The following is the text of a report set out on pages I-[1] to I-[2], received from the Company's reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

PAN-CHINA
天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FUBEI (SHANGHAI) CO., LTD. AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Fubei (Shanghai) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[3] to I-[60], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[3] to I-[60] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the [REDACTED] of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong
[**REDACTED**]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("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

		Year ended December 31,		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	1,046,196	1,033,096	1,020,891
Cost of sales	*9*	(672,680)	(641,262)	(697,994)
Gross profit		**373,516**	**391,834**	**322,897**
General and administrative expenses	*9*	(52,573)	(64,640)	(66,192)
Selling and marketing expenses	*9*	(105,926)	(119,332)	(133,090)
Research and development expenses	*9*	(24,063)	(15,027)	(11,509)
Net impairment (losses)/gains on financial assets	*3.2*	(461)	36	(286)
Other income	*7*	6,166	4,616	9,600
Other (losses)/gains, net	*8*	(791)	6,312	5,778
Operating profit		**195,868**	**203,799**	**127,198**
Finance income	*11*	13,049	6,502	1,067
Finance costs	*11*	(186)	(71)	(448)
Share of profit of investment in associates	*19*	–	–	3
Profit before income tax		**208,731**	**210,230**	**127,820**
Income tax expenses	*12*	(45,155)	(45,870)	(29,585)
Profit for the year		**163,576**	**164,360**	**98,235**
Other comprehensive income for the year		**–**	**–**	**–**
Total comprehensive income for the year		**163,576**	**164,360**	**98,235**
Attributable to:				
– Owners of the Company		161,847	162,307	96,523
– Non-controlling interests		1,729	2,053	1,712
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)				
– Basic and diluted	*14*	0.45	0.45	0.29

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	16	425,170	566,936	533,864
Right-of-use assets	17	118,981	112,740	108,614
Intangible assets	18	4,237	3,155	2,073
Deferred tax assets	22	9,226	15,449	26,512
Financial assets at fair value through other comprehensive income	20	–	–	15,100
Investment in associates	19	–	150	17,003
Other non-current assets	27	163	7,568	7,123
Total non-current assets		**557,777**	**705,998**	**710,289**
Current assets				
Inventories	25	82,075	128,824	117,810
Prepayments and other receivables	24	3,324	7,126	6,327
Trade receivables	23	23,656	18,372	41,553
Financial assets at fair value through profit or loss	3.5	–	152,611	27,000
Restricted cash	26	5,041	7,338	83,757
Cash and cash equivalents	26	626,302	494,720	308,546
Other current assets	27	15,352	33,313	31,936
Total current assets		**755,750**	**842,304**	**616,929**
Total assets		**1,313,527**	**1,548,302**	**1,327,218**
LIABILITIES				
Non-current liabilities				
Borrowings	28	–	10,000	–
Deferred income	29	32,373	37,703	39,476
Total non-current liabilities		**32,373**	**47,703**	**39,476**
Current liabilities				
Borrowings	28	–	23	63,865
Trade payables	30	83,857	122,085	103,467
Contract liabilities	6	46,372	66,715	32,231
Lease liabilities	17	1,573	–	–
Current income tax liabilities		21,040	14,489	11,012
Accruals and other payables	31	17,888	18,046	15,689
Other current liabilities	32	4,174	6,003	2,901
Total current liabilities		**174,904**	**227,361**	**229,165**
Net current assets		**580,846**	**614,943**	**387,764**
Total liabilities		**207,277**	**275,064**	**268,641**
EQUITY				
Equity attributable to owners of the Company				
Share capital	33	361,800	361,800	294,376
Reserves	36	92,556	100,421	36,982
Retained earnings	35	646,824	803,894	722,884
		1,101,180	1,266,115	1,054,242
Non-controlling interests		5,070	7,123	4,335
Total equity		**1,106,250**	**1,273,238**	**1,058,577**
TOTAL LIABILITIES AND EQUITY		**1,313,527**	**1,548,302**	**1,327,218**

COMPANY'S STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*16*	158,078	193,520	182,162
Right-of-use assets	*17*	44,651	40,224	37,509
Deferred tax assets	*22*	4	7	46
Investments in subsidiaries	*15*	296,239	330,399	481,717
Other non-current assets	*27*	–	7,539	7,095
Total non-current assets		**498,972**	**571,689**	**708,529**
Current assets				
Inventories	*25*	13,915	53,772	40,324
Prepayments and other receivables	*24*	47,359	151,983	78,000
Trade receivables	*23*	22,560	882	25,178
Restricted cash	*26*	2,915	–	–
Cash and cash equivalents	*26*	296,175	151,359	82,699
Other current assets	*27*	441	4,053	2,627
Total current assets		**383,365**	**362,049**	**228,828**
Total assets		**882,337**	**933,738**	**937,357**
LIABILITIES				
Current liabilities				
Trade payables	*30*	38,696	35,914	33,922
Contract liabilities	*6*	2,414	4,038	3,399
Lease liabilities		1,388	–	–
Current income tax liabilities		849	1,717	309
Accruals and other payables	*31*	6,528	5,909	10,297
Other current liabilities		291	391	306
Total current liabilities		**50,166**	**47,969**	**48,233**
Net current assets		**333,199**	**314,080**	**180,595**
Total liabilities		**50,166**	**47,969**	**48,233**
EQUITY				
Share capital	*33*	361,800	361,800	294,376
Reserves	*36*	92,844	100,709	36,982
Retained earnings	*35*	377,527	423,260	557,766
Total equity		**832,171**	**885,769**	**889,124**
TOTAL LIABILITIES AND EQUITY		**882,337**	**933,738**	**937,357**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Sub-total		
	RMB'000 *(Note 33)*	*RMB'000* *(Note 36)*	*RMB'000* *(Note 35)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	**361,800**	**72,046**	**505,487**	**939,333**	**7,241**	**946,574**
Profit for the year	–	–	161,847	161,847	1,729	163,576
Total comprehensive income for the year	**–**	**–**	**161,847**	**161,847**	**1,729**	**163,576**
Appropriations to statutory reserves	–	20,510	(20,510)	–	–	–
Capital injection	–	–	–	–	600	600
Dividends	–	–	–	–	(4,500)	(4,500)
Balance at December 31, 2023	**361,800**	**92,556**	**646,824**	**1,101,180**	**5,070**	**1,106,250**

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Sub-total		
	RMB'000 *(Note 33)*	*RMB'000* *(Note 36)*	*RMB'000* *(Note 35)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	**361,800**	**92,556**	**646,824**	**1,101,180**	**5,070**	**1,106,250**
Profit for the year	–	–	162,307	162,307	2,053	164,360
Total comprehensive income for the year	**–**	**–**	**162,307**	**162,307**	**2,053**	**164,360**
Appropriations to statutory reserves	–	5,237	(5,237)	–	–	–
Share-based compensation expenses *(Note 34)*	–	2,628	–	2,628	–	2,628
Balance at December 31, 2024	**361,800**	**100,421**	**803,894**	**1,266,115**	**7,123**	**1,273,238**

	Attributable to owners of the Company					
	Share capital	**Reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 33)	*(Note 36)*	*(Note 35)*			
Balance at January 1, 2025	**361,800**	**100,421**	**803,894**	**1,266,115**	**7,123**	**1,273,238**
Profit for the year	–	–	96,523	96,523	1,712	98,235
Total comprehensive income for the year	**–**	**–**	**96,523**	**96,523**	**1,712**	**98,235**
Appropriations to statutory reserves	–	31,175	(31,175)	–	–	–
Repurchase and deregistration of shares	(67,424)	(95,547)	(146,358)	(309,329)	–	(309,329)
Dividends	–	–	–	–	(4,500)	(4,500)
Share-based compensation expenses *(Note 34)*	–	933	–	933	–	933
Balance at December 31, 2025	**294,376**	**36,982**	**722,884**	**1,054,242**	**4,335**	**1,058,577**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*37(a)*	212,876	239,746	125,090
Interest received		13,049	6,502	1,067
Income tax paid		(51,065)	(59,049)	(43,279)
Net cash generated from operating activities		**174,860**	**187,199**	**82,878**
Cash flows from investing activities				
Withdraw of wealth management products		–	1,461,674	4,193,733
Proceeds from return on investments		–	5,344	6,974
Proceeds from disposal of investments in associates		–	–	53
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		119	141	226
Government grants received in relation to assets		23,595	5,806	3,320
Placement of wealth management products		–	(1,613,674)	(4,068,733)
Payments for purchase of investments in associates		–	(150)	(17,000)
Purchases of equity investments at fair value through other comprehensive income		–	–	(15,100)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(205,966)	(179,084)	(36,430)
Net cash (used in)/generated from investing activities		**(182,252)**	**(319,943)**	**67,043**
Cash flows from financing activities				
Capital contributions from the non-controlling interests		600	–	–
Proceeds from borrowings		–	10,000	65,562
Repayments of borrowings		–	–	(4,400)
Principal elements of lease payments		(2,880)	(1,455)	–
Payments for repurchase of shares		–	–	(309,329)
Movements of restricted cash		–	(7,338)	(82,083)
Payments of [**REDACTED**] expenses to be capitalized		[REDACTED]	[REDACTED]	[REDACTED]
Interests paid		(170)	(45)	(218)
Dividends paid to the non-controlling interests		(4,500)	–	(4,500)
Net cash (used in)/generated from financing activities		**(6,950)**	**1,162**	**(336,080)**
Net decrease in cash and cash equivalents		**(14,342)**	**(131,582)**	**(186,159)**
Cash and cash equivalents at beginning of the year		640,644	626,302	494,720
Effects of exchange rate changes on cash and cash equivalents		–	–	(15)
Cash and cash equivalents at the end of the year	*26*	**626,302**	**494,720**	**308,546**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Fubei (Shanghai) Co., Ltd. (hereinafter referred to as the "Company") is a joint stock company with limited liability incorporated in Shanghai, the People's Republic of China (the "PRC"). The Company was incorporated as a limited liability company on April 28, 2005. On December 13, 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

The Company and its subsidiaries (collectively, the "Group") during the Track Record Period, were principally engaged in the research and development ("R&D"), production, and sale of pet food.

The Company's principal subsidiaries during the Track Record Period and as at the date of this report are set out in Note 15.

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

No audited financial statements for the years ended 31 December 2025 have been prepared as the Company was not subject to any statutory audit requirements under the relevant rules and regulations in jurisdiction of its registration.

The Historical Financial Information are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB'000) except when otherwise indicated.

2. BASIS OF PREPARATION

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVTPL").

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policy information has been set out in Note 41 to this Historical Financial Information.

2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS 18 'Presentation and Disclosure in Financial Statements'	January 1, 2027
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	January 1, 2027
IFRS 21 'Translation to a Hyper inflationary Presentation Currency'	January 1, 2027

Except for the impact of IFRS 18 mentioned below, other new/amended standards are either not relevant to the Group or not expected to have a material impact on the Group's consolidated financial statements when they become effective.

IFRS 18 Presentation and Disclosure in Financial Statements

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

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 is not expected to have significant impact on the Group's financial position and performance, but may affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return, and minimizes the adverse impact of risk on the Group's financial performance. Based on this risk management objective, the basic strategy of the Group's risk management is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

3.1 Market Risk

(a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

During the Track Record Period, the foreign currencies of changes have no significant impact on the Group's major financial liabilities.

As at December 31, 2023, 2024 and 2025, the Group's major financial assets exposed to foreign exchange risk, representing those financial assets denominated in United States dollar ("USD") and included in a group entity with different functional currency:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets denominated in:			
USD	–	–	607
HKD	–	–	11

As shown in the table above, the Group is primarily exposed to changes in USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments is as below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD exchange rate –			
Increase 5%	–	–	30
Decrease 5%	–	–	(30)

Other foreign currencies of changes have no significant impact on foreign exchange risk.

(b) Interest Risk

The Group's interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment and maintains an appropriate combination of financial instruments through regular review and monitoring.

As at December 31, 2023, 2024 and 2025, total borrowings of the Group which were bearing at floating rates amounted to approximately nil, RMB10,000,000 and RMB5,600,000, respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximate nil, RMB50,000 and RMB28,000 for the years ended December 31, 2023, 2024 and 2025, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bank balances carried at fixed rates is not significant for the Group.

3.2 Credit Risk

Credit risk arises from cash and cash equivalents and restricted cash as well as trade receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade receivables and other receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

(b) Impairment of Financial Assets

The Group performs impairment assessments under the expected credit loss ("ECL") model on financial assets at amortized cost, mainly including trade receivables and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Cash and cash equivalents and restricted cash

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the trade receivables. The expected loss rates are based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product (GDP) in which it mainly provides services to be the relevant factors, and accordingly adjusts the loss rates based on expected changes in those factors. Details of the loss allowance of trade receivables as at December 31, 2023, 2024 and 2025 are included in Note 23, respectively.

Other Receivables

Other receivables are mainly comprised of deposits, petty cash and others. The Group considers the probability of default upon initial recognition of the assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- external credit rating of the counterparty;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3). Details of the loss allowance of other receivables as at December 31, 2023, 2024 and 2025 are included in Note 24.

3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, restricted cash or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The tables below analyze the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of each Track Record Period to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Apart from borrowings and lease liabilities, balances due within one year equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Trade payables	83,857	–	83,857	83,857
Accruals and other payables (excluding non-financial liabilities)	4,969	–	4,969	4,969
Lease liabilities	1,659	–	1,659	1,573
	90,485	**–**	**90,485**	**90,399**

	Less than 1 year	Between 1 and 2 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024				
Trade payables	122,085	–	122,085	122,085
Accruals and other payables (excluding non-financial liabilities)	2,970	–	2,970	2,970
Borrowings	23	11,323	11,346	10,023
	125,078	**11,323**	**136,401**	**135,078**

	Less than 1 year	Between 1 and 2 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31,2025				
Trade payables	103,467	–	103,467	103,467
Accruals and other payables (excluding non-financial liabilities)	3,424	–	3,424	3,424
Borrowings	64,454	–	64,454	63,865
	171,345	**–**	**171,345**	**170,756**

3.4 Capital Management

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

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023, 2024 and 2025. In the opinion of the directors of the Company, the Group's capital risk is not significant.

The Group believes that the cash flows from operating activities and available cash and cash equivalents will be sufficient to fund capital expenditures, debt servicing, dividend payments and other cash requirements going forward.

3.5 Fair Value Estimation

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; and
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As at December 31, 2024	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Wealth management products *(i)*	–	152,611	–	152,611

(i) The wealth management products were issued by banks.

As at December 31, 2025	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVOCI:				
– Equity investments on unlisted entities	–	–	15,100	15,100
Financial assets at FVTPL:				
– Wealth management products *(i)*	–	27,000	–	27,000

(i) The wealth management products were issued by banks.

(b) The Group's Valuation Process

For the financial assets and financial liabilities, including level 3 fair values, the Group's finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

(c) Transfers between levels in the hierarchy

For the years ended 31 December 2023, 2024 and 2025, there were no transfers into or out of Level 3 fair value measurements of the Group's financial instruments.

(d) The reconciliation of Level 3 assets and liabilities are analyzed below:

	Financial assets at FVOCI		
	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	–	–	–
Additions/(disposals):			
Equity investments on unlisted entities	–	–	15,100
Closing balance	–	–	15,100

(e) Valuation Techniques Used to Determine Fair Values

Description	Fair value As at December 31, 2023	2024	2025	Valuation techniques	Significant Unobservable Input(s)	Ranges of inputs 2023	2024	2025	Relation of unobservable input(s) to fair values
	RMB'000	*RMB'000*	*RMB'000*						
Equity investments on unlisted entities at FVOCI	–	–	15,100	Market approach	Recent Transaction Price	N/A	N/A	N/A	N/A

Other than described above, there were no significant unobservable inputs that materially affect its fair values.

Chongyouxuan (Shanghai) Pet Products Co., Ltd. (寵優選(上海)寵物用品有限公司), a wholly-owned subsidiary of the Company, holds a 9.5822% partnership interest in Gongqing City Jintan Venture Capital Partnership (Limited Partnership) (共青城金談創業投資合夥企業(有限合夥)) ("Jintan Venture Capital") and the underlying investment and majority of the assets of Jintan Venture Capital is the equity investment in Ringpai Veterinary Hospital Management Holdings Co., Ltd. (瑞派寵物醫院管理股份有限公司). In determining the fair value of Jintan Venture Capital, the valuer applied the recent transaction price method to value this underlying investment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

(a) Allowance for Expected Credit Loss of Receivables

The loss allowances for receivables are based on assumptions about the risk of default and expected loss rates to determine the expected loss. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables. Details of the key assumptions and inputs are disclosed in Note 23.

(b) Estimated Net Realizable Value of Inventories

In accordance with the Group's accounting policy, the Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for sales, the net realizable value is determined based on the estimated selling price of the inventories in the ordinary course of business, less estimated selling expenses and relevant taxes and charges. For inventory that requires further processing, the net realizable value is determined based on the estimated selling price of the finished products to be produced in the ordinary course of business, less estimated costs to complete, estimated selling expenses, and relevant taxes and charges. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

It is reasonably possible that if there is a significant change in circumstances including the Group's business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets — Estimated Useful Lives and Residual Values

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) Income Tax and Deferred Taxation

The Group estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the unused tax losses and the deductible temporary differences can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group's results or financial position.

5. OPERATING SEGMENT INFORMATION

Information is reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 41. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures, geographical information and major customers are presented in accordance with IFRS 8 "Operating Segments".

(a) Geographical information

The Company is domiciled in Chinese Mainland. The amount of the Group's revenue from contracts with external customers by locations is shown in the table below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland	1,046,196	1,031,155	976,065
Other countries or regions	–	1,941	44,826
	1,046,196	**1,033,096**	**1,020,891**

(b) Revenue from Major Customers

The major customers who contributed 10% or more of the Group's revenue for the years ended December 31, 2023, 2024 and 2025 are set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	218,034	225,498	182,551

6. REVENUE

Disaggregation of revenue from contracts with customers by products and services:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pet staple foods	1,042,059	1,022,610	967,170
Pet treats	907	3,322	8,276
Others	3,230	7,164	45,445
	1,046,196	**1,033,096**	**1,020,891**

The timing of revenue recognition is shown in the table below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At a point in time	1,046,196	1,033,002	1,020,828
Over time	–	94	63
	1,046,196	**1,033,096**	**1,020,891**

(a) Contract liabilities

Contract liabilities of the Group mainly arise from the advance from customers before the underlying products/services are delivered/provided, and the accumulated amount of sales rebates earned by our distribution partners based on their completion of performance targets.

The Group

The Group recognized the following liabilities related to contracts with customers:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	24,869	44,497	22,505
Sales rebates	21,503	22,218	9,726
	46,372	**66,715**	**32,231**

As at January 1, 2023, the Group's contract liabilities amounted to approximately RMB45,419,000.

The following table shows the Group's revenue recognized in the Track Record Period related to carried-forward contract liabilities:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liabilities at beginning of the year	45,419	46,372	66,715

The Group generally has no revenue contract that has an original expected duration of more than one year, and management applied practical expedient under IFRS15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of each reporting period.

The Company

The Company recognized the following liabilities related to contracts with customers:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	2,414	4,038	3,399

As at January 1, 2023, the Company's contract liabilities amounted to approximately RMB8,798,000.

(b) Accounting Policies and Significant Judgments for Revenue Recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

(i) Sales of Goods

The Group sells pet food and other products to customers. Revenue from domestic sales of products shall be recognized at a point in time when control of the goods has transferred according to respective agreed terms of delivery. Revenue from oversea sales of products shall be recognized at a point in time when the products have completed customs declaration, obtained the bill of lading, and passed the ship's rail.

(ii) Rental income

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

7. OTHER INCOME

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(i)*	6,148	4,588	9,587
Others	18	28	13
	6,166	**4,616**	**9,600**

(i) The amount represents various subsidies received from the PRC local government authorities as incentives mainly for the Group's R&D activities and investing activities. Unconditional government grants are recognized in profit and loss when received while conditional government grants are recognized in profit or loss when the Group fulfilled the conditions.

8. OTHER (LOSSES)/GAINS, NET

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net gains on disposal of financial instruments	–	5,542	5,868
Fair value changes on financial assets at FVTPL	–	611	–
Net foreign exchange differences	–	(2)	(11)
Net (losses)/gains on disposal of property, plant and equipment and other non-current assets	(20)	52	55
Forfeiture of deposits	186	368	283
Donation	(30)	(173)	(106)
Others	(927)	(86)	(311)
	(791)	**6,312**	**5,778**

9. EXPENSE BY NATURE

Expenses included in cost of sales, general and administrative expenses, selling and marketing expenses and R&D expenses are analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables used	597,591	541,681	560,831
Employee benefit expenses *(Note 10)*	82,742	97,101	107,523
Marketing, conference and traveling expenses	60,919	71,695	83,920
Depreciation and amortization	28,501	40,407	52,519
Transportation and storage costs	23,386	23,498	27,063
Utility costs	17,870	19,785	22,970
Professional services and other consulting fees	14,191	5,469	7,777
External processing costs	11,034	7,581	6,573
Taxes and surcharges	5,855	9,380	10,492
Impairment losses on inventories	98	4,120	5,949
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Auditors' remuneration	566	566	189
Other expenses	12,489	18,978	17,975
	855,242	**840,261**	**908,785**

(i) Other expenses primarily include office expenses, business entertainment expenses, service fees, rental expenses, inventory write-off and maintenance expenses, etc.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	64,364	74,333	84,789
Housing fund, medical insurance and other social insurance	7,646	7,480	8,072
Share-based compensation expenses	–	2,628	933
Pension costs *(i)*	7,696	8,298	9,447
Other employee benefits	3,036	4,362	4,282
	82,742	**97,101**	**107,523**

(i) The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. During the Track Record Period, the Group's pension benefits represent contributions to basic pension plans, which are classified as defined contribution plans. The PRC government is responsible for the pension liability of the retired employees.

During the years ended December 31, 2023, 2024 and 2025, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

(a) Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended December 31, 2023	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total Remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-independent directors:						
Mr. Wang Yingchun	–	1,001	68	77	–	1,146
Ms. Huang Li	–	712	62	71	–	845
Mr. Wang Chunlai	–	244	51	58	–	353
Ms. Zheng Zhen	–	525	66	75	–	666
Mr. Shi Yunzhong	–	–	–	–	–	–
Mr. Zhang Junyu	–	–	–	–	–	–
Independent directors:						
Ms. Bai Yunxia	80	–	–	–	–	80
Mr. Huang Xianyi	80	–	–	–	–	80
Mr. Li Hongzhong	80	–	–	–	–	80
Supervisors:						
Ms. Chang Feifei	–	207	29	33	–	269
Mr. Guo Tianlong	–	195	26	29	–	250
Mr. Cai Jingding	–	178	25	28	–	231
Total	**240**	**3,062**	**327**	**371**	**–**	**4,000**

Year ended December 31, 2024	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-independent directors:						
Mr. Wang Yingchun	–	809	71	74	–	954
Ms. Huang Li	–	739	–	–	–	739
Mr. Wang Chunlai	–	247	55	58	–	360
Ms. Zheng Zhen	–	629	71	74	–	774
Mr. Shi Yunzhong	–	–	–	–	–	–
Mr. Zhang Junyu	–	–	–	–	–	–
Independent directors:						
Ms. Bai Yunxia	80	–	–	–	–	80
Mr. Huang Xianyi	80	–	–	–	–	80
Mr. Li Hongzhong	80	–	–	–	–	80
Supervisors:						
Ms. Chang Feifei	–	207	32	31	–	270
Mr. Guo Tianlong	–	260	30	31	–	321
Mr. Cai Jingding	–	188	29	31	–	248
Total	**240**	**3,079**	**288**	**299**	**–**	**3,906**

Year ended December 31, 2025	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-independent directors:						
Mr. Wang Yingchun	–	611	65	72	–	748
Ms. Huang Li	–	811	–	–	–	811
Mr. Wang Chunlai	–	243	36	40	–	319
Ms. Zheng Zhen	–	801	65	72	–	938
Mr. Shi Yunzhong	–	–	–	–	–	–
Mr. Zhang Junyu	–	–	–	–	–	–
Independent directors:						
Ms. Bai Yunxia *(i)*	75	–	–	–	–	75
Mr. Huang Xianyi	79	–	–	–	–	79
Mr. Li Hongzhong	79	–	–	–	–	79
Ms. Li Jing *(ii)*	5	–	–	–	–	5
Supervisors:						
Ms. Chang Feifei	–	208	31	30	–	269
Mr. Guo Tianlong	–	274	32	35	–	341
Mr. Cai Jingding	–	185	27	30	–	242
Total	**238**	**3,133**	**256**	**279**	**–**	**3,906**

(i) Ms. Bai Yunxia resigned as an independent non-executive director of the Company on December 12, 2025.

(ii) Ms. Li Jing was appointed as an independent non-executive director of the Company on December 12, 2025.

(b) Directors' and Supervisors' Other Benefits

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 39, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

(c) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2023, 2024 and 2025 include 3, 3 and 3 directors respectively whose emoluments are reflected in the analysis shown in Note 10(a) above. The emoluments paid to the remaining 2, 2 and 2 individuals during the years ended December 31, 2023, 2024 and 2025, respectively, are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses and benefits in kind	1,353	1,191	1,235
Pension costs	112	84	100
	1,465	**1,275**	**1,335**

The number of the above individuals other than directors whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2023	2024	2025
HKD500,001 to HKD1,000,000	2	2	2

11. FINANCE INCOME AND FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income on bank deposits	13,049	6,502	1,067
Finance costs:			
Interest expenses on lease liabilities	(170)	(45)	–
Interest expenses on borrowings	–	(23)	(448)
Others	(16)	(3)	–
	(186)	**(71)**	**(448)**
Finance income, net	**12,863**	**6,431**	**619**

12. INCOME TAX EXPENSES

The income tax expenses of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	51,256	52,093	40,648
Deferred income tax	(6,101)	(6,223)	(11,063)
	45,155	**45,870**	**29,585**

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	**208,731**	**210,230**	**127,820**
Calculated at the PRC taxation rate of the Company (15%)	31,310	31,534	19,173
Effect of different tax rates applicable to subsidiaries *(a)*	13,820	15,775	10,903
Tax effect of:			
Under-provision from prior year	4,013	169	19
Super deduction for R&D expenditure *(b)*	(4,406)	(2,276)	(1,507)
Non-deductible expenses for tax purposes	418	668	840
Unused tax losses and temporary differences not recognized as deferred tax assets *(c)*	–	–	157
	45,155	**45,870**	**29,585**

(a) PRC Corporate Income Tax

In accordance with the relevant regulations of the Enterprise Income Tax laws (the "EIT laws") of the PRC, the applicable statutory tax rate of the PRC entities is 25% unless those subject to tax exemption set out below.

During the Track Record Period, the Company has obtained High and New Technology Enterprises certification ("HNTE") and hence entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years.

During the Track Record Period, certain subsidiaries are eligible as Small Low-profit Enterprise (小型微利企業). An entity eligible as a Small Low-profit Enterprise is subject to preferential tax treatments up to December 31, 2027. The annual taxable income of a Small Low-profit Enterprise which is not more than RMB3,000,000, 75% of its taxable income is not subject to EIT and the remaining 25% of its taxable income is subject to EIT at a tax rate of 20%.

(b) Super deduction for R&D expenditure

According to the relevant laws and regulations promulgated by Ministry of Finance ("MOF") and State Taxation Administration ("STA"), enterprises engaging in R&D activities are entitled to claim 200% from January 2021 onwards of their R&D expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction for R&D").

(c) Unused tax losses and temporary differences not recognized as deferred tax assets

Deferred income tax assets relating to these unused tax losses are not recognized as the management considers it is uncertain to utilize these unrecognized tax credits prior to their expiry dates mainly based on considerations of future profitability.

13. DIVIDENDS

No dividends have been declared or paid by the Company during the Track Record Period.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Year ended December 31,		
	2023	2024	2025
Profit attributable to ordinary shareholders of the Company (RMB'000)	161,847	162,307	96,523
Weighted average number of ordinary shares in issue (thousands)	361,800	361,800	331,087
Basic EPS (RMB per share)	**0.45**	**0.45**	**0.29**

No adjustment has been made to the basic earnings per share amounts presented for the Track Record Period in respect of a dilution as the Group had no potential dilutive ordinary shares in issue.

15. SUBSIDIARIES

During the Track Record Period, the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/paid-up capital	Equity interest and voting right directly held by the Company as at December 31,			Principal activities	Name of statutory auditors		
		RMB'000	2023	2024	2025		2023	2024	2025
Xuancheng Fuxin Pet Food Co., Ltd. (宣城福新寵物食品有限公司)	PRC, limited liability company	200,000/200,000	100%	100%	100%	Pet food production and sales	WUYIGE Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	–
Fuyi (Shanghai) Enterprise Management Co., Ltd. (福益(上海)企業管理有限公司)	PRC, limited liability company	10,000/10,000	100%	100%	100%	Pet food sales	WUYIGE Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	–
Shanghai Fuzhi Pet Food Co., Ltd. (上海福智寵物食品有限公司)	PRC, limited liability company	110,000/110,000	100%	100%	100%	Pet food production and sales	WUYIGE Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	–
Xuancheng Fubei Pet Food Co., Ltd. (宣城市福貝寵物食品有限公司)	PRC, limited liability company	10,000/10,000	97%	97%	97%	Pet food production and sales	WUYIGE Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	–

(a) The English names of the subsidiaries are direct translation or transliteration of their Chinese registered names.

The entities have not appointed an auditor to issue statutory financial statements for the years ended December 31, 2025, as it is not required to do so under the statutory requirements of their place of incorporation since incorporation.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries	296,239	330,399	481,717

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Motor vehicles	General equipment	Specialized equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023							
Cost	105,727	4,313	3,182	148,897	91,878	983	354,980
Accumulated depreciation	(12,529)	(2,762)	(1,724)	(29,414)	–	(756)	(47,185)
Carrying amounts	**93,198**	**1,551**	**1,458**	**119,483**	**91,878**	**227**	**307,795**
Year ended December 31, 2023							
Opening carrying amounts	93,198	1,551	1,458	119,483	91,878	227	307,795
Additions	129	68	517	794	139,479	–	140,987
Transfer from construction in progress	18,620	632	582	6,409	(26,243)	–	–
Disposals	(61)	(9)	(1)	(627)	–	–	(698)
Depreciation charges	(7,052)	(655)	(779)	(14,288)	–	(140)	(22,914)
Closing carrying amounts	**104,834**	**1,587**	**1,777**	**111,771**	**205,114**	**87**	**425,170**
At December 31, 2023							
Cost	124,415	4,824	4,267	153,925	205,114	984	493,529
Accumulated depreciation	(19,581)	(3,237)	(2,490)	(42,154)	–	(897)	(68,359)
Carrying amounts	**104,834**	**1,587**	**1,777**	**111,771**	**205,114**	**87**	**425,170**

	Buildings	Motor vehicles	General equipment	Specialized equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024							
Cost	124,415	4,824	4,267	153,925	205,114	984	493,529
Accumulated depreciation	(19,581)	(3,237)	(2,490)	(42,154)	–	(897)	(68,359)
Carrying amounts	**104,834**	**1,587**	**1,777**	**111,771**	**205,114**	**87**	**425,170**
Year ended December 31, 2024							
Opening carrying amounts	104,834	1,587	1,777	111,771	205,114	87	425,170
Additions	–	1,670	1,018	2,040	171,453	–	176,181
Transfer from construction in progress	255,833	–	510	115,221	(371,564)	–	–
Disposals	–	(36)	(21)	(96)	–	–	(153)
Depreciation charges	(13,660)	(849)	(647)	(19,019)	–	(87)	(34,262)
Closing carrying amounts	**347,007**	**2,372**	**2,637**	**209,917**	**5,003**	**–**	**566,936**
At December 31, 2024							
Cost	380,248	5,768	5,557	269,865	5,003	984	667,425
Accumulated depreciation	(33,241)	(3,396)	(2,920)	(59,948)	–	(984)	(100,489)
Carrying amounts	**347,007**	**2,372**	**2,637**	**209,917**	**5,003**	**–**	**566,936**

	Buildings	Motor vehicles	General equipment	Specialized equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025							
Cost	380,248	5,768	5,557	269,865	5,003	984	667,425
Accumulated depreciation	(33,241)	(3,396)	(2,920)	(59,948)	–	(984)	(100,489)
Carrying amounts	**347,007**	**2,372**	**2,637**	**209,917**	**5,003**	**–**	**566,936**
Year ended December 31, 2025							
Opening carrying amounts	347,007	2,372	2,637	209,917	5,003	–	566,936
Additions	25	208	775	2,671	10,584	–	14,263
Transfer from construction in progress	1,946	–	64	8,719	(10,729)	–	–
Disposals	–	(5)	(3)	(151)	–	–	(159)
Depreciation charges	(19,645)	(1,117)	(1,050)	(25,364)	–	–	(47,176)
Closing carrying amounts	**329,333**	**1,458**	**2,423**	**195,792**	**4,858**	**–**	**533,864**
At December 31, 2025							
Cost	382,218	5,877	6,340	281,044	4,858	984	681,321
Accumulated depreciation	(52,885)	(4,419)	(3,917)	(85,252)	–	(984)	(147,457)
Carrying amounts	**329,333**	**1,458**	**2,423**	**195,792**	**4,858**	**–**	**533,864**

(a) Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Buildings	20 years
Motor vehicles	4 years
General equipment	3-10 years
Specialized equipment	5-10 years
Leasehold improvement	Shorter of their useful life and lease term

See Note 41 for the other accounting policies relevant to property, plant and equipment.

(b) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	17,676	24,640	36,168
Selling and marketing expenses	352	348	278
General and administrative expenses	3,806	9,045	10,595
R&D expenses	1,080	229	135
	22,914	**34,262**	**47,176**

(c) As at December 31, 2023, 2024 and 2025, buildings with carrying amounts of approximately nil, RMB115,577,000 and RMB111,179,000 were pledged to secured bank facilities granted to the Group for borrowings, respectively.

The Company

	Buildings	Motor vehicles	General equipments	Specialized equipments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023						
Cost	82,049	2,655	489	8,438	53,770	147,401
Accumulated depreciation	(5,472)	(1,910)	(381)	(6,524)	–	(14,287)
Carrying amounts	**76,577**	**745**	**108**	**1,914**	**53,770**	**133,114**
Year ended December 31, 2023						
Opening carrying amounts	76,577	745	108	1,914	53,770	133,114
Additions	–	50	43	6	29,829	29,928
Disposals	(61)	(9)	–	(2)	–	(72)
Depreciation charges	(4,099)	(239)	(71)	(483)	–	(4,892)
Closing carrying amounts	**72,417**	**547**	**80**	**1,435**	**83,599**	**158,078**
At December 31, 2023						
Cost	81,989	2,517	532	8,356	83,599	176,993
Accumulated depreciation	(9,572)	(1,970)	(452)	(6,921)	–	(18,915)
Carrying amounts	**72,417**	**547**	**80**	**1,435**	**83,599**	**158,078**

	Buildings	Motor vehicles	General equipment	Specialized equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024						
Cost	81,989	2,517	532	8,356	83,599	176,993
Accumulated depreciation	(9,572)	(1,970)	(452)	(6,921)	–	(18,915)
Carrying amounts	**72,417**	**547**	**80**	**1,435**	**83,599**	**158,078**
Year ended December 31, 2024						
Opening carrying amounts	72,417	547	80	1,435	83,599	158,078
Additions	–	1,178	675	13	42,108	43,974
Transfer from construction in progress	121,827	–	615	42	(122,484)	–
Disposals	–	(36)	(1)	(92)	–	(129)
Depreciation charges	(7,472)	(417)	(154)	(360)	–	(8,403)
Closing carrying amounts	**186,772**	**1,272**	**1,215**	**1,038**	**3,223**	**193,520**
At December 31, 2024						
Cost	203,816	2,968	1,802	7,132	3,223	218,941
Accumulated depreciation	(17,044)	(1,696)	(587)	(6,094)	–	(25,421)
Carrying amounts	**186,772**	**1,272**	**1,215**	**1,038**	**3,223**	**193,520**

	Buildings	Motor vehicles	General equipment	Specialized equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025						
Cost	203,816	2,968	1,802	7,132	3,223	218,941
Accumulated depreciation	(17,044)	(1,696)	(587)	(6,094)	–	(25,421)
Carrying amounts	**186,772**	**1,272**	**1,215**	**1,038**	**3,223**	**193,520**
Year ended December 31, 2025						
Opening carrying amounts	186,772	1,272	1,215	1,038	3,223	193,520
Additions	25	–	213	118	(398)	(42)
Transfer from construction in progress	409	–	–	1,441	(1,850)	–
Disposals	–	(5)	–	–	–	(5)
Depreciation charges	(10,212)	(432)	(388)	(279)	–	(11,311)
Closing carrying amounts	**176,994**	**835**	**1,040**	**2,318**	**975**	**182,162**
At December 31, 2025						
Cost	204,250	2,870	2,006	8,690	975	218,791
Accumulated depreciation	(27,256)	(2,035)	(966)	(6,372)	–	(36,629)
Carrying amounts	**176,994**	**835**	**1,040**	**2,318**	**975**	**182,162**

17. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Group

Right-of-use assets

	Land-use rights	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2023			
Opening carrying amounts	71,829	4,059	75,888
Additions	48,967	–	48,967
Depreciation	(3,801)	(2,073)	(5,874)
As at December 31, 2023	**116,995**	**1,986**	**118,981**

	Land-use rights	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2024			
Opening carrying amounts	116,995	1,986	118,981
Depreciation	(4,255)	(1,876)	(6,131)
Lease termination	–	(110)	(110)
As at December 31, 2024	**112,740**	**–**	**112,740**

	Land-use rights	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2025			
Opening carrying amounts	112,740	–	112,740
Additions	135	–	135
Depreciation	(4,261)	–	(4,261)
As at December 31, 2025	**108,614**	**–**	**108,614**

As at December 31, 2023, 2024 and 2025, the Group's land-use rights with carrying amounts of approximately nil, RMB9,079,000 and RMB8,891,000 were pledged to secured bank facilities granted to the Group for borrowings, respectively.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities			
Current	**1,573**	**–**	**–**

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Land-use rights	42,939	40,224	37,509
Leased properties	1,712	–	–
	44,651	**40,224**	**37,509**

(b) Amounts Recognized in the Consolidated Statements of Profit or Loss

The consolidated statements of profit or loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	4,442	5,063	4,261
Interest expenses *(Note 11)*	170	45	–
Expenses relating to short-term and low value leases not included in lease liabilities	554	319	2,342
	5,166	**5,427**	**6,603**

The total cash outflows for lease payments during the years ended December 31, 2023, 2024 and 2025 were approximately RMB3,604,000, RMB1,819,000 and RMB2,342,000, respectively.

The Group leases properties and offices as lessee. Lease contracts are typically made for fixed periods from 1 to 3 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

See Note 41 for the other accounting policies relevant to lease.

18. INTANGIBLE ASSETS

	Computer software
	RMB'000
At January 1, 2023	
Cost	5,661
Accumulated amortization	(279)
Carrying amounts	**5,382**
Year ended December 31, 2023	
Opening carrying amounts	5,382
Amortization charges	(1,145)
Closing carrying amounts	**4,237**
At December 31, 2023	
Cost	5,661
Accumulated amortization	(1,424)
Carrying amounts	**4,237**

	Computer software
	RMB'000
At January 1, 2024	
Cost	5,661
Accumulated amortization	(1,424)
Carrying amounts	**4,237**
Year ended December 31, 2024	
Opening carrying amounts	4,237
Amortization charges	(1,082)
Closing carrying amounts	**3,155**
At December 31, 2024	
Cost	5,660
Accumulated amortization	(2,505)
Carrying amounts	**3,155**

	Computer software
	RMB'000
At January 1, 2025	
Cost	5,660
Accumulated amortization	(2,505)
Carrying amounts	**3,155**
Year ended December 31, 2025	
Opening carrying amounts	3,155
Amortization charges	(1,082)
Closing carrying amounts	**2,073**
At December 31, 2025	
Cost	5,660
Accumulated amortization	(3,587)
Carrying amounts	**2,073**

Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expenses	1,145	1,082	1,082

(a) Amortization Methods and Periods

Acquired computer software are stated at cost less accumulated amortization and impairment losses.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following period:

Computer software . . . . 3-5 years

(b) Research and Development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

19. INVESTMENTS IN ASSOCIATES

The amounts of investments in associates recognized in the Historical Financial Information are as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Associates	–	150	17,003

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	–	150
Additions *(i)*	–	150	17,000
Disposals	–	–	(150)
Share of results of associates	–	–	3
At the end of the year	**–**	**150**	**17,003**

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

(i) In 2025, the Group acquired a 58.82% equity interest in Jiaxing Zhanren Venture Capital Partnership (Limited Partnership) (嘉興棧仁創業投資合夥企業(有限合夥)) for RMB12,000,000, obtaining two out four board seats and significant influence over operational decisions. The Group acquired a 16.67% equity interest in Yuanqi Ruanruan (Shanghai) Pet Food Co., Ltd. (元氣軟軟(上海)寵物食品有限公司) for RMB5,000,000, obtaining one board seat and significant influence over operational decisions.

Those investments are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates are shown in aggregate as below, respectively.

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

The associates

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	–	150	17,003
Aggregate amounts of the Group's share of:			
Profits for the year	–	–	3

20. FINANCIAL INSTRUMENTS MEASURED AT FVOCI

The Group

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Asset			
Non-current:			
– Equity investments on unlisted entities	–	–	15,100

21. FINANCIAL INSTRUMENTS BY CATEGORY

The detailed information of financial instruments by category during the Track Record Period is as below:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at fair value:			
Wealth management products at FVTPL *(Note 3.5)*	–	152,611	27,000
Equity investments on unlisted entities *(Note 20)*	–	–	15,100
Financial assets measured at amortized cost:			
Trade receivables *(Note 23)*	23,656	18,372	41,553
Other receivables (excluding non-financial assets) *(Note 24)*	916	1,583	2,090
Restricted cash *(Note 26)*	5,041	7,338	83,757
Cash and cash equivalents *(Note 26)*	626,302	494,720	308,546
	655,915	**674,624**	**478,046**

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities measured at amortized cost:			
Trade payables *(Note 30)*	83,857	122,085	103,467
Accruals and other payables (excluding non-financial liabilities) *(Note 31)*	4,969	2,970	3,424
Lease liabilities *(Note 17)*	1,573	–	–
Borrowings *(Note 28)*	–	10,023	63,865
	90,399	**135,078**	**170,756**

22. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	9,552	15,602	26,512
Offsetting against deferred tax liabilities	(326)	(153)	–
Net deferred tax assets	**9,226**	**15,449**	**26,512**
Gross deferred tax liabilities	326	153	–
Offsetting against deferred tax assets	(326)	(153)	–
Net deferred tax liabilities	**–**	**–**	**–**

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) Deferred Tax Assets

	Impairment losses and loss allowances	Lease liabilities	Deductible losses	Unrealized profits of intercompany transaction	Government grants	Advertising expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	52	702	–	791	2,238	–	14	3,797
Credited/(charged) to profit or loss *(Note 12)*	120	(422)	59	153	5,847	12	(14)	5,755
At December 31, 2023	**172**	**280**	**59**	**944**	**8,085**	**12**	**–**	**9,552**

	Impairment losses and loss allowances	Lease liabilities	Deductible losses	Unrealized profits of intercompany transaction	Government grants	Advertising expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	172	280	59	944	8,085	12	–	9,552
Credited/(charged) to profit or loss *(Note 12)*	925	(280)	3,956	124	1,337	(12)	–	6,050
At December 31, 2024	**1,097**	**–**	**4,015**	**1,068**	**9,422**	**–**	**–**	**15,602**

	Impairment losses and loss allowances	Lease liabilities	Deductible losses	Unrealized profits of intercompany transaction	Government grants	Advertising expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025	1,097	–	4,015	1,068	9,422	–	–	15,602
Credited/(charged) to profit or loss *(Note 12)*	656	–	6,405	(596)	447	3,996	2	10,910
At December 31, 2025	**1,753**	**–**	**10,420**	**472**	**9,869**	**3,996**	**2**	**26,512**

(b) Deferred Tax Liabilities

	Right-of-use assets	Fair value change	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	672	–	672
Credited to profit or loss *(Note 12)*	(346)	–	(346)
At December 31, 2023	**326**	**–**	**326**

	Right-of-use assets	Fair value change	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2024	326	–	326
(Credited)/charged to profit or loss *(Note 12)*	(326)	153	(173)
At December 31, 2024	**–**	**153**	**153**

	Right-of-use assets	Fair value change	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2025	–	153	153
Credited to profit or loss *(Note 12)*	–	(153)	(153)
At December 31, 2025	**–**	**–**	**–**

23. TRADE RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	23,936	18,591	42,049
Less: credit loss allowance	(280)	(219)	(496)
	23,656	**18,372**	**41,553**

(a) Movements in the Group's credit loss allowance for trade receivables are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	183	280	219
Credit loss allowance recognized/(reversed), net	97	(61)	277
At the end of the year	**280**	**219**	**496**

(b) The Group generally grants a standard credit term of 30 days to its customers. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	23,936	11,913	27,833
30-60 days	–	5,979	12,280
60-90 days	–	699	1,936
	23,936	**18,591**	**42,049**

(c) As at December 31, 2023, 2024 and 2025, the ECL allowance were determined as follows for trade receivables:

	Gross carrying amount	ECL allowance	Expected credit loss rate
	RMB'000	*RMB'000*	
As at December 31, 2023			
Assessed based on grouping	23,936	280	1.17%

	Gross carrying amount	ECL allowance	Expected credit loss rate
	RMB'000	*RMB'000*	
As at December 31, 2024			
Assessed based on grouping	18,591	219	1.18%

	Gross carrying amount	ECL allowance	Expected credit loss rate
	RMB'000	*RMB'000*	
As at December 31, 2025			
Assessed based on grouping	42,049	496	1.18%

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	22,827	893	25,479
Less: credit loss allowance	(267)	(11)	(301)
	22,560	**882**	**25,178**

The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	22,827	893	25,479

24. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments:			
Prepayments for goods	2,408	5,543	4,237
Other receivables:			
Deposits	834	1,150	2,060
Others	475	489	95
	3,717	7,182	6,392
Less: credit loss allowance	(393)	(56)	(65)
	3,324	**7,126**	**6,327**

The financial assets included in the above balances relating to receivables were categorized in stage 1 at the end of each of the Track Record Period, except for RMB362,000 due from Shanghai Jieying E-Commerce Co., Ltd. (上海節郢電子商務有限公司). As at December 31, 2023, this receivable was fully impaired, as the entity had identified a material adverse impact on its operating performance in 2023. As at December 31, 2024, this receivable had been fully written off, as the entity had no executable assets available.

(a) Movements on the Group's credit loss allowance for other receivables are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	29	393	56
Credit loss allowance recognized, net	364	25	9
Receivables written off	–	(362)	–
At the end of the year	**393**	**56**	**65**

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments:			
Prepayments for goods	62	2,711	339
Other receivables:			
Due from subsidiaries	47,000	149,000	77,400
Deposits	305	209	262
Others	1	69	7
	47,368	151,989	78,008
Less: credit loss allowance	(9)	(6)	(8)
	47,359	**151,983**	**78,000**

25. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	41,067	70,788	56,873
Finished goods	28,006	51,005	53,769
Outsourced processing materials	5,660	5,734	6,281
Packaging	4,552	2,001	2,342
Goods in transit	2,888	3,416	5,148
	82,173	132,944	124,413
Less: provision for impairment	(98)	(4,120)	(6,603)
	82,075	**128,824**	**117,810**

The analysis of the amount of inventories recognized as cost of sales and included in profit or loss is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories used	651,742	617,344	676,173
Impairment losses on inventories	98	4,120	5,950
	651,840	**621,464**	**682,123**

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	5,618	5,657	4,113
Finished goods	1,836	16,430	15,469
Outsourced processing materials	5,491	30,434	19,897
Packaging	963	553	–
Goods in transit	7	698	845
	13,915	**53,772**	**40,324**

26. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	631,343	502,058	392,303
Less: restricted cash *(i)*	(5,041)	(7,338)	(83,757)
Cash and cash equivalents	**626,302**	**494,720**	**308,546**

(i) As at December 31, 2023, the Group's bank deposits of approximately RMB5,041,000 were pledged as letter of guaranteed deposit.

As at December 31, 2024, the Group's bank deposits of approximately RMB7,338,000 were restricted to the construction of buildings.

As at December 31, 2025, the Group's bank deposits of approximately RMB82,107,000 were restricted to borrowings and RMB1,650,000 were restricted to litigation.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	299,090	151,359	82,699
Less: restricted cash	(2,915)	–	–
Cash and cash equivalents	**296,175**	**151,359**	**82,699**

(b) Cash and bank balances are denominated in:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
RMB	631,343	502,058	391,685
USD	–	–	607
HKD	–	–	11
	631,343	**502,058**	**392,303**

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
RMB	**299,090**	**151,359**	**82,699**

27. OTHER CURRENT AND NON-CURRENT ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other current assets			
Deductible input VAT	14,840	32,396	30,543
Prepaid corporate income tax	512	917	71
[**REDACTED**] expenses to be capitalized	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	–	–	210
	15,352	**33,313**	**31,936**
Other non-current assets			
Prepayments for long-term assets acquisition	163	6,790	6,611
Others	–	778	512
	163	**7,568**	**7,123**

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other current assets			
[**REDACTED**] expenses to be capitalized	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deductible input VAT	441	4,053	1,515
	441	**4,053**	**2,627**
Other non-current assets			
Prepayments for long-term assets acquisition	–	6,761	6,584
Others	–	778	511
	–	**7,539**	**7,095**

28. BORROWINGS

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Bank borrowings			
– Secured	–	10,000	–
	–	10,000	–
Current			
Bank borrowings			
– Secured	–	–	63,847
Interest payables	–	23	18
	–	**23**	**63,865**

(a) As at December 31, 2024, the annual interest rate of long-term borrowings was 2.70%.

As at December 31, 2025, the annual interest rate of short-term borrowings was ranged from 0.65% to 2.60%.

(b) As at December 31, 2024, the bank loans included borrowings with a principal equivalent to approximately RMB10,000,000 secured by pledged subsidiary's buildings and land-use rights and guaranteed by the Company.

As at December 31, 2025, the bank loans included: (i) borrowings with a principal equivalent to approximately RMB5,600,000 pledged by subsidiary's buildings and land-use rights and guaranteed by the Company; (ii) borrowings with a principal amount of approximately RMB58,247,000, pledged by the Group's certain notes receivables and guaranteed by security deposits.

(c) As at December 31, 2023, 2024 and 2025, the Group's borrowings were repayable as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	–	23	63,865
Between 1 and 2 years	–	10,000	–
	–	**10,023**	**63,865**

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

29. DEFERRED INCOME

Various local government authorities have provided government grants to the Group for the purchase of certain property, plant and equipment and land-use rights. Movements of the balances during the Track Record Period are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	9,002	32,373	37,703
Government grants received during the year	23,595	5,806	3,320
Recognized in profit or loss	(224)	(476)	(1,547)
At the end of the year	**32,373**	**37,703**	**39,476**

30. TRADE PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	83,857	122,085	103,467

As at December 31, 2023, 2024 and 2025, trade payables include payables for constructions and equipment of approximately RMB32,947,000, RMB47,748,000 and RMB27,614,000, respectively.

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	80,237	114,238	89,436
1 to 2 years	3,443	6,382	7,334
2 to 3 years	29	1,288	5,442
Over 3 years	148	177	1,255
	83,857	**122,085**	**103,467**

As at December 31, 2023, 2024 and 2025, the carrying amounts of trade payables were denominated in RMB, which approximated their fair values.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	38,696	35,914	33,922

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	36,918	34,626	32,724
1 to 2 years	1,778	394	109
2 to 3 years	–	894	196
Over 3 years	–	–	893
	38,696	**35,914**	**33,922**

31. ACCRUALS AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and benefits	9,935	11,824	8,665
Taxes other than income tax payables	2,984	3,252	3,600
Deposits	4,623	2,465	2,761
Others	346	505	663
	17,888	**18,046**	**15,689**

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and benefits	3,648	4,787	3,475
Taxes other than income tax payables	313	637	621
Deposits	2,437	378	28
Due to subsidiaries	–	–	6,000
Others	130	107	173
	6,528	**5,909**	**10,297**

32. OTHER CURRENT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred output VAT	4,174	6,003	2,901

33. SHARE CAPITAL

The Group and the Company

	Year ended December 31,					
	2023		2024		2025	
	Share Capital	Number of shares	Share Capital	Number of shares	Share Capital	Number of shares
	RMB'000	*'000*	*RMB'000*	*'000*	*RMB'000*	*'000*
At the beginning of the year	361,800	361,800	361,800	361,800	361,800	361,800
Deregistration of shares	–	–	–	–	(67,424)	(67,424)
As at December 31	**361,800**	**361,800**	**361,800**	**361,800**	**294,376**	**294,376**

In April and November 2025, the Company repurchased 67,424,013 shares for a consideration of approximately RMB309,329,000, of which approximately RMB67,424,000, RMB95,547,000 and RMB146,358,000 were charged against the Company's share capital, reserves and retained earnings, respectively.

34. SHARE-BASED PAYMENTS

To provide incentives to eligible employees and directors of the Group, an employee share incentive plan was adopted.

In order to implement employee share incentive plan, Xuancheng Fuyizhi Enterprise Management Center (Limited Partnership) ("宣城福毅志企業管理中心(有限合夥)") was established and designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

In September 2024, the Company granted 970,695 award shares of the Company to 1 eligible employee at a subscribed price of RMB2.15. Pursuant to the signed grant letter, these shares were vested immediately.

The fair value of the Restricted Stock Unit (RSU) granted in September 2024 was estimated at RMB4.86 per share, which was calculated based on the latest transaction price of the Company's shares at the grant date.

In March 2025, the Company granted 364,011 award shares of the Company to 1 eligible employee at a subscribed price of RMB2.39. Pursuant to the signed grant letter, these shares were vested immediately.

The fair value of the RSU granted in March 2025 was estimated at RMB4.95 per share, which was calculated based on the latest transaction price of the Company's shares at the grant date.

The total expenses arising from share-based payments during the Track Record Period are recorded as part of employee benefit expenses (Note 10).

(a) 2018 Restricted Share Incentive Plan

The number of shares granted to the Group's incentive participants is summarized as follows:

	Year ended December 31,		
	2023	2024	2025
	'000	*'000*	*'000*
At the beginning of the year	10,277	10,277	10,095
Granted	–	971	364
Forfeited	–	(1,153)	(1,153)
At the end of the year	**10,277**	**10,095**	**9,306**

35. RETAINED EARNINGS

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	505,487	646,824	803,894
Profit for the year	161,847	162,307	96,523
Appropriation to statutory reserves	(20,510)	(5,237)	(31,175)
Repurchase and deregistration of shares	–	–	(146,358)
At the end of the year	**646,824**	**803,894**	**722,884**

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	192,409	377,527	423,260
Profit for the year	205,628	50,970	311,750
Appropriation to statutory reserves	(20,510)	(5,237)	(31,175)
Repurchase and deregistration of shares	–	–	(146,069)
At the end of the year	**377,527**	**423,260**	**557,766**

36. RESERVES

The Group

	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	36,199	33,602	2,245	72,046
Appropriation to statutory reserves	–	20,510	–	20,510
Balance at December 31, 2023	**36,199**	**54,112**	**2,245**	**92,556**

	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	36,199	54,112	2,245	92,556
Appropriation to statutory reserves	–	5,237	–	5,237
Share-based compensation expenses	–	–	2,628	2,628
Balance at December 31, 2024	**36,199**	**59,349**	**4,873**	**100,421**

	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	36,199	59,349	4,873	100,421
Appropriation to statutory reserves	–	31,175	–	31,175
Repurchase and deregistration of shares	(36,199)	(59,348)	–	(95,547)
Share-based compensation expenses	–	–	933	933
Balance at December 31, 2025	**–**	**31,176**	**5,806**	**36,982**

The Company

	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	36,487	33,602	2,245	72,334
Appropriation to statutory reserves	–	20,510	–	20,510
Balance at December 31, 2023	**36,487**	**54,112**	**2,245**	**92,844**

	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	36,487	54,112	2,245	92,844
Appropriation to statutory reserves	–	5,237	–	5,237
Share-based compensation expenses	–	–	2,628	2,628
Balance at December 31, 2024	**36,487**	**59,349**	**4,873**	**100,709**

	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	36,487	59,349	4,873	100,709
Appropriation to statutory reserves	–	31,175	–	31,175
Repurchase and deregistration of shares	(36,487)	(59,348)	–	(95,835)
Share-based compensation expenses	–	–	933	933
Balance at December 31, 2025	**–**	**31,176**	**5,806**	**36,982**

37. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit Before Income Tax to Cash Generated from Operations:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	208,731	210,230	127,820
Adjustments for:			
Interest income	(13,049)	(6,502)	(1,067)
Finance cost	186	71	448
Depreciation and amortization	28,501	40,407	52,519
Net losses/(gains) on disposal of property, plant and equipment and other non-current assets	20	(52)	(55)
Net impairment losses/(reversals) on financial assets	461	(36)	286
Impairment losses on inventories	98	4,120	5,950
Net gains on financial instruments	–	(6,153)	(5,868)
Net foreign exchange losses	–	2	11
Share-based compensation expenses	–	2,628	933
Share of profit of investment in associates	–	–	(3)
Change in working capital:			
Increase in receivables	(19,310)	(11,380)	(25,546)
(Decrease)/Increase in payables	(17,881)	57,334	(35,403)
Decrease/(Increase) in inventories	25,119	(50,923)	5,065
Cash generated from operations	**212,876**	**239,746**	**125,090**

(b) Net Debt Reconciliation

	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	–	4,289	4,289
Financing cash flows	–	(2,880)	(2,880)
Interest paid	–	(170)	(170)
Interest accrued	–	170	170
Other non-cash movements	–	164	164
At December 31, 2023	**–**	**1,573**	**1,573**
At January 1, 2024	–	1,573	1,573
Financing cash flows	10,000	(1,455)	8,545
Interest paid	–	(45)	(45)
Interest accrued	23	45	68
Other non-cash movements	–	(118)	(118)
At December 31, 2024	**10,023**	**–**	**10,023**
At January 1, 2025	10,023	–	10,023
Financing cash flows	61,162	–	61,162
Interest paid	(218)	–	(218)
Interest accrued	448	–	448
Other non-cash movements	(7,550)	–	(7,550)
At December 31, 2025	**63,865**	**–**	**63,865**

38. CONTINGENCIES AND COMMITMENTS

38.1 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2023, 2024 and 2025.

38.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitments:			
– Contracted, but not provided for	136,713	64,468	46,676
Capital commitments for investment in associates:			
– Contracted, but not provided for	–	–	18,000

39. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

(a) Names and Relationship with Related Parties

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

Name of the related parties	Relationship with the Group
Xuancheng Tongmengshe Pet Food Co., Ltd. (宣城同萌社寵物食品有限公司) ("Tongmengshe")	An associate of the Group

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(b) Material Transactions with Related Parties

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
Tongmengshe	–	–	89

(c) Key Management Compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 10(a), was as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	2,660	3,201	3,060
Share-based compensation expenses	–	2,628	–
Pension costs, housing fund, medical insurance and other social benefits	563	490	433
	3,223	**6,319**	**3,493**

40. EVENTS AFTER THE REPORTING PERIOD

On May 18, 2026, an annual dividend in respect of the year ended December 31, 2025, of RMB100,000,000 (tax inclusive) was proposed by the Board of Directors. On May 25, 2026, the proposed dividend was approved by the 2025 Annual General Meeting. These financial statements do not reflect this dividend payable as it was not approved as at December 31, 2025. The Company expects to pay the dividend in June, 2026.

41. SUMMARY OF OTHER ACCOUNTING POLICIES

(1) Principles of Consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9* or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in Associates

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

The results and assets and liabilities of associates are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transactions and events in similar circumstances, unless allowed by other standards. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's historical financial information only to the extent of interests in the associate or joint venture that are not related to the Group.

The investments in associates and joint ventures are stated at cost less impairment in the Company's statement of financial position. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable.

Changes in the Group's interests in associates

When the Group reduces its ownership interests in an associate or a joint venture but the Group continues to use the equity method (including situations that change of ownership interest in an associate or a joint venture due to capital increase of other shareholders to the associate or the joint venture), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

(3) Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

(4) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

(5) Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, 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 the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

(6) Intangible Assets

Intangible assets mainly include computer software. They are initially recognized and measured at cost or fair value of intangible assets acquired through business combination. The Group amortizes these intangible assets with a limited useful life using the straight-line method over its estimated useful life.

When determining the length of useful lives of these intangible assets, management take into account the (i) estimated period during which such assets can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

Research and Development Costs

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

Expenditure incurred to develop new products is capitalized only when the Group can demonstrate the technical feasibility of completing intangible assets 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 assets 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.

(7) Impairment of Non-Financial Assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(8) Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(9) Contract Liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration in advance of performance. In such cases, a corresponding receivable would also be recognised.

(10) Investments and Other Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value through profit and loss, gains and losses will be recorded in profit or loss.

(ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the consolidated statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

(11) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(12) Contract Fulfilment Costs

The Group recognizes the contract fulfilment costs from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The contract fulfilment costs recognized shall be amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates.

The Group recognizes an impairment loss in profit or loss to the extent that the carrying amount of contract fulfilment cost recognized exceeds:

- the remaining amount of consideration that the entity expects to receive in exchange for the services to which the asset relates; less
- the costs that relate directly to providing those services and that have not been recognized as expenses.

(13) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Costs of inventories are determined on the month-end weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Share Capital

Share capital are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

(15) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(16) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

(17) Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(18) Employee Benefits

(i) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing Funds, Medical Insurances and Other Social Insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Post-Employment Benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

(iv) Basic Pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(19) Share-Based Payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. For details see Note 34.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument granted or is otherwise beneficial to the employee as measured at the date of modification.

(20) Dividend Distribution

Dividend distribution to the shareholders is recognized as a liability in the Group's financial statement in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

(21) Interest Income

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income from financial instruments is calculated by effective interest method and recognized in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortization based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and the interest income or interest costs based on effective rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g., early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

(22) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

(23) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(24) Government Grant

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(25) Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(26) Leases

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

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

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

III SUBSEQUENT FINANCIAL STATEMENTS

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