The following is the text of a report set out on pages [I-1] to I-[54], received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEGATRONIX INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND DEUTSCHE SECURITIES ASIA LIMITED

Introduction

We report on the historical financial information of Megatronix Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-3] to [I-54], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-3] to [I-54] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial **[REDACTED]** of 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 (the "Directors") 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 1.2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants 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 1.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2023, 2024 and 2025, of the Company's financial position as at December 31, 2023, 2024 and 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended December 31, 2023	2024	2025
		RMB'000	RMB'000	RMB'000
Revenue	5	1,513,000	1,419,735	1,491,560
Cost of revenue		(1,329,853)	(1,110,454)	(1,125,515)
Gross profit		183,147	309,281	366,045
Other income	6	10,651	10,790	18,233
Other gains and losses	7	(21,340)	(18,068)	(8,070)
Impairment losses under expected credit loss model, net of reversal	8	(5,651)	(1,962)	2,499
Selling and marketing expenses		(21,726)	(34,402)	(37,966)
Administrative expenses		(61,605)	(74,966)	(79,787)
Research and development expenses		(290,154)	(357,764)	(367,931)
Finance costs	9	(1,800)	(8,937)	(12,966)
Change in fair value of convertible redeemable preferred shares	33	(148,098)	(115,092)	(1,229,318)
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Loss before tax		(356,576)	(291,120)	(1,368,445)
Income tax expense	10	–	–	–
Loss for the year attributable to owners of the Company	11	(356,576)	(291,120)	(1,368,445)
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		4,846	6,003	(5,863)
Total comprehensive expense for the year attributable to owners of the Company		(351,730)	(285,117)	(1,374,308)
Loss per share				
Basic and diluted (RMB)	15	(3.30)	(2.70)	(12.67)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current Assets				
Property and equipment	16	26,316	22,300	24,811
Right-of-use assets	17	9,844	14,853	13,273
Intangible assets	18	6,886	7,760	6,338
Prepayments, deposits and other receivables	23	26,524	39,497	44,982
		69,570	84,410	89,404
Current Assets				
Inventories	19	135,122	191,987	263,979
Trade receivables	20	669,271	649,231	456,536
Notes receivables	22	57,195	249,486	274,740
Prepayments, deposits and other receivables	23	321,854	544,510	497,400
Financial assets at fair value through profit or loss	26	–	10,003	–
Contract assets	24	5,190	2,918	3,727
Contract costs	25	7,555	18,701	20,710
Restricted cash	27	–	200,000	–
Cash and cash equivalents	27	185,726	186,721	547,562
		1,381,913	2,053,557	2,064,654
Current Liabilities				
Trade payables	28	399,995	318,690	230,473
Accrued expense and other payables	29	362,756	923,897	591,465
Lease liabilities	30	7,934	7,885	8,530
Bank borrowings	31	55,000	330,000	687,000
Financial liabilities from notes discounted	31, 22	–	101,627	101,561
Contract liabilities	32	23,499	19,277	17,045
Convertible redeemable preferred shares	33	1,967,053	2,082,145	3,532,148
		2,816,237	3,783,521	5,168,222
Net Current Liabilities		(1,434,324)	(1,729,964)	(3,103,568)
Total Assets less Current Liabilities		(1,364,754)	(1,645,554)	(3,014,164)
Non-current Liabilities				
Lease liabilities	30	2,156	6,473	2,844
Deferred income	6	–	–	9,327
Net Liabilities		(1,366,910)	(1,652,027)	(3,026,335)
EQUITY				
Share capital	35	75	75	75
Reserves		(1,366,985)	(1,652,102)	(3,026,410)
Total Deficits		(1,366,910)	(1,652,027)	(3,026,335)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current Asset				
Investments in a subsidiary	43	1,376,459	1,385,769	1,385,769
		1,376,459	1,385,769	1,385,769
Current Assets				
Prepayments, deposits and other receivables	23	3,140	3,140	2,964
Cash and cash equivalents	27	9,247	11	209,950
		12,387	3,151	212,914
Current Liabilities				
Accrued expense and other payables	29	–	–	3,956
Amounts due to subsidiaries	42	26,126	26,595	31,251
Convertible redeemable preferred shares	33	1,967,053	2,082,145	3,532,148
		1,993,179	2,108,740	3,567,355
Net Current Liabilities		(1,980,792)	(2,105,589)	(3,354,441)
Total Assets less Current Liabilities		(604,333)	(719,820)	(1,968,672)
Net Liabilities		(604,333)	(719,820)	(1,968,672)
EQUITY				
Share capital	35	75	75	75
Reserves	36	(604,408)	(719,895)	(1,968,747)
Total Deficits		(604,333)	(719,820)	(1,968,672)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Other reserve	Translation reserve	Accumulated deficit	Total
	RMB'000 (Note 35)	RMB'000 (Note 36)	RMB'000	RMB'000	RMB'000
As at January 1, 2023	75	(15,328)	(28,389)	(971,538)	(1,015,180)
Loss for the year	–	–	–	(356,576)	(356,576)
Other comprehensive income for the year	–	–	4,846	–	4,846
Total comprehensive income (expense)	–	–	4,846	(356,576)	(351,730)
As at December 31, 2023	75	(15,328)	(23,543)	(1,328,114)	(1,366,910)
Loss for the year	–	–	–	(291,120)	(291,120)
Other comprehensive income for the year	–	–	6,003	–	6,003
Total comprehensive income (expense)	–	–	6,003	(291,120)	(285,117)
As at December 31, 2024	75	(15,328)	(17,540)	(1,619,234)	(1,652,027)
Loss for the year	–	–	–	(1,368,445)	(1,368,445)
Other comprehensive expense for the year	–	–	(5,863)	–	(5,863)
Total comprehensive expense	–	–	(5,863)	(1,368,445)	(1,374,308)
As at December 31, 2025	75	(15,328)	(23,403)	(2,987,679)	(3,026,335)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Loss before tax	(356,576)	(291,120)	(1,368,445)
Adjustments for:			
Depreciation of property and equipment	12,532	15,497	14,071
Depreciation of right-of-use assets	12,725	10,572	8,732
Amortization of intangible assets	1,702	2,260	2,504
Write-down on inventories	7,939	7,117	6,484
Impairment losses recognized under expected credit loss model, net of reversal	5,651	1,962	(2,499)
Warranty provision recognized	5,562	4,707	5,490
Gain on fair value change of financial assets at fair value through profit or loss	–	(3)	–
Loss/(gain) on disposal of property and equipment	–	136	(65)
Loss on modification of right-of-use assets	–	2	–
Finance costs	1,800	8,937	12,966
Foreign exchange loss	20,840	17,933	8,135
Loss on fair value change of convertible redeemable preferred shares	148,098	115,092	1,229,318
Operating cash flows before movements in working capital	(139,727)	(106,908)	(83,309)
(Increase)/decrease in trade receivables	(517,743)	18,039	195,219
Increase in notes receivables	(93,188)	(464,796)	(280,654)
Decrease/(increase) in contract assets	11,461	2,311	(833)
Increase in contract costs	(3,564)	(11,146)	(2,009)
Decrease/(increase) inventories	35,864	(63,982)	(78,476)
(Increase)/decrease in prepayments, deposits and other receivables	(208,801)	(238,813)	36,974
Increase in deferred income	–	–	9,327
Increase/(decrease) in trade payables	358,407	(50,482)	(109,130)
Increase/(decrease) in accrued expense and other payables	240,208	356,160	(138,160)
Decrease in contract liabilities	(20,569)	(4,222)	(2,232)
Cash used in operations	(337,652)	(563,839)	(453,283)
Interest received	5,155	3,184	7,150
NET CASH USED IN OPERATING ACTIVITIES	(332,497)	(560,655)	(446,133)
INVESTING ACTIVITIES			
Placement of restricted bank balance	–	(200,000)	–
Withdrawal of restricted bank balance	–	–	200,000
Purchase of financial assets at fair value through profit or loss	–	(10,000)	–
Proceed on disposal of financial assets at fair value through profit or loss	–	–	10,003
Payments to former VIE nominee shareholder	–	–	(3,140)
Repayments from former VIE nominee shareholder	–	–	3,140
Payments for right-of-use assets	(489)	(691)	(438)
Proceeds from disposal of property and equipment	–	368	330
Purchase of property and equipment	(16,395)	(11,985)	(16,847)
Purchases of intangible assets	(5,937)	(3,134)	(1,082)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(22,821)	(225,442)	191,966
FINANCING ACTIVITIES			
Proceeds from bank borrowings	118,653	497,087	780,000
Repayment of bank borrowings	(63,653)	(222,087)	(423,000)
Payment of issue costs	–	–	(2,500)
Repayments of lease liabilities	(15,378)	(10,624)	(9,698)
Proceeds from issue of convertible redeemable preferred shares	193,442	200,000	20,685
Proceeds from notes discounted to banks with full recourse	–	343,583	276,485
Interest paid	(1,800)	(8,937)	(12,966)
NET CASH FROM FINANCING ACTIVITIES	231,264	799,022	629,006
Effect of foreign exchange rate changes	(15,994)	(11,930)	(13,998)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(140,048)	995	360,841
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	325,774	185,726	186,721
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	185,726	186,721	547,562
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Net settlement of notes discounted to banks	–	241,682	276,586

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

1.1 General Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 14, 2018 under the Companies Act of the Cayman Islands. Its ultimate parent is AIZL Holdings Limited, and its ultimate controlling party is Dr. Zhuang, Li ("Dr. Zhuang" or "Founder"), who is also the director and chief executive officer of the Company. The address of the registered office and the principal place of business is disclosed in the section headed "Corporate Information" in the Document.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of integrated domain control solutions (as defined in the document) in the People's Republic of China (the "PRC").

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and its subsidiaries in the Mainland China, the functional currency of the Company's subsidiary in Hong Kong is United States dollar ("US$").

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.

1.2 Basis of Preparation of the Historical Financial Information

The Historical Financial Information have been prepared based on the accounting policies which conform with IFRS Accounting Standards. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "Companies Ordinance").

As at December 31, 2025, the Group had net current liabilities of RMB3,103,568,000 and net liabilities of RMB3,026,335,000. The net current liabilities and net liabilities primarily arise from the convertible redeemable preferred shares (the "Preferred Shares") amounting RMB3,532,148,000 as at December 31, 2025, which shareholders of the Preferred Shares can convert the Preferred Shares to ordinary share of the Company at any time. The Preferred Shares are only redeemable if **[REDACTED]** ("**[REDACTED]**") does not occur by December 30, 2028. The Group also recorded net loss and operating cash outflow of RMB1,368,445,000 and RMB446,133,000, respectively for the year ended December 31, 2025. The Group has performed a working capital forecast for the next twelve months from [May 29, 2026]. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, banking facility available to the Group, and fact that conversion of the Preferred Shares into ordinary shares (if any) will not result in cash outflow, The directors of the Company (the "Directors") believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from [May 29, 2026]. Based on the judgments of the Directors, the assessment and the period covered have taken into account all relevant information, including any anticipated events or conditions, in assessing the use of the going concern basis in preparing the Historical Financial Information. Accordingly, the Directors consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

1.3 Contractual Arrangements and Group Reorganization

During the Track Record Period, Megatronix (Beijing) Information Technology Co., Ltd. (邁天龍(北京)信息技術有限公司), "Megatronix Infotech", the variable interest entity or the "VIE") was controlled by the Group through a series of agreements (the "Contractual Arrangement"). The Group completed a restructuring (the "Reorganization") pursuant to which the Contractual Arrangements were terminated on June 6, 2025 and the Group acquired full ownership of Megatronix Infotech at the consideration of RMB3,140,000, which equals to the loan to nominee shareholder of the VIE and Megatronix Infotech becomes a wholly owned subsidiary of the Group. There was no material business conducted by Megatronix Infotech during the Track Record Period.

On August 28, 2018 and January 9, 2019, the wholly-owned subsidiary of the Company, Megatronix (Beijing) Technology Co., Ltd. (鎂佳(北京)科技有限公司 "Megatronix (Beijing) Technology"), has entered into the Contractual Arrangement and further updated subsequently, with Megatronix Infotech and its respective equity holders (the "Nominee Shareholder" of the VIE), including (1) exclusive business cooperation agreement (《獨家業務合作協議》), (2) exclusive asset acquisition agreement (《獨家資產認購合同》), (3) exclusive option agreement《獨家股權購買權合同》and equity pledge agreement (《股權質押合同》), and power of attorney (《股東表決權委托協議》) and spouse consent letter (《配偶同意函》). The Contractual Arrangements enable Megatronix (Beijing) Technology and the Company to:

- expose, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over Megatronix Infotech;
- exercise effective financial and operational control over of Megatronix Infotech;
- irrevocably exercise equity holders' controlling voting rights of Megatronix Infotech;
- receive substantially all of the economic interest returns generated by Megatronix Infotech in consideration for the business support, technical and consulting services provided by Megatronix (Beijing) Technology.
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Megatronix Infotech from the respective equity holders at a minimum purchase price permitted under PRC Laws. Megatronix (Beijing) Technology may exercise such options at any time until it has acquired all equity interests and/or all assets of the Megatronix Infotech. In addition, Megatronix Infotech are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Megatronix (Beijing) Technology; and
- obtain a pledge over the entire equity interests of Megatronix Infotech from their equity holders as collateral security for all of Megatronix Infotech's payments due to Megatronix (Beijing) Technology and to secure performance of Megatronix Infotech's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Megatronix Infotech. However, as a result of the Contractual Arrangements, the Group has power over Megatronix Infotech, has rights to variable returns from its involvement with Megatronix Infotech and has the ability to affect those returns through its power over Megatronix Infotech and is therefore considered to have control over Megatronix Infotech. Consequently, the Company regards Megatronix Infotech as an indirect subsidiary for accounting purpose. The Company consolidated the financial position and the results of operation of Megatronix Infotech during the Track Record Period.

Total assets of Megatronix Infotech were RMB3,180,000 and RMB1,538,000 as at December 31, 2023 and 2024, respectively, and these balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between Megatronix Infotech and other entities within the Group eliminated.

Total revenue of Megatronix Infotech was nil, nil and nil for the years ended December 31, 2023 and 2024 and during the period from January 1, 2025 to June 6, 2025, respectively, and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between Megatronix Infotech and other entities within the Group eliminated.

2. ADOPTION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on or after January 1, 2025, throughout the Track Record Period.

New and Revised IFRS Accounting Standards in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS Accounting Standards	*Annual Improvements to IFRS Accounting Standards – Volume 11*[2]
IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after January 1, 2026.

[3] Effective for annual periods beginning on or after January 1, 2027.

Except for the amendments to IFRS Accounting Standards mentioned below, the Directors anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the Group's consolidated financial statements in the foreseeable future.

Impacts on application of IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 *Financial Instruments Disclosures*. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted.

The application of the new standard is not expected to have significant impact on the financial performance and position of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. Additional disclosures required for the Group's management-defined performance measures will be disclosed in a separate note to the consolidated financial statements. The Group currently presents interest received in operating activities, they will be classified in the investing activities on the consolidated statement of cash flows.

3. MATERIAL ACCOUNTING POLICY INFORMATION

For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries of the Group controlled by the Company. Control is achieved when the Company:

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

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

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

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

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

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

3.2 Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5, Note 24 and Note 25.

3.3 Subcontractor arrangement

The Group enters into subcontracting arrangements for the production of integrated domain control solutions. Under these arrangements, the Group purchases materials, sells them to subcontractors for manufacturing, and subsequently repurchases the completed components from subcontractors and sell to customers. In these transactions, subcontractors act solely as service providers, and no revenue and cost of sales were recognized for transactions with subcontractors.

Receivables from subcontractors and payables to subcontractors are presented separately in the financial statements in accordance with IAS 32. Offsetting is not permitted as there is no legally enforceable right to set off such amounts, nor an intention to settle on a net basis.

3.4 Research and development expenses

Expenditure on research activities is recognized as an expense in the period in which it is incurred. When no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

3.5 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants received but not yet recognized are recorded as deferred income.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3.6 Employee benefits

Retirement benefit costs

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other postretirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3.7 Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

3.8 Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3.9 Cash and cash equivalents

For the purposes of the consolidated statements of financial position and the consolidated statements of cash flows, cash and cash equivalents consist of:

(a) cash, which comprises of cash on hand, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3.11 Contract cost

The Group incurs costs to fulfill a contract in the integrated domain control solutions. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria.

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; an

(c) the costs are expected to be recovered.

The asset is subsequently recognized to profit or loss at a point in time when solutions are accepted by the customers.

3.12 Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of integrated domain control solutions used in cars are recognized at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

3.13 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss "FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in wealth management products issued by banks are classified as financial assets at FVTPL as the principal amount and expected returns of these wealth management products are not guaranteed, and the contractual terms does not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or designated as fair value through other comprehensive income (" FVTOCI") are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including financial assets at FVTPL, trade receivables, notes receivables, deposits and other receivables, restricted cash, and cash and cash equivalents), and other items (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant financial instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The Group always recognizes lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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 instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group measures ECL on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and notes receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities including trade payables, accrued expense and other payables, bank borrowings and financial liabilities from notes discounted are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Fair value measurement of financial liabilities at FVTPL

As at December 31, 2023, 2024 and 2025, the Group's Preferred Shares amounting to RMB1,967,053,000, RMB2,082,145,000 and RMB3,532,148,000, respectively, are measured as financial liabilities at FVTPL, which is determined using Black-Scholes option pricing model with significant unobservable inputs used. Judgement and estimation are required in establishing the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of the Preferred Shares. Details of the financial liabilities at FVTPL are disclosed in Note 33.

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Type of revenue line:			
Integrated domain control solutions	1,513,000	1,419,735	1,491,560
Timing of revenue recognition:			
At a point in time	1,513,000	1,419,735	1,491,560

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group provides integrated domain control solutions to original equipment manufacturers, which designs, develops, and manufactures passenger vehicles ("OEMs") and supplier of OEMs in connection with their production of passenger vehicles ("Supplier of OEMs").

Revenue from integrated domain control solutions and components are recognized at a point in time when the solutions or the components are accepted by the customers.

Revenue from integrated domain control solutions may involve variable consideration arrangement, which depends on the quantity of integrated domain control solutions delivered to OEMs or to Supplier of OEMs. Management makes the best estimate of the transaction price with variable consideration, which would not include any estimated amounts of variable consideration that are constrained.

Sales-related warranties are not sold separately and serve as an assurance that the products sold comply with agreed-upon specifications. The Group accounts for these warranties in accordance with IAS 37, "Provisions, Contingent Liabilities, and Contingent Assets". The warranty provision is based on historical experience and management's best estimate and is updated at each reporting period.

As all performance obligation under the contracts are expected to be completed within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) Segment information

Information reported to the chief executive officer of the Company, who is identified as the chief operating decision maker ("CODM") of the Company, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed by the CODM. Accordingly, no operating segment information is presented.

(iv) Geographical information

No geographic information is presented as the non-current assets are all located in the PRC and revenue of the Group are all derived from its activities in the PRC.

(v) Information about major customers

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

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer F	N/A[1]	198,971	252,981
Customer D	N/A[1]	295,619	241,834
Customer E	N/A[1]	189,344	195,034
Customer G	–	N/A[1]	175,934
Customer C	N/A[1]	323,701	N/A[1]
Customer B	274,200	195,868	N/A[1]
Customer A	801,633	N/A[1]	–

Note 1: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective year.

6. OTHER INCOME

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants (Note)	5,323	7,598	11,083
Interest income from bank balances	5,155	3,184	7,150
Others	173	8	—
	10,651	10,790	18,233

Note:

The government grants mainly represent incentives provided by local government authorities in the PRC to reward the Group's support and contribution for the development of local economies. As at December 31, 2023, 2024 and 2025, nil, nil and RMB9,327,000 government grants with the conditions not yet met is recorded as deferred income, respectively.

7. OTHER GAINS AND LOSSES

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Foreign exchange loss	(20,840)	(17,933)	(8,135)
Others	(500)	(135)	65
	(21,340)	(18,068)	(8,070)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impairment losses recognized(reversal) on:			
- Trade receivables	5,781	2,001	(2,523)
- Contract assets	(130)	(39)	24
	5,651	1,962	(2,499)

Details of impairment assessment are set out in Note 39.

9. FINANCE COSTS

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interests on lease liabilities	1,100	846	673
Interests on bank borrowings and financial liabilities from notes discounted	700	8,091	12,293
	1,800	8,937	12,966

10. INCOME TAX EXPENSE

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax	–	–	–
Deferred tax (Note 21)	–	–	–
	–	–	–

The Company was incorporated in the Cayman Islands and is tax exempted under the tax laws of the Cayman Islands.

Under the Law of the PRC on enterprise income tax (the "EIT Law") and implementation regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The Group's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million.

The Group's subsidiaries operating in the PRC are eligible for certain tax concessions. Under the EIT Law effective on January 1, 2008, the "High and New Technology Enterprise" (the "HNTE") status of qualifying entities is valid for three years and qualifying entities can re-apply for an additional three years provided their business operations continue to qualify for the HNTE status. Megatronix (Beijing) Technology was qualified as HNTE in 2020 and renewed its HNTE in 2023, and was entitled to a preferential tax rate of 15% from 2020 to 2025. Megatronix (Wuhan) Technology Co. (鎂佳(武漢)科技有限公司, the "Megatronix (Wuhan) Technology") was qualified as HNTE in 2024 and was entitled to a preferential tax rate of 15% from 2024 to 2026.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engaged in Research and development ("R&D") activities are entitled to claim an additional tax deduction amounting to 75% of the qualified R&D expenses incurred in determining its tax assessable profits for that year ("Super Deduction"). Starting from January 2021, the Super Deduction ratio increased to 100% for manufacturing industry. Starting from October 1, 2022, the Super Deduction ratio was increased to 100% for other industries. Megatronix (Beijing) Technology and Megatronix (Wuhan) Technology were entitled to Super Deduction during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss before tax	(356,576)	(291,120)	(1,368,445)
Tax at the statutory rate (25%)	(89,144)	(72,780)	(342,111)
Tax effect of differences in preferential tax rate	19,613	46,264	41,188
Tax effect of expenses not deductible for tax purposes	462	810	748
Tax effect of differences in foreign tax rate	36,611	29,270	313,219
Tax effect of Super Deduction	(56,454)	(77,200)	(77,572)
Tax effect of deductible temporary differences not recognized	4,421	2,930	2,525
Utilisation of deductible temporary differences previously not recognized	(790)	(185)	–
Tax effect of tax losses not recognized	85,281	70,891	62,003
Income tax expense for the year	–	–	–

11. LOSS FOR THE YEAR

The Group's loss for the year during the Track Record Period has been arrived at after charging:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Staff costs (including Directors' emoluments as set out in Note 12):			
Salaries and other benefits	217,956	245,054	282,549
Bonus	18,894	21,571	26,137
Retirement benefit scheme contributions	21,809	24,774	27,885
Total staff costs	258,659	291,399	336,571
Depreciation and amortization:			
Depreciation of property and equipment	12,532	15,497	14,071
Depreciation of right-of-use assets	12,725	10,572	8,732
Amortization of intangible assets	1,702	2,260	2,504
Total depreciation and amortization	26,959	28,329	25,307
Cost of inventories recognized as an expense (including write-down of inventories amounting to RMB7,939,000, RMB7,117,000, and RMB6,484,000 during the years ended December 31, 2023, 2024 and 2025, respectively)	1,315,646	1,096,165	1,078,667
Auditor's remuneration	35	77	102
[REDACTED] expense	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

12. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The emoluments paid or payable to the Directors and chief executive of the Company by entities comprising the Group during the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	For the year ended December 31, 2023			
	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000 *(Note ii)*	RMB'000	RMB'000
Executive Directors (Note i):				
Dr. Zhuang (Note iii)	890	74	63	1,027
Mr. Xiao Yangke (Note iii)	1,022	97	63	1,182
Non-executive Directors (Note iv):				
Ms. Xu Shi (Note iii)	–	–	–	–
Mr. He Jia (Note iii)	–	–	–	–
Ms. Zhang Yu (Note iii)	–	–	–	–
Mr. David Wenda Yuan (Note iii)	–	–	–	–
Total	1,912	171	126	2,209

	For the year ended December 31, 2024			
	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000 *(Note ii)*	RMB'000	RMB'000
Executive Directors (*Note i*):				
Dr. Zhuang (Note iii)	890	74	66	1,030
Mr. Xiao Yangke (Note iii)	1,024	97	66	1,187
Non-executive Directors (Note iv):				
Ms. Xu Shi (Note iii)	–	–	–	–
Mr. He Jia (Note iii)	–	–	–	–
Ms. Zhang Yu (Note iii)	–	–	–	–
Mr. David Wenda Yuan (Note iii)	–	–	–	–
Total	1,914	171	132	2,217

	For the year ended December 31, 2025			
	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000 *(Note ii)*	RMB'000	RMB'000
Executive Directors (*Note i*):				
Dr. Zhuang (Note iii)	890	74	62	1,026
Mr. Xiao Yangke (Note iii)	512	49	34	595
Mr. Tao Yiyang (Note iii)	1,318	110	10	1,438
Mr. Li Siwei (Note iii)	789	75	62	926
Non-executive Directors (Note iv):				
Ms. Xu Shi (Note iii)	–	–	–	–
Mr. He Jia (Note iii)	–	–	–	–
Ms. Zhang Yu (Note iii)	–	–	–	–
Mr. David Wenda Yuan (Note iii)	–	–	–	–
Ms. Cui Jing (Note iii)	–	–	–	–
Total	3,509	308	168	3,985

Notes:

i. The executive Directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

ii. Performance-based bonuses were determined based on the individual's performance.

iii. Dr. Zhuang has been appointed as chief executive officer of the Company since August 27, 2019. Mr. Xiao Yangke has been appointed as a Director of the board since September 20, 2019 to provide administrative expedience, and resigned as a Director on June 23, 2025, Mr. Xiao Yangke still held the position of chief commercial officer in the company. The amounts listed above only represent his salary during his tenure as a Director. Ms. Xu Shi has been appointed as a non-executive Director of the board since August 28, 2018. Mr. He Jia has been appointed as a non-executive Director of the board since March 18, 2020. Ms. Zhang Yu has been appointed as a non-executive Director of the board since April 1, 2021. Mr. David Wenda Yuan has been appointed as a non-executive Director of the board since April 7, 2022. Each of Ms. Xu Shi, Mr. He Jia, Ms. Zhang Yu, and Mr. David Wenda Yuan resigned as non-executive Directors on June 23, 2025. After their resignations, all of them ceased to assume any roles within the Group. Mr. Li Siwei has been appointed as an executive Director in June 2025. Mr. Tao Yiyang was appointed as the chief financial officer in April 2025 and an executive Director in June 2025. Ms. Cui Jing has been appointed as a non-executive Director since June 2025.

iv. These non-executive Directors were appointed by the preferred shareholders and no emoluments were paid by the Group during the Track Record Period.

During the Track Record Period, certain Directors were granted share options, details of the option plans are set out in Note 34.

None of the Directors waived or agreed to waive any emoluments during the Track Record Period.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Track Record Period included one, one and one Director for the years ended December 31, 2023, 2024 and 2025, respectively, details of whose remuneration are set out in Note 12. Details of the remuneration for the remaining four, four and four individuals who are not Director of the Company for the Track Record Period were as follows:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and allowances	4,638	3,927	4,113
Performance-based bonuses	901	374	511
Compensation for the loss of office	–	307	–
Retirement benefit scheme contributions	257	264	250
	5,796	4,872	4,874

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
HKD1,000,001 to HKD1,500,000	2	4	4
HKD1,500,001 to HKD2,000,000	2	–	–
Total	4	4	4

Note:

Mr. Xiao resigned as a Director on June 23, 2025, Mr. Xiao Yangke still held the position of chief commercial officer in the company. The salary during his tenure as a Director is set out in Note 12, and the full year remuneration is disclosed in Note13.

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group.

During the Track Record Period, certain five highest paid employees were granted share options, details of the option plans are set out in Note 34.

14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the Track Record Period, nor has any dividends been proposed since the end of the Track Record Period.

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss:			
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share:	(356,576)	(291,120)	(1,368,445)
Number of shares:			
Number of ordinary shares for the purpose of basic and diluted loss per share	107,972,688	107,972,688	107,972,688

The computation of diluted loss per share for the year ended December 31, 2023, 2024 and 2025 has not taken into consideration the (1) the conversion of all the Preferred Shares, and (2) the exercise of the Company's options, as the effect is anti-dilutive.

16. PROPERTY AND EQUIPMENT

	Furniture and fixtures	Electric equipment	Others	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2023	2,468	28,955	874	3,803	36,100
Additions	284	14,483	392	1,236	16,395
At December 31, 2023	2,752	43,438	1,266	5,039	52,495
Additions	155	7,675	533	3,622	11,985
Disposals	–	–	(682)	–	(682)
At December 31, 2024	2,907	51,113	1,117	8,661	63,798
Additions	220	15,407	347	873	16,847
Disposals	–	(285)	(608)	–	(893)
At December 31, 2025	3,127	66,235	856	9,534	79,752
DEPRECIATION					
At January 1, 2023	445	11,498	264	1,440	13,647
Charge for the year	506	10,026	258	1,742	12,532
At December 31, 2023	951	21,524	522	3,182	26,179
Charge for the year	530	12,231	301	2,435	15,497
Eliminated on disposals	–	–	(178)	–	(178)
At December 31, 2024	1,481	33,755	645	5,617	41,498
Charge for the year	561	11,302	206	2,002	14,071
Eliminated on disposals	–	(276)	(352)	–	(628)
At December 31, 2025	2,042	44,781	499	7,619	54,941
CARRYING AMOUNT					
At December 31, 2023	1,801	21,914	744	1,857	26,316
At December 31, 2024	1,426	17,358	472	3,044	22,300
At December 31, 2025	1,085	21,454	357	1,915	24,811

Note:

The above items of property and equipment, after taking into account the residual value, are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	19.00%-31.67%
Electric equipment	15.83%-32.33%
Others	19.00%-31.67%
Leasehold improvement	Over the shorter of the lease term or 3 years

Impairment assessment

As at December 31, 2025, as impairment indicator identified, the management of the Group conducted impairment assessment on property and equipment, right-of-use assets and intangible assets with finite useful lives with carrying amounts of RMB24,811,000, RMB13,273,000 and RMB6,338,000, respectively. These assets together combined to one cash generating unit (the "CGU") as it is not possible to estimate the recoverable amount of these assets individually. There were no impairment indicator identified for the year ended December 31, 2023 and 2024.

The Group estimates the recoverable amount of the CGU based on value in use. The carrying amount of the CGU does not exceed the recoverable amount based on value in use and no impairment has been recognised.

17. RIGHT-OF-USE ASSETS

	Leased properties		
	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
As at January 1	20,205	9,844	14,853
Additions	2,364	16,000	7,152
Depreciation charge	(12,725)	(10,572)	(8,732)
Lease modification	–	(419)	–
As at December 31	9,844	14,853	13,273

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term lease	547	1,277	93
Total cash outflow for leases	17,025	12,747	10,464

During the Track Record Period, the Group leases various office space and warehouse for its operations. Lease contracts are entered into for fixed terms of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group regularly entered into short-term leases for office. During the Track Record Period, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

Lease liabilities of the Group amount to RMB10,090,000, RMB14,358,000 and RMB11,374,000 are recognized with related right-of-use assets of RMB9,844,000, RMB14,853,000 and RMB13,273,000 as at December 31, 2023, 2024 and 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

18. INTANGIBLE ASSETS

	Software		
	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
COST			
At January 1	4,466	10,403	13,537
Additions	5,937	3,134	1,082
At December 31	10,403	13,537	14,619
AMORTIZATION			
At January 1	1,815	3,517	5,777
Charge for the year	1,702	2,260	2,504
At December 31	3,517	5,777	8,281
CARRYING AMOUNT			
At December 31	6,886	7,760	6,338

The above items of intangible assets were software purchased from third parties. All intangible assets have finite useful lives and are amortized on a straight-line basis over five years.

19. INVENTORIES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	101,351	139,143	196,003
Finished goods	33,771	52,844	67,976
	135,122	191,987	263,979

20. TRADE RECEIVABLES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	675,872	657,833	462,614
Less: allowance for ECL	(6,601)	(8,602)	(6,078)
Trade receivables, net of allowance for ECL	669,271	649,231	456,536

The Group generally grants credit period between 30 to 90 days which are agreed with each of its customers. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group. As at December 31, 2023, 2024 and 2025, out of the past due balances, RMB37,078,000, RMB16,796,000 and RMB9,519,000 have been past due 90 days or more and are not considered as in default by considering the background of the debtors and historical payment arrangement.

The following is an aged analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates.

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	632,574	632,654	447,146
91 – 180 days	28,321	16,478	7,553
181 – 365 days	7,271	–	1,578
1 – 2 years	211	99	160
2 – 3 years	894	–	99
	669,271	649,231	456,536

As at December 31, 2023, 2024 and 2025, trade receivable of nil, RMB195,045,000 and nil, respectively, were held as collateral for short term bank loan (Note 31).

Details of impairment assessment of trade receivables are set out in Note 39.

As at January 1, 2023, trade receivables of the Group, net of allowance for ECL, amounted to RMB157,309,000.

21. DEFERRED TAX ASSETS/LIABILITIES

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

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,949	2,228	1,706
Deferred tax liabilities	(1,949)	(2,228)	(1,706)
	–	–	–

The followings are the deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

	Right-of-use assets	Lease liabilities	Allowance for credit loss	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	(3,508)	3,502	–	6	–
Credit (charge) to profit or loss (Note 10)	1,559	(1,555)	2	(6)	–
At December 31, 2023	(1,949)	1,947	2	–	–
(Charge) credit to profit or loss (Note 10)	(279)	207	72	–	–
At December 31, 2024	(2,228)	2,154	74	–	–
Credit (charge) to profit or loss (Note 10)	522	(448)	(74)	–	–
At December 31, 2025	(1,706)	1,706	–	–	–

As at December 31, 2023, 2024 and 2025, the Group has unused tax losses of RMB1,277,454,000, RMB1,737,153,000 and RMB2,144,225,000 available for offset against future profits. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams. As at December 31, 2023, 2024 and 2025, the Group has deductible temporary differences of RMB31,021,000, RMB47,010,000 and RMB55,096,000. A deferred tax asset has been recognized in respect of RMB9,844,000, RMB14,853,000 and RMB11,374,000 of such deductible temporary differences for the years ended December 31, 2023, 2024 and 2025, respectively. Unrecognized tax losses with expiry dates as disclosed in the following table:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
2024	10,550	–	–
2025	9,728	9,728	–
2026	16,378	16,378	16,378
2027	2,591	2,591	2,591
2028	18,524	18,524	18,524
2029	111,282	114,096	114,096
2030	124,284	124,284	125,173
2031	166,829	166,829	166,829
2032	402,250	402,250	402,250
2033	411,758	411,758	411,758
2034	–	462,633	462,633
2035	–	–	411,872
Total	**1,274,174**	**1,729,071**	**2,132,104**

22. NOTES RECEIVABLES

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Notes receivables	57,195	249,486	274,740

Notes received are held by the Group for settlement of trade receivables, of which certain notes were further discounted/endorsed by the Group. The Group continues to recognize their full carrying amounts at the end of each year. All notes received by the Group are with a maturity period of less than one year.

The following were the Group’s financial assets as at December 31, 2023, 2024 and 2025 that were transferred to banks or suppliers by discounting/endorsing on a full recourse basis. As the Group has not transferred the significant risks and rewards for the endorsed notes, it continues to recognize the full carrying amount and has recognized the cash received on the transfer as a secured borrowing (note 31). These financial assets are carried at amortized cost in the consolidated statement of financial position.

As at December 31, 2023

	Notes discounted to bank with full recourse	Notes endorsed to suppliers with full recourse	Total
	RMB’000	RMB’000	RMB’000
Carrying amount of transferred assets	–	37,068	37,068
Carrying amount of associated liabilities	–	(37,068)	(37,068)
Net position	–	–	–

As at December 31, 2024

	Notes discounted to bank with full recourse	Notes endorsed to suppliers with full recourse	Total
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	101,901	67,891	169,792
Carrying amount of associated liabilities	(101,627)	(67,891)	(169,518)
Net position	274	–	274

As at December 31, 2025

	Notes discounted to bank with full recourse	Notes endorsed to suppliers with full recourse	Total
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	101,800	46,978	148,778
Carrying amount of associated liabilities	(101,561)	(46,978)	(148,539)
Net position	239	–	239

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from subcontractors (Note)	294,015	518,806	467,056
Deferred expenses	17,896	31,497	34,044
Rental and other deposits	19,253	15,907	16,206
Prepayments to suppliers and service providers	8,860	15,236	17,974
Input value added tax recoverable	6,156	137	612
Deferred issue cost	–	–	2,964
Others	2,198	2,424	3,526
	348,378	584,007	542,382
Analyzed as:			
Non-current	26,524	39,497	44,982
Current	321,854	544,510	497,400
	348,378	584,007	542,382

Note:

The Group utilizes subcontractors for the manufacture of integrated domain control solutions. The amounts represent consideration for inventories provided to subcontractors. Such amounts were subsequently settled in cash. (Note 3.3)

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loan receivable from the then Nominee Shareholder of the VIE (Note)	3,140	3,140	–
Deferred issue cost	–	–	2,964
	3,140	3,140	2,964

Note: Loan receivable from the Nominee Shareholder of the VIE represent amount of investment made by the Nominee Shareholder to the VIE, upon the completion of the Reorganization (Note 1.3) the amount was settled as at December 31, 2025.

24. CONTRACT ASSETS

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets	5,190	2,918	3,727

As at January 1, 2023, contract assets amounted to RMB16,521,000.

Note:

A contract asset is recorded when the Group has transferred services to the customer before the Group is entitled to the right to consideration according to the customer contract. Contract assets are transferred to trade receivable when the right to consideration become unconditional.

The Group also typically agrees to a retention period of 6 months to 1 year for 3-10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditioned on expiration of the retention period. Upon expiration of the retention period, the amounts recognized as contract assets are reclassified to trade receivables.

25. CONTRACT COSTS

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Costs to fulfill contracts	7,555	18,701	20,710

Costs to fulfill contracts mainly comprise the engineering cost incurred directly related to existing contracts that will be used to satisfy performance obligations in the future.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wealth management products issued by a bank	–	10,003	–

As at December 31, 2024, the structured deposits issued by a bank are short-term investments denominated in RMB with return linked with certain foreign exchange rate and are principal protected.

27. CASH AND CASH EQUIVALENTS/RESTRICTED CASH

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents (Note i)	185,726	186,721	547,562
Restricted cash (Note ii)	–	200,000	–
	185,726	386,721	547,562

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	9,247	11	209,950

Notes:

i. Cash and cash equivalents of the Group and the Company comprise bank balances and cash on hand. Bank balances carried interest at prevailing market rates based on daily bank deposit rate during the Track Record Period. As at December 31, 2023, 2024 and 2025, the interest rate of these bank deposits ranged from 0.05% to 4.00% and from 0.05% to 4.15% and from 0.05% to 4.70% per annum, respectively.

ii. Restricted cash represents amounts received in advance for the issuance of Preferred Shares. As at December 31, 2024, the issuance had not been finalized, and these amounts were placed in a jointly managed account with restricted use of the funds. As at December 31, 2024, the annual interest rate on the restricted cash was nil. As at December 31, 2025, the issuance of preferred shares has been completed, and the restricted cash has been released.

28. TRADE PAYABLES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	399,995	318,690	230,473

Trade payables are with a credit term of 30 to 90 days.

An aged analysis of the Group's trade payables, as at the end of the reporting period, based on the invoice date, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	379,167	294,850	218,295
90 – 180 days	20,828	23,840	12,178
	399,995	318,690	230,473

29. ACCRUED EXPENSE AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subcontractors (Note 1)	307,738	643,770	509,042
Investment funds received in advance (Note 2)	–	200,000	–
Accrued salaries	30,087	37,639	39,594
Other taxes payables	8,885	27,425	25,790
Accrued expenses	9,720	5,479	5,481
Warranty Provision	5,363	8,004	5,763
Accrued **[REDACTED]** expense	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accrued issue cost	–	–	464
Others	963	1,580	1,839
	362,756	923,897	591,465

Notes:

(1) The Group utilizes subcontractors for manufacture of integrated domain control solutions. The amounts represent consideration for inventories purchased from the subcontractors. Such amounts were subsequently settled in cash (Note 3.3).

(2) Amount represent funds received for issue of the Preferred Shares before closing of the transaction, which were placed in a jointly managed account and disclosed as restricted cash (Note 27). As of December 31, 2025, such amounts have been settled upon the closing of the Preferred Shares issuance.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Accrued **[REDACTED]** expense	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accrued issue cost	–	–	464
	–	–	3,956

30. LEASE LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities:			
Within one year	7,934	7,885	8,530
Within a period of more than one year but not exceeding two years	2,156	6,187	1,720
Within a period of more than two years but not exceeding three years	–	286	1,124
	10,090	14,358	11,374
Less: Amounts due for settlement within 12 months shown under current liabilities	(7,934)	(7,885)	(8,530)
Amounts due for settlement after 12 months shown under non-current liabilities	2,156	6,473	2,844

As at December 31, 2023, 2024 and 2025, the incremental annual borrowing rates applied to lease liabilities of the Group ranged from 5.42% to 7.12% from 4.57% to 7.08%, and from 4.57% to 7.08%, respectively.

31. BORROWINGS

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank borrowings - unsecured and unguaranteed (Note i)	55,000	300,000	687,000
Bank borrowings - secured (Note 20)	–	30,000	–
Financial liabilities from notes discounted - secured (Note ii)	–	101,627	101,561
	55,000	431,627	788,561

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The carrying amounts of the borrowings are repayable:			
Within one year	55,000	330,000	687,000

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Borrowings – fixed-rate	3.45%~4.10%	2.70%~3.00%	2.11%-2.65%
Borrowings – floating rate	–	2.45%~2.70%	2.40%-2.70%

Note i: Certain bank borrowings are with financial covenants and all are in compliance as at December 31, 2023, 2024 and 2025.

Note ii: The amount represent cash received for notes receivables discounted to banks on a full recourse basis. As the Group has not transferred the significant risks and rewards of the financial assets, the Group continues to recognize the full carrying amount and has recognized the cash received on the transfer as a financial liability from notes discounted (Note 22).

32. CONTRACT LIABILITIES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Integrated domain control solutions	23,499	19,277	17,045

As at January 1, 2023, contract liabilities of the Group amounted to RMB44,068,000.

The following table shows how much of the Group's revenue recognized relates to carried-forward contract liabilities.

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities at beginning of the year	21,946	8,966	2,983

33. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The Group and the Company

Since the date of incorporation, the Company has completed several rounds of financing through issuing Preferred Shares. Details of outstanding Preferred Shares as at December 31, 2025 are set out below:

Series	Date of issuance	Subscription price per share	Number of shares	Total consideration	
		US$		US$'000	Equivalent to RMB'000
Series Seed	August 28, 2018	0.3000	20,000,000	6,000	40,831
Series A	January 9, 2019	0.8950	23,463,687	21,000	141,830
Series B-1	June 11, 2020	1.3425	14,897,579	20,000	140,595
Series B-2	November 12, 2020	1.3425	6,555,582	8,801	59,809
Series B-3	November 26, 2020	1.3425	8,341,997	11,199	73,328
Series C-1	April 1, 2021	2.5707	35,009,310	90,000	586,993
Series C-2	September 9, 2021	2.5707	5,834,885	15,000	96,923
	December 30, 2022				
Series D	August 4, 2023	3.0995	9,033,774	28,000	193,442
Series D+	April 17, 2025	3.1771	9,661,071	30,695	220,685
Total			132,797,885	230,695	1,554,436

Terms of the Preferred Shares are as follows:

(i) Conversion rights

Each holder of Preferred Shares shall have the right, at such holder's sole discretion, to convert all or any portion of its Preferred Shares into Ordinary Shares at any time, or upon the closing of a qualified initial public offering. The conversion rate for the Preferred Shares shall be determined by dividing the applicable Preferred Shares issue price by the conversion price then in effect at the date of the conversion. The initial conversion price will be the Preferred Shares issue price (results in a 1-to-1 initial conversion ratio), as applicable, which will be subject to adjustments to reflect stock dividends, stock splits and/or other similar event in which all the holders of the Preferred Shares are entitled to participate on a pro rata basis, as provided that the conversion price shall not be less than the par value of the ordinary shares of the Company.

The Preferred Shares initial conversion price equals to the Preferred Shares subscription price, which shall be adjusted upon issuance of additional ordinary shares or instruments which can be converted into ordinary shares (on an as-converted basis) below the Preferred Shares initial conversion price or then effective conversion price in effect on the date of and immediately prior to such issuance.

(ii) Redemption rights

The Company shall redeem the Preferred Shares if (i) the Company has not consummated a qualified **[REDACTED]** or a trade sale before the fifth (5th) anniversary of December 30, 2022, for the year ended December 31, 2023, or the Company has not consummated a qualified **[REDACTED]** or a trade sale before December 30, 2028, for the year ended December 31, 2024 and 2025; (ii) there is any material breach of the transaction documents (as defined in the shareholders agreement) by intentional fraud or intentional misconduct of any group company, or Dr. Zhuang, causing: (a) the Company's failure to convene a board meeting within twelve consecutive months, or (b) the suspension, cancelation, annulment or revocation of the licenses, permits, approvals, authorizations or registrations or filings with any governmental authority qualifying the lawful operation of the business of the group companies, which would lead to any failure of the regular business operation and management of and have a material adverse effect on the Group, (iii) there is any material impairment of the ability of any group company or the Founder to perform its or her material obligations, (iv) there is any material adverse change in the regulatory environment that will cause the arrangement under the Contractual Arrangement invalid or unenforceable.

The price at which a Preferred Share to be redeemed (the "Redemption Price") shall be equal to:

Redemption Price = IP + (IP×8%×N)+D, where

IP = the applicable Preferred Share Issue Price;

N = a fraction, the numerator of which is the number of calendar days between the date on which the Preferred Shares required to be redeemed are acquired and the date on which such Preferred Shares required to be redeemed is redeemed and such Redemption Price is paid and the denominator of which is 365, and

D = all declared but unpaid dividends on the Preferred Shares required to be redeemed up to the date of redemption, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers.

(iii) Liquidation preferences

In the event of any liquidation, dissolution or, winding up of the Company (the each an "Liquidation Event") occurs, either voluntary or involuntary, the holders of the series of the Preferred Shares shall entitle liquidation proceeds in the following sequences: (1) first to holders of the series D Preferred Shares, (2) second to series C Preferred Shares, (3) third to series B Preferred Shares, (4) fourth to series A Preferred Shares, and (5) fifth to seed Preferred Shares. After the all series of the Preferred Shares liquidation amount have been paid as set forth above, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata, pair passu basis among the holders of the Preferred Shares and ordinary shares on a fully-diluted and as converted basis.

The liquidation amount of each series of Preferred Shares is calculated as below:

Liquidation amount = IP + (IP×8%×N)+D, where

IP = the Preferred Share Issue Price of each series;

N = a fraction, the numerator of which is the number of calendar days between the date on which the such series of Preferred Shares are acquired and the date on which a Liquidation Event occurs and the denominator of which is 365, and

D = all declared but unpaid dividends on the such series of Preferred Shares, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers.

(iv) Dividends rights

The holder of the Preferred Shares shall be entitled to receive dividends at an amount equal to any dividends which would be distributed to the holders of Preferred Shares on a pro rata, pari passu basis among all holders of the ordinary shares and the Preferred Shares (on an as-converted basis), when, as and if declared. Unless and until any dividends or other distributions in like amount have been paid in full on the Preferred Shares (on an as-converted basis), the Company shall not declare, pay or set apart for payment, any dividend and other distributions on any other class of Shares.

(v) Voting rights

Each of the Preferred Share shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into the ordinary shares at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. To the extent that applicable law, the memorandum and/or these articles of the Company require the Preferred Shares to vote separately as a class with respect to any matters, the Preferred Shares shall vote separately as a class with respect to such matters, otherwise, the holders of Preferred Shares and ordinary shares shall vote together as a single class.

Presentation and classification

The Company elected to designate the Preferred Shares as financial liabilities at FVTPL. The Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted Black-Scholes option pricing model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of December 31, 2023, December 31, 2024 and December 31, 2025. The fair value change of the is charged to profit or loss for the year, except for the portion attributable to credit risk change which shall be charged/credited to other comprehensive income, if any. As the holder of the Preferred Shares can convert the Preferred Shares to ordinary shares of the Company at any time, the Preferred Shares are classified as current liability during the Track Record Period.

The fair value was determined by the Directors with reference to valuation reports carried out by an independent qualified professional valuer, Asia-Pacific Consulting and Appraisal Limited address at Room 2201, Digital 01 Building, No. 12, Guanghua Road, Chaoyang District, Beijing.

The movement of the Preferred Shares is set out below:

	RMB'000
At January 1, 2023	1,747,368
Addition	71,587
Change in fair value	148,098
At December 31, 2023	1,967,053
Change in fair value	115,092
At December 31, 2024	2,082,145
Addition	220,685
Change in fair value	1,229,318
At December 31, 2025	3,532,148

Key valuation assumptions used in Black-Scholes option pricing model to determine the fair value of the Preferred Shares are as follows:

	As at December 31,		
	2023	2024	2025
The equity value of the Company (US$)	504,165,092	514,663,303	1,021,000,000
Risk-free interest rate	3.93%	4.27%	3.55%
Volatility rate	51.09%	46.40%	43.08%
Possibilities under liquidation scenario	30.00%	30.00%	7.50%
Possibilities under **[REDACTED]** scenario	40.00%	40.00%	85.00%
Possibilities under redemption scenario	30.00%	30.00%	7.50%

The Group estimate the risk-free interest rate based on the yield of US Government Bond with maturity life close to the redemption/liquidation date as at valuation date.

Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration.

34. SHARE-BASED PAYMENTS

The Group and the Company

In January 2019, the Company adopted the pre-**[REDACTED]** option plan (the "Pre-**[REDACTED]** Option Plan"). The Company can grant options to purchase up to 36,000,000 ordinary shares of the Company. In September 2020, the Company reserved additional 16,163,873 ordinary shares for issuance upon the exercise of options granted under the plan.

Vesting conditions of share options granted under the Pre-**[REDACTED]** Option Plan including:

(1) Service condition: the shares option is subject to a four-year service requirement and shall vest 25% at the end of the first year following the vesting commencement date, with the remaining 75% to vest monthly over the next three years, if the following non-market performance condition also met;

(2) Non-market performance condition: the employee shall remain employment with the Company upon successful **[REDACTED]** of the Company.

The following table discloses movements of the Company's Share Options held by employees during the Track Record Period:

	Number of Share options	Weighted average exercise price
		US$
Options outstanding as at January 1, 2023	29,501,791	0.10
Granted	4,207,502	0.10
Forfeited	(2,058,369)	0.10
Options outstanding as at December 31, 2023	31,650,924	0.10
Granted	3,029,624	0.10
Forfeited	(8,047,514)	0.10
Options outstanding as at December 31, 2024	26,633,034	0.10
Granted	18,717,000	0.10
Forfeited	(4,536,500)	0.10
Options outstanding as at December 31, 2025	40,813,534	0.10

As at December 31, 2023, 2024 and 2025, the weighted average remaining contractual life of Time-Based Share Options outstanding is 5.37, 4.07 and 7.07 years, respectively. There were no exercisable options as at December 31, 2023, 2024 and 2025, respectively.

These fair values were calculated using the Binomial model. Key inputs used in the model were as follows:

Grant date Range	Fair value of ordinary shares	Risk-free interest Rate	Expected life (years)	Exercised price	Expected volatility	Expected dividend yield	Weighted average fair value
	(note i)	(note ii)	(note iii)	(note iv)	(note v)	(note vi)	
2018	US$0.12	2.82%~3.20%	10	US$0.1	51.41%~58.94%	0.00%	US$0.08
2019	US$0.37	1.50%~2.76%	10	US$0.1	47.48%~50.96%	0.00%	US$0.31
2020	US$0.40~0.56	0.58%~1.85%	10	US$0.1	47.26%~49.10%	0.00%	US$0.34
2021	US$1.01~1.13	0.93%~1.69%	10	US$0.1	48.37%~48.83%	0.00%	US$0.57
2022	US$1.18~1.59	1.66%~4.25%	10	US$0.1	48.78%~49.54%	0.00%	US$1.08
2023	US$1.60~1.61	3.30%~4.86%	10	US$0.1	47.92%~49.32%	0.00%	US$1.51
2024	US$1.62~1.65	3.65%~4.64%	10	US$0.1	46.88%~47.85%	0.00%	US$1.54
2025	US$2.12~3.04	4.00%~4.79%	10	US$0.1	47.39%~48.72%	0.00%	US$2.57

Notes:

i. The fair value of the ordinary shares was estimated with reference to valuation reports prepared by an independent qualified professional valuer, Asia-Pacific Consulting and Appraisal Limited, with its address at Room 2201, Digital 01 Building, No. 12 Guanghua Road, Chaoyang District, Beijing. The valuation methods involved the discounted cash flow model.

ii. Risk-free interest rate is estimated based on market yield of US Government Bonds with maturity date close to the life of options as at the valuation dates and country risk differential.

iii. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

iv. The exercised price of the options was determined by Company's board of Directors.

v. Expected volatility was determined by using the historical volatility of the comparable company's share price over the previous 10 years.

vi. The Company currently has no expectation of paying cash dividends on its ordinary stock.

As the vesting condition including both (1) service period, and (2) successful **[REDACTED]** of the Company which is a non-market performance condition. No share-based payment expense shall be recognized unless and until the **[REDACTED]** is probable. During the Track Record Period, management considers that the **[REDACTED]** is not probable, as a result, no share-based compensation expense were recognized during Track Record Period.

35. SHARE CAPITAL

The Group and the Company

The balance of the share capital of the Group at December 31, 2023, 2024 and 2025 represented the share capital of the Company.

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

	Number of shares	Nominal value per share	Total
		US$	US$
Authorized			
As at January 1, 2023, December 31, 2023, 2024 and 2025	500,000,000	0.0001	50,000

	Number of Ordinary shares	Amount	Shown in the historical financial information
		US$	US$
Ordinary shares of US$0.0001 each			
Issued and Fully Paid			
As at January 1, 2023, December 31, 2023, 2024 and 2025	107,972,688	10,797	75

36. RESERVES OF THE COMPANY

	Attributable to owners of the Company		
	Other reserve	Accumulated deficit	Total
	RMB'000 (Note)	RMB'000	RMB'000
As at January 1, 2023	(15,328)	(442,610)	(457,938)
Loss for the year	–	(146,470)	(146,470)
As at December 31, 2023	(15,328)	(589,080)	(604,408)
Loss for the year	–	(115,487)	(115,487)
As at December 31, 2024	(15,328)	(704,567)	(719,895)
Loss for the year	–	(1,248,852)	(1,248,852)
As at December 31, 2025	(15,328)	(1,953,419)	(1,968,747)

Note:

The amount represents repurchase of ordinary shares from the Founder in excess of the par value before the Track Record Period.

37. RETIREMENT BENEFIT SCHEMES

The Group participates in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Group is required to make contributions to the retirement schemes up to the time of retirement of the eligible employees, excluding those employees who resign before their retirement, at a percentage that is specified by the local government authorities.

The total expense recognized in profit or loss of approximately RMB21,809,000, RMB24,774,000 and RMB27,885,000 for the years ended December 31, 2023, 2024 and 2025, respectively, representing contributions paid/payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2023, 2024 and 2025, contributions of RMB1,021,000, RMB1,344,000 and RMB1,169,000, respectively, due in respect of those years then ended, had not been paid over to the plans.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities:

			Non-cash changes					
	At January 1, 2023	Financing cash flows	Interest accruals	Lease Liabilities recognized	Preferred shares subscription receivable	Change in fair value	Net settlement of notes discounted to banks	At December 31, 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank Borrowings (Note 31)	–	54,300	700	–	–	–	–	55,000
Lease liabilities (Note 30)	23,593	(16,478)	1,100	1,875	–	–	–	10,090
Preferred Shares (Note 33)	1,747,368	193,442	–	–	(121,855)	148,098	–	1,967,053
	1,770,961	231,264	1,800	1,875	(121,855)	148,098	–	2,032,143

			Non-cash changes				
	At January 1, 2024	Financing cash flows	Interest accruals	Lease Liabilities recognized/ modified	Change in fair value	Net settlement of notes discounted to banks	At December 31, 2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings (Note 31)	55,000	267,183	7,817	–	–	–	330,000
Financial liabilities from notes discounted (Note 31)	–	343,309	274	–	–	(241,956)	101,627
Lease liabilities (Note 30)	10,090	(11,470)	846	14,892	–	–	14,358
Investment funds received in advance (Note 29)	–	200,000	–	–	–	–	200,000
Preferred Shares (Note 33)	1,967,053	–	–	–	115,092	–	2,082,145
	2,032,143	799,022	8,937	14,892	115,092	(241,956)	2,728,130

	At January 1, 2025	Financing cash flows	Non-cash changes: Interest accruals	Lease Liabilities recognized/ modified	Change in fair value	Accrued Issue cost	Net settlement of notes discounted to banks	Others (Note 29)	At December 31, 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings (Note 31)	330,000	344,946	12,054	–	–	–	–	–	687,000
Financial liabilities from notes discounted (Note 31)	101,627	276,246	239	–	–	–	(276,551)	–	101,561
Lease liabilities (Note 30)	14,358	(10,371)	673	6,714	–	–	–	–	11,374
Investment funds received in advance (Note 29)	200,000	–	–	–	–	–	–	(200,000)	–
Accrued issue cost	–	(2,500)	–	–	–	2,964	–	–	464
Preferred Shares (Note 33)	2,082,145	20,685	–	–	1,229,318	–	–	200,000	3,532,148
	2,728,130	629,006	12,966	6,714	1,229,318	2,964	(276,551)	–	4,332,547

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of the financial instruments

The Group

	As at December 31, 2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets:			
Financial assets at FVTPL	–	10,003	–
Financial assets at amortized cost:			
– Trade receivables	669,271	649,231	456,536
– Notes receivables	57,195	249,486	274,740
– Deposits and other receivables	315,466	537,137	486,788
– Restricted cash	–	200,000	–
– Cash and cash equivalents	185,726	186,721	547,562
	1,227,658	1,832,578	1,765,626
Financial liabilities:			
Preferred shares	1,967,053	2,082,145	3,532,148
Financial liabilities at amortized cost:			
– Trade payables	399,995	318,690	230,473
– Accrued expense and other payables	318,421	650,829	520,318
– Bank borrowings	55,000	330,000	687,000
– Financial liabilities from notes discounted	–	101,627	101,561
	2,740,469	3,483,291	5,071,500
Lease liabilities	10,090	14,358	11,374

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets:			
Financial assets at amortized cost:			
– Deposits and other receivables	3,140	3,140	–
– Cash and cash equivalents	9,247	11	209,950
	12,387	3,151	209,950
Financial liabilities:			
Preferred shares	1,967,053	2,082,145	3,532,148
Financial liabilities at amortized cost:			
– Accrued expense and other payables	–	–	3,956
– Amounts due to subsidiaries	26,126	26,595	31,251
	1,993,179	2,108,740	3,567,355

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, notes receivables, deposits and other receivables, restricted cash, cash and cash equivalents, Preferred Shares, trade payables, accrued expense and other payables, lease liabilities, bank borrowings and financial liabilities from notes discounted. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

A subsidiary of the Group has intra-group balances with another subsidiary denominated in foreign currency which expose the Group to foreign currency risk. Amount due to group companies dominated in foreign currency amount to RMB512,978,000, RMB394,591,000 and RMB240,063,000 as at December 31, 2023, 2024 and 2025, respectively. If RMB had been appreciated/depreciated 5% against the foreign currency and all other variables were held constant, the Group's post-tax loss for the years ended December 31, 2023, 2024 and 2025 would have decrease/increase by RMB25,649,000/RMB25,649,000, RMB19,730,000/RMB19,730,000, and RMB12,003,000/RMB12,003,000 for the year ended December 31, 2023, 2024 and 2025, respectively.

Subsidiary of the Group has foreign currency bank balance which expose the Group to foreign currency risk. The following sensitivity analysis has been determined based on the exposure to foreign currency rates. The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents our Directors' assessment of the reasonably possible change in foreign currency rates. If RMB had been appreciated or depreciated 5% against the foreign currency and all other variables were held constant, our post-tax profit for the year 2023, 2024 and 2025 would have decreased or increased by RMB462,000, RMB1,000 and RMB10,487,000 respectively. This is mainly attributable to our exposure to the foreign currency bank balance as of December 31, 2023, 2024 and 2025.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to cash and cash equivalents (Note 27), restricted cash (Note 27), lease liabilities (Note 30) and bank borrowing (Note 31). The Group is exposed to cash flow interest risk in relation to floating rate bank borrowing (Note 31). The management of the Group manages the interest rate risk by maintaining a balanced portfolio of fixed rate and floating rate bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

No sensitivity analysis on interest rate risk is presented as the Directors consider the sensitivity on interest rate risk on fixed-rate bank balances and fixed or floating-rate borrowings is insignificant.

Other price risk

The Group is exposed to other price risk through the Preferred Shares and investments in financial assets measured at FVTPL. Sensitivity analyzes for the Preferred Shares were disclosed in Note 40. The management of the Group considers that the fluctuation in fair value of structured deposits was insignificant, taking into account the short-term duration of such financial products. A sensitivity analysis of other price risks is not presented.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position (including trade receivables, notes receivables, deposits and other receivables, financial assets at FVTPL, restricted cash and cash and cash equivalents).

Restricted cash, cash and cash equivalents and notes receivable

Credit risk on restricted bank deposits/bank balances/notes receivable is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted bank deposits/bank balances/notes receivable by reference to information relating to probability of default and loss given default of the respective counter parties. Based on the average loss rates, the 12m ECL restricted bank deposits/bank balances/notes receivable is considered to be insignificant and therefore no loss allowance was recognized during the Track Record Period.

Deposits and other receivables

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. The Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognized during the Track Record Period.

Trade receivables and contract assets arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at December 31, 2023, 2024 and 2025. The Group has concentration of credit risk as 28.00%, 20.80%, and 19.02% of total trade receivable was due from the Group's largest customer and 89.05%, 81.29%, 73.72% of total trade receivable was due from the Group's five largest customers for the year ended December 31, 2023, 2024 and 2025, respectively. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For trade receivables and contract assets, 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 reference to information relating to probability of default and loss given default of the respective counter parties and adjusted for forward-looking information that is available without undue cost or effort.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rate	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	As at December 31		
				2023	2024	2025
				Gross carrying amount	Gross carrying amount	Gross carrying amount
				RMB'000	RMB'000	RMB'000
Financial assets at amortized cost						
Trade receivables	20	Low risk	Lifetime ECL (not credit impaired)	675,872	657,833	462,614
Notes receivables	22	Low risk	12m ECL	57,195	249,486	274,740
Deposits and other receivables	23	Low risk	12m ECL	315,466	537,137	486,788
Restricted cash	27	Low risk	12m ECL	–	200,000	–
Cash and cash equivalents	27	Low risk	12m ECL	185,726	186,721	547,562
				1,234,259	1,831,177	1,771,704
Other items						
Contract assets	24	Low risk	Lifetime ECL (not credit impaired)	5,264	2,953	3,787

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed collectively within lifetime ECL.

	As at December 31, 2023		
	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB'000	RMB'000
1-90 days	0.98	644,058	6,293
91-180 days	0.99	28,603	282
181-365 days	0.99	7,343	73
1-2 years	0.47	212	1
2-3 years	2.83	920	26
		681,136	6,675

	As at December 31, 2024		
	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB'000	RMB'000
1-90 days	1.31	643,990	8,418
91-180 days	1.31	16,696	218
181-365 days	–	–	–
1-2 years	1.00	100	1
		660,786	8,637

	As at December 31, 2025		
	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB'000	RMB'000
1-90 days	1.32	456,882	6,009
91-180 days	1.33	7,655	102
181-365 days	1.31	1,599	21
1-2 years	3.03	165	5
2-3 years	1.00	100	1
		466,401	6,138

The following table shows the movements in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

	RMB'000
At January 1, 2023	1,024
Impairment losses recognized	6,300
Impairment losses revised	(649)
At December 31, 2023	6,675
Impairment losses recognized	3,923
Impairment losses revised	(1,961)
At December 31, 2024	8,637
Impairment losses recognized	2,390
Impairment losses revised	(4,889)
At December 31, 2025	6,138

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Liquidity risk

In the management of the liquidity risk, the management of the Group monitors and maintains a reasonable level of cash and cash equivalents which is deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on the cash generated from the issuance of the Preferred Shares as the main source of liquidity. During the years ended December 31, 2023, 2024 and 2025, the Group had net cash generated from the issuance of the Preferred Shares of RMB193,442,000, RMB200,000,000 and RMB20,685,000, and cash used in operating activities of RMB337,652,000, RMB563,839,000 and RMB453,283,000, respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interests and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Total undiscounted cash flows	Carrying Amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023								
Trade payables	–	399,995	–	–	–	–	399,995	399,995
Accrued expense and other payables	–	318,421	–	–	–	–	318,421	318,421
Bank borrowings	4.04	57,223	–	–	–	–	57,223	55,000
Preferred Shares	*	–	–	–	2,195,254	–	2,195,254	1,967,053
Lease liabilities	6.49	8,269	2,212	–	–	–	10,481	10,090
Total		783,908	2,212	–	2,195,254	–	2,981,374	2,750,559

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Total undiscounted cash flows	Carrying Amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024								
Trade payables	–	318,690	–	–	–	–	318,690	318,690
Accrued expense and other payables	–	650,829	–	–	–	–	650,829	650,829
Bank borrowings	2.64	338,535	–	–	–	–	338,535	330,000
Financial liabilities from notes discounted	–	101,627	–	–	–	–	101,627	101,627
Preferred Shares	*	–	–	–	2,343,345	–	2,343,345	2,082,145
Lease liabilities	5.85	8,482	6,410	291	–	–	15,183	14,358
Total		1,418,163	6,410	291	2,343,345	–	3,768,209	3,497,649

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Total undiscounted cash flows	Carrying Amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025								
Trade payables	–	230,473	–	–	–	–	230,473	230,473
Accrued expense and other payables	–	520,318	–	–	–	–	520,318	520,318
Bank borrowings	2.34	703,764	–	–	–	–	703,764	687,000
Financial liabilities from notes discounted	–	101,561	–	–	–	–	101,561	101,561
Preferred Shares	*	–	–	2,571,046	–	–	2,571,046	3,532,148
Lease liabilities	5.48	8,734	1,898	1,531	–	–	12,163	11,374
Total		1,564,850	1,898	2,572,577	–	–	4,139,325	5,082,874

* The redemption amount disclosed is calculated based on 8% annual single return.

The Company

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Total undiscounted cash flows	Carrying Amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023								
Amounts due to subsidiaries	–	26,126	–	–	–	–	26,126	26,126
Preferred Shares	*	–	–	–	2,195,254	–	2,195,254	1,967,053
Total		26,126	–	–	2,195,254	–	2,221,380	1,993,179

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Total undiscounted cash flows	Carrying Amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024								
Amounts due to subsidiaries	–	26,595	–	–	–	–	26,595	26,595
Preferred Shares	*	–	–	–	2,343,345	–	2,343,345	2,082,145
Total		26,595	–	–	2,343,345	–	2,369,940	2,108,740

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Total undiscounted cash flows	Carrying Amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025								
Amounts due to subsidiaries	–	31,251	–	–	–	–	31,251	31,251
Accrued expense and other payables	–	3,956	–	–	–	–	3,956	3,956
Preferred Shares	*	–	–	2,571,046	–	–	2,571,046	3,532,148
Total	–	35,207	–	2,571,046	–	–	2,606,253	3,567,355

* The redemption amount disclosed is calculated based on 8% annual single return.

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value hierarchy as at December 31, 2023

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL				
Preferred Shares	–	–	1,967,053	1,967,053

Fair value hierarchy as at December 31, 2024

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Investments in wealth management products issued by financial institutes	–	10,003	–	10,003
Financial liabilities at FVTPL				
Preferred Shares	–	–	2,082,145	2,082,145

Fair value hierarchy as at December 31, 2025

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL				
Preferred Shares	–	–	3,532,148	3,532,148

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at December 31,			Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)
	2023	2024	2025			
	RMB'000	RMB'000	RMB'000			
Investments in wealth management products issued by a bank	–	10,003	–	Level 2	Discounted cash flow –future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A

Fair value of the Group and the Company's financial liabilities that are measured at fair value on a recurring basis

Financial liabilities	Fair value as at December 31,			Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)
	2023	2024	2025			
	RMB'000	RMB'000	RMB'000			
Preferred shares	1,967,053	2,082,145	3,532,148	Level 3	Black-Scholes option pricing model to determine the fair value of the Preferred Shares.	Equity value of the Company (details of other valuation parameters and assumptions used in the valuation are disclosed in Note 33)

Note:

A 5% increase/decrease in the equity value of the Company, while all other variables keep constant, would increase/decrease the fair value of the Preferred Shares as at December 31, 2023, 2024 and 2025 by approximately RMB82,776,000/ RMB83,064,000, RMB84,832,000/ RMB85,104,000 and RMB168,555,000/ RMB168,532,000, respectively.

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

Reconciliation of Level 3 Measurements

The following table represents the reconciliation of Level 3 fair value measurements throughout the years ended December 31, 2023, 2024 and 2025:

	Preferred Shares
	RMB'000
At January 1, 2023	1,747,368
Addition	71,587
Changes in fair value	148,098
At December 31, 2023	1,967,053
Changes in fair value	115,092
At December 31, 2024	2,082,145
Addition	220,685
Changes in fair value	1,229,318
At December 31, 2025	3,532,148

The total gains or losses for the years ended December 31, 2023, 2024 and 2025, included RMB148,098,000, RMB115,092,000 and RMB1,229,318,000 unrealized loss relating to financial liabilities that are at level 3 fair value measurement as at December 31, 2023, 2024 and 2025, respectively.

The management considers that the carrying amounts of other financial assets and financial liabilities recognized in the Historical Financial Information approximate their fair values.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in Note 31, lease liabilities disclosed in Note 30, the Preferred Shares disclosed in Note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserve, accumulated deficit and translation reserve.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising, extension and early repayment of borrowings.

42. RELATED PARTY DISCLOSURES

The Company

Amounts due to subsidiaries (non-trade nature):

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Megatronix Technology Limited ("Megatronix Hong Kong")	–	79	77
Megatronix (Beijing) Technology	26,126	26,516	31,174
	26,126	26,595	31,251

Amounts due to subsidiaries are interest free and repayment on demand.

Remuneration of key management personnel of the Group

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and allowances	1,912	1,914	3,509
Performance-based bonuses	171	171	308
Retirement benefit scheme contributions	126	132	168
	2,209	2,217	3,985

During the Track Record Period 300,000, nil and 15,650,000 of share options were granted to Directors and key management of the Company for the years ended December 31, 2023, 2024 and 2025, respectively.

43. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company comprising the Group are set out below. All subsidiaries of the Company are limited liability company.

Name of subsidiaries	Place of establishment and principal place of business	Date of establishment	Issued and fully paid-up share capital	Proportion of ownership interest held by the Company — As at December 31, 2023	2024	2025	As at the date of this report	Principal activities
				%	%	%	%	
Directly held:								
Megatronix Hong Kong	Hong Kong	July 09, 2018	HK$10,000	100	100	100	[100]	Investment holdings
Indirectly held:								
Megatronix (Beijing) Technology	The PRC	August 16, 2018	US$100,000,000	100	100	100	[100]	Integrated domain control solutions
Megatronix (Wuhan) Technology	The PRC	June 27, 2022	US$62,000,000	100	100	100	[100]	Integrated domain control solutions
Megatronix Infotech	The PRC	March 13, 2018	RMB3,140,000	100*	100*	100	[100]	Integrated domain control solutions

* Megatronix Infotech was controlled by the Group through the Contractual Arrangement as at December 31, 2023 and 2024. Upon completion of the Reorganization (note 1.3), Megatronix Infotech become a wholly owned subsidiary of the Group.

Note:

All companies now comprising the Group have adopted December 31, as their financial year end.

During the Track Record Period the subsidiary of the Company has experienced continuing operation losses, the management of the Company concluded there was indication for impairment and conducted impairment assessment on the Company's investment in subsidiary. The Company estimates the recoverable amounts of its investments in subsidiary based on higher of fair value less costs of disposal and value in use. As the carrying amount of the investment in subsidiary does not exceed the recoverable amount based on fair value less costs of disposal and no impairment has been recognized.

The statutory financial statements of Megatronix (Beijing) Technology for each of the years ended December 31, 2023, 2024 and 2025, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC. The statutory financial statements for the year ended December 31, 2023 and 2024 were audited by Beijing Bochenyiheng Certified Public Accountants, (北京博宸益恒會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2023) and Xiamen Chengkang Certified Public Accountants, (廈門誠康會計師事務所) certified public accountants registered in the PRC (for 2024). No audited statutory financial statements were available for the year ended December 31, 2025.

The statutory financial statements of Megatronix (Wuhan) Technology for each of the years ended December 31, 2023, 2024 and 2025, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC. The statutory financial statements for the year ended December 31, 2023 and 2024 were audited by Wuhan Jijiatiancheng Certified Public Accountants, (武漢集佳添誠會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2023) and Beijing Ruiying Certified Public Accountants, (北京睿瑛會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2024). No audited statutory financial statements were available for the year ended December 31, 2025.

The statutory financial statements of Megatronix Infotech for each of the years ended December 31, 2023, 2024 and 2025, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC. The statutory financial statements for the year ended December 31, 2023 and 2024 were audited by Beijing Qisheng Certified Public Accountants, (北京起勝會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2023) and Beijing Wanrunjingsheng Certified Public

Accountants, (北京萬潤精晟會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2024). No audited statutory financial statements were available for the year ended December 31, 2025.

No audited statutory financial statements were available for the rest of the companies of the Group during the Track Record Period as there was no requirement to issue audited accounts by the local authorities.

None of the subsidiaries comprising the Group had issued any debt securities at the end of each reporting period during the Track Record Period.

The above tabled lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

44. SUBSEQUENT EVENTS

On February 4, 2026, the Company issued 39,663,873 and 12,500,000 shares to MegaFuture Limited ("MegaFuture") and MegaFrontier Limited ("MegaFrontier"), respectively. Both of MegaFuture and MegaFrontier are limited liability company incorporated in the BVI which is a holding company for a trust established to facilitate the administration of the Pre-**[REDACTED]** Option Plan. As the Company controls and consolidates MegaFuture and MegaFrontier, the Company's shares held by both MegFuture and MegaFrontier are recorded as treasury shares.

There were no other significant events subsequent to the end of the Track Record Period that need to be disclosed.

45. SUBSEQUENT FINANCIAL STATEMENTS

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