

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a draft report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

[To insert the letterhead of the firm]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN LONGSYS ELECTRONICS CO., LTD, CITIC SECURITIES (HONG KONG) LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of Shenzhen Longsys Electronics Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 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 31 December 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 [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [●] (the “[REDACTED]”) in connection with the initial [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.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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 31 December 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 Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation 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 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.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	5	10,125,112	17,463,650	22,766,170
Cost of sales		(9,653,091)	(14,704,494)	(18,673,002)
Gross profit		472,021	2,759,156	4,093,168
Other income and gains	5	101,821	496,048	606,368
Research and development expenses . .		(593,654)	(910,301)	(1,047,824)
Selling and distribution expenses		(481,980)	(772,122)	(885,602)
Administrative expenses		(453,225)	(634,585)	(669,199)
Impairment losses on financial assets .		(1,141)	(1,732)	(749)
Other expenses		(20,341)	(75,238)	(120,600)
Finance costs	6	(82,150)	(271,304)	(230,372)
Share of profits/(losses) of associates .		371	(266)	(225)
(LOSS)/PROFIT BEFORE TAX	7	(1,058,278)	589,656	1,744,965
Income tax credit/(expense)	10	221,022	(84,425)	(247,194)
(LOSS)/PROFIT FOR THE YEAR		(837,256)	505,231	1,497,771
Attributable to:				
Owners of the parent		(827,809)	498,684	1,423,298
Non-controlling interests		(9,447)	6,547	74,473
		(837,256)	505,231	1,497,771
(LOSS)/EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE				
PARENT	12			
Basic (RMB)		(2.01)	1.20	3.41
Diluted (RMB)		(2.01)	1.20	3.38

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(837,256)</u>	<u>505,231</u>	<u>1,497,771</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>11,578</u>	<u>(292,124)</u>	<u>82,996</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>11,578</u>	<u>(292,124)</u>	<u>82,996</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(825,678)</u>	<u>213,107</u>	<u>1,580,767</u>
Attributable to:			
Owners of the parent	<u>(816,231)</u>	<u>209,366</u>	<u>1,505,412</u>
Non-controlling interests	<u>(9,447)</u>	<u>3,741</u>	<u>75,355</u>
	<u>(825,678)</u>	<u>213,107</u>	<u>1,580,767</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,990,227	2,427,468	2,678,304
Right-of-use assets	14	263,356	255,034	238,057
Goodwill	15	868,661	793,980	820,182
Other intangible assets	16	279,854	245,771	258,958
Investment in associates	17	25,159	30,000	30,123
Financial assets at fair value through profit or loss	23	393,883	720,080	911,545
Deferred tax assets	18	446,494	537,632	503,645
Prepayments, other receivables and other assets	22	346,762	203,219	701,635
Total non-current assets		4,614,396	5,213,184	6,142,449
CURRENT ASSETS				
Inventories	19	5,893,165	7,833,153	11,677,745
Trade and bills receivables	20	1,345,301	1,671,623	2,040,417
Receivables financing	21	—	—	4,434
Prepayments, other receivables and other assets	22	608,034	974,113	1,368,800
Financial assets at fair value through profit or loss	23	—	179,623	38,541
Pledged deposits	24	18,426	10,560	9,520
Cash and cash equivalents	24	1,200,523	1,014,411	1,468,811
Total current assets		9,065,449	11,683,483	16,608,268
CURRENT LIABILITIES				
Trade payables	25	1,147,411	1,140,589	2,016,776
Contract liabilities	28	65,844	94,803	354,635
Other payables and accruals	26	526,816	673,492	1,034,904
Financial liabilities at fair value through profit or loss	23	789	—	66
Interest-bearing bank borrowings	27	3,170,752	5,162,691	6,112,477
Tax payables		5,423	129,427	119,342
Lease liabilities	14	16,350	22,326	25,320
Provision	30	—	—	60,080
Total current liabilities		4,933,385	7,223,328	9,723,600
NET CURRENT ASSETS		4,132,064	4,460,155	6,884,668
TOTAL ASSETS LESS CURRENT LIABILITIES				
		8,746,460	9,673,339	13,027,117

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		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	27	2,092,258	2,516,736	4,377,325
Deferred income	29	14,581	20,651	35,264
Deferred tax liabilities	18	99,965	135,156	161,358
Lease liabilities	14	68,203	64,420	51,232
Other payables and accruals	26	—	—	39,606
Provision	30	22,049	36,871	667
Total non-current liabilities		2,297,056	2,773,834	4,665,452
Net assets		6,449,404	6,899,505	8,361,665
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	412,864	415,982	419,145
Reserves	32	5,608,265	6,051,507	7,435,149
		6,021,129	6,467,489	7,854,294
Non-controlling interests		428,275	432,016	507,371
Total equity		6,449,404	6,899,505	8,361,665

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Statutory surplus reserve*	Retained earnings*		
	RMB'000 (note 31)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000
At 1 January 2023	412,864	3,879,139	–	137,013	51,792	2,157,945	–	6,638,753
Loss for the year.	–	–	–	–	–	(827,809)	(9,447)	(837,256)
Other comprehensive income for the year:								
Foreign currency translation	–	–	–	11,578	–	–	–	11,578
Total comprehensive income/(loss) for the year	–	–	–	11,578	–	(827,809)	(9,447)	(825,678)
Share-based payments	–	–	198,607	–	–	–	–	198,607
Transfer from retained earnings	–	–	–	–	10,708	(10,708)	–	–
Non-controlling interests arising from acquisition of subsidiaries (note 34)	–	–	–	–	–	–	437,722	437,722
At 31 December 2023	<u>412,864</u>	<u>3,879,139</u>	<u>198,607</u>	<u>148,591</u>	<u>62,500</u>	<u>1,319,428</u>	<u>428,275</u>	<u>6,449,404</u>

Year ended 31 December 2024

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Statutory surplus reserve*	Retained earnings*		
	RMB'000 (note 31)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000
At 1 January 2024	412,864	3,879,139	198,607	148,591	62,500	1,319,428	428,275	6,449,404
Profit for the year	–	–	–	–	–	498,684	6,547	505,231
Other comprehensive loss for the year:								
Foreign currency translation	–	–	–	(289,318)	–	–	(2,806)	(292,124)
Total comprehensive (loss)/income for the year	–	–	–	(289,318)	–	498,684	3,741	213,107
Issuance of shares upon exercising of share-based payment scheme (note 33)	3,118	269,615	(159,824)	–	–	–	–	112,909
Share-based payments	–	–	231,647	–	–	–	–	231,647
Repurchase of restricted share units cancelled during the year	–	–	(3,567)	–	–	–	–	(3,567)
Dividends declared (note 11)	–	–	–	–	–	(103,995)	–	(103,995)
At 31 December 2024	<u>415,982</u>	<u>4,148,754</u>	<u>266,863</u>	<u>(140,727)</u>	<u>62,500</u>	<u>1,714,117</u>	<u>432,016</u>	<u>6,899,505</u>

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Year ended 31 December 2025

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translate on reserve*	Statutory surplus reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000 (note 31)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000
At 1 January 2025	415,982	4,148,754	266,863	(140,727)	62,500	1,714,117	6,467,489	432,016	6,899,505
Profit for the year	–	–	–	–	–	1,423,298	1,423,298	74,473	1,497,771
Other comprehensive income for the year:									
Foreign currency translation .	–	–	–	82,114	–	–	82,114	882	82,996
Total comprehensive income for the year	–	–	–	82,114	–	1,423,298	1,505,412	75,355	1,580,767
Issuance of shares upon exercising of share-based payment scheme (note 33) . .	3,163	257,886	(147,250)	–	–	–	113,799	–	113,799
Share-based payments	–	–	91,481	–	–	–	91,481	–	91,481
Acquisition of non-controlling interests	–	(323,887)	–	–	–	–	(323,887)	–	(323,887)
Transfer from retained earnings	–	–	–	–	2,066	(2,066)	–	–	–
At 31 December 2025	<u>419,145</u>	<u>4,082,753</u>	<u>211,094</u>	<u>(58,613)</u>	<u>64,566</u>	<u>3,135,349</u>	<u>7,854,294</u>	<u>507,371</u>	<u>8,361,665</u>

* These reserve accounts represent the total reserves of RMB5,608,265,000, RMB6,051,507,000 and RMB7,435,149,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax		(1,058,278)	589,656	1,744,965
Adjustments for:				
Bank interest income	5	(34,084)	(16,874)	(19,081)
Finance costs	6	82,150	271,304	230,372
Write-down of inventories to net realisable value	7	356,363	566,297	313,661
Depreciation of property, plant and equipment	7, 13	88,848	373,614	348,037
Depreciation of right-of-use assets. . . .	7, 14(a)	15,611	32,275	36,482
Amortisation of other intangible assets	7, 16	29,943	51,899	60,939
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets	7	732	(1,474)	(5,259)
Impairment of trade receivables, net . .	7	1,141	1,732	749
Equity-settled share-based payment expenses	33	198,081	232,173	91,481
(Gain)/loss on disposal of financial assets/liabilities, net		(71)	(33,013)	56,434
Dividend income received from an equity investment measured at fair value through profit or loss	5	(70)	(210)	(193)
Fair value gains on financial assets at fair value through profit or loss, net		(39,168)	(306,765)	(178,258)
Gain on deemed disposal of investment in an associate	5	—	(14,095)	—
Share of (profit)/loss of associates. . . .		(371)	266	225
		(359,173)	1,746,785	2,680,554

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	<i>Note</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Increase in inventories		(2,277,880)	(2,506,285)	(4,158,253)
(Increase)/decrease in restricted cash . .		(9,461)	7,866	1,040
Increase in trade and bill receivables . .		(231,694)	(328,054)	(373,914)
Increase in prepayments, other receivables and other assets		(333,354)	(371,654)	(694,010)
Increase/(decrease) in trade payables . .		346,785	(6,822)	876,187
Increase in contract liabilities		50,237	28,959	259,832
Increase in other payables and accruals		134,772	241,014	344,471
Increase in deferred income		10,226	6,070	14,613
Increase in provision		5,880	14,822	23,876
Cash used in operations		(2,663,662)	(1,167,299)	(1,025,604)
Interest received		34,084	16,874	19,081
Income tax paid		(168,822)	(39,317)	(194,679)
Net cash flows used in operating activities		(2,798,400)	(1,189,742)	(1,201,202)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(422,966)	(888,713)	(744,324)
Purchase of intangible assets		(76,021)	(54,833)	(100,448)
Purchases of financial assets at fair value through profit or loss		(590,000)	(1,006,725)	(692,107)
Purchase of equity in an associate		–	(30,000)	(348)
Proceeds from disposal of items of property, plant and equipment and other intangible assets		1	7,224	14,114
Proceeds from disposal of finance products		1,150,000	845,874	819,661
Investment income/(loss) from financial assets at fair value through profit or loss		4,705	33,219	(55,855)
Acquisition of subsidiaries	34	(1,727,178)	(8,037)	(208,613)
Net cash flows used in investing activities		(1,661,459)	(1,101,991)	(967,920)

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowings		6,114,978	7,949,040	9,878,402
Repayment of bank and other borrowings		(2,301,614)	(5,527,600)	(7,076,456)
Cash received under the subsidiary's employee stock ownership plan . . .		—	—	7,102
Payments of lease liabilities	14(b)	(13,211)	(25,494)	(34,794)
Share issue expenses		(6,950)	—	(28,623)
Issuance of shares upon exercising of the share-based payment scheme . . .		—	112,909	113,799
Repurchase of restricted share units cancelled during the year		—	(1,424)	—
Dividends paid	11	—	(103,995)	—
Interest paid		(75,335)	(262,694)	(234,634)
Net cash flows from financing activities		3,717,868	2,140,742	2,624,796
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
		(741,991)	(150,991)	455,674
Cash and cash equivalents at beginning of year		1,908,239	1,200,523	1,014,411
Effect of foreign exchange rate changes, net		34,275	(35,121)	(1,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	24	1,200,523	1,014,411	1,468,811
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24	1,218,949	1,024,971	1,478,331
Less: Restricted deposits		(18,426)	(10,560)	(9,520)
Cash and cash equivalents as stated in the consolidated statements of financial position		1,200,523	1,014,411	1,468,811

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investments in subsidiaries		2,284,382	2,515,432	2,590,885
Property, plant and equipment	13	15,063	22,995	22,305
Right-of-use assets	14	—	14,280	10,348
Other intangible assets	16	9,602	8,742	14,814
Deferred tax assets	18	10,332	36,609	46,815
Financial assets at fair value through profit or loss	23	10,870	5,250	21,449
Prepayments, other receivables and other assets	22	5,534	9,526	8,597
Total non-current assets		2,335,783	2,612,834	2,715,213
CURRENT ASSETS				
Inventories	19	1,022,694	955,833	693,170
Trade and bills receivables	20	1,245,071	2,718,710	1,493,435
Prepayments, other receivables and other assets	22	3,442,986	6,173,015	8,322,296
Financial assets at fair value through profit or loss	23	—	727	—
Cash and cash equivalents	24	195,248	298,183	470,252
Total current assets		5,905,999	10,146,468	10,979,153
CURRENT LIABILITIES				
Trade and bills payables	25	159,789	1,951,245	1,383,512
Other payables and accruals	26	68,810	319,374	273,874
Contract liabilities	28	2,443	1,513	53,257
Interest-bearing bank borrowings	27	1,175,866	3,120,382	2,967,586
Tax payables		1,990	—	—
Lease liabilities	14	—	4,076	4,440
Total current liabilities		1,408,898	5,396,590	4,682,669
NET CURRENT ASSETS		4,497,101	4,749,878	6,296,484
TOTAL ASSETS LESS CURRENT LIABILITIES				
		6,832,884	7,362,712	9,011,697
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	27	1,975,800	2,284,700	3,708,248
Lease liabilities	14	—	11,911	7,471
Deferred tax liabilities	18	895	134	4,073
Total non-current liabilities		1,976,695	2,296,745	3,719,792
Net assets		4,856,189	5,065,967	5,291,905
EQUITY				
Share capital	31	412,864	415,982	419,145
Reserves	32	4,443,325	4,649,985	4,872,760
Total equity		4,856,189	5,065,967	5,291,905

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in Shenzhen, the People’s Republic of China (the “PRC”) on 27 April 1999. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 301308) on 5 August 2022. The registered office address of the Company is Floor 20, 22, 23, B Tower, Horoy Qianhai Finance Centre Centre Phase II, No. 5059, Tinghai Avenue, Qianhai, Shenzhen, PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) was principally engaged in the research and development, design, packaging and testing, manufacturing (SMT and assembly) and sales of semiconductor memory application products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the Company’s principal subsidiaries are set out below:

Name	Notes	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Zhongshan Longsys Electronics Co., Limited* (中山市江波龍電子有限公司)	(a)	Chinese Mainland, 12 October 2015	RMB850,000,000	100%	–	Research and development, testing and sales of storage products
Lexar Electronics (Shenzhen) Co., Ltd.* (雷克沙電子(深圳)有限公司)	(a)	Chinese Mainland, 24 November 2015	RMB30,000,000	100%	–	Sales of storage products
MESTOR Electronics (HK) Co., Limited (Formerly known as: Damai Electronics (HK) Limited)	(b)	Hong Kong, 10 May 2016	HKD10,000	–	100%	Sales and procurement of storage products
Longsys Electronics (HK) Co., Limited (江波龍電子(香港)有限公司)	(b)	Hong Kong, 19 April 2013	HKD62,500,000	–	100%	Sales and procurement of storage products
Lexar Co., Limited (雷克沙有限公司)	(b)	Hong Kong, 14 September 2017	HKD1,000,000	–	100%	Sales of storage products
Shanghai Longsys Digital Technology Co., Limited* (上海江波龍數字技術有限公司)	(c)	Chinese Mainland, 3 July 2020	RMB736,000,000	–	100%	Research and development of storage products
Shanghai Longsys Storage Technology Co., Limited* (上海江波龍存儲技術有限公司)	(c)	Chinese Mainland, 29 May 2020	RMB1,136,000,000	100%	–	Procurement of raw materials
Zilia Technologies Indústria e Comércio de Componentes Eletrônicos Ltda. (Formerly known as: SMART Modular Technologies do Brasil- Indústria e Comércio de Componentes Ltda.) (“Zilia Eletrônicos”)**	(d)	Brazil, 19 October 2009	BRL479,815,000	–	100%	Manufacturing and sales of universal storage products

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Name	Notes	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Zilia Technologies Indústria de Componentes Semicondutores Ltda. (Formerly known as: SMART Modular Technologies Indústria de Componentes Eletrônicos Ltda.) (“Zilia Semicondutores”)**	(d)	Brazil, 5 February 2004	BRL383,538,000	–	100%	Manufacturing and sales of universal storage products
Longforce Technology (Suzhou) Co., Ltd.*/** (Formerly known as: Powertech Technology (Suzhou) Ltd.) (元成科技(蘇州)有限公司) (Formerly known as: 力成科技(蘇州)有限公司)	(e)	Chinese Mainland, 31 August 1995	USD100,000,000	–	70%	Packaging and testing of storage products
Lexar Europe B.V.**	(f)	the Netherlands 13 February 2020	EUR153,000,000	–	100%	Business promotion and provision after-sales services
Xizang Yuanshi Venture Capital Management Co., Ltd.* (西藏遠識創業投資管理有限公司)	(g)	Chinese Mainland, 17 March 2017	RMB50,000,000	100%	–	Investment holding
Lexar International	(h)	United States of America, 4 October 2017	USD1,000,000	–	100%	Sales of storage products

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Shenzhen Yue Hua Certified Public Accountants (General Partnership) (深圳岳華會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (b) The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Yeung & Mok CPA Limited, a certified public accounting firm registered in Hong Kong.
- (c) The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 prepared under PRC GAAP were audited by Shanghai Acumen Certified Public Accountants Co., Ltd. (上海歐柯盟會計師事務所有限公司), certified public accountants registered in the PRC.
- (d) These entities were acquired by the Group during 2023. The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with International Financial Reporting Standards were audited by ERNST & YOUNG Auditores Independentes S.S.Ltda., a certified public accounting firm registered in Brazil.
- (e) This entity was acquired by the Group during 2023. The statutory financial statements of this entity for the year ended 31 December 2023 prepared under PRC GAAP were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. The statutory financial statements of this entity for the year ended 31 December 2024 and 2025 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
- (f) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared under the Dutch Standard 4410 were audited by Grant Thornton Accountants en Adviseurs B.V., a certified public accounting firm registered in the Netherlands.

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- (g) The entity has not appointed auditors to issue statutory financial statements for the year ended 31 December 2023. The statutory financial statements of this entity for the year ended 31 December 2024 and 2025 prepared under PRC GAAP were audited by Shenzhen Yue Hua Certified Public Accountants (General Partnership) (深圳岳華會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (h) This entity has not appointed auditors to issue statutory financial statements for the years ended 31 December 2023, 2024 and 2025.
- * The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.
- ** Certain equity interests of these subsidiaries were pledged for the Group’s interest-bearing bank borrowings (note 27).

2.1 BASIS OF PREPARATION

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

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.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group 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 information of the subsidiaries is prepared for the same reporting periods 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 derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised 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.

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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.

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>
<i>Annual Improvements to IFRS Accounting Standards</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>
<i>– Volume 11</i>	

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

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

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in certain accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have a material impact on the consolidated financial position of the Group but is expected to affect the presentation of the consolidated statements of profit or loss, statements of comprehensive income and statements of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Interests in subsidiaries

Interests in subsidiaries are stated in the statement of financial position of the Company at cost less impairment loss, if any.

Investment in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associates is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investment in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associates is included as part of the Group's investment in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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

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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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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
- 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (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 non-financial asset is required (other than inventories and deferred tax 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.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised 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 periods 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 of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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 amortisation/depreciation) had no impairment loss been recognised 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.

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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; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
 - (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.

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 periods in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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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:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Buildings	1.36%-33.33%
Plant and machinery	9.00%-30.00%
Electronic equipment, Furniture and fixtures	9.00%-30.00%
Motor vehicles	18.00%-45.00%

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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised 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 cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation periods and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and trademarks

Purchased patents and trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when 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 periods of time in exchange for consideration.

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The 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 recognises 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 recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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:

Machinery equipment	3 years
Buildings	2 to 23 years
Leasehold land	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 recognised 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, 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 recognised as an expense in the periods 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.

The Group’s lease liabilities are presented separately in the consolidated statement of financial position.

(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 and employee dormitory (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 to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

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Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost 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 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 amortised 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 amortised 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 periods generally established by regulation or convention in the marketplace are recognised 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 amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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 recognised in the statement of profit or loss.

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This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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

For receivables financing, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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 recognises 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.

General approach

ECLs are recognised 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 each reporting date, 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 reporting date with the risk of a default occurring on the financial

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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 amortised 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 reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables 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 recognises a loss allowance based on lifetime ECLs at each reporting date. 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 financial liabilities at fair value through profit or loss, loans and borrowings or payables.

All financial liabilities are recognised 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 payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and derivative financial instruments.

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 includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

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

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised 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 recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised 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 recognised 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. 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 realisable value. Cost is determined on the weighted average basis and, in the case of materials consigned for processing, work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty periods. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 each reporting period, 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 of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised 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
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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 recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, 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 and associates, deferred tax assets are only recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 periods when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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 realise the assets and settle the liabilities simultaneously, in each future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Government grants

Government grants are recognised 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 recognised 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 or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of 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 recognised 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sales of products

Revenue from the sales of products is recognised at the point in time when control of the asset is transferred to the customers, generally on acceptance of the delivered products.

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

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the periods exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. The expected value method or the most likely amount method is used to best estimate the variable consideration for the expected future rebates. The variable consideration is estimated at the end of each reporting period and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(b) Provision of technical, packaging and testing services

Revenue from the provision of technical service is recognised over time, using the output method to determine the progress towards the complete satisfaction of the performance obligation, because the customer simultaneously receives and consumes the benefits provided by the Group. For packaging and testing service, if the performance obligation is not satisfied over time, the revenue is recognised at a point in time upon completion of the provision of services.

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Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

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

Share-based payments

The Group operates share award schemes 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 as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of share awards is determined by an external valuer using the Black-Scholes model. Further details are included in note 33 to the Historical Financial Information.

The cost of equity-settled transactions is recognised 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 recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting periods 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 recognised as at the beginning and end of that periods.

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 recognised. 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 recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries 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 — Chinese Mainland

The Group contributes on a monthly basis to a defined contribution housing fund plan and other social insurance plans operated by the local municipal government. Contributions to these plans by the Group are expensed as incurred.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

All borrowing costs are expensed in the periods 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 authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised 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 recognised 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 and interim dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the note 11 to the Historical Financial Information.

Foreign currencies

These financial statements are 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 recognised 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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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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 recognises 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 other than RMB. As at the end of the reporting periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting periods and their statements of 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 recognised in other comprehensive income and accumulated in the foreign currency translation 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 recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates of 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 disclosures, and the disclosure of contingent liabilities. 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 recognised in the Historical Financial Information:

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group’s key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed. In determining whether cash flows are going to be realised by collecting the financial assets’ contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

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 against obsolete and slow-moving inventories

The Group reviews the condition of its inventories at the end of each reporting period and makes provisions against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Such sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of the

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semiconductor industry. Management estimates the net realisable value for those obsolete and slow-moving inventories based primarily on the latest invoice prices and current market conditions. The estimation is reassessed at the end of each reporting period. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

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 aging for groupings of various customer segments that have similar loss patterns

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 in the manufacturing sector, 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 analysed.

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 20 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in note 15 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 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).

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Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in the note 40 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 18 to the Historical Financial Information.

Depreciation

The Group calculates the depreciation of items of property, plant and equipment on the straight-line basis over their estimated useful lives after taking into account their estimated residual value, estimated useful lives, commencing from the date the items of property, plant and equipment are placed into use. The estimated useful lives reflect the directors’ estimate of the period that the Group intends to derive future economic benefits from the use of the Group’s items of property, plant and equipment.

Provisions for warranty

The Group makes reasonable estimates on warranty fee rates in respect of contract groups with similar characteristics based on the historic data and current conditions of warranty, taking into consideration all relevant information such as product improvements and market changes, among others. The estimate of the warranty fee rate may not be equal to the actual warranty fee rate in the future. The Group reassesses the warranty fee rates at least annually at least on each balance sheet date and determines its estimated liabilities based on the reassessed warranty fee rates.

4. OPERATING SEGMENT INFORMATION

The Group manages its business as a whole for the purpose of making decision on resource allocation and performance assessment, therefore, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	2,318,702	5,038,831	7,547,874
Other countries/regions	7,806,410	12,424,819	15,218,296
	<u>10,125,112</u>	<u>17,463,650</u>	<u>22,766,170</u>

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

(b) Non-current assets

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	2,391,866	2,259,929	2,523,624
Other countries/regions	1,382,153	1,695,543	2,188,490
	<u>3,774,019</u>	<u>3,955,472</u>	<u>4,712,114</u>

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

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Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Group’s revenue during the Relevant Period are set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	1,110,406	2,444,236	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue during the respective period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	10,124,959	17,463,597	22,765,629
Revenue from other sources			
Rental income	153	53	541
Total	<u>10,125,112</u>	<u>17,463,650</u>	<u>22,766,170</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Types of goods or services			
Sale of products	10,065,969	17,307,185	22,692,215
Provision of services	58,990	156,412	73,414
Total	<u>10,124,959</u>	<u>17,463,597</u>	<u>22,765,629</u>
Geographical markets			
Chinese Mainland	2,318,702	5,038,778	7,547,333
Other countries/regions	7,806,257	12,424,819	15,218,296
Total	<u>10,124,959</u>	<u>17,463,597</u>	<u>22,765,629</u>
Timing of revenue recognition			
Products transferred and services provided at a point in time	10,123,800	17,455,241	22,760,054
Services transferred over time	1,159	8,356	5,575
Total	<u>10,124,959</u>	<u>17,463,597</u>	<u>22,765,629</u>

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The following table shows the amounts of revenue recognised in the current reporting periods that were included in the contract liabilities at the beginning of the reporting periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting periods:			
Sales of products	15,607	65,844	94,803

(b) Performance obligations

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

Sales of products

The performance obligation is satisfied upon the acceptance of delivered products and payment is mainly due within 7 to 120 days from delivery or made in advance. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

The rendering of services

For technical services, revenue is recognised over time. For packaging and testing services, revenue is recognised at a point in time upon completion of the provision of services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year.

Other income and gains

An analysis of other income and gains, net is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Interest income	34,084	16,874	19,081
Government grants*.	25,394	104,895	373,005
Dividend income	70	210	193
Others	3,034	13,567	7,482
Total other income	62,582	135,546	399,761
Gains			
Gain on disposal of items of property, plant and equipment	–	3,224	8,629
Gain on deemed disposal of investment in an associate	–	14,095	–
Gain on disposal of financial assets/liabilities, net	71	33,013	4,516
Fair value gains, net:			
Structured deposits and certificate deposits	2,780	6,158	1,997
Equity instrument	36,046	286,709	191,465
Derivative financial instruments	342	17,303	–
Total gains	39,239	360,502	206,607
Total other income and gains	101,821	496,048	606,368

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* The Group has received certain government grants related to assets and income. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	872	5,952	4,940
Interest on bank and other borrowings	81,278	265,352	225,432
Total	<u>82,150</u>	<u>271,304</u>	<u>230,372</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of inventories sold and services provided*		9,653,091	14,704,494	18,673,002
Depreciation of property, plant and equipment**	13	88,848	373,614	348,037
Depreciation of right-of-use assets**	14(a)	15,611	32,275	36,482
Research and development costs		593,654	910,301	1,047,824
Amortisation of intangible assets**	16	29,943	51,899	60,939
Loss/(gain) on disposal of property, plant and equipment, net***		732	(1,474)	(5,259)
Lease payments not included in the measurement of lease liabilities	14(c)	8,588	4,446	4,707
Auditor’s remuneration		4,321	5,835	7,142
Foreign exchange differences, net***		19,486	61,294	39,832
Impairment of trade receivables, net.	20	1,141	1,732	749
Write-down of inventories to net realisable value****		356,363	566,297	313,661
Product warranty provision****	30	14,978	37,605	50,416
Employee benefit expense (excluding directors’, chief executives’ and supervisors’ remuneration (note 8)):				
Wages and salaries		616,488	1,167,943	1,395,766
Pension scheme contributions		63,854	117,649	133,728
Staff welfare expenses		30,698	74,187	81,519
Share-based payment expenses		198,081	232,173	91,481
Total		<u>909,121</u>	<u>1,591,952</u>	<u>1,702,494</u>

* The amounts disclosed for cost of inventories sold and services provided included the write-down of inventories to net realisable value.

** The depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets are included in “Cost of sales”, “Selling and distribution expenses”, “Administrative expenses”, and “Research and development expenses” in profit or loss.

*** The amounts are included in “other income and gains” and “other expense” in profit or loss.

**** The amounts are included in “cost of sales” in profit or loss.

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ACCOUNTANTS’ REPORT

8. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

Directors’, chief executive’s and supervisors’ remuneration are set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	360	480	640
Other emoluments:			
Salaries, allowances and benefits in kind	3,575	5,974	5,254
Pension scheme contributions	629	583	483
Subtotal	4,204	6,557	5,737
Total	4,564	7,037	6,377

Year ended 31 December 2023

	Fees	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Cai Huabo (i)	–	134	65	199
Mr. Li Zhixiong (ii)	–	170	59	229
Mr. Wang Jingyang (iii)	–	422	143	565
Mr. Zhu Yu (iv)	–	1,491	101	1,592
Subtotal	–	2,217	368	2,585
Non-executive directors:				
Mr. Cai Jing (v)*	–	–	–	–
Mr. Hu Yingping (vi)*	–	–	–	–
Subtotal	–	–	–	–
Independent non-executive directors:				
Mr. Chen Weiyue (vii)	120	–	–	120
Mr. Jason Zheng (vii)	120	–	–	120
Mr. Tang Zhongcheng (vii)	120	–	–	120
Subtotal	360	–	–	360
Supervisors:				
Mr. Gao Wei (viii)	–	608	100	708
Ms. Jin Hongmei (viii)	–	442	91	533
Mr. Tang Kangqiang (viii)	–	308	70	378
Subtotal	–	1,358	261	1,619
Total	360	3,575	629	4,564

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Year ended 31 December 2024

	Fees	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Cai Huabo (i)	–	792	42	834
Mr. Li Zhixiong (ii)	–	180	46	226
Mr. Wang Jingyang (iii)	–	1,451	133	1,584
Mr. Zhu Yu (iv)	–	1,400	104	1,504
Subtotal	–	3,823	325	4,148
Non-executive directors:				
Mr. Cai Jing (v)*	–	–	–	–
Mr. Hu Yingping (vi)*	–	–	–	–
Subtotal	–	–	–	–
Independent non-executive directors:				
Mr. Chen Weiyue (vii)	160	–	–	160
Mr. Jason Zheng (vii)	73	–	–	73
Mr. Tang Zhongcheng (vii)	160	–	–	160
Mr. Huang Zhiqiang (vii)	87	–	–	87
Subtotal	480	–	–	480
Supervisors:				
Mr. Gao Wei (viii)	–	1,006	102	1,108
Ms. Jin Hongmei (viii)	–	235	42	277
Mr. Tang Kangqiang (viii)	–	233	18	251
Ms. Meng Meng (viii)	–	184	41	225
Ms. Zhang Jihong (viii)	–	493	55	548
Subtotal	–	2,151	258	2,409
Total	480	5,974	583	7,037

Year ended 31 December 2025

	Fees	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Cai Huabo (i)	–	1,012	113	1,125
Mr. Li Zhixiong (ii)	–	180	48	228
Mr. Wang Jingyang (iii)	–	2,613	121	2,734
Subtotal	–	3,805	282	4,087
Non-executive directors:				
Mr. Cai Jing (v)*	–	–	–	–
Mr. Hu Yingping (vi)*	–	–	–	–
Subtotal	–	–	–	–
Independent non-executive directors:				
Mr. Chen Weiyue (vii)	160	–	–	160
Mr. Tang Zhongcheng (vii)	160	–	–	160
Mr. Huang Zhiqiang (vii)	160	–	–	160
Ms. Tang Mei Shan (vii)	160	–	–	160
Subtotal	640	–	–	640

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	Fees	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:				
Mr. Gao Wei (viii)	—	598	75	673
Ms. Meng Meng (viii)	—	190	53	243
Ms. Zhang Jihong (viii)	—	661	73	734
Subtotal	—	1,449	201	1,650
Total	640	5,254	483	6,377

Notes:

- (i) Mr. Cai Huabo was appointed as an executive director of the Company with effect from September 2018 and was re-designated with effect from 14 June 2024. Mr. Cai Huabo was also serving as the chief executive officer of the Company and the chairman of the board of directors.
 - (ii) Mr. Li Zhixiong was appointed as an executive director of the Company with effect from September 2018 and was re-designated with effect from 14 June 2024.
 - (iii) Mr. Wang Jingyang was appointed as an executive director of the Company with effect from September 2018 and was re-designated with effect from 14 June 2024.
 - (iv) Mr. Zhu Yu was appointed as an executive director of the Company with effect from September 2018 and was re-designated with effect from 14 June 2024. Mr. Zhu Yu resigned as an executive director of the Company on 17 December 2024. Mr. Zhu Yu also served as the chief financial officer of the Company from 20 September 2018 to 28 December 2025.
 - (v) Mr. Cai Jing was appointed as a non-executive director of the Company with effect from 10 February 2021 was re-designated as a non-executive director of the Company with effect from 14 June 2024.
 - (vi) Mr. Hu Yingping was appointed as a non-executive director of the Company with effect from November 2022.
 - (vii) Mr. Chen Weiyue was appointed as an independent non-executive director of the Company with effect from February 2021 to June 2027. Mr. Jason Zheng was appointed as an independent non-executive director of the Company with effect from March 2021 to June 2024. Mr. Tang Zhongcheng was appointed as an independent non-executive director of the Company with effect from February 2021 to June 2027. Mr. Huang Zhiqiang was appointed as an independent non-executive director of the Company with effect from June 2024 to June 2027. Ms. Tang Mei Shan was appointed as an independent non-executive director of the Company with effect from January 2025 to June 2027.
 - (viii) Mr. Gao Wei was appointed as a supervisor of the Company with effect from February 2021 to July 2025. Ms. Jin Hongmei was appointed as a supervisor of the Company with effect from February 2021 to June 2024. Mr. Tang Kangqiang was appointed as a supervisor of the Company with effect from February 2021 to June 2024. Ms. Meng Meng was appointed as a supervisor of the Company with effect from June 2024 to July 2025. Ms. Zhang Jihong was appointed as a supervisor of the Company with effect from June 2024 to July 2025.
- * The Company’s non-executive directors did not receive any remunerations from the Group, which is based on the Group’s policy on directors’ remuneration and common practice for A share listed companies.

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

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods include nil director, chief executive and supervisor. Details of the remuneration of the five highest paid employees who are neither a director, chief executive nor supervisor of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	11,432	15,364	22,179
Pension scheme contributions	662	765	775
Share-based payment expenses	21,421	23,002	9,876
	<u>33,515</u>	<u>39,131</u>	<u>32,830</u>

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

	Year ended 31 December		
	2023	2024	2025
HK\$5,500,001 to HK\$6,000,000	1	–	1
HK\$6,000,001 to HK\$6,500,000	–	–	2
HK\$6,500,001 to HK\$7,000,000	1	1	–
HK\$7,000,001 to HK\$7,500,000	1	1	–
HK\$7,500,001 to HK\$8,000,000	1	–	–
HK\$8,000,001 to HK\$8,500,000	–	1	–
HK\$8,500,001 to HK\$9,000,000	–	–	2
HK\$9,000,001 to HK\$9,500,000	1	–	–
HK\$9,500,001 to HK\$10,000,000	–	1	–
HK\$10,000,001 to HK\$11,000,000	–	1	–
Total	<u>5</u>	<u>5</u>	<u>5</u>

10. INCOME TAX

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

(a) Chinese Mainland

Under the Corporate Income Tax Law of PRC (the “CIT Law”) and Implementation Regulation of the CIT Law, the CIT rate of PRC subsidiaries was 25% during the Relevant Periods except those subject to tax concession set out below.

According to the Administrative Measures for Determination of High and New Tech Enterprises, which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation and became effective on January 1, 2016, an enterprise recognised as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the CIT Law. Zhongshan Longsys Electronics Co., Limited and Longforce Technology (Suzhou) Co., Ltd. are subject to a preferential income tax rate of 15% from 2021 to 2025. The Company is subject to a preferential income tax rate of 15% from 2021 to 2024. Shanghai Longsys Digital Technology Co., Limited is subject to a preferential income tax rate of 15% from 2024 to 2025. Shanghai Longmem Microelectronics Technology Co., Ltd. is subject to a preferential income tax rate of 15% in 2025.

Pursuant to Caishui [2011] No. 58 “Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Relating to Preferential Tax Policies for the Development of the Western Region”, Xizang Yuanshi Venture Capital Management Co., Ltd. operated in the western region of Chinese Mainland are subject to a preferential income tax rate of 15% from 2021 to 2030.

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According to the relevant requirements of the Notice of the Ministry of Finance and the State Administration of Taxation on the Enterprise Income Tax Policy of Key Industries in the New Area of China (Shanghai) Pilot Free Trade Zone (Finance Tax [2020] No. 38) and the Administrative Measures for the Identification of Preferential Income Tax Qualification of Key Industries in the New Area of China (Shanghai) Pilot Free Trade Zone [2020] No. 12), after the preliminary examination, expert review and joint review organised by the relevant competent authorities, the relevant company will collect the income tax at a reduced rate of 15% within 5 years from the date of establishment. Shanghai Longmem Microelectronics Technology Co., Ltd. enjoyed a preferential income tax rate of 15% from 2020 to 2024. Shanghai Longsys Digital Technology Co., Limited enjoyed a preferential income tax rate of 15% from 2020 to 2023.

(b) Hong Kong

Pursuant to the Inland Revenue (Amendment) (No. 3) Ordinance 2018, the two-tiered profits tax rates regime will be applicable to any year of assessment commencing on or after 1 April 2018. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%.

(c) United States of America

The Group’s entities incorporated in USA are subject to the federal corporate tax rate of 21%. The state income tax rate remains within the range from 1% to 10%.

(d) Europe

The Group’s entities incorporated in Europe, are subject to the corporate income tax at a rate ranging from 11% to 33%.

(e) Brazil

Income taxes in Brazil consist of Corporate Income Tax (“IRPJ”) and Social Contribution Tax on Net Profit (“CSLL”), which applies to the entities’ taxable profit. According to Brazilian tax legislation, IRPJ and CSLL are assessed and paid by each legal entity and not on a consolidated basis.

Zilia Eletronicos obtained final approval from the tax authorities of the Manaus Free Trade Zone for a 75% reduction in the income tax rate for memory module operations and enjoyed a preferential income tax rate of 15.25% for the years ended 31 December 2023, 2024 and 2025, respectively.

Zilia Semicondutores was qualified to pay only social contribution tax at 9% since there is a 100% reduction in the income tax rate levied on profit from activities under the tax incentive regime for the years ended 31 December 2023, 2024 and 2025, respectively.

(f) Korea

No provision for Korea profits tax was made as the Group did not have any assessable income subject to Korea profits tax during the Relevant Periods.

(g) Taiwan, China

The Group’s subsidiaries incorporated in Taiwan, China were subject to income tax on its assessable profits, with the first NT\$120,000 of assessable profits being exempted from the income tax and the remaining assessable profits being taxed at 20%.

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The income tax expense/(credit) of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax:			
Charge for the year	25,246	124,993	183,937
(Over)/under provision in prior years	(3,405)	6,898	(1,418)
Pillar Two income taxes – current tax*	–	9,007	4,486
Deferred tax (note 18)	(242,863)	(56,473)	60,189
Total tax (credit)/charge for the year	<u>(221,022)</u>	<u>84,425</u>	<u>247,194</u>

* The current tax expense mainly relates to Brazil’s low-taxed profits, which is expected to be collected by Netherlands tax authority under Pillar Two Income Inclusion Rule (“IIR”).

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which the Group’s major operating activities are domiciled to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Loss)/profit before tax	<u>(1,058,278)</u>	<u>589,656</u>	<u>1,744,965</u>
Tax at the statutory tax rates (25%)	(264,570)	147,414	436,241
Effect of preferential lower tax rates entitled	86,083	(91,615)	(204,758)
Adjustments in respect of current tax of			
previous periods	(3,405)	6,898	(1,418)
Income not subject to tax	(11)	(166)	(48)
Expenses not deductible for tax	25,926	38,189	12,434
Additional deductible allowance for qualified			
research and development expenses*	(69,055)	(106,539)	(113,364)
Tax losses not recognised	5,112	81,296	159,668
Pillar Two income taxes	–	9,007	4,486
Tax losses utilised from previous periods	(1,102)	(59)	(21,730)
Effect on opening deferred tax if increase in			
applicable tax rates	–	–	(24,317)
Tax (credit)/charge at the Group’s effective rate	<u>(221,022)</u>	<u>84,425</u>	<u>247,194</u>

* Based on Announcement [2022] No. 28 of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology on 22 September 2022, the enterprises originally eligible for an additional 75% deduction of eligible R&D expenses can further enjoy an increased super deduction ratio of 100% from 1 October 2022 to 31 December 2022 (i.e. the fourth quarter of 2022). Furthermore, based on Public Notice 2023 No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises were eligible for an additional 100% deduction of eligible R&D expenses from 1 January 2023. The Group’s certain subsidiaries has claimed such additional super deduction during the Relevant Periods.

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Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been in effect in certain jurisdictions, i.e. Germany, Netherlands, Korea, Japan, Brazil.

The Group has performed an assessment of its exposure to Pillar Two income taxes based on the information available regarding the Group’s financial performance in 2024 and 2025. As such, the information used is not entirely representative of the actual circumstances in 2024 and 2025. Based on the assessment, the Group has identified potential exposure from the subsidiaries in respect of profits earned in Brazil where the Pillar Two effective tax rate is below 15% due to certain income exclusions and incentives received by them. The potential top-up tax exposure could be collected by Netherlands tax authority under Pillar Two Income Inclusion Rule (“IIR”) as Netherlands’ Pillar two legislation has been in effect as at 31 December 2024. In this regard, the Group provided Pillar Two income tax expenses amounted to RMB9,007,000 and RMB4,486,000 for the years ended 31 December 2024 and 2025, respectively.

11. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interim dividends	–	103,995	–
Proposed Final dividends	–	–	146,701
Total	–	103,995	146,701

The 2024 interim dividends of RMB0.25 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the relevant record date were approved by the Extraordinary General Meeting of the Company.

The proposed 2025 final dividends of RMB0.35 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the relevant record date were subsequently approved by the Annual General Meeting of the Company on 19 May 2026.

The proposed 2026 interim dividends of RMB0.65 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the relevant record date were subsequently approved by the Annual General Meeting of the Company on 19 May 2026.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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The calculations of basic and diluted (loss)/earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>(Loss)/earnings</u>			
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(827,809)	498,684	1,423,298
<u>Shares</u>			
Weighted average number of ordinary shares outstanding during the year, used in the basic (loss)/earnings per share calculation ('000) . . .	412,864	414,423	417,827
Effect of dilution-weighted average number of ordinary shares:			
Restricted shares	1,190	2,526	3,798
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation ('000).	414,054	416,949	421,625

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023							
Cost	354,447	109,652	143,956	2,919	123,034	13,800	747,808
Accumulated depreciation	(21,786)	(19,787)	(57,044)	(2,486)	—	(4,069)	(105,172)
Net carrying amount	332,661	89,865	86,912	433	123,034	9,731	642,636
At 1 January 2023, net of accumulated depreciation	332,661	89,865	86,912	433	123,034	9,731	642,636
Additions	—	82,676	42,291	945	281,060	690	407,662
Acquisition of subsidiaries (note 34)	207,500	728,840	22,252	5,648	20,916	43,416	1,028,572
Disposals	(31)	(2,398)	(390)	—	—	—	(2,819)
Depreciation provided during the year (note 7)	(15,026)	(42,919)	(26,097)	(325)	—	(4,481)	(88,848)
Transfers	1,046	711	222	—	(2,027)	—	(48)
Exchange realignment	—	2,727	28	17	(34)	334	3,072
At 31 December 2023, net of accumulated depreciation	526,150	859,502	125,218	6,718	422,949	49,690	1,990,227

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	Buildings	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023							
Cost	562,960	921,499	205,259	9,531	422,949	58,240	2,180,438
Accumulated depreciation	(36,810)	(61,997)	(80,041)	(2,813)	—	(8,550)	(190,211)
Net carrying amount . .	<u>526,150</u>	<u>859,502</u>	<u>125,218</u>	<u>6,718</u>	<u>422,949</u>	<u>49,690</u>	<u>1,990,227</u>

	Buildings	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	562,960	921,499	205,259	9,531	422,949	58,240	2,180,438
Accumulated depreciation	(36,810)	(61,997)	(80,041)	(2,813)	—	(8,550)	(190,211)
Net carrying amount . .	<u>526,150</u>	<u>859,502</u>	<u>125,218</u>	<u>6,718</u>	<u>422,949</u>	<u>49,690</u>	<u>1,990,227</u>
At 1 January 2024, net of accumulated depreciation	526,150	859,502	125,218	6,718	422,949	49,690	1,990,227
Additions	57,353	266,003	58,294	2,799	388,520	144,265	917,234
Disposals	—	(3,211)	(961)	(649)	—	—	(4,821)
Depreciation provided during the year (note 7)	(34,659)	(185,423)	(40,832)	(2,697)	—	(110,003)	(373,614)
Transfers	349,355	185,438	3,709	—	(543,912)	5,410	—
Exchange realignment . .	—	(90,353)	(906)	(686)	(1,303)	(8,310)	(101,558)
At 31 December 2024, net of accumulated depreciation	<u>898,199</u>	<u>1,031,956</u>	<u>144,522</u>	<u>5,485</u>	<u>266,254</u>	<u>81,052</u>	<u>2,427,468</u>
At 31 December 2024							
Cost	969,668	1,221,802	260,078	7,029	266,254	199,605	2,924,436
Accumulated depreciation	(71,469)	(189,846)	(115,556)	(1,544)	—	(118,553)	(496,968)
Net carrying amount . .	<u>898,199</u>	<u>1,031,956</u>	<u>144,522</u>	<u>5,485</u>	<u>266,254</u>	<u>81,052</u>	<u>2,427,468</u>

	Buildings	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025							
Cost	969,668	1,221,802	260,078	7,029	266,254	199,605	2,924,436
Accumulated depreciation	(71,469)	(189,846)	(115,556)	(1,544)	—	(118,553)	(496,968)
Net carrying amount . .	<u>898,199</u>	<u>1,031,956</u>	<u>144,522</u>	<u>5,485</u>	<u>266,254</u>	<u>81,052</u>	<u>2,427,468</u>

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	Buildings	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025, net of accumulated depreciation	898,199	1,031,956	144,522	5,485	266,254	81,052	2,427,468
Additions	—	340,765	39,943	1,501	163,329	21,366	566,904
Disposals	(47)	(5,979)	(3,774)	(192)	—	—	(9,992)
Depreciation provided during the year (note 7)	(37,593)	(251,963)	(31,411)	(2,924)	—	(24,146)	(348,037)
Transfers	331,786	34,215	2,693	—	(370,998)	2,304	—
Reclassification to plant and machinery	—	36,852	(36,818)	(34)	—	—	—
Exchange realignment	—	37,325	615	397	180	3,444	41,961
At 31 December 2025, net of accumulated depreciation	<u>1,192,345</u>	<u>1,223,171</u>	<u>115,770</u>	<u>4,233</u>	<u>58,765</u>	<u>84,020</u>	<u>2,678,304</u>
At 31 December 2025							
Cost	1,301,346	1,692,577	218,020	8,020	58,765	226,719	3,505,447
Accumulated depreciation	<u>(109,001)</u>	<u>(469,406)</u>	<u>(102,250)</u>	<u>(3,787)</u>	<u>—</u>	<u>(142,699)</u>	<u>(827,143)</u>
Net carrying amount	<u>1,192,345</u>	<u>1,223,171</u>	<u>115,770</u>	<u>4,233</u>	<u>58,765</u>	<u>84,020</u>	<u>2,678,304</u>

The Company

	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023					
Cost	8,266	43,607	2,915	—	54,788
Accumulated depreciation	<u>(5,182)</u>	<u>(31,047)</u>	<u>(2,486)</u>	<u>—</u>	<u>(38,715)</u>
Net carrying amount	<u>3,084</u>	<u>12,560</u>	<u>429</u>	<u>—</u>	<u>16,073</u>
At 1 January 2023, net of accumulated depreciation	3,084	12,560	429	—	16,073
Additions	284	3,799	335	224	4,642
Disposals	(121)	(363)	—	—	(484)
Depreciation provided during the year	<u>(948)</u>	<u>(4,069)</u>	<u>(114)</u>	<u>(37)</u>	<u>(5,168)</u>
At 31 December 2023, net of accumulated depreciation	<u>2,299</u>	<u>11,927</u>	<u>650</u>	<u>187</u>	<u>15,063</u>
At 31 December 2023					
Cost	7,726	44,109	3,250	224	55,309
Accumulated depreciation	<u>(5,427)</u>	<u>(32,182)</u>	<u>(2,600)</u>	<u>(37)</u>	<u>(40,246)</u>
Net carrying amount	<u>2,299</u>	<u>11,927</u>	<u>650</u>	<u>187</u>	<u>15,063</u>

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	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024					
Cost	7,726	44,109	3,250	224	55,309
Accumulated depreciation	(5,427)	(32,182)	(2,600)	(37)	(40,246)
Net carrying amount	<u>2,299</u>	<u>11,927</u>	<u>650</u>	<u>187</u>	<u>15,063</u>
At 1 January 2024, net of accumulated depreciation	2,299	11,927	650	187	15,063
Additions	–	4,217	476	12,783	17,476
Disposals	(592)	(4,354)	(173)	–	(5,119)
Depreciation provided during the year	<u>(724)</u>	<u>(2,691)</u>	<u>(129)</u>	<u>(881)</u>	<u>(4,425)</u>
At 31 December 2024, net of accumulated depreciation	<u>983</u>	<u>9,099</u>	<u>824</u>	<u>12,089</u>	<u>22,995</u>
At 31 December 2024					
Cost	3,008	28,071	1,193	13,007	45,279
Accumulated depreciation	(2,025)	(18,972)	(369)	(918)	(22,284)
Net carrying amount	<u>983</u>	<u>9,099</u>	<u>824</u>	<u>12,089</u>	<u>22,995</u>

	Plant and machinery	Electronic equipment, Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025					
At 1 January 2025					
Cost	3,008	28,071	1,193	13,007	45,279
Accumulated depreciation	(2,025)	(18,972)	(369)	(918)	(22,284)
Net carrying amount	<u>983</u>	<u>9,099</u>	<u>824</u>	<u>12,089</u>	<u>22,995</u>
At 1 January 2025, net of accumulated depreciation	983	9,099	824	12,089	22,995
Additions	1,070	5,348	–	–	6,418
Disposals	(82)	(536)	(213)	–	(831)
Depreciation provided during the year	<u>(708)</u>	<u>(2,687)</u>	<u>(221)</u>	<u>(2,661)</u>	<u>(6,277)</u>
Reclassification to plant and machinery	<u>1,468</u>	<u>(1,468)</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2025, net of accumulated depreciation	<u>2,731</u>	<u>9,756</u>	<u>390</u>	<u>9,428</u>	<u>22,305</u>
At 31 December 2025					
Cost	11,566	20,896	476	13,007	45,945
Accumulated depreciation	(8,835)	(11,140)	(86)	(3,579)	(23,640)
Net carrying amount	<u>2,731</u>	<u>9,756</u>	<u>390</u>	<u>9,428</u>	<u>22,305</u>

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Certain of the Group’s buildings with a net carrying amount of approximately RMB25,997,000, RMB25,392,000 and RMB24,788,000 were pledged to secure general banking facilities granted to the Group as at 31 December 2023, 2024 and 2025, respectively (note 27).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings and other machinery equipment used in its operations. Leases of land generally have lease terms of 50 years, while buildings generally have lease terms between 1 and 13 years.

Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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:

The Group

	Leasehold land	Buildings	Machinery equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	64,022	11,798	—	75,820
Additions	—	37,720	—	37,720
Acquisition of subsidiaries (note 34)	123,885	41,108	134	165,127
Depreciation charge (note 7)	(2,721)	(12,873)	(17)	(15,611)
Exchange realignment	—	300	—	300
At 31 December 2023 and 1 January 2024	185,186	78,053	117	263,356
Additions	—	31,034	—	31,034
Depreciation charge (note 7)	(6,759)	(25,410)	(106)	(32,275)
Exchange realignment	—	(7,070)	(11)	(7,081)
At 31 December 2024 and 1 January 2025	178,427	76,607	—	255,034
Additions	—	17,123	—	17,123
Depreciation charge (note 7)	(6,760)	(29,722)	—	(36,482)
Exchange realignment	—	2,382	—	2,382
At 31 December 2025	171,667	66,390	—	238,057

The Company

	Buildings
	RMB'000
At 1 January 2023	1,015
Depreciation charge	(1,015)
At 31 December 2023 and 1 January 2024	—
Additions	17,807
Depreciation charge	(3,527)
At 31 December 2024 and 1 January 2025	14,280
Depreciation charge	(3,932)
At 31 December 2025	10,348

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(b) Lease liabilities

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

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	11,682	84,553	86,746
Additions	37,720	31,034	17,123
Acquisition of subsidiaries (<i>note 34</i>)	47,098	–	–
Accretion of interest recognised during the year	872	5,952	4,940
Lease payment	(13,211)	(25,494)	(34,794)
Exchange realignment	392	(9,299)	2,537
Carrying amount at end of the year	<u>84,553</u>	<u>86,746</u>	<u>76,552</u>
Analysed into:			
Current portion	16,350	22,326	25,320
Non-current portion	<u>68,203</u>	<u>64,420</u>	<u>51,232</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	1,054	–	15,987
Additions	–	17,808	–
Accretion of interest recognised during the year	6	652	586
Lease payment	<u>(1,060)</u>	<u>(2,473)</u>	<u>(4,662)</u>
Carrying amount at end of the year	<u>–</u>	<u>15,987</u>	<u>11,911</u>
Analysed into:			
Current portion	–	4,076	4,440
Non-current portion	<u>–</u>	<u>11,911</u>	<u>7,471</u>

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

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	872	5,952	4,940
Depreciation charge of right-of-use assets	15,611	32,275	36,482
Expense relating to leases of short-term and low-value assets	<u>8,588</u>	<u>4,446</u>	<u>4,707</u>
Total amount recognised in profit or loss	<u>25,071</u>	<u>42,673</u>	<u>46,129</u>

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The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	6	652	586
Depreciation charge of right-of-use assets	1,015	3,527	3,932
Expense relating to leases of short-term and low-value assets	6,178	3,901	4,170
Total amount recognised in profit or loss	<u>7,199</u>	<u>8,080</u>	<u>8,688</u>

15. GOODWILL

RMB'000

At 1 January 2023:	
Cost	—
Accumulated impairment	—
Net carrying amount	<u>—</u>
Cost at 1 January 2023, net of accumulated impairment	—
Acquisition of subsidiaries (<i>note 34</i>)	<u>868,661</u>
At 31 December 2023	<u>868,661</u>
At 31 December 2023:	
Cost	868,661
Accumulated impairment	—
Net carrying amount	<u>868,661</u>
Cost at 1 January 2024, net of accumulated impairment	868,661
Exchange realignment	<u>(74,681)</u>
Cost and net carrying amount at 31 December 2024	<u>793,980</u>
At 31 December 2024:	
Cost	868,661
Exchange realignment	<u>(74,681)</u>
Net carrying amount	<u>793,980</u>
Cost at 1 January 2025, net of accumulated impairment	793,980
Exchange realignment	<u>26,202</u>
Cost and net carrying amount at 31 December 2025	<u>820,182</u>
At 31 December 2025:	
Cost	868,661
Exchange realignment	<u>(48,479)</u>
Net carrying amount	<u>820,182</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Longforce Technology (Suzhou) Co., Ltd cash-generating unit; and
- Zilia Technologies Indústria e Comércio de Componentes Eletrônicos Ltda cash-generating unit.

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Longforce Technology (Suzhou) Co., Ltd cash-generating unit (the “Longforce CGU”)

The recoverable amount of the Longforce Technology (Suzhou) Co., Ltd. cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management. As at the end of the years 2023, 2024 and 2025, the pre-tax discount rate applied to the cash flow projections is 11.56%, 12.51% and 13.05%, respectively. The growth rate used to extrapolate the cash flows of the Longforce Technology (Suzhou) Co., Ltd. cash-generating units beyond the five-year period is 2%, 0% and 0%, respectively.

Zilia Technologies Indústria e Comércio de Componentes Eletrônicos Ltda cash-generating unit (the “Zilia CGU”)

The recoverable amount of the Zilia Technologies Indústria e Comércio de Componentes Eletrônicos Ltda cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management. As at the end of the years 2023, 2024 and 2025, the pre-tax discount rate applied to the cash flow projections is 18.87%, 15.18% and 16.70%, respectively. The growth rate used to extrapolate the cash flows of the Zilia Technologies Indústria e Comércio de Componentes Eletrônicos Ltda cash-generating units beyond the five-year period is 3%, 0% and 0%, respectively.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	At 31 December 2023		At 31 December 2024		At 31 December 2025	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Longforce	Zilia	Longforce	Zilia	Longforce	Zilia
Recoverable amount	1,390,080	1,269,179	1,473,962	1,236,591	1,445,455	1,643,129
Carrying value including goodwill	1,201,833	1,034,937	1,328,465	1,049,450	1,263,370	1,224,285

Assumptions were used in the value in use calculation of the “Longforce Technology (Suzhou) Co., Ltd.” and “Zilia Technologies Indústria e Comércio de Componentes Eletrônicos Ltda” cash-generating units for the years ended 31 December 2023, 2024 and 2025. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Revenue growth rates over the forecast period — The growth rates are determined based on historical experience and forecast of market development in which the cash-generating unit operate in.

Budgeted Gross margin — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year.

The values assigned to the key assumptions on market development of semiconductor, discount rates and raw materials price inflation are consistent with external information sources.

In the opinion of the directors of the Group, for the Longforce CGU, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. The headroom was RMB188,247,000, RMB145,497,000 and RMB182,085,000 as at 31 December 2023, 2024 and 2025, respectively. If the compound average revenue growth rates over the forecast period decreased from 25.26% to 21.25%, or the discount rate increased from 11.56% to 13.33%, or the weighted average gross margin over the forecast period decreased from 18.21% to 16.39%, a further impairment on goodwill would be recognised during the year ended 31 December 2023. If the compound average revenue growth rates over the forecast period decreased from 27.49% to 23.41%, or the discount rate increased from 12.51% to 14.12%, or the weighted gross margin over the forecast period decreased from 26.01% to 23.41%, a further impairment on goodwill would be recognised during the year ended 31 December 2024. If the compound average revenue growth rates over the forecast period decreased from 16.34% to 13.67%, or the discount rate increased from 13.05% to 14.56%, or the weighted gross margin over the forecast period decreased from 23.30% to 21.59%, a further impairment on goodwill would be recognised during the year ended 31 December 2025.

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In the opinion of the directors of the Group, for the Zilia CGU, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. The headroom was RMB234,242,000, RMB187,141,000 and RMB418,844,000 as at 31 December 2023, 2024 and 2025, respectively. If the compound average revenue growth rates over the forecast period decreased from 21.93% to 16.61%, or the discount rate increased from 18.87% to 22.30%, or the weighted average gross margin over the forecast period decreased from 14.64% to 12.88%, a further impairment on goodwill would be recognised during the year ended 31 December 2023. If the compound average revenue growth rates over the forecast period decreased from 17.27% to 12.15%, or the discount rate increased from 15.18% to 17.73%, or the weighted average gross margin over the forecast period decreased from 12.88% to 12.37%, a further impairment on goodwill would be recognised during the year ended 31 December 2024. If the compound average revenue growth rates over the forecast period decreased from 6.22% to 2.87%, or the discount rate increased from 16.70% to 21.70%, or the weighted average gross margin over the forecast period decreased from 14.33% to 12.65%, a further impairment on goodwill would be recognised during the year ended 31 December 2025.

16. OTHER INTANGIBLE ASSETS

The Group

	Software	Patents and trademarks	Total
	RMB'000	RMB'000	RMB'000
31 December 2023			
At 31 January 2023			
Cost	34,733	249,646	284,379
Accumulated amortisation	(13,389)	(50,990)	(64,379)
Net carrying amount	<u>21,344</u>	<u>198,656</u>	<u>220,000</u>
At 1 January 2023, net of accumulated amortisation	21,344	198,656	220,000
Additions	81,476	–	81,476
Disposals	(168)	–	(168)
Amortisation (note 7)	(12,408)	(17,535)	(29,943)
Acquisition of subsidiaries (note 34)	6,265	–	6,265
Exchange realignment	34	2,190	2,224
At 31 December 2023, net of accumulated amortisation	<u>96,543</u>	<u>183,311</u>	<u>279,854</u>
At 31 December 2023			
Cost	122,538	252,513	375,051
Accumulated amortisation	(25,995)	(69,202)	(95,197)
Net carrying amount	<u>96,543</u>	<u>183,311</u>	<u>279,854</u>
	Software	Patents and trademarks	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2024			
At 1 January 2024			
Cost	122,538	252,513	375,051
Accumulated amortisation	(25,995)	(69,202)	(95,197)
Net carrying amount	<u>96,543</u>	<u>183,311</u>	<u>279,854</u>
At 1 January 2024, net of accumulated amortisation	96,543	183,311	279,854
Additions	14,961	–	14,961
Amortisation (note 7)	(35,000)	(16,899)	(51,899)
Exchange realignment	(147)	3,002	2,855
At 31 December 2024, net of accumulated amortisation	<u>76,357</u>	<u>169,414</u>	<u>245,771</u>

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	Software	Patents and trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2024			
Cost	136,767	256,915	393,682
Accumulated amortisation	(60,410)	(87,501)	(147,911)
Net carrying amount	<u>76,357</u>	<u>169,414</u>	<u>245,771</u>

	Software	Patents and trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2025			
At 1 January 2025			
Cost	136,767	256,915	393,682
Accumulated amortisation	(60,410)	(87,501)	(147,911)
Net carrying amount	<u>76,357</u>	<u>169,414</u>	<u>245,771</u>
At 1 January 2025, net of accumulated amortisation	76,357	169,414	245,771
Additions	79,680	–	79,680
Disposals	(45)	(2,305)	(2,350)
Amortisation (<i>note 7</i>)	(43,156)	(17,783)	(60,939)
Exchange realignment	(12)	(3,192)	(3,204)
At 31 December 2025, net of accumulated amortisation	<u>112,824</u>	<u>146,134</u>	<u>258,958</u>
At 31 December 2025			
Cost	201,032	247,951	448,983
Accumulated amortisation	(88,208)	(101,817)	(190,025)
Net carrying amount	<u>112,824</u>	<u>146,134</u>	<u>258,958</u>

The Company

	Software	Patents and trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023			
At 1 January 2023			
Cost	12,213	3,000	15,213
Accumulated amortisation	(4,096)	(925)	(5,021)
Net carrying amount	<u>8,117</u>	<u>2,075</u>	<u>10,192</u>
At 1 January 2023, net of accumulated amortisation	8,117	2,075	10,192
Additions	1,105	–	1,105
Amortisation	(1,395)	(300)	(1,695)
At 31 December 2023, net of accumulated amortisation	<u>7,827</u>	<u>1,775</u>	<u>9,602</u>
At 31 December 2023			
Cost	13,318	3,000	16,318
Accumulated amortisation	(5,491)	(1,225)	(6,716)
Net carrying amount	<u>7,827</u>	<u>1,775</u>	<u>9,602</u>

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	Software	Patents and trademarks	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2024			
At 1 January 2024			
Cost	13,318	3,000	16,318
Accumulated amortisation	(5,491)	(1,225)	(6,716)
Net carrying amount	<u>7,827</u>	<u>1,775</u>	<u>9,602</u>
At 1 January 2024, net of accumulated amortisation	7,827	1,775	9,602
Additions	260	–	260
Amortisation	(820)	(300)	(1,120)
At 31 December 2024, net of accumulated amortisation	<u>7,267</u>	<u>1,475</u>	<u>8,742</u>
At 31 December 2024			
Cost	13,578	3,000	16,578
Accumulated amortisation	(6,311)	(1,525)	(7,836)
Net carrying amount	<u>7,267</u>	<u>1,475</u>	<u>8,742</u>
	Software	Patents and trademarks	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2025			
At 1 January 2025			
Cost	13,578	3,000	16,578
Accumulated amortisation	(6,311)	(1,525)	(7,836)
Net carrying amount	<u>7,267</u>	<u>1,475</u>	<u>8,742</u>
At 1 January 2025, net of accumulated amortisation	7,267	1,475	8,742
Additions	7,702	–	7,702
Amortisation	(1,330)	(300)	(1,630)
At 31 December 2025, net of accumulated amortisation	<u>13,639</u>	<u>1,175</u>	<u>14,814</u>
At 31 December 2025			
Cost	21,280	3,000	24,280
Accumulated amortisation	(7,641)	(1,825)	(9,466)
Net carrying amount	<u>13,639</u>	<u>1,175</u>	<u>14,814</u>

17. INVESTMENT IN ASSOCIATES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	6,530	30,000	30,123
Goodwill on acquisition	18,629	–	–
	<u>25,159</u>	<u>30,000</u>	<u>30,123</u>

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The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ profit/(loss) for the year .	371	(266)	(225)
Share of the associates’ total comprehensive income/(loss)	371	(266)	(225)
Aggregate carrying amount of the Group’s investments in the associates	<u>25,159</u>	<u>30,000</u>	<u>30,123</u>

18. DEFERRED TAX

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

The Group

Deferred tax assets

	Lease liabilities	Impairment losses on financial assets	Impairment of inventories	Share-based payment	Temporary difference on unrealised profit from internal transactions	Tax losses	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	1,956	137	26,482	–	–	146,432	4,018	179,025
Deferred tax credited/ (charged) to profit or loss .	4,250	171	(8,983)	7,312	9,717	212,255	4,490	229,212
Effect of acquisition of subsidiaries (note 34).	–	–	–	–	–	41,295	2,512	43,807
Deferred tax charged to equity	<u>–</u>	<u>–</u>	<u>–</u>	<u>526</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>526</u>
Gross deferred tax assets at 31 December 2023 and 1 January 2024	<u>6,206</u>	<u>308</u>	<u>17,499</u>	<u>7,838</u>	<u>9,717</u>	<u>399,982</u>	<u>11,020</u>	<u>452,570</u>
Deferred tax credited/ (charged) to profit or loss .	2,048	155	13,874	1,251	(1,568)	72,218	4,985	92,963
Deferred tax charged to equity	<u>–</u>	<u>–</u>	<u>–</u>	<u>(526)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(526)</u>
Gross deferred tax assets at 31 December 2024 and 1 January 2025	<u>8,254</u>	<u>463</u>	<u>31,373</u>	<u>8,563</u>	<u>8,149</u>	<u>472,200</u>	<u>16,005</u>	<u>545,007</u>
Deferred tax (charged)/credited to profit or loss	<u>(1,011)</u>	<u>118</u>	<u>(21,239)</u>	<u>(764)</u>	<u>14,849</u>	<u>(32,467)</u>	<u>5,335</u>	<u>(35,179)</u>
Gross deferred tax assets at 31 December 2025	<u>7,243</u>	<u>581</u>	<u>10,134</u>	<u>7,799</u>	<u>22,998</u>	<u>439,733</u>	<u>21,340</u>	<u>509,828</u>

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

Deferred tax liabilities

	Fair value adjustment from business combination	Depreciation and amortisation difference between the useful lives of long-term assets	Temporary difference on unrealised losses from internal transactions	Right-of- use assets	Fair value adjustments of equity investments at fair value through profit or loss	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 . .	–	25,932	4,661	1,985	21,024	398	54,000
Effect of acquisition of subsidiaries (note 34)	65,692	–	–	–	–	–	65,692
Deferred tax (credited)/charged to profit or loss. . .	<u>(1,740)</u>	<u>(19,548)</u>	<u>(4,661)</u>	<u>4,133</u>	<u>8,390</u>	<u>(225)</u>	<u>(13,651)</u>
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	<u>63,952</u>	<u>6,384</u>	<u>–</u>	<u>6,118</u>	<u>29,414</u>	<u>173</u>	<u>106,041</u>
Deferred tax (credited)/ charged to profit or loss. . .	<u>(12,274)</u>	<u>(792)</u>	<u>–</u>	<u>1,257</u>	<u>48,363</u>	<u>(64)</u>	<u>36,490</u>
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	<u>51,678</u>	<u>5,592</u>	<u>–</u>	<u>7,375</u>	<u>77,777</u>	<u>109</u>	<u>142,531</u>
Deferred tax (credited)/charged to profit or loss. . .	<u>(8,031)</u>	<u>7,943</u>	<u>–</u>	<u>(1,192)</u>	<u>26,399</u>	<u>(109)</u>	<u>25,010</u>
Gross deferred tax liabilities at 31 December 2025 .	<u>43,647</u>	<u>13,535</u>	<u>–</u>	<u>6,183</u>	<u>104,176</u>	<u>–</u>	<u>167,541</u>

For presentation purposes, certain 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 Group for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The Group			
Net deferred tax assets recognised in the consolidated statement of financial position. . .	446,494	537,632	503,645
Net deferred tax liabilities recognised in the consolidated statement of financial position. . .	99,965	135,156	161,358

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Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	95,037	412,134	1,098,852

The Group has accumulated tax losses in Chinese Mainland of RMB47,323,000, RMB332,546,000 and RMB1,094,497,000 in aggregate at 31 December 2023, 2024 and 2025, respectively, which will expire in one to ten years to offset against future taxable profits of the companies in which losses were incurred.

The Group also has accumulated tax losses in the overseas of RMB47,714,000, RMB79,588,000 and RMB4,355,000 in aggregate at 31 December 2023, 2024 and 2025, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above losses can be utilised.

The Company

Deferred tax assets

	Lease liabilities	Impairment losses on financial assets	Impairment of inventories	Share-based payment	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	158	25	5,597	—	—	5,780
Deferred tax (charged)/credited to profit or loss	(158)	49	(3,177)	7,312	—	4,026
Deferred tax credited to equity	—	—	—	526	—	526
Gross deferred tax assets at 31 December 2023 and 1 January 2024	—	74	2,420	7,838	—	10,332
Deferred tax credited profit or loss	2,398	6	2,255	1,251	23,036	28,946
Deferred tax charged to equity	—	—	—	(526)	—	(526)
Gross deferred tax assets at 31 December 2024 and 1 January 2025	2,398	80	4,675	8,563	23,036	38,752
Deferred tax credited/ (charged) to profit or loss	580	28	(4,549)	(764)	15,357	10,652
Gross deferred tax assets at 31 December 2025	2,978	108	126	7,799	38,393	49,404

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Deferred tax liabilities

	Depreciation and amortisation difference between the useful lives of long-term assets	Right-of-use assets	Fair value adjustments of equity investments at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023.	75	152	969	1,196
Deferred tax credited to profit or loss	(23)	(152)	(126)	(301)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024.	52	—	843	895
Deferred tax (credited)/charged to profit or loss.	(26)	2,142	(734)	1,382
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025.	26	2,142	109	2,277
Deferred tax (credited)/charged to profit or loss.	(1)	445	3,941	4,385
Gross deferred tax liabilities at 31 December 2025	25	2,587	4,050	6,662

As at 31 December

2023	2024	2025
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

The Company

Net deferred tax assets recognised in the statement of financial position	10,332	36,609	46,815
Net deferred tax liabilities recognised in the statement of financial position	895	134	4,073

19. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	2,329,706	3,164,361	4,664,753
Raw materials	2,386,818	3,620,897	4,974,839
Materials consigned for processing and work in progress	1,167,121	1,035,470	2,015,188
Others	9,520	12,425	22,965
Total	5,893,165	7,833,153	11,677,745

The inventories are net of a write-down of approximately RMB120,111,000, RMB235,856,000 and RMB75,973,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	548,611	539,138	383,861
Raw materials	209,996	191,686	151,200
Materials consigned for processing and work in progress	256,380	218,170	146,733
Others	7,707	6,839	11,376
Total	<u>1,022,694</u>	<u>955,833</u>	<u>693,170</u>

The inventories are net of a write-down of approximately RMB16,135,000, RMB31,166,000 and RMB502,000 in the statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

20. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	1,347,357	1,604,227	2,032,250
Bills receivables	–	70,484	11,752
Impairment	(2,056)	(3,088)	(3,585)
Net carrying amount	<u>1,345,301</u>	<u>1,671,623</u>	<u>2,040,417</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	327,019	359,243	268,261
Bills receivables	–	22,760	–
Due from subsidiaries	918,543	2,337,240	1,225,604
Impairment	(491)	(533)	(430)
Trade receivables, net	<u>1,245,071</u>	<u>2,718,710</u>	<u>1,493,435</u>

The Group’s trading terms with its customers are mainly on credit. The credit terms granted generally range from 7 to 120 days, depending on the specific payment terms in each contract. Each customer has a maximum credit limit, except for some new customers without credit limits, where payment in advance is normally required. The Group seeks to enforce strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The balances of trade receivables are non-interest-bearing.

Included in the Group’s trade receivables are amounts due from a related party of the Group of RMB12,131,000, RMB34,177,000 and nil as at 31 December 2023, 2024 and 2025, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

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As at 31 December 2023, 2024 and 2025, certain of the Group’s trade receivables with a net carrying amount of approximately RMB616,615,000, RMB414,472,000 and nil were pledged to secure general banking facilities granted to the Group (note 27).

Transferred financial assets that are not derecognised in their entirety

The Group discounted certain bills receivable accepted by banks in Chinese Mainland (the “Discounted Bills”) with a carrying amount of nil, RMB70,484,000 and nil to certain banks as at 31 December 2023, 2024 and 2025. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated borrowings. Subsequent to the discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the borrowings recognised during the year was nil, RMB70,484,000 and nil as at 31 December 2023, 2024 and 2025.

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “Arrangement”) and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled were nil, RMB6,937,000 and nil as at 31 December 2023, 2024 and 2025, respectively. The carrying amount of the assets that the Group continued to recognise as at 31 December 2023, 2024 and 2025 were nil, RMB6,937,000 and nil, respectively, and that of the associated liabilities as at 31 December 2023, 2024 and 2025 were nil, RMB6,937,000 and nil, respectively.

Transferred financial assets that are derecognised in their entirety

The Group discounted certain bills receivable accepted by banks in Chinese Mainland (the “Derecognised Bills”) to a bank with a carrying amount in aggregate of nil, RMB6,784,000 and RMB215,514,000 as at 31 December 2023, 2024 and 2025. The Derecognised Bills had a maturity of five to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence. In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated borrowings.

During the year ended 31 December 2023, 2024 and 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the revenue recognition date and net of loss allowance, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 3 months	1,317,688	1,538,129	1,883,268
3 to 6 months	25,182	130,186	155,870
Over 6 months	2,431	3,308	1,279
Total	<u>1,345,301</u>	<u>1,671,623</u>	<u>2,040,417</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	1,181,095	1,576,323	1,362,512
3 to 6 months	63,975	814,390	130,923
Over 6 months	1	327,997	—
Total	<u>1,245,071</u>	<u>2,718,710</u>	<u>1,493,435</u>

The movement in the loss allowance for impairment of trade receivables is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	915	2,056	3,088
Impairment losses, net	1,141	1,732	749
Amount written off as uncollectible	—	(700)	(252)
At end of year	<u>2,056</u>	<u>3,088</u>	<u>3,585</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	169	491	533
Impairment losses, net	322	42	(103)
At end of year	<u>491</u>	<u>533</u>	<u>430</u>

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, which estimated the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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

The Group

	As at 31 December 2023			
	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.15%	0.15%	1.58%	0.15%
Gross carrying amount (RMB'000) . . .	<u>1,319,667</u>	<u>25,220</u>	<u>2,470</u>	<u>1,347,357</u>
Expected credit losses (RMB'000) . . .	<u>1,979</u>	<u>38</u>	<u>39</u>	<u>2,056</u>

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As at 31 December 2024				
	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.15%	0.17%	17.11%	0.19%
Gross carrying amount (RMB’000) . . .	1,524,131	76,105	3,991	1,604,227
Expected credit losses (RMB’000) . . .	2,276	129	683	3,088

As at 31 December 2025				
	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.16%	0.24%	14.16%	0.18%
Gross carrying amount (RMB’000) . . .	1,874,515	156,245	1,490	2,032,250
Expected credit losses (RMB’000) . . .	2,999	375	211	3,585

The Company

As at 31 December 2023				
	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.15%	0.15%	0.15%	0.15%
Gross carrying amount (RMB’000) . . .	321,151	5,867	1	327,019
Expected credit losses (RMB’000) . . .	482	9	–	491

As at 31 December 2024				
	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.15%	0.17%	–	0.15%
Gross carrying amount (RMB’000) . . .	337,660	21,583	–	359,243
Expected credit losses (RMB’000) . . .	496	37	–	533

As at 31 December 2025				
	Within 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.16%	0.23%	–	0.16%
Gross carrying amount (RMB’000) . . .	267,382	879	–	268,261.00
Expected credit losses (RMB’000) . . .	428	2	–	430

21. RECEIVABLES FINANCING

The Group

As at 31 December			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bank acceptance bills.	–	–	4,434
Total	–	–	4,434

The Group has changed the business model for a portion of its receivables to target both to receive the contractual cash flows when due and through the sales. Accordingly, this portion of the receivables is classified as a financial asset at fair value through other comprehensive income (which can be reclassified to profit or loss in subsequent periods).

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The Group reclassified bills receivable into financial assets at fair value through other comprehensive income, presented as receivables financing. As of 31 December 2025, the Group did not have any accumulated impairment provision for receivables financing.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Prepayments	331,586	421,020	657,678
Value-added tax and other taxes recoverable. . . .	176,435	389,652	331,714
Prepaid tax	37,762	57,409	30,707
Deposits	19,881	12,332	11,653
Export value-added tax refund receivables	1,800	44,382	244,761
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables and other assets	40,570	40,751	60,057
Total	608,034	974,113	1,368,800
Non-current			
Prepayments	191,370	95,549	298,079
Value-added tax and other taxes recoverable. . . .	115,298	66,349	366,166
Key employee insurance	17,403	17,783	17,345
Deposits	2,536	2,179	3,764
Other receivables	20,155	21,359	16,281
Total	346,762	203,219	701,635

The balances are interest-free and are not secured with collateral.

Deposits, other receivables and other assets mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by using a provision matrix to measure expected credit losses. Deposits, other receivables and other assets had no historical default. The financial assets included in the above balances relate to receivables categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for deposits, other receivables and other assets was minimal.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Prepayments	5,998	864	9,196
Value-added tax and other taxes recoverable. . . .	37,926	45,798	13,538
Prepaid tax	–	18,371	–
Due from subsidiaries	3,385,918	6,071,431	8,250,155
Other receivables and other assets	13,144	36,551	49,407
Total	3,442,986	6,173,015	8,322,296
Non-current			
Prepayments	1,290	4,943	5,706
Deposits and other receivables	4,244	4,583	2,891
Total	5,534	9,526	8,597

The balances are interest-free and are not secured with collateral.

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Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by using a provision matrix to measure expected credit losses. Deposits and other receivables had no historical default. The financial assets included in the above balances relate to receivables categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables and deposits was minimal.

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

Financial assets at fair value through profit or loss:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Derivative financial instruments	—	17,303	2,922
Structured deposits and certificate deposits	—	162,320	35,619
Total	—	179,623	38,541

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Unlisted equity investments, at fair value	393,883	168,874	214,481
Listed equity investments, at fair value	—	551,206	697,064
Total	393,883	720,080	911,545

Financial liabilities at fair value through profit or loss:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Derivative financial instruments:			
Forward currency contracts	789	—	66
Total	789	—	66

The Company

Financial assets at fair value through profit or loss:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Structured deposits and certificate deposits	—	—	—
Derivative financial instruments	—	727	—
Total	—	727	—

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Unlisted equity investments, at fair value	10,870	5,250	21,449
Total	10,870	5,250	21,449

The above unlisted equity investments were classified as financial assets at fair value through profit or loss as they were held for trading, or as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The structured deposits and certificate deposits were issued by banks in Chinese Mainland and Brazil. They 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.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,218,949	1,024,971	1,478,331
Less:			
Restricted deposits*	(18,426)	(10,560)	(9,520)
Cash and cash equivalents	1,200,523	1,014,411	1,468,811
Denominated in:			
United States Dollar (“USD”)	420,453	311,434	615,645
European Dollar (“EUR”)	2,996	35,769	40,766
Hong Kong Dollar (“HKD”)	9,703	6,562	44,528
Japanese Yen (“JPY”)	2,249	523	920
Taiwan Dollar (“TWD”)	785	1,197	791
Great Britain Pound (“GBP”)	150	8,631	22,030
Korea Won (“KRW”)	2,136	2,667	1,077
Brazilian Real (“BRL”)	261,075	14,310	13,695
United Arab Emirates Dirham (“AED”)	79	196	581
Australian Dollar (“AUD”)	–	–	165
Renminbi (“RMB”)	519,323	643,682	738,133
Total	1,218,949	1,024,971	1,478,331

* As at 31 December 2023, the bank deposits secured for certain letters of credit was amounted to RMB18,426,000.

* As at 31 December 2024, the restricted deposits included RMB10,123,000 used as performance deposits for certain bank loans which can be deducted and disbursed to cover inspection and monitoring expenses, and RMB437,000 frozen in one inactive bank account.

* As at 31 December 2025, the restricted deposits included RMB9,520,000 used as performance deposits for certain bank loans which can be deducted and disbursed to cover inspection and monitoring expenses.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	195,248	298,183	470,252
Denominated in:			
United States Dollar (“USD”)	5,933	8,247	76,433
Hong Kong Dollar (“HKD”)	1	–	479
Renminbi (“RMB”)	189,314	289,936	393,340
Total	195,248	298,183	470,252

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	1,146,102	1,140,188	2,016,112
Over 1 year	1,309	401	664
Total	1,147,411	1,140,589	2,016,776

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	159,388	1,950,844	1,382,940
Over 1 year	401	401	572
Total	159,789	1,951,245	1,383,512

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

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26. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Salaries and benefits payables	145,888	258,186	478,688
Other tax payables	10,563	26,201	83,112
Other payables (<i>note (a)</i>)	370,365	389,105	473,104
Total	<u>526,816</u>	<u>673,492</u>	<u>1,034,904</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Other payables (<i>note (b)</i>)	—	—	39,606
Total	<u>—</u>	<u>—</u>	<u>39,606</u>

Notes:

- (a) Other payables are unsecured, non-interest-bearing and repayable on demand.
- (b) Other payables are unsecured, non-interest-bearing and not repayable within one year.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and benefits payables	39,671	40,116	114,042
Other tax payables	1,286	3,097	11,502
Other payables (<i>note (a)</i>)	23,131	16,253	29,080
Due to subsidiaries	4,722	259,908	119,250
Total	<u>68,810</u>	<u>319,374</u>	<u>273,874</u>

Note:

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

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27. INTEREST-BEARING BANK BORROWINGS

The Group

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	RMB’000	Effective interest rate (%)	Maturity	RMB’000	Effective interest rate (%)	Maturity	RMB’000
Current									
Bank loans-secured . . .	2.90-5.85	2024	1,964,937	2.45-3.35	2025	1,719,325	0.80-2.71	2026	2,444,703
Bank loans-unsecured . .	2.70-3.85	2024	951,108	1.85-5.04	2025	1,977,024	0.00-4.61	2026	2,800,057
Current portion of long-term bank loans-secured	3.25-3.31	2024	192,750	2.75-3.60	2025	249,065	2.45-3.05	2026	535,896
Current portion of long-term bank loans-unsecured . . .	2.70-3.55	2024	61,957	2.70-3.60	2025	1,217,277	2.24-3.50	2026	331,821
Total current			3,170,752			5,162,691			6,112,477
Non-current									
Bank loans-secured . . .	3.25-3.60	2025-2033	902,375	2.75-3.60	2026-2033	1,214,625	2.30-2.80	2027-2035	1,298,037
Bank loans-unsecured . .	2.70-3.55	2025-2026	1,189,883	2.70-3.60	2026-2027	1,302,111	2.24-3.50	2027-2028	3,079,288
Total non-current			2,092,258			2,516,736			4,377,325
Total			5,263,010			7,679,427			10,489,802

The Company

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	RMB’000	Effective interest rate (%)	Maturity	RMB’000	Effective interest rate (%)	Maturity	RMB’000
Current									
Bank loans-secured . . .			–	2.55-3.10	2025	97,281	1.60-2.71	2026	723,541
Bank loans-unsecured . .	2.70-3.85	2024	951,109	1.95-5.04	2025	1,596,657	0.00-4.61	2026	1,636,094
Current portion of long-term bank loans-secured	3.25-3.31	2024	190,966	2.75-3.06	2025	247,279	2.70	2026	346,123
Current portion of long-term bank loans-unsecured . . .	2.70-3.55	2024	33,791	2.70-3.60	2025	1,179,165	2.35-3.50	2026	261,828
Total current			1,175,866			3,120,382			2,967,586
Non-current									
Bank loans-secured . . .	3.25-3.31	2025-2029	870,000	2.75-3.06	2026-2029	1,184,000	2.45-2.65	2027-2030	744,998
Bank loans-unsecured . .	2.70-3.55	2025-2026	1,105,800	2.70-3.60	2026-2027	1,100,700	2.24-2.84	2027-2028	2,963,250
Total non-current			1,975,800			2,284,700			3,708,248
Total			3,151,666			5,405,082			6,675,834

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The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	3,170,752	5,162,691	6,112,477
In the second year.	1,288,422	1,071,963	1,992,841
In the third to fifth years, inclusive	647,836	1,427,273	2,383,095
Beyond five years	156,000	17,500	1,389
Total	<u>5,263,010</u>	<u>7,679,427</u>	<u>10,489,802</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	1,175,866	3,120,382	2,967,586
In the second year.	1,263,800	976,700	1,707,750
In the third to fifth years, inclusive	577,000	1,308,000	2,000,498
Beyond five years	135,000	—	—
Total	<u>3,151,666</u>	<u>5,405,082</u>	<u>6,675,834</u>

Notes:

- (i) The carrying amount of the Group’s borrowings guaranteed by the Company and secured by the Group’s equity interests in certain subsidiaries are RMB1,261,157,000, RMB1,143,866,000 and RMB1,061,248,000 as at 31 December 2023, 2024 and 2025, respectively (please refer to note 1 for details).
- (ii) The carrying amount of the Group’s trade receivables pledged for certain amounts of bank loans are RMB616,615,000, RMB414,472,000 and nil as at 31 December 2023, 2024 and 2025, respectively (note 20).
- (iii) The carrying amount of the Group’s buildings pledged for certain amounts of bank loans are RMB25,997,000, RMB25,392,000 and RMB24,788,000 as at 31 December 2023, 2024 and 2025, respectively (note 13).

28. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advances from customers			
Sale of goods.	<u>65,844</u>	<u>94,803</u>	<u>354,635</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advances from customers			
Sale of goods.	2,443	1,513	53,257

The contract liabilities represent the advances received to deliver goods. The increase in contract liabilities in 2024 and 2025 was mainly due to the significant expansion of sales.

29. DEFERRED INCOME

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants*.	14,581	20,651	35,264

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

30. PROVISION

	Warranties	Contingencies	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023.	16,169	–	16,169
Additional provision	14,978	294	15,272
Amounts utilised during the year.	(9,392)	–	(9,392)
At 31 December 2023 and 1 January 2024.	21,755	294	22,049
Additional provision	37,605	808	38,413
Amounts utilised during the year.	(23,591)	–	(23,591)
At 31 December 2024 and 1 January 2025.	35,769	1,102	36,871
Additional provision	50,416	–	50,416
Amounts utilised during the year.	(26,105)	(435)	(26,540)
At 31 December 2025	60,080	667	60,747

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	Warranties	Contingencies	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2023			
Non-current portion	21,755	294	22,049
At 31 December 2024			
Non-current portion	35,769	1,102	36,871
At 31 December 2025			
Current portion	60,080	–	60,080
Non-current portion	–	667	667
	60,080	667	60,747

The Group generally provides warranties from 12 months to 60 months to its customers on certain of its products for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. SHARE CAPITAL

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024 . .	412,864,254	412,864
Ordinary shares contributed by shareholders of RMB1 each . .	3,117,310	3,118
At 31 December 2024 and 1 January 2025	415,981,564	415,982
Ordinary shares contributed by shareholders of RMB1 each . .	3,163,703	3,163
At 31 December 2025	419,145,267	419,145

On 24 June 2024, the Company issued 3,117,310 shares under the share-based payment scheme for a total cash consideration of RMB112,909,000. An amount of RMB159,824,000 was transferred from share-based payment reserve to capital reserve upon the issuance of the restricted shares.

On 26 May 2025, the Company issued 3,163,703 shares under the share-based payment scheme for a total cash consideration of RMB113,799,000. An amount of RMB147,250,000 was transferred from share-based payment reserve to capital reserve upon the issuance of the restricted shares.

32. 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 of the Group.

(i) Capital reserve

The capital reserve of the Group represents the difference between the value of share capital and the consideration received.

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(ii) *Share-based payment reserve*

Share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions, details of which are set out in note 33 to the Historical Financial Information.

(iii) *Foreign currency translation reserve*

The Group’s foreign currency statement translation reserve represents the difference arising from the translation of the financial statements of the Group’s subsidiaries outside Chinese Mainland in accordance with the accounting policy set out for “Foreign currencies” in note 2.3 to the Historical Financial Information.

(iv) *Statutory surplus reserve*

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

The Company

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

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	3,877,227	–	51,792	208,617	4,137,636
Total comprehensive income for the year	–	–	–	107,082	107,082
Share-based payments	–	198,607	–	–	198,607
Transfer from retained earnings . . .	–	–	10,708	(10,708)	–
At 31 December 2023	<u>3,877,227</u>	<u>198,607</u>	<u>62,500</u>	<u>304,991</u>	<u>4,443,325</u>
At 1 January 2024	3,877,227	198,607	62,500	304,991	4,443,325
Total comprehensive loss for the year	–	–	–	(27,216)	(27,216)
Ordinary shares contributed by shareholders	269,615	(159,824)	–	–	109,791
Share-based payments	–	231,647	–	–	231,647
Acceleration of share-based payment expenses due to cancellation	–	(3,567)	–	–	(3,567)
Dividends declared	–	–	–	(103,995)	(103,995)
At 31 December 2024	<u>4,146,842</u>	<u>266,863</u>	<u>62,500</u>	<u>173,780</u>	<u>4,649,985</u>
At 1 January 2025	4,146,842	266,863	62,500	173,780	4,649,985
Total comprehensive profit for the year	–	–	–	20,658	20,658
Ordinary shares contributed by shareholders	257,886	(147,250)	–	–	110,636
Share-based payments	–	91,481	–	–	91,481
Transfer from retained earnings . . .	–	–	2,066	(2,066)	–
At 31 December 2025	<u>4,404,728</u>	<u>211,094</u>	<u>64,566</u>	<u>192,372</u>	<u>4,872,760</u>

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33. SHARE-BASED PAYMENTS

Share-based payment scheme of the Company

On 10 May 2023, the Group granted 10,788,319 restricted share units (“RSUs”) of the Company to 324 eligible employees at a subscription price of RMB36.23. The vesting periods for shares granted are 12 months, 24 months and 36 months from the grant date. According to the Company’s performance appraisal and individual performance appraisal, 30%, 30% and 40% of shares will be vested respectively.

On 29 December 2023, the Group granted 688,852 RSUs of the Company to 15 eligible employees at a subscription price of RMB36.23. The vesting periods for shares granted are 12 months and 24 months respectively from the grant date. According to the Company’s performance appraisal and individual performance appraisal, 50% and 50% of shares will be vested respectively.

During the year ended 31 December 2024, 105,954 RSUs granted to the Group’s employees in overseas subsidiaries were cancelled, resulting in an acceleration of share-based payment expenses amounted to RMB3,497,000 recognised in the consolidated statements of profit or loss. The Group reimbursed cash consideration of RMB3,567,000 to the employees for the cancellation of these RSUs, which was charged to share-based payment reserve.

The following RSUs were outstanding under the share-based payment scheme:

	Number of RSUs
At 1 January 2023.	–
Granted during the year	11,477,171
Forfeited during the year.	(211,756)
At 31 December 2023	11,265,415
Forfeited during the year.	(517,369)
Cancelled during the year	(105,954)
Exercised during the year	(3,117,310)
At 31 December 2024	7,524,782
Forfeited during the year.	(441,836)
Exercised during the year	(3,163,703)
At 31 December 2025	3,919,243

The fair value of the RSUs granted during the year ended 31 December 2023 was RMB605,818,000. During the years ended 31 December 2023, 2024 and 2025, the Group recognised share-based payment expenses of RMB198,081,000, RMB232,173,000 and RMB91,481,000, respectively. Corresponding deferred taxes of RMB526,000 and nil were charged directly to the equity for the years ended 31 December 2023 and 2025, and RMB526,000 was credited to equity for the year ended 31 December 2024, respectively.

The fair value of the RSUs at the grant date, was determined using a Black-Scholes model. Key assumptions used in determining the fair value were as follows:

	Grant day	
	10 May 2023	29 December 2023
Risk-free interest rate (%)	1.50-2.75	1.50-2.10
Volatility (%)	20.38-24.30	16.58-21.95

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Equity-settled share-based payment of principal subsidiaries of the Group

Wisemem Microelectronics (Shanghai) Co., Ltd.

Pursuant to the Employee Incentive Scheme, the registered capital of Wisemem Microelectronics (Shanghai) Co., Ltd. was increased from RMB100,000,000 to RMB143,000,000 on 6 May 2025, which were subscribed by certain employees and senior management of Wisemem Microelectronics (Shanghai) Co., Ltd. at a consideration of RMB1.00 each. Pursuant to the grant letters, the subscription considerations are settled by the incentive participants in three tranches over two years.

34. BUSINESS COMBINATION

(a) Acquisition of Longforce Technology (Suzhou) Co., Ltd.

On 1 October 2023, the Group acquired a 70% interest in Longforce Technology (Suzhou) Co., Ltd. from PTI Technology (Singapore) Pte. Ltd., Powertech Technology (Singapore) Pte. Ltd. and Powertech Technology Inc.. Longforce Technology (Suzhou) Co., Ltd. which is engaged in the chip packaging, testing and placement services. The acquisition was made as part of the Group’s strategy to expand its market share of industrial products. The purchase consideration for the acquisition was in the form of cash, with USD65,800,000 (equivalent to RMB481,163,000) paid on 28 September 2023 and the remaining USD65,800,000 (equivalent to RMB470,584,000) paid on 4 December 2023.

The fair values of the identifiable assets and liabilities of Longforce Technology (Suzhou) Co., Ltd. as at the date of acquisition were as follows:

	1 October 2023
	Fair value
	RMB’000
Assets:	
Cash and cash equivalents	100,048
Inventories	24,044
Other current assets	88,196
Non-current assets	598,420
Liabilities:	
Current liabilities	68,971
Non-current liabilities	53,045
Total identifiable net assets	688,692
Non-controlling interests	206,608
Acquisition of net assets	482,084
Goodwill	469,663
Satisfied by cash	951,747

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB82,725,000 and RMB4,342,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB82,725,000 and RMB4,342,000, respectively, of which nil other receivables are expected to be uncollectible.

The Group incurred transaction costs of RMB3,722,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

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An analysis of the cash flows in respect of the acquisition of Longforce Technology (Suzhou) Co., Ltd. is as follows:

	<i>RMB'000</i>
Cash consideration	(951,747)
Cash and bank balances acquired	<u>100,048</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(851,699)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(3,722)</u>
Total net cash outflow	<u>(855,421)</u>

Since the acquisition, Longforce contributed RMB77,129,000 to the Group’s revenue and net loss of RMB10,781,000 to the Group for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the net loss of the Group for the year ended 31 December 2023 would have been RMB10,401,646,000 and RMB841,896,000, respectively.

(b) Acquisition of Zilia Eletrônicos and Zilia Semicondutores

On 1 December 2023, the Group acquired a 81% interest in Zilia Eletrônicos and Zilia Semicondutores (together, “Zilia”) from SMART Global Holdings. Zilia is engaged in development and production of storage modules. The acquisition was made as part of the Group’s strategy to expand its market share of industrial products. The purchase consideration for the acquisition was in the form of cash, with USD143,026,000 (equivalent to RMB1,015,743,000) paid on 30 November 2023 and the USD21,614,000 (equivalent to RMB153,386,000) paid on 26 December 2023. As part of the Purchase Price, and in consideration for the Transferred Quotas and the other transactions contemplated by the SPA the remaining USD28,350,000 will be paid within five (5) business days following the date that is the eighteen (18) month anniversary of the Closing Date.

The fair values of the identifiable assets and liabilities of Zilia as at the date of acquisition were as follows:

	1 December 2023
	Fair value
	<i>RMB'000</i>
Assets:	
Cash and cash equivalents	293,763
Inventories	203,426
Other current assets	241,707
Non-current assets	806,920
Liabilities:	
Current liabilities	177,605
Non-current liabilities	<u>151,821</u>
Total identifiable net assets	<u>1,216,390</u>
Non-controlling interests	<u>231,114</u>
Acquisition of net assets	<u>985,276</u>
Goodwill	<u>398,998</u>
Satisfied by cash	<u>1,384,274</u>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB118,302,000 and RMB7,966,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB118,302,000 and RMB7,966,000, respectively, of which nil other receivables are expected to be uncollectible.

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The Group incurred transaction costs of RMB52,199,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Zilia Eletrônicos and Zilia Semicondutores is as follows:

	<i>RMB'000</i>
Cash consideration	(1,384,274)
Cash and bank balances acquired	<u>293,763</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,090,511)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(52,199)</u>
Total net cash outflow	<u><u>(1,142,710)</u></u>

Since the acquisition, Zilia contributed RMB37,212,000 to the Group’s revenue and net loss of RMB18,187,000 to the Group for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the net loss of the Group for the year ended 31 December 2023 would have been RMB11,138,043,000 and RMB972,580,000, respectively.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities RMB37,720,000, RMB31,034,000 and RMB17,123,000, respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	<u>Bank and other loans</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023.	<u>1,325,435</u>	<u>11,682</u>	<u>1,337,117</u>
Changes from financing cash flows	3,738,029	(13,211)	3,724,818
New leases entered during the year	–	37,720	37,720
Additions as a result of acquisition of subsidiaries	119,055	47,098	166,153
Foreign exchange translation	(787)	392	(395)
Interest expense	<u>81,278</u>	<u>872</u>	<u>82,150</u>
At 31 December 2023	<u><u>5,263,010</u></u>	<u><u>84,553</u></u>	<u><u>5,347,563</u></u>

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	Bank and other loans	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2023 and 1 January 2024	5,263,010	84,553	5,347,563
Changes from financing cash flows	2,158,746	(25,494)	2,133,252
New leases entered during the year	–	31,034	31,034
Foreign exchange translation	(7,681)	(9,299)	(16,980)
Interest expense	265,352	5,952	271,304
At 31 December 2024	7,679,427	86,746	7,766,173

	Bank and other loans	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2024 and 1 January 2025	7,679,427	86,746	7,766,173
Changes from financing cash flows	2,567,312	(34,794)	2,532,518
New leases entered during the year	–	17,123	17,123
Foreign exchange translation	5,051	2,537	7,588
Interest expense	238,012	4,940	242,952
At 31 December 2025	10,489,802	76,552	10,566,354

(c) Total cash outflow for leases

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	8,588	4,446	4,707
Within financing activities	13,211	25,494	34,794
Total	21,799	29,940	39,501

36. PLEDGE OF ASSETS

Details of the Group’s restricted bank deposits and pledged assets for interest-bearing bank borrowings are included in notes 24 and 27, respectively, to the Historical Financial Information.

37. COMMITMENTS

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Purchase of items of property, plant and equipment	385,444	267,897	108,227

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38. RELATED PARTY TRANSACTIONS

(a) Name and relationships of the related parties

Name	Relationship
Shanghai Testrong Technologies Co., Ltd . . .	An Associate
Shenzhen CECport Technologies Co., Ltd. . . .	A Company in which a director of the issuer is a director
MTL Memory Technologies (Shenzhen) Co., Ltd	An Associate

(b) The Group had the following transactions with a related party during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchases of test tools, fixtures from Shanghai Testrong Technologies Co., Ltd.	290	130	—
Purchases of test tools, fixtures from Shenzhen CECport Technologies Co., Ltd.	—	—	963
Sales of products to Shenzhen CECport Technologies Co., Ltd.	67,379	174,879	309,629
Sales of Intangible asset to MTL Memory Technologies (Shenzhen) Co., Ltd.	—	—	3,232

The purchase of test tools, fixtures from the related party and sales of products to the related party were made according to the published prices and terms agreed between the parties.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind.	7,510	14,472	20,629
Pension scheme contributions.	929	1,001	1,178
Share-based payment expenses	4,170	4,025	1,733
Total	12,609	19,498	23,540

Further details of directors’, the chief executive’s and supervisors’ emoluments are included in note 8 to the Historical Financial Information.

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39. 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 31 December 2023

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,200,523	—	1,200,523
Restricted deposit	18,426	—	18,426
Financial assets included in prepayments, other receivables and other assets	42,865	—	42,865
Trade and bills receivables	1,345,301	—	1,345,301
Equity investments designated at fair value through profit or loss	—	393,883	393,883
Total	<u>2,607,115</u>	<u>393,883</u>	<u>3,000,998</u>

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	5,263,010	—	5,263,010
Trade and bills payables	1,147,411	—	1,147,411
Financial liabilities included in other payables and accruals	370,365	—	370,365
Derivative financial instruments	—	789	789
Total	<u>6,780,786</u>	<u>789</u>	<u>6,781,575</u>

As at 31 December 2024

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,014,411	—	1,014,411
Restricted deposit	10,560	—	10,560
Financial assets included in prepayments, other receivables and other assets	87,162	—	87,162
Trade and bills receivables	1,671,623	—	1,671,623
Financial assets at fair value through profit or loss	—	179,623	179,623
Equity investments designated at fair value through profit or loss	—	720,080	720,080
Total	<u>2,783,756</u>	<u>899,703</u>	<u>3,683,459</u>

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Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	7,679,427	—	7,679,427
Trade payables	1,140,589	—	1,140,589
Financial liabilities included in other payables and accruals	389,105	—	389,105
Total	9,209,121	—	9,209,121

As at 31 December 2025

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,468,811	—	—	1,468,811
Restricted deposit	9,520	—	—	9,520
Financial assets included in prepayments, other receivables and other assets	280,288	—	—	280,288
Trade and bills receivables	2,040,417	—	—	2,040,417
Receivables financing	—	—	4,434	4,434
Financial assets at fair value through profit or loss	—	38,541	—	38,541
Equity investments designated at fair value through profit or loss	—	911,545	—	911,545
Total	3,799,036	950,086	4,434	4,753,556

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	10,489,802	—	10,489,802
Trade payables	2,016,776	—	2,016,776
Financial liabilities included in other payables and accruals	473,104	—	473,104
Derivative financial instruments	—	66	66
Total	12,979,682	66	12,979,748

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

There are no significant differences between the carrying amounts and the fair values of the Group’s financial instruments.

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

The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of unlisted equity investments have been valued based on a market-based fair value technique that is appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Those valuation techniques require significant observable inputs, including market multiplier, risk-free interest rate, volatility and liquidity discount which are available from public market. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The fair value of listed equity investment has been valued based on a quoted market price with a discount of lack of marketability since the Group’s shares in the listed investee was still within a lock-up period.

The structured deposits and certificate deposits were issued by banks in Chinese Mainland and Brazil. The fair values of the financial assets approximate to their costs plus expected interest.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

As at 31 December 2023

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	Average P/E multiple of peers	38.55	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,859,000
		Average P/S multiple of peers	4.73-6.09	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB16,733,000
		Average EV/Sales multiple of peers	0.41-1.65	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,103,000
		Discount for lack of marketability	14%-20%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB22,540,000

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As at 31 December 2024

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted/listed equity investment	Valuation multiples	Average P/E multiple of peers	39.14	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,024,000
		Average P/S multiple of peers	4.67-7.56	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB5,146,000
		Average EV/Sales multiple of peers	0.83-4.23	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB359,000
		Discount for lack of marketability	12.5%-20%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB39,152,000

As at 31 December 2025

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted/listed equity investment	Valuation multiples	Average P/S multiple of peers	4.50-5.40	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB9,431,000
		Average EV/Sales multiple of peers	0.56-1.72	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,268,000
		Discount for lack of marketability	14%-38%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB11,086,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Unlisted equity investments, at fair value	–	–	393,883	393,883
	=	=	=	=

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Derivative financial instruments . . .	–	17,303	–	17,303
Structured deposits and certificate deposits	–	162,320	–	162,320
Listed investments, at fair value . . .	–	–	551,206	551,206
Unlisted investments, at fair value . .	–	–	168,874	168,874
	–	179,623	720,080	899,703
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Derivative financial instruments . . .	–	2,922	–	2,922
Structured deposits and certificate deposits	–	35,619	–	35,619
Trade and bills receivables	–	4,434	–	4,434
Listed investments, at fair value . . .	697,064	–	–	697,064
Unlisted investments, at fair value . .	–	–	214,481	214,481
	697,064	42,975	214,481	954,520
	=	=	=	=

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The movements in fair value measurements within Level 3 during the year are as follows:

	Unlisted/listed equity investments at fair value through profit or loss
	<i>RMB’000</i>
At 1 January 2023	307,836
Total gains or losses recognised in profit or loss	36,047
Transfer into Level 3	50,000
At 31 December 2023 and 1 January 2024	393,883
Total gains or losses recognised in profit or loss	293,127
Transfer into Level 3	33,070
At 31 December 2024 and 1 January 2025	720,080
Total gains or losses recognised in profit or loss	45,607
Transfer out of Level 3	(551,206)
As at 31 December 2025	214,481

During the year ended 31 December 2023 and 2024, certain equity investments were transferred from Level 2 to Level 3 due to changes in the valuation method from using recent market transaction prices to other valuation techniques with significant unobservable inputs.

During the year ended 31 December 2025, certain equity instrument investment held by the Group had quotations in an active market due to the release of lockup period, and its fair value was transferred from Level 3 to Level 1.

Apart from transfers above, 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 for financial assets.

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Derivative financial instruments . . .	—	789	—	789
	—	—	—	—

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Derivative financial instruments . . .	—	66	—	66
	—	—	—	—

The Group did not have any financial liabilities measured at fair value as at 31 December 2024.

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 for financial liabilities.

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Liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings. . .	–	5,263,010	–	5,263,010
	=	=	=	=

Liabilities for which fair values are disclosed (continued):

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings. . .	–	7,679,427	–	7,679,427
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable markets (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings. . .	–	10,489,802	–	10,489,802
	=	=	=	=

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. 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 receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s cash and time deposits at banks and interest-bearing bank and other borrowings.

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The following table demonstrates a sensitivity analysis of interest rate risk, reflecting the impact on net profit or loss (through the impact on floating rate borrowings) of a reasonable and probable change in interest rates, assuming other variables are constant.

	Increase/(decrease) in basis points	Increase/(decrease) in net profit
		<i>RMB '000</i>
Year ended 31 December 2023		
RMB	50.00	(2,902)
RMB	(50.00)	2,902
Year ended 31 December 2024		
RMB	50.00	(15,422)
RMB	(50.00)	15,422
Year ended 31 December 2025		
RMB	50.00	(15,684)
RMB	(50.00)	15,684

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group’s financial condition and results of operations.

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 loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax	(Decrease)/increase in equity
	<i>%</i>	<i>RMB '000</i>	<i>RMB '000</i>
Year ended 31 December 2023			
If RMB strengthens against the USD	5	(3,911)	9,249
If RMB weakens against the USD	(5)	3,911	(9,249)
Year ended 31 December 2024			
If RMB strengthens against the USD	5	(4,494)	17,272
If RMB weakens against the USD	(5)	4,494	(17,272)
Year ended 31 December 2025			
If RMB strengthens against the USD	5	(9,395)	26,748
If RMB weakens against the USD	(5)	9,395	(26,748)

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. The credit risk of the Group’s other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

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Maximum exposure and year-end staging as at 31 December 2023, 2024 and 2025

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.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 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*	–	–	–	1,347,357	1,347,357
Financial assets included in prepayments, other receivables and other assets					
– Normal**	42,865	–	–	–	42,865
Cash and cash equivalents					
– Not yet past due.	1,200,523	–	–	–	1,200,523
Restricted deposit	18,426	–	–	–	18,426
Total	<u>1,261,814</u>	<u>–</u>	<u>–</u>	<u>1,347,357</u>	<u>2,609,171</u>

At 31 December 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*	–	–	–	1,674,711	1,674,711
Financial assets included in prepayments, other receivables and other assets					
– Normal**	87,162	–	–	–	87,162
Cash and cash equivalents					
– Not yet past due.	1,014,411	–	–	–	1,014,411
Restricted deposit	10,560	–	–	–	10,560
Total	<u>1,112,133</u>	<u>–</u>	<u>–</u>	<u>1,674,711</u>	<u>2,786,844</u>

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At 31 December 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*	–	–	–	2,044,002	2,044,002
Financial assets included in prepayments, other receivables and other assets					
– Normal**	280,288	–	–	–	280,288
Receivables financing . . .	4,434	–	–	–	4,434
Cash and cash equivalents					
– Not yet past due.	1,468,811	–	–	–	1,468,811
Restricted deposit	9,520	–	–	–	9,520
Total	<u>1,763,053</u>	<u>–</u>	<u>–</u>	<u>2,044,002</u>	<u>3,807,055</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group’s objective is to maintain continuity of funding. 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 31 December 2023

	Within 3 months or on demand	3 months to 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,121,399	24,703	1,309	1,147,411
Lease liabilities	4,836	16,683	82,210	103,729
Other payables	146,236	6,717	217,412	370,365
Interest-bearing bank borrowings. . .	832,698	2,527,061	2,153,319	5,513,078
Financial liabilities at fair value through profit or loss	783	6	–	789
Total	<u>2,105,952</u>	<u>2,575,170</u>	<u>2,454,250</u>	<u>7,135,372</u>

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	Within 3 months or on demand	3 months to 1 year	Over 1 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,133,657	6,932	–	1,140,589
Lease liabilities	6,665	19,609	70,959	97,233
Other payables	118,714	270,391	–	389,105
Interest-bearing bank borrowings. . .	1,128,628	4,250,230	2,646,858	8,025,716
Total	<u>2,387,664</u>	<u>4,547,162</u>	<u>2,717,817</u>	<u>9,652,643</u>

As at 31 December 2025

	Within 3 months or on demand	3 months to 1 year	Over 1 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,014,368	2,408	–	2,016,776
Lease liabilities	8,246	23,596	61,800	93,642
Other payables	437,714	35,390	–	473,104
Interest-bearing bank borrowings. . .	1,582,026	4,621,803	4,577,877	10,781,706
Total	<u>4,042,354</u>	<u>4,683,197</u>	<u>4,639,677</u>	<u>13,365,228</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 maximise 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 adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The Group’s policy is to maintain the gearing ratio at a reasonable level.

The gearing ratio as at the end of each of the Relevant Periods was as follows:

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	<u>7,230,441</u>	<u>9,997,162</u>	<u>14,389,052</u>
Total assets	<u>13,679,845</u>	<u>16,896,667</u>	<u>22,750,717</u>
Gearing ratio	<u>52.85%</u>	<u>59.17%</u>	<u>63.25%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

42. INVESTMENTS IN SUBSIDIARIES

The Company

Investments in subsidiaries

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments at cost	2,284,382	2,515,432	2,590,885
Total	<u>2,284,382</u>	<u>2,515,432</u>	<u>2,590,885</u>

43. EVENTS AFTER THE RELEVANT PERIODS

- (i) The proposed 2025 final dividends of RMB0.35 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the relevant record date were subsequently approved by the Annual General Meeting of the Company on 19 May 2026.

The proposed 2026 interim dividends of RMB0.65 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the relevant record date were subsequently approved by the Annual General Meeting of the Company on 19 May 2026.

- (ii) On 22 December 2025, the Shareholders of our Company resolved the proposed issuance of A Shares to specific targets (the “Proposed A Shares Issuance”), pursuant to which (a) the number of specific targets shall be no more than 35 eligible investors; (b) the number of A Shares to be issued pursuant to the Proposed A Shares Issuance shall be no more than 125,743,580 A Shares, representing approximately 30% of the total issued share capital of our Company as of the Latest Practicable Date; and (c) the net proceeds from the Proposed A Shares Issuance shall be no more than RMB3,700,000,000. The approval of the Proposed A Shares Issuance from the Shenzhen Stock Exchange has been obtained on 20 May 2026, subject to the final registration with the CSRC.

44. SUBSEQUENT FINANCIAL STATEMENTS

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