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

[To insert the letterhead of the firm]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHENGDU CRP ROBOT TECHNOLOGY CO., LTD.* AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Chengdu CRP Robot Technology Co., Ltd.* (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[3] to I-[•], which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2023, 2024, and 2025 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[3] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Document**") in connection with the **[REDACTED]** of the **[REDACTED]** of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

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

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

Opinion

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

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

Adjustments

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

Dividends

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

Certified Public Accountants
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Revenue	5	222,365	234,039	324,228
Cost of sales		(162,146)	(162,821)	(217,362)
Gross profit		60,219	71,218	106,866
Other income and gains	5	26,689	16,508	20,722
Research and development expenses		(35,972)	(35,994)	(48,917)
Selling and distribution expenses		(27,080)	(38,129)	(43,661)
Administrative expenses		(17,495)	(19,661)	(40,374)
Other expenses		(516)	(875)	(2,889)
Finance costs	6	(955)	(1,329)	(868)
Impairment losses on financial assets, net		(3,202)	(4,682)	(7,025)
PROFIT/(LOSS) BEFORE TAX	7	1,688	(12,944)	(16,146)
Income tax expense	10	–	–	–
PROFIT/(LOSS) FOR THE YEAR		1,688	(12,944)	(16,146)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of a foreign operation		–	115	85
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1,688	(12,829)	(16,061)
Profit/(loss) attributable to:				
Owners of the parent		1,688	(12,944)	(16,146)
Total comprehensive income/(loss) attributable to:				
Owners of the parent		1,688	(12,829)	(16,061)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted *(RMB per share)*	12	0.38 cents	(2.88) cents	(3.59) cents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	109,739	103,257	113,755
Right-of-use assets	*14*	10,068	9,551	8,828
Intangible assets	*15*	2,832	3,580	4,346
Prepayments, other receivables and other assets	*20*	2,680	1,965	425
Total non-current assets		125,319	118,353	127,354
CURRENT ASSETS				
Inventories	*17*	94,546	82,456	108,712
Trade and bills receivables	*18*	101,060	113,940	143,160
Debt investments at fair value through other comprehensive income	*19*	6,823	19,133	18,641
Prepayments, other receivables and other assets	*20*	18,219	11,504	21,310
Financial assets at fair value through profit or loss ("**FVTPL**")	*21*	3,844	–	–
Restricted bank deposits	*22*	–	1,406	261
Cash and cash equivalents	*22*	162,374	154,272	176,125
Total current assets		386,866	382,711	468,209
CURRENT LIABILITIES				
Trade and bills payables	*23*	115,870	111,079	187,940
Contract liabilities	*24*	1,693	3,648	6,579
Other payables and accruals	*25*	34,115	23,232	36,133
Interest-bearing bank loans	*26*	30,746	40,000	50,567
Lease liabilities	*14*	27	104	38
Tax payable		1,485	1,483	–
Total current liabilities		183,936	179,546	281,257
NET CURRENT ASSETS		202,930	203,165	186,952
TOTAL ASSETS LESS CURRENT LIABILITIES		328,249	321,518	314,306

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Lease liabilities	*14*	–	35	–
Deferred income	*27*	1,786	5,104	5,666
Provision	*28*	2,429	3,323	5,007
Total non-current liabilities		4,215	8,462	10,673
Net assets		**324,034**	**313,056**	**303,633**
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	45,000	45,000	45,000
Reserves	*30*	279,034	268,056	258,633
Total equity		**324,034**	**313,056**	**303,633**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Share-based payment reserve*	Difference arising from acquisition of non-controlling interests*	Statutory surplus reserve*	Safety production fund*	Retained profits*	Total equity
	RMB'000 *(note 29)*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000*
At 1 January 2023	45,000	235,395	4,446	362	2,771	2,260	31,809	322,043
Profit for the year	–	–	–	–	–	–	1,688	1,688
Total comprehensive income for the year	–	–	–	–	–	–	1,688	1,688
Share-based payments	–	–	303	–	–	–	–	303
Safety production fund provided	–	–	–	–	–	1,606	(1,606)	–
Safety production fund used	–	–	–	–	–	(1,766)	1,766	–
Transfer from retained profits	–	–	–	–	169	–	(169)	–
At 31 December 2023	45,000	235,395	4,749	362	2,940	2,100	33,488	324,034

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Share-based payment reserve*	Difference arising from acquisition of non-controlling interests*	Statutory surplus reserve*	Safety production fund*	Foreign currency translation reserve*	Retained profits*	Total equity
	RMB'000 *(note 29)*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000*
At 1 January 2024	45,000	235,395	4,749	362	2,940	2,100	–	33,488	324,034
Loss for the year	–	–	–	–	–	–	–	(12,944)	(12,944)
Other comprehensive income for the year:									
Exchange differences related to a foreign operation	–	–	–	–	–	–	115	–	115
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	115	(12,944)	(12,829)
Share-based payments	–	–	1,851	–	–	–	–	–	1,851
Vested shares under the share award scheme	–	1,295	(1,295)	–	–	–	–	–	–
Safety production fund provided	–	–	–	–	–	1,670	–	(1,670)	–
Safety production fund used	–	–	–	–	–	(1,255)	–	1,255	–
At 31 December 2024	45,000	236,690	5,305	362	2,940	2,515	115	20,129	313,056

Year ended 31 December 2025

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Share-based payment reserve*	Difference arising from acquisition of non-controlling interests*	Statutory surplus reserve*	Safety production fund*	Foreign currency translation reserve*	Retained profits*	Total equity
	RMB'000 *(note 29)*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000*
At 1 January 2025	45,000	236,690	5,305	362	2,940	2,515	115	20,129	313,056
Loss for the year	–	–	–	–	–	–	–	(16,146)	(16,146)
Other comprehensive income for the year:									
Exchange differences related to a foreign operation	–	–	–	–	–	–	85	–	85
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	85	(16,146)	(16,061)
Share-based payments	–	–	6,638	–	–	–	–	–	6,638
Vested shares under the share award scheme	–	9,475	(9,475)	–	–	–	–	–	–
Safety production fund provided	–	–	–	–	–	1,701	–	(1,701)	–
Safety production fund used	–	–	–	–	–	(2,355)	–	2,355	–
At 31 December 2025	45,000	246,165	2,468	362	2,940	1,861	200	4,637	303,633

* These reserve accounts comprise the consolidated reserves of RMB279,034,000, RMB268,056,000 and RMB258,633,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		1,688	(12,944)	(16,146)
Adjustments for:				
Bank interest income	*5*	(4,721)	(4,549)	(2,559)
Finance costs	*6*	955	1,329	868
(Gains)/losses on disposal of items of property, plant and equipment, net	*7*	(77)	(349)	1,432
Loss on disposal of intangible assets	*7*	–	421	–
Depreciation of property, plant and equipment	*7*	9,397	9,959	11,558
Depreciation of right-of-use assets	*7*	767	723	733
Amortisation of intangible assets	*7*	389	373	529
Write-down/(reversal of write-down) of inventories to net realisable value	*7*	5,043	3,855	(1,180)
Impairment losses on trade receivables and other receivables, net	*7*	3,202	4,682	7,025
Deferred income released to profit or loss	*5*	(149)	(162)	(4,686)
Fair value gains on financial assets at FVTPL	*5*	(901)	(309)	(468)
Unrealised foreign exchange losses/(gains), net		241	(205)	701
Equity-settled share-based payment expenses		303	1,851	6,638
		16,137	4,675	4,445
Decrease/(increase) in inventories		10,575	7,843	(25,076)
Increase in trade and bills receivables		(33,714)	(22,874)	(41,010)
Decrease/(increase) in restricted bank deposits		989	(1,406)	1,145
Decrease/(increase) in prepayments, deposits and other receivables		2,142	6,683	(8,040)
Increase in debt investments at fair value through other comprehensive income		(5,947)	(13,782)	(1,370)
(Decrease)/increase in trade and bills payables		(21,068)	(5,320)	76,835
(Decrease)/increase in contract liabilities		(503)	1,955	2,931
(Decrease)/increase in other payables and accruals		(1,138)	98	12,966
Increase in provision		845	894	1,684
Increase in deferred income		801	3,480	5,248
Cash (used in)/generated from operations		(30,881)	(17,754)	29,758
Tax paid		–	(2)	(1,483)

		Year ended 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in)/from operating activities		(30,881)	(17,756)	28,275
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		4,721	4,549	2,559
Purchases of items of property, plant and equipment		(3,817)	(7,425)	(40,916)
Purchases of intangible assets		(463)	(1,486)	(1,166)
Purchases of financial assets at FVTPL		(90,000)	(40,000)	(110,000)
Proceeds from disposal of financial assets at FVTPL		107,780	44,153	110,468
Proceeds from disposal of items of property, plant and equipment		145	966	25,298
Proceeds from disposal of debt investments at fair value through other comprehensive income		10,000	–	–
Net cash flows from/(used in) investing activities		28,366	757	(13,757)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(951)	(1,325)	(863)
New bank loans		30,746	40,000	50,565
Repayment of bank loans		(50,000)	(30,000)	(40,000)
Increase in deferred **[REDACTED]** expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dividend paid		(3,004)	–	–
Payment of lease liabilities		(162)	(98)	(114)
Net cash flows (used in)/from financing activities		(23,371)	8,577	7,852
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(25,886)	(8,422)	22,370
Effect of foreign exchange rate changes, net		(241)	320	(517)
Cash and cash equivalents at beginning of year		188,501	162,374	154,272
CASH AND CASH EQUIVALENTS AT END OF YEAR		162,374	154,272	176,125
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	22	162,374	154,272	176,125

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	109,735	103,257	113,755
Right-of-use assets	*14*	10,068	9,422	8,801
Intangible assets	*15*	2,391	3,580	4,346
Prepayments, other receivables and other assets	*20*	2,680	1,965	425
Investments in subsidiaries	*16*	4,930	6,115	1,691
Total non-current assets		129,804	124,339	129,018
CURRENT ASSETS				
Inventories	*17*	94,361	82,456	108,712
Trade and bills receivables	*18*	101,047	113,940	143,160
Debt investments at fair value through other comprehensive income	*19*	6,823	19,133	18,641
Prepayments, other receivables and other assets	*20*	18,314	11,402	21,204
Restricted bank deposits	*22*	–	814	261
Cash and cash equivalents	*22*	161,216	149,054	174,937
Total current assets		381,761	376,799	466,915
CURRENT LIABILITIES				
Trade and bills payables	*23*	115,917	111,079	187,940
Contract liabilities	*24*	1,693	3,648	6,579
Other payables and accruals	*25*	33,395	23,225	36,133
Interest-bearing bank loans	*26*	30,746	40,000	50,567
Lease liabilities	*14*	27	–	–
Tax payable		1,483	1,483	–
Total current liabilities		183,261	179,435	281,219
NET CURRENT ASSETS		198,500	197,364	185,696
TOTAL ASSETS LESS CURRENT LIABILITIES		328,304	321,703	314,714

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Deferred income	*27*	1,786	5,104	5,666
Provision	*28*	2,429	3,323	5,007
Total non-current liabilities		4,215	8,427	10,673
Net assets		**324,089**	**313,276**	**304,041**
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	45,000	45,000	45,000
Reserves	*30*	279,089	268,276	259,041
Total equity		**324,089**	**313,276**	**304,041**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was a company established in Chengdu, the People's Republic of China (the "**PRC**") on 6 September 2012 and converted into a joint stock company with limited liability on 30 June 2021. The registered office of the Company is located at No. 188, Huayue Road, Chenghua District, Chengdu City, Sichuan Province, the PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the "**Group**") were principally engaged in the design, development, manufacture and commercialisation of industrial robots.

As at the date of this report, the Company had direct 100% equity interests in its subsidiaries, all of which are private limited liability companies, and the particulars of the Company's subsidiaries are set out below:

Entity name	Place and date of incorporation/registration and place of operations	Registered share capital	Principal activities
Jiangsu CRP Robot Technology Co., Ltd. */** (江蘇卡諾普機器人有限公司)	PRC/Chinese Mainland, 8 December 2021	RMB100 million	Manufacture of computers, communication and other electronic equipment
CRP Robot Malaysia Sdn. Bhd.**	Malaysia, 11 January 2024	Malaysian Ringgit ("**MYR**") 1 million	Development, manufacture and sale of industrial robots

* The English name of the company registered in the PRC represents the best effort made by the management of the Company to directly translate the Chinese name as it did not register any official English name.

** As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024, and 2025 and these entities were either not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation/registration or remained dormant since its incorporation/registration.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as issued by the HKICPA. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual/reporting periods beginning on or after 1 January 2027
3 No mandatory effective date yet determined but available for adoption

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

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Interests in subsidiaries

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group;

or

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

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

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	5.28%
Machinery and equipment	9.50% to 31.67%
Motor vehicles	19.00% to 23.75%
Other equipment	19.00% to 33.33%

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

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

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

Intangible assets (other than goodwill)

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

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The useful life of the patents is estimated by reference to the expected lifespan of the products utilising the patents.

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 2 to 10 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Buildings	Between 1 year and 3 years
Land use rights	20 years

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of offices and employee dormitories (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at FVTPL

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, lease liabilities and interest-bearing bank loans.

Subsequent measurement

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

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or terminated, or expires.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

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

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

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

Income tax

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

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

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

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or acceptance of the products as agreed in the sales contracts.

(b) Product-related supporting services

Revenue from product-related supporting services is recognised at a point in time when the service is provided and accepted by the customer.

Other income

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

Contract liabilities

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

Share-based payments

The Group adopts share award and share subscription rights schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Further details are included in note 31 to the Historical Financial Information.

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

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

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

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

Other employee benefits

Pension scheme

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

Housing fund and other social insurances in the Chinese Mainland

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

Termination benefits

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

Borrowing costs

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

Events after the reporting period

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

Dividends

Final dividends are recognised as a liability when they are approved by the equity holders of relevant entities comprising the Group in a general meeting. Proposed dividends are disclosed in note 11 to the Historical Financial Information.

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Development expenses

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences and the carry forward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has accumulated tax losses and deductible temporary differences in the Chinese Mainland at the end of each of the Relevant Periods as disclosed in note 10 to the Historical Financial Information. These losses and deductible temporary differences related to the Company and a subsidiary that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. These entities have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for non-financial assets (other than inventories and financial assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2023, 2024 and 2025, the directors assessed that no indicators of impairment were identified for non-financial assets.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the Historical Financial Information.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories at the end of each reporting period and makes provisions against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Such sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of the robotics industry. Management estimates the net realisable value for those obsolete and slow-moving inventories based primarily on the latest invoice prices and current market conditions. The estimation is reassessed at the end of each reporting period. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The information about the provision for inventory is disclosed in note 7 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design, development, manufacture and commercialisation of industrial robots, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purpose of resource allocation and performance assessment. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
China (including Hong Kong and Taiwan)	180,219	209,436	287,458
Overseas	42,146	24,603	36,770
Total	**222,365**	**234,039**	**324,228**

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

(b) Non-current assets

Most of the non-current assets of the Group are located in the Chinese Mainland. Thus, no geographic information is presented.

Information about a major customer

Revenue from a major customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods, is set out below:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	23,108	N/A*	N/A*

* Less than 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sale of products	221,539	233,324	323,340
Services	826	715	888
Total	**222,365**	**234,039**	**324,228**
Timing of revenue recognition			
Products transferred at a point in time	221,539	233,324	323,340
Services provided at a point in time	826	715	888
Total	**222,365**	**234,039**	**324,228**

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods:			
Sale of products	2,196	1,693	3,588

(b) Performance obligations

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

Sale of products

The performance obligation is satisfied upon the acceptance of delivered products and payment is mainly due within 3 months from delivery or made in advance.

Product-related supporting services

The performance obligation is satisfied at the point in time when services are completed and payment is generally due upon completion of the services and customer acceptance.

As the original expected duration of the contracts with customers of the Group is within one year or less, the Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation.

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	4,721	4,549	2,559
Deferred income released *(note 27)*	149	162	4,686
Government grants*	20,674	10,139	9,785
Additional deductible input value added tax	36	267	2,324
Rental income	48	98	68
Others	83	250	832
Total other income	25,711	15,465	20,254
Gains			
Gains on disposal of items of property, plant and equipment	77	349	–
Fair value gains on financial assets at FVTPL	901	309	468
Foreign exchange gains, net	–	385	–
Total gains	978	1,043	468
Total other income and gains	**26,689**	**16,508**	**20,722**

* Government grants received and recognised as "Other income" during the Relevant Periods related to grants 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 recognised in profit or loss in the period in which they become receivable. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	951	1,325	865
Interest on lease liabilities	4	4	3
Total	**955**	**1,329**	**868**

7. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	161,628	162,277	216,594
Cost of services provided	518	544	768
Depreciation of property, plant and equipment*	9,397	9,959	11,558
Depreciation of right-of-use assets*	767	723	733
Amortisation of intangible assets*	389	373	529
(Gains)/losses on disposal of property, plant and equipment, net	(77)	(349)	1,432
Write-off of intangible assets	–	421	–
Foreign exchange losses/(gains), net	289	(385)	780
Lease payment not included in the measurement of lease liabilities	185	214	182
Impairment of trade receivables	3,189	4,650	7,055
Impairment/(reversal of impairment) of other receivables	13	32	(30)
Write-down/(reversal of write-down) of inventories to net realisable value, net	5,043	3,855	(1,180)
Product warranty provision	1,795	2,628	3,759
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Employee benefit expense (excluding directors' and supervisors' remuneration) *(note 8)*:			
Wages and salaries	46,911	51,684	62,643
Pension scheme contributions, social welfare and other welfare**	10,405	10,946	12,008
Share-based payment expenses, net	(377)	1,794	6,262
Total	56,939	64,424	80,913

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

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. DIRECTORS' AND SUPERVISORS'REMUNERATION

Directors' and supervisors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Fees	360	219	90
Other emoluments:			
Salaries, allowances and benefits in kind	1,692	2,136	2,136
Performance related bonuses	458	518	1,178
Pension scheme contributions	183	161	161
Share-based payment expenses	680	57	376
Subtotal	3,013	2,872	3,851
Total	**3,373**	**3,091**	**3,941**

During the Relevant Periods, share awards and share subscription rights were granted to certain supervisors in respect of their services to the Group, further details of which are set out in note 31 to the Historical Financial Information. The fair values of such granted share awards and share subscription rights, which have been recognised in profit or loss, were determined as at the date of grant and the amounts included in the Historical Financial Information are included in the above directors' and supervisors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Ms. Zhi Nan *(i)*	120	73	30
Mr. Yang Xiaojian *(ii)*	120	60	–
Mr. Yu Haizong *(ii)*	120	60	–
Ms. He Na *(iii)*	–	13	30
Ms. Liang Min *(iii)*	–	13	30
Total	**360**	**219**	**90**

Notes:

(i) Ms. Zhi Nan was appointed as an independent non-executive director of the Company on 18 June 2021.

(ii) Mr. Yang Xiaojian and Mr. Yu Haizong were appointed as independent non-executive directors of the Company with effect from 18 June 2021 and resigned on 18 June 2024.

(iii) Ms. He Na and Ms. Liang Min were appointed as independent non-executive directors of the Company on 21 August 2024. Ms. He Na will resign as an independent non-executive director, and Mr. Chan Yik Pun will be appointed as an independent non-executive director effective upon the **[REDACTED]**.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors, and supervisors

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Li Liangjun *(i)*	300	94	27	–	421
Mr. Zhu Lusheng *(ii)*	300	94	27	–	421
Mr. Zeng Bing *(ii)*	240	38	26	–	304
Ms. Gu Fei *(ii)*	240	49	26	–	315
Subtotal	1,080	275	106	–	1,461
Non-executive directors:					
Mr. Huang He ***(iii)***	–	–	–	–	–
Ms. Qing Chen *(iii)*	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Chen Hui *(iv)*	216	82	27	300	625
Mr. Li Xiang *(iv)*	216	79	25	360	680
Mr. Li Daichun *(iv)*	180	22	25	20	247
Subtotal	612	183	77	680	1,552
Total	**1,692**	**458**	**183**	**680**	**3,013**

Year ended 31 December 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Li Liangjun *(i)*	384	78	23	–	485
Mr. Zhu Lusheng *(ii)*	384	103	23	–	510
Mr. Zeng Bing *(ii)*	276	75	23	–	374
Ms. Gu Fei *(ii)*	300	63	23	–	386
Subtotal	1,344	319	92	–	1,755
Non-executive directors:					
Mr. Huang He *(iii)*	–	–	–	–	–
Ms. Qing Chen *(iii)*	–	–	–	–	–
Subtotal	–	–	–	–	–

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. Chen Hui *(iv)*	360	70	23	25	478
Mr. Li Xiang *(iv)*	240	105	23	30	398
Mr. Li Daichun *(iv)*	192	24	23	2	241
Subtotal	792	199	69	57	1,117
Total	**2,136**	**518**	**161**	**57**	**2,872**

Year ended 31 December 2025

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Li Liangjun *(i)*	384	328	23	–	735
Mr. Zhu Lusheng *(ii)*	384	328	23	–	735
Mr. Zeng Bing *(ii)*	276	131	23	–	430
Ms. Gu Fei *(ii)*	300	131	23	–	454
Subtotal	1,344	918	92	–	2,354
Non-executive directors:					
Mr. Huang He *(iii)*	–	–	–	–	–
Ms. Qing Chen *(iii)*	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Chen Hui *(iv)*	360	147	23	99	629
Mr. Li Xiang *(iv)*	240	80	23	262	605
Mr. Li Daichun *(iv)*	192	33	23	15	263
Subtotal	792	260	69	376	1,497
Total	**2,136**	**1,178**	**161**	**376**	**3,851**

Notes:

(i) Mr. Li Liangjun was appointed as an executive director and the chief executive officer on 1 April 2017.

(ii) Mr. Zhu Lusheng, and Mr. Zeng Bing, and Ms. Gu Fei were appointed as executive directors of the Company on 5 February 2018, 20 April 2020, and 13 September 2018, respectively. Mr. Zeng Bing will resign as an executive director effective upon the **[REDACTED]**.

(iii) Mr. Huang He and Ms. Qing Chen were appointed as non-executive directors of the Company on 5 February 2018 and 13 September 2018, respectively.

(iv) Mr. Chen Hui, Mr. Li Xiang and Mr. Li Daichun were appointed as supervisors of the Company on 18 June 2021. Mr. Li Xiang will be appointed as a non-executive director effective upon the **[REDACTED]**. Mr. Chen Hui and Mr. Li Daichun will resign as supervisors effective upon the **[REDACTED]**.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024, and 2025 included two, two, two directors and supervisors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three, three and three highest paid employees who are neither a director nor supervisor of the Company during the years ended 31 December 2023, 2024, and 2025, respectively, are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	628	794	1,392
Performance related bonuses	193	392	725
Pension scheme contributions	67	69	117
Share-based payment expenses	1,617	1,265	5,185
Total	**2,505**	**2,520**	**7,419**

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

	Year ended 31 December		
	2023	**2024**	**2025**
Nil to Hong Kong Dollar ("**HK$**") 1,000,000	2	1	1
HK$1,000,001 to HK$1,500,000	1	2	–
HK$1,500,001 to HK$2,000,000	–	–	–
HK$2,000,001 to HK$2,500,000	–	–	1
HK$2,500,001 to HK$3,000,000	–	–	1
Total	**3**	**3**	**3**

During the Relevant Periods, share awards and share subscription rights were granted to certain highest paid employees in respect of their services and contributions to the Group, further details of which are set out in note 31 to the Historical Financial Information. The fair values of such granted share awards and share subscription rights, which have been recognised in profit or loss immediately upon the dates of grant or over the vesting periods, were determined as at the dates of grant and the amounts included in the Historical Financial Information for the Relevant Periods are included in the above highest paid employees' remuneration disclosures.

10. INCOME TAX

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

The Chinese Mainland

The provision for corporate income tax in the Chinese Mainland is based on the statutory rate of 25% of the assessable profits, in accordance with the PRC Income Tax Law and the respective regulations which were approved and became effective on 1 January 2008 except for the Company which was qualified as a high and new technology enterprise and was subject to income tax at a preferential tax rate of 15% during the Relevant Periods.

Malaysia

The Group's subsidiary in Malaysia is subject to enterprise income tax on its taxable income in Malaysia at a rate of 24%. No provision for Malaysia profits tax has been made as the Group had no taxable profit derived or earned in Malaysia during the Relevant Periods.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before tax	1,688	(12,944)	(16,146)
Tax at the statutory tax rate of 25%	422	(3,236)	(4,037)
Lower tax rate enacted by local authorities	(145)	1,384	1,642
Additional deductible allowance for qualified research and development expenses	(4,732)	(2,675)	(2,915)
Expenses not deductible for tax	95	106	354
Effect of deductible temporary differences not recognised	1,018	2,052	480
Tax losses not recognised	3,342	2,369	4,476
Tax charge at the Group's effective rate	–	–	–

According to the PRC Corporate Income Tax regulations, the Company is entitled to claim an additional deduction for qualified research and development expenses. The applicable additional deduction percentage was 100% during the Relevant Periods.

The Group has the following accumulated tax losses and deductible temporary differences in the Chinese Mainland. These accumulated tax losses will expire in one to ten years for offsetting against future taxable profits of the companies located in the Chinese Mainland in which the tax losses arose.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	22,280	38,073	67,913
Deductible temporary differences	14,174	27,854	31,054
Total	**36,454**	**65,927**	**98,967**

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in the Company and a subsidiary that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

11. DIVIDENDS

During the year ended 31 December 2023, the Company paid a dividend of RMB3,004,000, which was declared on 26 April 2021.

Save as disclosed above, no dividend was declared or paid by the Company during the Relevant Periods.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent. The number of ordinary shares of 450,000,000 being used for the calculation of basic and diluted earnings/(loss) per share has been retrospectively adjusted according to the share split completed on 12 May 2026.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2023

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023						
Cost	95,850	10,266	1,358	9,954	3,701	121,129
Accumulated depreciation	(2,538)	(3,624)	(989)	(4,919)	–	(12,070)
Net carrying amount	93,312	6,642	369	5,035	3,701	109,059
At 1 January 2023, net of accumulated depreciation	93,312	6,642	369	5,035	3,701	109,059
Additions	–	3,997	69	4,544	1,535	10,145
Transfers	–	3,970	–	6	(3,976)	–
Disposals	–	(60)	(6)	(2)	–	(68)
Depreciation provided during the year	(5,076)	(1,379)	(110)	(2,832)	–	(9,397)
At 31 December 2023, net of accumulated depreciation	88,236	13,170	322	6,751	1,260	109,739
At 31 December 2023						
Cost	95,850	18,173	1,421	14,502	1,260	131,206
Accumulated depreciation	(7,614)	(5,003)	(1,099)	(7,751)	–	(21,467)
Net carrying amount	88,236	13,170	322	6,751	1,260	109,739

31 December 2024

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	95,850	18,173	1,421	14,502	1,260	131,206
Accumulated depreciation	(7,614)	(5,003)	(1,099)	(7,751)	–	(21,467)
Net carrying amount	88,236	13,170	322	6,751	1,260	109,739
At 1 January 2024, net of accumulated depreciation	88,236	13,170	322	6,751	1,260	109,739
Additions	–	559	124	1,694	1,717	4,094
Transfers	–	857	–	54	(911)	–
Disposals	–	(579)	(27)	(11)	–	(617)
Depreciation provided during the year	(5,076)	(1,629)	(104)	(3,150)	–	(9,959)
At 31 December 2024, net of accumulated depreciation	83,160	12,378	315	5,338	2,066	103,257
At 31 December 2024						
Cost	95,850	19,010	1,518	16,239	2,066	134,683
Accumulated depreciation	(12,690)	(6,632)	(1,203)	(10,901)	–	(31,426)
Net carrying amount	83,160	12,378	315	5,338	2,066	103,257

31 December 2025

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025						
Cost	95,850	19,010	1,518	16,239	2,066	134,683
Accumulated depreciation	(12,690)	(6,632)	(1,203)	(10,901)	–	(31,426)
Net carrying amount	83,160	12,378	315	5,338	2,066	103,257
At 1 January 2025, net of accumulated depreciation	83,160	12,378	315	5,338	2,066	103,257
Additions	–	1,768	6	1,828	45,184	48,786
Transfers	–	47,150	–	–	(47,150)	–
Disposals	–	(26,611)	–	(119)	–	(26,730)
Depreciation provided during the year	(5,075)	(3,401)	(107)	(2,975)	–	(11,558)
At 31 December 2025, net of accumulated depreciation	78,085	31,284	214	4,072	100	113,755
At 31 December 2025						
Cost	95,850	41,317	1,524	17,948	100	156,739
Accumulated depreciation	(17,765)	(10,033)	(1,310)	(13,876)	–	(42,984)
Net carrying amount	78,085	31,284	214	4,072	100	113,755

The Company

31 December 2023

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023						
Cost	95,850	10,174	1,358	9,918	3,701	121,001
Accumulated depreciation	(2,538)	(3,550)	(989)	(4,889)	–	(11,966)
Net carrying amount	93,312	6,624	369	5,029	3,701	109,035
At 1 January 2023, net of accumulated depreciation	93,312	6,624	369	5,029	3,701	109,035
Additions	–	3,997	69	4,544	1,535	10,145
Transfers	–	3,970	–	6	(3,976)	–
Disposals	–	(60)	(6)	(2)	–	(68)
Depreciation provided during the year	(5,076)	(1,364)	(110)	(2,827)	–	(9,377)
At 31 December 2023, net of accumulated depreciation	88,236	13,167	322	6,750	1,260	109,735
At 31 December 2023						
Cost	95,850	18,081	1,421	14,466	1,260	131,078
Accumulated depreciation	(7,614)	(4,914)	(1,099)	(7,716)	–	(21,343)
Net carrying amount	88,236	13,167	322	6,750	1,260	109,735

31 December 2024

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	95,850	18,081	1,421	14,466	1,260	131,078
Accumulated depreciation	(7,614)	(4,914)	(1,099)	(7,716)	–	(21,343)
Net carrying amount	88,236	13,167	322	6,750	1,260	109,735
At 1 January 2024, net of accumulated depreciation	88,236	13,167	322	6,750	1,260	109,735
Additions	–	559	124	1,694	1,717	4,094
Transfers	–	857	–	54	(911)	–
Disposals	–	(576)	(27)	(10)	–	(613)
Depreciation provided during the year	(5,076)	(1,629)	(104)	(3,150)	–	(9,959)
At 31 December 2024, net of accumulated depreciation	83,160	12,378	315	5,338	2,066	103,257
At 31 December 2024						
Cost	95,850	18,921	1,518	16,204	2,066	134,559
Accumulated depreciation	(12,690)	(6,543)	(1,203)	(10,866)	–	(31,302)
Net carrying amount	83,160	12,378	315	5,338	2,066	103,257

31 December 2025

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025						
Cost	95,850	18,921	1,518	16,204	2,066	134,559
Accumulated depreciation	(12,690)	(6,543)	(1,203)	(10,866)	–	(31,302)
Net carrying amount	83,160	12,378	315	5,338	2,066	103,257
At 1 January 2025, net of accumulated depreciation	83,160	12,378	315	5,338	2,066	103,257
Additions	–	1,768	6	1,828	45,184	48,786
Transfers	–	47,150	–	–	(47,150)	–
Disposals	–	(26,611)	–	(119)	–	(26,730)
Depreciation provided during the year	(5,075)	(3,401)	(107)	(2,975)	–	(11,558)
At 31 December 2025, net of accumulated depreciation	78,085	31,284	214	4,072	100	113,755
At 31 December 2025						
Cost	95,850	41,228	1,524	17,913	100	156,615
Accumulated depreciation	(17,765)	(9,944)	(1,310)	(13,841)	–	(42,860)
Net carrying amount	78,085	31,284	214	4,072	100	113,755

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings and land use rights. Lump sum payments were made upfront to acquire the land use rights for 20 years from the government, and no ongoing payments will be made under the terms of these land use rights. Leases of buildings generally have lease terms between 1 year and 3 years.

(a) Right-of-use assets

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

The Group

	Land use rights	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	10,665	170	10,835
Depreciation charge	(621)	(146)	(767)
At 31 December 2023 and 1 January 2024	10,044	24	10,068
Additions	–	206	206
Depreciation charge	(622)	(101)	(723)
At 31 December 2024 and 1 January 2025	9,422	129	9,551
Depreciation charge	(621)	(112)	(733)
Exchange realignment	–	10	10
At 31 December 2025	8,801	27	8,828

The Company

	Land use rights	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	10,665	170	10,835
Depreciation charge	(621)	(146)	(767)
At 31 December 2023 and 1 January 2024	10,044	24	10,068
Depreciation charge	(622)	(24)	(646)
At 31 December 2024 and 1 January 2025	9,422	–	9,422
Depreciation charge	(621)	–	(621)
At 31 December 2025	8,801	–	8,801

(b) Lease liabilities

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

The Group

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	185	27	139
New leases	–	206	–
Accretion of interest recognised during the year	4	4	3
Payments	(162)	(98)	(114)
Exchange realignment	–	–	10
Carrying amount at end of year	27	139	38
Analysed into:			
Current	27	104	38
Non-current	–	35	–

The Company

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	185	27	–
Accretion of interest recognised during the year	4	–	–
Payments	(162)	(27)	–
Carrying amount at end of year	27	–	–
Analysed into:			
Current	27	–	–

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

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Expense relating to short-term leases and leases of low-value assets (included in administrative expenses)	185	214	182
Depreciation charge of right-of-use assets	767	723	733
Interest expense on lease liabilities	4	4	3
Net amount charged in profit or loss	956	941	918

The Group as a lessor

The Group leases part of its property, plant and equipment (note 13) consisting of equipment for rental in the Chinese Mainland under operating lease arrangements. During the Relevant Periods, rental income recognised by the Group are included in note 5 to the Historical Financial Information.

As no equipment was under operating leases at the end of each of the Relevant Periods, the Group accordingly had no lease payments receivable from its tenants in future periods.

15. INTANGIBLE ASSETS

The Group

	Software	**Patents**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	2,621	588	3,209
Accumulated amortisation	(544)	(118)	(662)
Net carrying amount	2,077	470	2,547
At 1 January 2023, net of accumulated amortisation	2,077	470	2,547
Additions	674	–	674
Amortisation provided during the year	(360)	(29)	(389)
At 31 December 2023, net of accumulated amortisation	2,391	441	2,832
At 31 December 2023:			
Cost	3,295	588	3,883
Accumulated amortisation	(904)	(147)	(1,051)
Net carrying amount	2,391	441	2,832

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
At 1 January 2024:			
Cost	3,295	588	3,883
Accumulated amortisation	(904)	(147)	(1,051)
Net carrying amount	2,391	441	2,832
At 1 January 2024, net of accumulated amortisation	2,391	441	2,832
Additions	1,542	–	1,542
Write-off	–	(421)	(421)
Amortisation provided during the year	(353)	(20)	(373)
At 31 December 2024, net of accumulated amortisation	3,580	–	3,580
At 31 December 2024:			
Cost	4,837	167	5,004
Accumulated amortisation	(1,257)	(167)	(1,424)
Net carrying amount	3,580	–	3,580

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2025			
At 1 January 2025:			
Cost	4,837	167	5,004
Accumulated amortisation	(1,257)	(167)	(1,424)
Net carrying amount	3,580	–	3,580
At 1 January 2025, net of accumulated amortisation	3,580	–	3,580
Additions	1,295	–	1,295
Amortisation provided during the year	(529)	–	(529)
At 31 December 2025, net of accumulated amortisation	4,346	–	4,346
At 31 December 2025:			
Cost	6,132	–	6,299
Accumulated amortisation	(1,786)	–	(1,953)
Net carrying amount	4,346	–	4,346

The Company

Software

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year:			
Cost	2,621	3,295	4,837
Accumulated amortisation	(544)	(904)	(1,257)
Net carrying amount	2,077	2,391	3,580
At beginning of year, net of accumulated amortisation	2,077	2,391	3,580
Additions	674	1,542	1,295
Amortisation provided during the year	(360)	(353)	(529)
At end of year, net of accumulated amortisation	2,391	3,580	4,346
At end of year:			
Cost	3,295	4,837	6,132
Accumulated amortisation	(904)	(1,257)	(1,786)
Net carrying amount	2,391	3,580	4,346

16. INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Investment in subsidiaries, at cost	5,800	7,291	1,691
Less: impairment	(870)	(1,176)	–
Net carrying amount	4,930	6,115	1,691

Notes:

(a) During the year ended 31 December 2025, the Company deregistered two subsidiaries. Chengdu CRP Intelligent Equipment Co., Ltd.* (established on 22 December 2017) was deregistered on 3 January 2025, resulting in a decrease of RMB3,950,000 in the cost of investment in subsidiaries. Chengdu Junnuo Weishi Intelligent Technology Co., Ltd.* (established on 7 March 2018) was deregistered on 19 March 2025, resulting in a decrease of RMB1,650,000 in the cost of investment in subsidiaries.

(b) During the year ended 31 December 2023 and 2024, impairment for investment in subsidiaries was provided based on recoverable amount with reference to the fair value of the underlying net assets held by the subsidiaries. As at 31 December 2025, the directors of the Company considered no impairment indicators were identified based on the impairment assessment performed by the management.

17. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	68,067	62,153	82,960
Finished goods	14,338	11,745	15,433
Materials consigned for processing and work in progress	9,684	8,057	9,102
Goods in transit	2,457	501	1,217
Total	**94,546**	**82,456**	**108,712**

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	67,882	62,153	82,960
Finished goods	14,338	11,745	15,433
Materials consigned for processing and work in progress	9,684	8,057	9,102
Goods in transit	2,457	501	1,217
Total	**94,361**	**82,456**	**108,712**

18. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	91,922	95,943	117,404
Less: Impairment of trade receivables	(4,878)	(9,505)	(12,046)
	87,044	86,438	105,358
Bills receivable	14,016	27,502	37,802
Total	**101,060**	**113,940**	**143,160**

Bills receivable are subject to impairment under the general approach and the impairment is considered to be minimal.

The Group's trading terms with its certain customers are on credit, and the credit period is generally 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	46,191	46,199	61,900
3 to 6 months	19,445	14,838	19,881
6 to 12 months	13,882	16,093	18,681
Over 12 months	7,526	9,308	4,896
Total	**87,044**	**86,438**	**105,358**

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

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,967	4,878	9,505
Impairment losses, net *(note 7)*	3,189	4,650	7,055
Amount written off as uncollectible	(278)	(23)	(4,514)
At end of year	4,878	9,505	12,046

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	As at 31 December 2023		
	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	*%*	*RMB'000*
Impairment based on individual assessment	147	100	147
Impairment based on collective assessment by credit risk portfolio			
Within 6 months	66,731	2	1,095
6 to 12 months	14,737	6	855
12 to 18 months	4,310	15	667
18 to 24 months	5,995	35	2,112
Above 24 months	2	100	2
Total	**91,922**	**5**	**4,878**

	As at 31 December 2024		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Impairment based on individual assessment	4,296	72	3,097
Impairment based on collective assessment by credit risk portfolio			
Within 6 months	62,385	2	1,348
6 to 12 months	17,332	7	1,239
12 to 18 months	7,625	16	1,246
18 to 24 months	2,353	26	623
Above 24 months	1,952	100	1,952
Total	**95,943**	**10**	**9,505**

	As at 31 December 2025		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Impairment based on individual assessment	4,177	100	4,177
Impairment based on collective assessment by credit risk portfolio			
Within 6 months	83,187	2	1,406
6 to 12 months	20,282	8	1,601
12 to 18 months	4,925	16	777
18 to 24 months	1,459	49	711
Above 24 months	3,374	100	3,374
Total	**117,404**	**10**	**12,046**

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	91,889	95,943	117,404
Less: Impairment of trade receivables	(4,858)	(9,505)	(12,046)
	87,031	86,438	105,358
Bills receivable	14,016	27,502	37,802
Total	**101,047**	**113,940**	**143,160**

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	46,191	46,199	61,900
3 to 6 months	19,445	14,838	19,881
6 to 12 months	13,882	16,093	18,681
Over 12 months	7,513	9,308	4,896
Total	**87,031**	**86,438**	**105,358**

19. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank acceptance bills	6,823	19,133	18,641

The above bank acceptance bills were issued by reputable banks in the Chinese Mainland. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cash flows and selling. The fair value approximates to the carrying value due to the short maturity.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for property, plant and equipment	2,680	1,965	425
Current			
Prepayments	2,928	3,286	1,635
Deferred **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables and deposits	3,234	1,459	6,118
Value-added tax recoverable	12,075	6,809	11,841
Less: Impairment of other receivables	(18)	(50)	(20)
Subtotal	18,219	11,504	21,310
Total	**20,899**	**13,469**	**21,735**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for property, plant and equipment	2,680	1,965	425
Current			
Prepayments	2,925	3,286	1,635
Deferred **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables and deposits	3,350	1,360	6,015
Value-added tax recoverable	12,057	6,806	11,838
Less: Impairment of other receivables	(18)	(50)	(20)
Subtotal	18,314	11,402	21,204
Total	**20,994**	**13,367**	**21,629**

The other receivables and deposits are interest-free and unsecured.

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management product	3,844	–	–

As at 31 December 2023, the wealth management product was issued by a bank in the Chinese Mainland, with expected return rates around 2.50% per annum. It was mandatorily classified as financial assets at FVTPL as its contractual cash flows were not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	162,374	155,678	171,396
Time deposits	–	–	4,990
Subtotal	162,374	155,678	176,386
Less:			
Restricted bank deposits	–	(1,406)	(261)
Cash and cash equivalents	162,374	154,272	176,125
Denominated in:			
RMB	152,987	132,313	143,479
United States Dollar ("**USD**")	9,387	21,865	32,502
MYR	–	94	144
Total	**162,374**	**154,272**	**176,125**

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	161,216	149,868	170,208
Time deposits	–	–	4,990
Subtotal	161,216	149,868	175,198
Less:			
Restricted bank deposits	–	(814)	(261)
Cash and cash equivalents	161,216	149,054	174,937
Denominated in:			
RMB	151,829	128,389	143,391
USD	9,387	20,665	31,546
Total	**161,216**	**149,054**	**174,937**

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. Short term time deposits are made for period of 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates.

As at 31 December 2024 and 2025, the restricted bank deposits represented guarantee deposits for the issuance of letters of credit.

23. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	37,330	37,409	58,326
Bills payable	78,540	73,670	129,614
Total	**115,870**	**111,079**	**187,940**

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	60,977	62,899	112,190
3 to 6 months	31,232	28,889	52,087
6 to 12 months	23,445	18,607	23,460
Over 12 months	216	684	203
Total	**115,870**	**111,079**	**187,940**

Trade payables of the Group are non-interest-bearing and are normally settled on terms of 1 to 3 months.

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	37,377	37,409	58,326
Bills payable	78,540	73,670	129,614
Total	**115,917**	**111,079**	**187,940**

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	61,024	62,899	112,190
3 to 6 months	31,232	28,889	52,087
6 to 12 months	23,445	18,607	23,460
Over 12 months	216	684	203
Total	**115,917**	**111,079**	**187,940**

Trade payables of the Company included the amount due to a subsidiary of RMB47,000 as at 31 December 2023.

24. CONTRACT LIABILITIES

The Group and the Company

	As at 1 January	As at 31 December		
	2023	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers:				
Sale of products	2,196	1,693	3,648	6,579

Contract liabilities represent short-term advances received for the delivery of products. The change in contract liabilities primarily reflects the changes in advances from customer for orders.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll payables	9,726	9,786	13,900
Payables for property, plant and equipment	13,197	2,216	2,151
Other tax payables	611	1,322	2,892
Deposits from credit sales customers	8,617	7,946	8,287
Other payables	1,964	1,962	8,903
Total	**34,115**	**23,232**	**36,133**

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll payables	9,706	9,786	13,900
Payables for property, plant and equipment	13,197	2,216	2,151
Other tax payables	611	1,322	2,892
Deposits from credit sales customers	8,617	7,946	8,287
Other payables	1,264	1,955	8,903
Total	**33,395**	**23,225**	**36,133**

Other payables are non-interest-bearing and have no fixed terms of settlement, except for payables relating to acquisition of property, plant and equipment, which are normally settled within one month.

26. INTEREST-BEARING BANK LOANS

The Group and the Company

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current – repayable within one year									
Bank loans – secured	0.51-3.2	2024	30,746	2.5-2.6	2025	40,000	1.1-2.5	2026	12,567
Bank loans – unsecured	–	–	–	–	–	–	2.3-2.5	2026	38,000
			30,746			40,000			50,567

Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's bills receivables amounting to RMB746,000 and RMB2,570,000 as at 31 December 2023 and 2025, respectively (note 36);

(ii) a pledge over one of the Group's patents, of which its cost was charged to profit or loss in prior years, securing loans of RMB10,000,000 as at 31 December 2025.

In addition, the certain of the Group's bank loans of RMB30,000,000 and RMB40,000,000 as at 31 December 2023 and 2024, respectively, were guaranteed by Messrs. Li Liangjun and Zhu Lusheng (note 34).

27. DEFERRED INCOME

The Group and the Company

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,134	1,786	5,104
Grants received during the year	801	3,480	5,248
Released to profit or loss during the year	(149)	(162)	(4,686)
At end of year	1,786	5,104	5,666

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

28. PROVISION

The Group and the Company

Warranties

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,584	2,429	3,323
Additional provision charged during the year	1,795	2,628	3,759
Amounts utilised during the year	(950)	(1,734)	(2,075)
At end of year	2,429	3,323	5,007

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

29. SHARE CAPITAL

	Number of shares in issue	**Share capital**
	(in thousand)	*RMB'000*
As at 31 December 2023, 2024 and 2025	45,000	45,000

In June 2021, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including the paid-in capital, capital reserves and accumulated losses, were converted into 45,000,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group in section I. The relevant notes to certain movements of the Group's equity during the Relevant Periods are included below:

Capital reserve

The capital reserve of the Group includes the share premium contributed by the shareholders of the Company.

Share-based payment reserve

The share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions contributed by the shareholders of the Company, details of which are set out in note 31 to the Historical Financial Information.

Safety production fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount for maintenance, production and other similar funds based on revenue recognised. The funds can be used for maintenance of production and improvements of safety and are not available for distribution to shareholders.

Foreign currency translation reserve

The Group's foreign currency translation reserve represents the differences arising from the translation of the financial statements of the Group's subsidiary outside the Chinese Mainland in accordance with the accounting policy set out for "Foreign currencies" in note 2.3 to the Historical Financial Information.

Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the Chinese Mainland shall make appropriations from after-tax profits to non-distributable reserve funds as determined by the boards of directors of the relevant Chinese Mainland subsidiaries. In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profits after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital.

The Company

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

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Safety production fund	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	235,395	4,446	2,771	2,260	32,223	277,095
Profit for the year	–	–	–	–	1,691	1,691
Total comprehensive income for the year	–	–	–	–	1,691	1,691
Share-based payments	–	303	–	–	–	303
Safety production fund provided	–	–	–	1,606	(1,606)	–
Safety production fund used	–	–	–	(1,766)	1,766	–
Transfer from retained profits	–	–	169	–	(169)	–
At 31 December 2023	235,395	4,749	2,940	2,100	33,905	279,089

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Safety production fund	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	235,395	4,749	2,940	2,100	33,905	279,089
Loss for the year	–	–	–	–	(12,664)	(12,664)
Total comprehensive loss for the year	–	–	–	–	(12,664)	(12,664)
Share-based payments	–	1,851	–	–	–	1,851
Vested shares under the share award scheme	1,295	(1,295)	–	–	–	–
Safety production fund provided	–	–	–	1,670	(1,670)	–
Safety production fund used	–	–	–	(1,255)	1,255	–
At 31 December 2024	236,690	5,305	2,940	2,515	20,826	268,276

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Safety production fund	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	236,690	5,305	2,940	2,515	20,826	268,276
Loss for the year	–	–	–	–	(15,873)	(15,873)
Total comprehensive loss for the year	–	–	–	–	(15,873)	(15,873)
Share-based payments	–	6,638	–	–	–	6,638
Vested shares under the share award scheme	9,475	(9,475)	–	–	–	–
Safety production fund provided	–	–	–	1,701	(1,701)	–
Safety production fund used	–	–	–	(2,355)	2,355	–
Transfer from retained profits	–	–	–	–	–	–
At 31 December 2025	246,165	2,468	2,940	1,861	5,607	259,041

31. SHARE-BASED PAYMENTS

Share Award Scheme

The Group adopted a share award scheme (the "**Share Award Scheme**") for certain employees of the Group ("**Share Incentive Participants**") in order to recognise the contributions of the Share Incentive Participants to the growth and development of the Group, and incentivise them to further promote the development of the Group.

In order to implement the Share Award Scheme, Changzhou Hongzhi Investment Partnership (Limited Partnership) was established and designated as a share incentive platform to hold the shares contributed by certain shareholders of the Company specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platform.

On 31 January 2019, the Group granted 189,753 share awards of the Company to 16 eligible employees at nil subscription price. The granted share awards were initially subject to a five-year service condition. However, on 10 December 2020, the vesting conditions were modified to include both a **[REDACTED]** condition (the "**[REDACTED] Condition**") and a five-year service condition. The **[REDACTED]** Condition will be satisfied after the ordinary shares of the Company are successfully **[REDACTED]** on a recognised stock exchange for 36 months. Upon satisfying these conditions, the share awards will vest annually over three years, with 60%, 20%, and 20% allocated each year. As the modification was unfavorable to the Share Incentive Participants, the share-based payment expenses continue to be amortised over the original five-year service period.

Separately, on 31 December 2020, the Group granted 95,104 share awards of the Company to 4 eligible employees, also at nil subscription price, under the same revised vesting conditions as the share awards granted on 31 January 2019.

The fair values of the share awards granted on 31 January 2019 and 31 December 2020 were estimated at RMB55.87 and RMB187.34 per share award, respectively. The fair values of the share award at the grant date were estimated using the most recent transaction method which was based on the transaction price of underlying ordinary shares being **[REDACTED]** by new **[REDACTED]**, taking into account the impact of preferential rights (e.g. anti-diluted provisions and liquidation preferences) stipulated in the investment terms on the fair value.

Pursuant to the board of directors' resolution dated 10 September 2024, 12,959 restricted share awards have been granted special exemptions to be immediately vested and transferable, resulting in an acceleration of share-based payment expenses amounting to RMB410,000, which was recognised in profit or loss.

Pursuant to the Management Resolution dated 25 August 2025, the Company amended the end of service periods for all the unvested share awards to 30 September 2025, with full vesting occurring in a single installment upon completion of the service period. As a result, the remaining unamortised fair value of the share awards was fully recognised in profit or loss during the year ended 31 December 2025.

The following share awards were outstanding under the Share Award Scheme:

	Number of share awards
At 1 January 2023	284,857
Forfeited during the year	(59,161)
At 31 December 2023 and 1 January 2024	225,696
Vested during the year	(12,959)
At 31 December 2024 and 1 January 2025	212,737
Forfeited during the year	(1,787)
Vested during the year	(210,950)
At 31 December 2025	–

During the years ended 31 December 2023, 2024 and 2025, the Group recognised net share-based payment expenses of RMB303,000, RMB1,851,000 and RMB4,170,000, respectively.

Share Subscription Rights Scheme

The Group operates a share subscription rights scheme (the "**Share Subscription Rights Scheme**") to motivate management and employees. The Share Subscription Rights Scheme became effective on 7 November 2025 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the Share Subscription Rights Scheme, eligible participants shall have the right to subscribe for up to 31.6081% of the share units in Changzhou Hongzhi owned by Mr. Zhu Lusheng, equivalent to 1,110,823 ordinary shares of the Company. On 7 November 2025, 1,110,823 share subscription rights were granted to 28 eligible employees at nil subscription price.

The vesting conditions comprise both the **[REDACTED]** Condition and a service condition. Under the service condition, employees are required to achieve satisfactory performance in annual evaluations for either three consecutive years (the "**Tranche A**") or five consecutive years (the "**Tranche B**"). If performance is assessed as unsatisfactory in any year in the service period, the service period shall be extended by one year. If unsatisfactory performance occurs in two or more years in the service period, the relevant share subscription rights will be cancelled. The vesting of the share subscription rights does not result in an increase in the number of the Company's shares.

There are no cash settlement alternatives under the Share Subscription Rights Scheme, and the Group does not have a past practice of cash settlement in respect of such rights. Accordingly, the Group accounts for the Share Subscription Rights Scheme as an equity-settled share-based payment plan. The share subscription rights do not entitle the holders to receive dividends or to exercise voting rights at shareholders' meetings.

The following share subscription rights were outstanding under the Share Subscription Rights Scheme during the Relevant Periods:

	Exercise price	**Number of rights**
	RMB	*'000*
As at 1 January 2023, 2024 and 2025	–	–
Granted during the year	–	1,110,823
As at 31 December 2025	–	1,110,823

The exercise prices and exercise periods of the share subscription rights outstanding as at 31 December 2025 are as follows:

	Number of rights	**Exercise price**	**Exercise period**
	'000	*RMB*	
Tranche A	570,025	–	7 November 2028-7 November 2030
Tranche B	540,798	–	7 November 2030-7 November 2032
	1,110,823		

The fair value of the share subscription rights on grant date was RMB55,220,000, of which the Group recognised a share-based payment expense of RMB2,468,000 during the year ended 31 December 2025.

The fair value of equity-settled share subscription rights granted in 2025 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the rights were granted. The following table lists the inputs to the model used:

	Tranche A	**Tranche B**
Dividend yield (%)	–	–
Expected volatility (%)	61.16%	60.56%
Risk-free interest rate (%)	1.44%	1.59%
Expected life of rights (year)	3	5

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the rights granted was incorporated into the measurement of fair value.

32. COMMITMENTS

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Machinery and other equipment	243	520	841

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group settled payables for acquisition of property, plant and equipment and intangible assets by using bills, which are classified originally as bills receivable and debt investments at fair value through other comprehensive income.

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivable	4,448	4,598	4,636
Debt investments at fair value through other comprehensive income	3,021	1,472	1,862
Total	**7,469**	**6,070**	**6,498**

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2023

	Interest-bearing bank loans	**Lease liabilities**	**Dividends payable**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	50,000	185	3,004
Changes from financing cash flows	(20,205)	(162)	(3,004)
Interest expenses charged to profit or loss	951	4	–
As at 31 December 2023	30,746	27	–

Year ended 31 December 2024

	Interest-bearing bank loans	Lease liabilities
	RMB'000	*RMB'000*
As at 1 January 2024	30,746	27
Changes from financing cash flows	8,675	(98)
Discounted bills settled	(746)	–
New leases	–	206
Interest expenses charged to profit or loss	1,325	4
As at 31 December 2024	40,000	139

Year ended 31 December 2025

	Interest-bearing bank loans	Lease liabilities
	RMB'000	*RMB'000*
As at 1 January 2025	40,000	139
Changes from financing cash flows	10,565	(114)
Interest expenses charged to profit or loss	2	3
Exchange realignment	–	10
As at 31 December 2025	50,567	38

(c) Total cash outflows for leases

Total cash outflows for leases included in the statements of cash flows is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	185	214	182
Within financing activities	162	98	114
Total	**347**	**312**	**296**

34. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals are related parties that had the following material transactions or balances with the Group during the Relevant Periods.

(a) Names and relationships of related parties

Name	Relationship
Mr. Zhu Lusheng	A shareholder and director of the Company
Mr. Li Liangjun	A shareholder and director of the Company
Ms. Gu Fei	A shareholder and director of the Company

(b) Bank loans guaranteed by related parties

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Solely guaranteed by Mr. Li Liangjun	–	10,000	–
Jointly guaranteed by Mr. Li Liangjun and Mr. Zhu Lusheng	30,000	30,000	–
Total	**30,000**	**40,000**	**–**

Mr. Li Liangjun and Mr. Zhu Lusheng guaranteed certain bank loans of the Group at nil consideration as at 31 December 2023 and 2024 (note 26 to the Historical Financial Information). These guarantees have been released during the year ended 31 December 2025.

(c) Outstanding balances with related parties

Amounts due to related parties

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zhu Lusheng*	–	–	463
Mr. Li Liangjun*	65	–	–
Ms. Gu Fei*	–	–	100
Total	**65**	**–**	**563**

* The above balances were the payables for employee reimbursement and were included in "Other payables and accruals" in the consolidated statements of financial position. These balances were non-trade in nature, unsecured and interest-free with no fixed terms of repayment and will be settled prior to the **[REDACTED]**.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,592	3,228	3,228
Performance related bonuses	607	743	1,704
Pension scheme contributions	283	254	258
Share-based payment expenses	1,339	702	3,106
Total	**4,821**	**4,927**	**8,296**

Further details of directors' and supervisors' emoluments are included in note 8 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value:			
Financial assets at FVTPL	3,844	–	–
Debt investments at fair value through other comprehensive income	6,823	19,133	18,641
Financial assets at amortised cost:			
Trade and bills receivables	101,060	113,940	143,160
Financial assets included in prepayments, other receivables and other assets	3,216	1,409	6,098
Restricted bank deposits	–	1,406	261
Cash and cash equivalents	162,374	154,272	176,125
Total	**277,317**	**290,160**	**344,285**

Financial liabilities

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Trade and bills payables	115,870	111,079	187,940
Financial liabilities included in other payables and accruals	23,778	12,124	19,341
Lease liabilities	27	139	38
Interest-bearing bank loans	30,746	40,000	50,567
Total	**170,421**	**163,342**	**257,886**

36. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Gross amounts of assets that continued to be recognised:				
Discounted bills	*a*	746	–	2,570
Endorsed bills	*b*	6,475	11,755	15,748
Total		**7,221**	**11,755**	**18,318**

Notes:

(a) Discounted Bills

As at 31 December 2023 and 2025, the Group discounted certain bills receivable in the Chinese Mainland (the "**Discounted Bills**") with carrying amounts of RMB746,000 and RMB2,570,000 to certain local banks. The Discounted Bills had a maturity of 1 to 5 months at 31 December 2023 and 2025, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the carrying amounts of the Discounted Bills and the respective bank loans (the carrying amounts of the Discounted Bills net of the discount interest). Subsequent to the discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amounts of the bank loans recognised due to the Discounted Bills were RMB746,000 and RMB2,567,000 as at 31 December 2023 and 2025, respectively.

(b) Endorsed Bills

As at 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable in the Chinese Mainland (the "**Endorsed Bills**") with carrying amounts of RMB6,475,000, RMB11,755,000 and RMB15,748,000, respectively, to certain of its suppliers in order to settle the trade payables and other payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables and other payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables and other payables settled by the Endorsed Bills during the years to which the suppliers have recourse were RMB6,475,000, RMB11,755,000 and RMB15,748,000 as at 31 December 2023, 2024 and 2025, respectively.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable in the Chinese Mainland (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables and other payables due to such suppliers with carrying amounts in aggregate of RMB28,588,000, RMB29,854,000 and RMB37,878,000, respectively. The Derecognised Bills had a maturity of 1 to 6 months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

No gains or losses were recognised from the Continuing Involvement, both during the Relevant Periods or cumulatively. The endorsement had been made evenly throughout the Relevant Periods.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values

As at 31 December 2023, 2024 and 2025, management assessed that the fair values of the Group's financial instruments approximated to their respective carrying amounts due to the short-term maturities of these financial instruments.

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

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the financial assets at FVTPL and debt investments at fair value through other comprehensive income have been estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement hierarchy of the Group's financial assets at FVTPL and debt investments at fair value through other comprehensive income required significant observable inputs (Level 2) as at 31 December 2023, 2024 and 2025.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, financial assets at FVTPL, debt investments at fair value through other comprehensive income, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, and trade and bills payables, which arise directly from its operations.

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

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss/profit before tax (due to changes in the fair value of monetary assets) and the Group's equity.

	Increase/(decrease) in rate	**Increase/(decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2023		
If the RMB weakens against the USD	5	584
If the RMB strengthens against the USD	(5)	(584)
Year ended 31 December 2024		
If the RMB weakens against the USD	5	1,253
If the RMB strengthens against the USD	(5)	(1,253)
Year ended 31 December 2025		
If the RMB weakens against the USD	5	2,147
If the RMB strengthens against the USD	(5)	(2,147)

Credit risk

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

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

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	91,922	91,922
Bills receivable	14,016	–	–	–	14,016
Financial assets included in prepayments, other receivables and other assets**	3,214	20	–	–	3,234
Debt investments at fair value through other comprehensive income	6,823	–	–	–	6,823
Cash and cash equivalents	162,374	–	–	–	162,374
Total	**186,427**	**20**	**–**	**91,922**	**278,369**

At 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	95,943	95,943
Bills receivable	27,502	–	–	–	27,502
Financial assets included in prepayments, other receivables and other assets**	1,439	20	–	–	1,459
Debt investments at fair value through other comprehensive income	19,133	–	–	–	19,133
Restricted bank deposits	1,406	–	–	–	1,406
Cash and cash equivalents	154,272	–	–	–	154,272
Total	**203,752**	**20**	**–**	**95,943**	**299,715**

At 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	117,404	117,404
Bills receivable	37,802	–	–	–	37,802
Financial assets included in prepayments, other receivables and other assets**	6,098	–	20	–	6,118
Debt investments at fair value through other comprehensive income	18,641	–	–	–	18,641
Restricted bank deposits	261	–	–	–	261
Cash and cash equivalents	176,125	–	–	–	176,125
Total	**238,927**	**–**	**20**	**117,404**	**356,351**

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" (Stage 1) when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful" (Stage 2 and Stage 3).

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

As at 31 December 2023

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	115,870	–	115,870
Financial liabilities included in other payables and accruals	23,778	–	23,778
Interest-bearing bank loans	31,348	–	31,348
Lease liabilities	27	–	27
Total contractual undiscounted payments	**171,023**	**–**	**171,023**

As at 31 December 2024

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	111,079	–	111,079
Financial liabilities included in other payables and accruals	12,124	–	12,124
Interest-bearing bank loans	40,311	–	40,311
Lease liabilities	112	37	149
Total contractual undiscounted payments	**163,626**	**37**	**163,663**

As at 31 December 2025

	Less than 12 months or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	187,940	–	187,940
Financial liabilities included in other payables and accruals	19,341	–	19,341
Interest-bearing bank loans	51,026	–	51,026
Lease liabilities	38	–	38
Total contractual undiscounted payments	**258,345**	**–**	**258,345**

Capital management

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

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

The Group monitors capital using an asset-liability ratio, which is total assets divided by total liabilities. The asset-liability ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	**2024**	**2025**
Total liabilities *(RMB'000)*	188,151	188,008	291,930
Total assets *(RMB'000)*	512,185	501,064	595,563
Asset-liability ratio	37%	38%	49%

39. EVENTS AFTER THE REPORTING PERIOD

On 7 November 2025, the shareholders of the Company resolved to approve the share split. The share split took place upon completion of the filing as required by applicable laws and regulations on 12 May 2026. Immediately after the share split, the registered share capital of the Company in the amount of RMB45,000,000 was divided into 450,000,000 shares with a nominal value of RMB0.10 per share.

40. SUBSEQUENT FINANCIAL STATEMENTS

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