit or loss.	419	–	(137)	282
At December 31, 2025	894	–	46	940

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	Change in fair value of derivative financial instruments	Right-of-use assets	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2023.	–	41	41
Deferred tax charged to profit or loss	–	269	269
As at December 31, 2023 and January 1, 2024	–	310	310
Deferred tax charged/(credited) to profit or loss	749	(133)	616
As at December 31, 2024 and January 1, 2025	749	177	926
Deferred tax redited to profit or loss.	(749)	(132)	(881)
At December 31, 2025	–	45	45

For presentation purposes, deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognized in the statements of financial position	1,559	–	895
Net deferred tax liabilities recognized in the statements of financial position	–	268	–

APPENDIX I

ACCOUNTANTS’ REPORT

24. TRADE AND BILLS PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	698,732	747,547	553,583
Bills payables	339,551	278,319	431,975
Total	<u>1,038,283</u>	<u>1,025,866</u>	<u>985,558</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	86,308	12,096	13,751
Bills payables	261,627	257,830	241,603
Total	<u>347,935</u>	<u>269,926</u>	<u>255,354</u>

Bills payables are aged within six months. An ageing analysis of the trade payables as at the end of each Relevant Periods, based on the invoice date, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	675,746	680,754	468,135
1 to 2 years	9,602	54,543	42,043
2 to 3 years	13,384	1,594	33,441
Over 3 years	–	10,656	9,964
Total	<u>698,732</u>	<u>747,547</u>	<u>553,583</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	85,032	6,861	12,710
1 to 2 years	1,182	4,356	3
2 to 3 years	94	879	511
Over 3 years	–	–	527
Total	<u>86,308</u>	<u>12,096</u>	<u>13,751</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The trade and bills payables are non-interest-bearing and are normally settled within 180 days.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll payables	34,138	37,050	35,881
Sales rebate accruals and payables	14,070	14,831	16,685
Value-added tax payables and other tax payables	19,540	14,723	12,597
Royalties payable	17,732	18,275	17,626
Deposits	5,821	10,616	13,255
Other accrued expenses	1,588	2,400	2,217
Payables for property, plant and equipment	19,375	19,863	21,552
Others	1,640	750	1,311
	<u>113,904</u>	<u>118,508</u>	<u>121,124</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll payables	6,041	9,600	7,363
Sales rebate accruals and payables	986	2,378	–
Other accrued expenses	3,281	–	–
Others	391	207	–
	<u>10,699</u>	<u>12,185</u>	<u>7,363</u>

Other payables are non-interest-bearing, unsecured and repayable on demand.

26. CONTRACT LIABILITIES

The Group

	As at January 1,	As at December 31,		
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
– advances received on sales of goods. .	<u>76,199</u>	<u>124,036</u>	<u>54,801</u>	<u>50,507</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at January 1,	As at December 31,		
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
– advances received on sales of goods. .	3,792	25,141	6,670	5,214

Contract liabilities include advances received from customers for sales of products. The increase/decrease in contract liabilities during the Relevant Periods was mainly due to the increase/decrease in short-term advances received from customers in relation to the sales of products.

27. INTEREST-BEARING BANK BORROWINGS

The Group

	As at December 31, 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	1.30	2025	50,000

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analyzed into:			
Bank loans:			
Within one year or on demand	–	50,000	–
Total	–	50,000	–

Certain of the Group’s bank loans, with a carrying amount of RMB50,000,000 as at December 31, 2024, were secured by the pledged deposit amounting to RMB5,000,000. There were no such bank loans as at December 31, 2023 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

28. SHARE CAPITAL

The Group and the Company

Shares

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Issued and fully paid:			
Share capital (Ordinary shares: 50,149,000 with par value of RMB1.00 each)	50,149	50,149	50,149

There was no movement of share capital during the Relevant Periods.

29. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) *Share premium*

The share premium of the Group represents the capital contributed by the equity holders in excess of the par value of the shares issued.

(ii) *Exchange fluctuation reserve*

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currencies are not RMB.

(iii) *Reserve fund*

In accordance with the Company Law of the PRC, domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their reserve fund until the reserve funds reach 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of their reserve funds may be converted to registered capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

APPENDIX I

ACCOUNTANTS’ REPORT

(iv) *Share award reserve*

The share award reserve of the Group represents the amount in relation to share awards granted by the Group.

The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented as follows:

	Share premium	Share award reserve	Reserve fund	(Accumulated losses)/retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	218,040	187	616	(25,146)	193,697
Profit and total comprehensive for the year	—	—	—	45,722	45,722
Transfer from retained profits	—	—	4,572	(4,572)	—
Equity-settled share-based payment.	—	1,148	—	—	1,148
At December 31, 2023	<u>218,040</u>	<u>1,335</u>	<u>5,188</u>	<u>16,004</u>	<u>240,567</u>
	Share premium	Share award reserve	Reserve fund	Retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024	218,040	1,335	5,188	16,004	240,567
Profit and total comprehensive for the year	—	—	—	37,989	37,989
Transfer from retained profits	—	—	3,799	(3,799)	—
Dividends	—	—	—	(30,000)	(30,000)
Equity-settled share-based payment.	—	1,148	—	—	1,148
At December 31, 2024	<u>218,040</u>	<u>2,483</u>	<u>8,987</u>	<u>20,194</u>	<u>249,704</u>
	Share premium	Share award reserve	Reserve fund	Retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025	218,040	2,483	8,987	20,194	249,704
Profit and total comprehensive for the year	—	—	—	13,578	13,578
Transfer from retained profits	—	—	1,358	(1,358)	—
Dividends	—	—	—	(30,000)	(30,000)
Equity-settled share-based payment.	—	1,148	—	—	1,148
At December 31, 2025	<u>218,040</u>	<u>3,631</u>	<u>10,345</u>	<u>2,414</u>	<u>234,430</u>

APPENDIX I

ACCOUNTANTS’ REPORT

30. SHARE BASED PAYMENTS

For the purpose of awarding the employees and directors of the Group to secure their services and incentivize their maximum effort towards the Group’s success, the Group have set up three limited partnerships in the PRC as onshore shareholding platforms.

In 2022, 250,000 shares and 1,000,000 shares of Jiangsu BBL Home Technology Co., Ltd. with par value of RMB1.00 each were granted to certain eligible participants and issued to the onshore shareholding platforms, the units of which were held by the grantees.

These restricted shares granted to grantees shall be vested after 3 years since the completion of initial [REDACTED] of the Company’s shares.

The following restricted shares were outstanding during the Relevant Periods:

	<u>Number of restricted shares</u>
At January 1, 2023, December 31, 2023, 2024 and 2025.	<u><u>1,250,000</u></u>

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted less the subscription price paid by the eligible participants. The fair value of the shares granted is measured with reference to the transaction price paid by shareholders for share subscription close to the grant date of share awards.

During the years ended December 31, 2023, 2024 and 2025, equity-settled share-based payment expenses of RMB1,148,000, RMB1,148,000 and RMB1,148,000 were charged to profit or loss, respectively.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,310,000, RMB3,611,000 and RMB16,684,000, respectively, in respect of lease arrangements for buildings and land use rights.

During the years ended December 31, 2023, 2024 and 2025, the Group had non-cash transfer from time deposits to pledged deposits of nil, RMB55,217,000, RMB99,343,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Changes in liabilities arising from financing activities

	Interest- bearing bank borrowings	Lease liabilities	Amounts due to related parties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023.	34,000	26,018	28,533	88,551
Changes from financing cash flows	(35,818)	(4,182)	(17,953)	(57,953)
New leases.	–	4,310	–	4,310
Interest expense.	1,818	838	–	2,656
Early cancellation of leases.	–	(8,914)	–	(8,914)
Exchange realignment	–	105	–	105
At December 31, 2023	<u>–</u>	<u>18,175</u>	<u>10,580</u>	<u>28,755</u>
	Interest- bearing bank borrowings	Lease liabilities	Amounts due to related parties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024.	–	18,175	10,580	28,755
Changes from financing cash flows	48,887	(4,976)	(2,767)	41,144
New leases.	–	3,611	–	3,611
Interest expense.	1,113	851	–	1,964
Exchange realignment	–	69	–	69
At December 31, 2024	<u>50,000</u>	<u>17,730</u>	<u>7,813</u>	<u>75,543</u>
	Interest- bearing bank borrowings	Lease liabilities	Amounts due to related parties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025.	50,000	17,730	7,813	75,543
Changes from financing cash flows	(51,413)	(7,133)	8,919	(49,627)
New leases.	–	16,684	–	16,684
Interest expense.	1,413	1,247	–	2,660
Exchange realignment	–	(66)	–	(66)
At December 31, 2025	<u>–</u>	<u>28,462</u>	<u>16,732</u>	<u>45,194</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	874	3,007	7,201
Within financing activities	4,182	4,976	7,133
Total	<u>5,056</u>	<u>7,983</u>	<u>14,334</u>

32. COMMITMENTS

The Group had the following capital commitments at the end of each Relevant Periods:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings	1,161	32,754	5,715
Machinery	16,147	21,172	13,499
Total	<u>17,308</u>	<u>53,926</u>	<u>19,214</u>

33. RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group during the Relevant Periods:

(a) Names of and relationships with related parties

Name of the related party	Relationship with the Group
Ms. Zhang Xiaoling	Director and controlling shareholder of the Company
Jiangsu Beier Decoration Materials Co., Ltd.* . .	Entity controlled by Ms. Zhang Xiaoling
Changzhou Chengqi Technology Co., Ltd.* . . .	Entity controlled by the relatives of Ms. Zhang Xiaoling
Huai'an Sichang New Materials Co., Ltd.* . . .	Entity controlled by Ms. Zhang Xiaoling
DDCC FLOOR, INC..	Entity significantly influenced by Ms. Zhang Xiaoling prior to April 2023

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties during the Relevant Periods:

		Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Purchases of goods:				
Jiangsu Beier Decoration Materials				
Co., Ltd.	(i)	291	–	–
DDCC FLOOR, INC.		87	–	–
		<u>378</u>	<u>–</u>	<u>–</u>
		Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Sales of goods:				
Jiangsu Beier Decoration Materials				
Co., Ltd.	(ii)	1,295	–	–
DDCC FLOOR, INC.	(ii)	7,068	–	–
		<u>8,363</u>	<u>–</u>	<u>–</u>
		Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Rental payments:				
Ms. Zhang Xiaoling	(iii)	818	825	510
Changzhou Chengqi Technology				
Co., Ltd.	(iii)	–	382	2,501
		<u>818</u>	<u>1,207</u>	<u>3,011</u>
		Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Interest expenses on lease liabilities:				
Ms. Zhang Xiaoling	(iii)	29	25	23
Changzhou Chengqi Technology				
Co., Ltd.	(iii)	39	167	225
		<u>68</u>	<u>192</u>	<u>248</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) The purchases from the related party were made according to the published prices and conditions offered by the related party to its major customers.
- (ii) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (iii) The rental fees with the related parties were made according to the agreed prices stipulated in the lease agreements.

(c) Compensation of key management personnel of the Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	3,641	2,817	2,349
Performance related bonuses	1,570	1,420	1,590
Pension scheme contributions and social welfare . .	196	197	171
Equity-settled share-based payment expenses	765	765	765
Total compensation paid to key management personnel	6,172	5,199	4,875

(d) Balances with related parties

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Amounts due to related parties:			
Non-trade nature			
Jiangsu Beier Decoration Materials Co., Ltd	10,580	–	–
Changzhou Sichang New Materials Co., Ltd.	–	7,813	16,732
	10,580	7,813	16,732

The above amounts due to related parties are unsecured, payable on demand and interest-free.

APPENDIX I

ACCOUNTANTS’ REPORT

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at December 31, 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	296,356	–	–	296,356
Trade and bills receivables	–	900	378,609	379,509
Financial assets included in prepayments, deposits and other receivables	–	–	41,578	41,578
Pledged deposits	–	–	204,542	204,542
Cash and bank balances	–	–	184,695	184,695
Total	<u>296,356</u>	<u>900</u>	<u>809,424</u>	<u>1,106,680</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	–	1,038,283	1,038,283
Financial liabilities included in other payables and accruals	–	59,541	59,541
Derivative financial instruments	6,455	–	6,455
Amounts due to related parties	–	10,580	10,580
Total	<u>6,455</u>	<u>1,108,404</u>	<u>1,114,859</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	255,819	–	–	255,819
Trade and bills receivables	–	475	335,402	335,877
Financial assets included in prepayments, deposits and other receivables	–	–	53,109	53,109
Derivative financial instruments	2,178	–	–	2,178
Pledged deposits	–	–	216,098	216,098
Cash and bank balances	–	–	335,045	335,045
Time deposits	–	–	63,338	63,338
Total	<u>257,997</u>	<u>475</u>	<u>1,002,992</u>	<u>1,261,464</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	1,025,866
Financial liabilities included in other payables and accruals	66,735
Interest-bearing bank borrowings (<i>note 30</i>)	50,000
Amounts due to related parties	<u>7,813</u>
Total	<u>1,150,414</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2025

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	110,310	–	–	110,310
Trade and bills receivables	–	1,376	428,984	430,360
Financial assets included in prepayments, deposits and other receivables	–	–	58,806	58,806
Pledged deposits	–	–	271,388	271,388
Cash and bank balances	–	–	304,376	304,376
Time deposits	–	–	81,021	81,021
Total	<u>110,310</u>	<u>1,376</u>	<u>1,144,575</u>	<u>1,256,261</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	985,558
Financial liabilities included in other payables and accruals	72,646
Amounts due to related parties	<u>16,732</u>
Total	<u>1,074,936</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Transfers of financial assets

Financial assets that are derecognized in their entirety

Bills endorsed

At December 31, 2023, 2024 and 2025, the Group, endorsed certain bills receivable accepted by banks in Chinese Mainland to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Derecognized Bills”) with carrying amounts in aggregate of RMB12,550,000, RMB4,098,000 and RMB5,153,000, respectively. The Derecognized Bills had a maturity within 6 months at the end of each of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognized Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognized 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 Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods, no expenses were recognized on the dates of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the each of the Relevant Periods or cumulatively.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, current portion of pledged deposits, time deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

APPENDIX I

ACCOUNTANTS’ REPORT

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in financial assets at fair value through profit or loss, which represent structured deposits and wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of them using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the non-current portion of pledged deposits and time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. It has been assessed that the fair values approximate to their carrying amounts.

Derivative financial instruments, which represent foreign currency forward contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts approximate to their fair values.

Fair value hierarchy

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Assets measured at fair value:

As at December 31, 2023

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB’000	RMB’000	RMB’000
Financial assets			
Financial assets at fair value			
through profit or loss	–	296,356	–
			296,356

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Derivative financial instruments . .	–	2,178	–	2,178
Financial assets at fair value through profit or loss	–	255,819	–	255,819
Total	–	257,997	–	257,997

As at December 31, 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	–	110,310	–	110,310

Liabilities measured at fair value:

As at December 31, 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Derivative financial instruments . .	–	6,455	–	6,455

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

APPENDIX I

ACCOUNTANTS’ REPORT

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise pledged deposits, financial assets at fair value through profit or loss, time deposits, cash and cash equivalents, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, and amounts due to related parties. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax and the Group’s equity.

Year ended December 31, 2023

	<u>Increase/ (decrease) in USD rate in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>	<u>Increase/ (decrease) in equity</u>
		<i>RMB’000</i>	<i>RMB’000</i>
If the RMB weakens against the USD	100	197	128
If the RMB strengthens against the USD	(100)	(197)	(128)

Year ended December 31, 2024

	<u>Increase/ (decrease) in USD rate in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>	<u>Increase/ (decrease) in equity</u>
		<i>RMB’000</i>	<i>RMB’000</i>
If the RMB weakens against the USD	100	734	551
If the RMB strengthens against the USD	(100)	(734)	(551)

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2025

	<u>Increase/ (decrease) in USD rate in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>	<u>Increase/ (decrease) in equity</u>
		<i>RMB’000</i>	<i>RMB’000</i>
If the RMB weakens against the USD	100	1,216	912
If the RMB strengthens against the USD	(100)	(1,216)	(912)

Credit risk

The Group trades only with recognized and creditworthy third parties and there is no requirement for collateral. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. As at December 31, 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 11%, 6% and 6% of the Group’s trade receivables were due from the Group’s largest customer (in terms of outstanding trade receivables), respectively, and 27%, 24% and 22% of the Group’s trade receivables were due from the Group’s five largest customers (in terms of outstanding trade receivables) at the end of each Relevant Periods, respectively. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk.

Maximum exposure and year-end staging

The tables below show 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 as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables* . . .	900	–	–	517,413	518,313
Financial assets included in prepayments, deposits, and other receivables	31,291	–	102,487	–	133,778
Cash and cash equivalents	184,695	–	–	–	184,695
Pledged deposits	204,542	–	–	–	204,542
	<u>421,428</u>	<u>–</u>	<u>102,487</u>	<u>517,413</u>	<u>1,041,328</u>

As at December 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables* . . .	475	–	–	503,817	504,292
Financial assets included in prepayments, deposits, and other receivables	53,278	–	102,496	–	155,774
Cash and cash equivalents	335,045	–	–	–	335,045
Pledged deposits	216,098	–	–	–	216,098
Time deposits	63,338	–	–	–	63,338
	<u>668,234</u>	<u>–</u>	<u>102,496</u>	<u>503,817</u>	<u>1,274,547</u>

As at December 31, 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables* . . .	1,376	–	–	595,891	597,267
Financial assets included in prepayments, deposits, and other receivables	58,979	–	52,485	–	111,464
Cash and cash equivalents	304,376	–	–	–	304,376
Pledged deposits	271,388	–	–	–	271,388
Time deposits	81,021	–	–	–	81,021
	<u>717,140</u>	<u>–</u>	<u>52,485</u>	<u>595,891</u>	<u>1,365,516</u>

APPENDIX I

ACCOUNTANTS’ REPORT

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 19 and 17 to the Historical Financial Information, respectively.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at December 31, 2023					
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills payables	1,038,283	–	–	–	1,038,283
Financial liabilities included in other payables and accruals	59,541	–	–	–	59,541
Derivative financial instruments	6,455	–	–	–	6,455
Amounts due to related parties	11,265	–	–	–	11,265
Lease liabilities	5,804	3,036	4,958	9,290	23,088
Total	<u>1,121,348</u>	<u>3,036</u>	<u>4,958</u>	<u>9,290</u>	<u>1,138,632</u>

As at December 31, 2024					
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills payables	1,025,866	–	–	–	1,025,866
Financial liabilities included in other payables and accruals	66,735	–	–	–	66,735
Interest-bearing bank borrowings . . .	50,191	–	–	–	50,191
Amounts due to related parties	7,813	–	–	–	7,813
Lease liabilities	5,905	4,397	3,419	8,453	22,174
Total	<u>1,156,510</u>	<u>4,397</u>	<u>3,419</u>	<u>8,453</u>	<u>1,172,779</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31, 2025				
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills payables	985,558	–	–	–	985,558
Financial liabilities included in other payables and accruals	72,646	–	–	–	72,646
Amounts due to related parties	16,732	–	–	–	16,732
Lease liabilities	8,492	5,428	12,376	7,616	33,912
Total	<u>1,083,428</u>	<u>5,428</u>	<u>12,376</u>	<u>7,616</u>	<u>1,108,848</u>

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total assets	<u>1,963,671</u>	<u>2,117,470</u>	<u>2,222,171</u>
Total liabilities	<u>1,357,961</u>	<u>1,320,411</u>	<u>1,235,378</u>
Asset-liability ratio	<u>69%</u>	<u>62%</u>	<u>56%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

37. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries – trade in nature	508,535	437,682	513,429

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries – trade in nature	621,660	845,641	776,608

As at December 31, 2023, 2024 and 2025, all the trade balances due from or due to subsidiaries were non-interest-bearing, unsecured and repayable on demand.

38. EVENTS AFTER THE RELEVANT PERIODS

Apart from the dividend distribution as disclosed in note 12 to the Historical Financial Information, there were no significant subsequent events undertaken by the Company or by the Group after December 31, 2025.

39. SUBSEQUENT FINANCIAL STATEMENTS

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