

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-108, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 深圳麥格米特電氣股份有限公司 SHENZHEN MEGMEET ELECTRICAL CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of 深圳麥格米特電氣股份有限公司 Shenzhen Megmeet Electrical Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-108, 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, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements 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-108 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “**Document**”) in connection with the [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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

APPENDIX I

ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose 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 and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 33(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

[•]

APPENDIX I

ACCOUNTANTS’ REPORT

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 KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	4	6,754,241	8,172,486	9,402,840
Cost of sales		(5,095,399)	(6,147,082)	(7,349,244)
Gross profit		1,658,842	2,025,404	2,053,596
Other income and net gains	5	380,272	161,278	161,194
Research and development expenses		(770,574)	(984,042)	(1,122,337)
Selling and marketing expenses		(310,028)	(368,965)	(413,684)
Administrative expenses		(245,600)	(293,561)	(382,673)
Impairment losses on receivables and contract assets	6	(12,848)	(16,306)	(17,836)
Impairment losses on goodwill	16	(25,039)	(11,624)	(24,365)
Impairment losses on investment in an associate		—	—	(2,159)
Profit from operations		675,025	512,184	251,736
Finance costs	7(a)	(36,328)	(51,244)	(32,881)
Share of (losses)/profits of associates	19	(1,785)	(7,072)	960
Profit before taxation	7	636,912	453,868	219,815
Income tax (expense)/credit	8	(11,801)	4,823	(22,738)
Profit for the year		625,111	458,691	197,077
Attributable to:				
Equity shareholders of the Company		629,322	436,122	145,752
Non-controlling interests		(4,211)	22,569	51,325
Profit for the year		625,111	458,691	197,077
Earnings per share	11			
Basic (RMB)		1.27	0.87	0.27
Diluted (RMB)		1.19	0.83	0.26

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit for the year	625,111	458,691	197,077
Other comprehensive income for the year			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries	(74)	5,140	(20,693)
Debt instruments measured at fair value through other comprehensive income (“FVOCI”) – net movement in fair value	296	35	(34)
Other comprehensive income for the year	222	5,175	(20,727)
Total comprehensive income for the year	625,333	463,866	176,350
Attributable to:			
Equity shareholders of the Company	629,531	441,285	125,029
Non-controlling interests	(4,198)	22,581	51,321
Total comprehensive income for the year	625,333	463,866	176,350

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	12	1,850,873	2,411,707	2,888,777
Right-of-use assets	13	392,893	344,029	373,714
Investment properties	14	81,286	84,596	100,079
Intangible assets	15	25,639	27,104	33,422
Goodwill	16	73,465	61,841	37,476
Financial assets measured at fair value through profit or loss (“FVPL”)	17	850,778	903,749	1,063,470
Interests in associates	19	181,732	211,924	297,811
Prepayments and other receivables	22	101,059	70,242	217,524
Deferred tax assets	30(b)	93,626	186,470	266,691
Deposit certificates	23	321,001	241,524	20,988
		3,972,352	4,543,186	5,299,952
Current assets				
Inventories and other contract costs	20	1,917,671	2,416,000	2,774,715
Debt instruments measured at FVOCI	21	352,826	231,371	322,161
Trade and bills receivables	21	2,340,771	2,731,609	2,944,053
Prepayments and other receivables	22	173,253	205,835	286,738
Contract assets	24	23,683	22,992	41,500
Financial assets measured at FVPL	17	737,351	179,875	815,790
Deposit certificates	23	—	353,467	227,731
Restricted bank deposits	25	752	201	3,670
Cash and cash equivalents	25	594,756	1,301,054	828,780
		6,141,063	7,442,404	8,245,138
Current liabilities				
Contract liabilities	24	53,807	64,809	92,978
Trade and bills payables	26	3,272,757	3,722,133	4,414,036
Accrued expenses and other payables	27	424,612	516,531	516,063
Bank loans and other borrowings	28	343,865	1,112,786	993,478
Lease liabilities	29	48,004	43,347	45,489
Current taxation	30(a)	38,716	44,367	31,672
		4,181,761	5,503,973	6,093,716
Net current assets		1,959,302	1,938,431	2,151,422
Total assets less current liabilities		5,931,654	6,481,617	7,451,374

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Note</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current liabilities				
Bank loans and other borrowings	28	1,252,760	243,300	928,604
Other payables	27	15,090	33,152	56,528
Lease liabilities	29	99,718	65,820	72,607
Deferred tax liabilities	30(b)	8,389	–	–
Deferred income	31	15,187	24,182	42,628
		<u>1,391,144</u>	<u>366,454</u>	<u>1,100,367</u>
NET ASSETS		<u>4,540,510</u>	<u>6,115,163</u>	<u>6,351,007</u>
CAPITAL AND RESERVES				
Share capital	33(c)	501,102	545,625	550,112
Treasury shares	33(d)	(69,995)	(70,475)	(70,150)
Reserves	33(e)	<u>3,985,905</u>	<u>5,539,297</u>	<u>5,736,832</u>
Total equity attributable to equity shareholders of the Company		4,417,012	6,014,447	6,216,794
Non-controlling interests		<u>123,498</u>	<u>100,716</u>	<u>134,213</u>
TOTAL EQUITY		<u>4,540,510</u>	<u>6,115,163</u>	<u>6,351,007</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	12	147,297	180,324	235,851
Right-of-use assets	13	122,688	96,283	80,550
Investment properties	14	27,835	26,938	29,080
Intangible assets	15	23,288	24,354	29,206
Financial assets measured at FVPL	17	850,578	903,549	1,063,270
Investments in subsidiaries	18	3,283,898	4,156,645	4,925,107
Interests in associates	19	181,732	211,924	297,811
Prepayments and other receivables	22	9,198	6,476	15,577
Deferred tax assets	30(b)	–	85,981	124,838
Deposit certificates	23	184,043	231,068	20,988
		4,830,557	5,923,542	6,822,278
Current assets				
Inventories and other contract costs	20	353,991	489,073	881,605
Debt instruments measured at FVOCI	21	110,537	142,587	191,003
Trade and bills receivables	21	868,527	1,216,368	1,640,786
Prepayments and other receivables	22	1,319,762	937,989	987,543
Contract assets	24	7,004	8,099	21,964
Financial assets measured at FVPL	17	177,409	48,453	754,830
Deposit certificates	23	–	81,729	216,965
Restricted bank deposits	25	–	–	2,917
Cash and cash equivalents	25	143,458	725,953	435,804
		2,980,688	3,650,251	5,133,417
Current liabilities				
Contract liabilities	24	52,225	43,361	56,817
Trade and bills payables	26	1,606,961	1,913,011	1,681,746
Accrued expenses and other payables	27	274,507	969,619	2,188,115
Bank loans and other borrowings	28	49,496	310,761	161,773
Lease liabilities	29	14,570	15,386	14,173
		1,997,759	3,252,138	4,102,624
Net current assets		982,929	398,113	1,030,793
Total assets less current liabilities		5,813,486	6,321,655	7,853,071

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,		
	Note	2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current liabilities				
Bank loans and other borrowings	28	1,252,760	243,300	928,604
Other payables	27	5,652	8,227	10,298
Lease liabilities	29	38,036	16,264	7,604
Deferred tax liabilities	30(b)	8,389	—	—
Deferred income	31	1,144	2,267	1,499
		1,305,981	270,058	948,005
NET ASSETS		4,507,505	6,051,597	6,905,066
CAPITAL AND RESERVES				
Share capital	33(c)	501,102	545,625	550,112
Treasury shares	33(d)	(69,995)	(70,475)	(70,150)
Reserves	33(e)	4,076,398	5,576,447	6,425,104
TOTAL EQUITY		4,507,505	6,051,597	6,905,066

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital	Treasury shares	Capital reserve	Convertible corporate bond – equity component	Statutory reserve	Exchange reserve	Fair value reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 33(c))	(note 33(d))	(note 33(e))	(note 33(e))	(note 33(e))	(note 33(e))	(note 33(e))				
Balance at January 1, 2023	497,570	(69,995)	1,039,234	200,244	122,466	(1,055)	–	1,915,485	3,703,949	127,696	3,831,645
Changes in equity for 2023:											
Profit for the year	–	–	–	–	–	–	–	629,322	629,322	(4,211)	625,111
Other comprehensive income	–	–	–	–	–	(87)	296	–	209	13	222
Total comprehensive income	–	–	–	–	–	(87)	296	629,322	629,531	(4,198)	625,333
Appropriation to statutory reserve	–	–	–	–	92,119	–	–	(92,119)	–	–	–
Conversion of convertible corporate bond	2	–	73	(12)	–	–	–	–	63	–	63
Exercise of share options	3,530	–	58,810	–	–	–	–	–	62,340	–	62,340
Forfeiture of share options	–	–	(1,663)	–	–	–	–	–	(1,663)	–	(1,663)
Equity-settled share-based payment expense	–	–	36,277	–	–	–	–	–	36,277	–	36,277
Deferred tax impact on equity-settled share option	–	–	9,014	–	–	–	–	–	9,014	–	9,014
Equity transaction with non-controlling shareholders	–	–	2,225	–	–	–	–	–	2,225	–	2,225
Dividends approved and paid in respect of the previous year (note 33(b))	–	–	–	–	–	–	–	(24,724)	(24,724)	–	(24,724)
Balance at December 31, 2023	501,102	(69,995)	1,143,970	200,232	214,585	(1,142)	296	2,427,964	4,417,012	123,498	4,540,510

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to equity shareholders of the Company										
	Share capital	Treasury shares	Capital reserve	Convertible corporate bond – equity component	Statutory reserve	Exchange reserve	Fair value reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000 (note 33(c))	RMB'000 (note 33(d))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2024	501,102	(69,995)	1,143,970	200,232	214,585	(1,142)	296	2,427,964	4,417,012	123,498	4,540,510
Changes in equity for 2024:											
Profit for the year	–	–	–	–	–	–	–	436,122	436,122	22,569	458,691
Other comprehensive income	–	–	–	–	–	5,128	35	–	5,163	12	5,175
Total comprehensive income	–	–	–	–	–	5,128	35	436,122	441,285	22,581	463,866
Appropriation to statutory reserve	–	–	–	–	38,262	–	–	(38,262)	–	–	–
Conversion of convertible corporate bond	39,844	–	1,304,088	(199,995)	–	–	–	–	1,143,937	–	1,143,937
Redemption of convertible corporate bond	–	–	152	(237)	–	–	–	–	(85)	–	(85)
Exercise of share options	5,532	–	91,394	–	–	–	–	–	96,926	–	96,926
Forfeiture of share options	–	–	(2,386)	–	–	–	–	–	(2,386)	–	(2,386)
Equity-settled share-based payment expense	–	–	26,803	–	–	–	–	–	26,803	–	26,803
Deferred tax impact on equity-settled share option	–	–	40,863	–	–	–	–	–	40,863	–	40,863
Equity transaction with non-controlling shareholders	–	–	(20,400)	–	–	–	–	–	(20,400)	(15,686)	(36,086)
Share repurchase	–	(20,494)	–	–	–	–	–	–	(20,494)	–	(20,494)
Cancellation of treasury shares pursuant to capital reduction	(853)	20,014	(19,161)	–	–	–	–	–	–	–	–
Dividends approved and paid in respect of the previous year (note 33(b))	–	–	–	–	–	–	–	(109,014)	(109,014)	–	(109,014)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(9,260)	(9,260)
Acquisition costs adjustment	–	–	–	–	–	–	–	–	–	(20,417)	(20,417)
Balance at December 31, 2024	545,625	(70,475)	2,565,323	–	252,847	3,986	331	2,716,810	6,014,447	100,716	6,115,163

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to equity shareholders of the Company									
	Share capital	Treasury shares	Capital reserve	Statutory reserve	Exchange reserve	Fair value reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000 (note 33(c))	RMB'000 (note 33(d))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000 (note 33(e))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2025	545,625	(70,475)	2,565,323	252,847	3,986	331	2,716,810	6,014,447	100,716	6,115,163
Changes in equity for 2025:										
Profit for the year	-	-	-	-	-	-	145,752	145,752	51,325	197,077
Other comprehensive income	-	-	-	-	(20,689)	(34)	-	(20,723)	(4)	(20,727)
Total comprehensive income	-	-	-	-	(20,689)	(34)	145,752	125,029	51,321	176,350
Appropriation to statutory reserve	-	-	-	22,209	-	-	(22,209)	-	-	-
Exercise of share options	4,522	-	74,213	-	-	-	-	78,735	-	78,735
Cancellation of treasury shares relating to forfeited restricted shares	(35)	805	(770)	-	-	-	-	-	-	-
Forfeiture of share options	-	-	(1,322)	-	-	-	-	(1,332)	-	(1,332)
Equity-settled share-based payment expense	-	-	27,034	-	-	-	-	27,034	-	27,034
Deferred tax impact on equity-settled share option	-	-	27,736	-	-	-	-	27,736	-	27,736
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	2,000	2,000
Equity transaction with non-controlling shareholders	-	-	(28,105)	-	-	-	-	(28,105)	(19,824)	(47,929)
Dividends approved and paid in respect of the previous year (note 33(b))	-	-	-	-	-	-	(27,230)	(27,230)	-	(27,230)
Changes in treasury shares	-	(480)	960	-	-	-	-	480	-	480
Balance at December 31, 2025	550,112	(70,150)	2,665,059	275,056	(16,703)	297	2,813,123	6,216,794	134,213	6,351,007

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Operating activities				
Cash generated from/(used in) operations	25(c)	341,605	193,863	(49,863)
Income tax paid	30(a)	(31,675)	(56,169)	(89,468)
Net cash generated from/(used in) operating activities		309,930	137,694	(139,331)
Investing activities				
Payments for purchase of property, plant and equipment, intangible assets and investment properties		(380,217)	(349,813)	(438,236)
Proceeds from disposal of items of property, plant and equipment and intangible assets		2,670	17	223
Dividends received from financial assets measured at FVPL – equity securities		1,559	1,257	233
Dividends received from associates		–	–	12,236
Proceeds from disposal of associates		–	2,983	6,410
Proceeds from disposal of financial assets measured at FVPL – equity securities		–	30,536	65
Payments for acquisition of financial assets measured at FVPL – equity securities		(88,100)	(68,000)	(73,408)
Investments to associates		(58,050)	(38,006)	(105,800)
Payments for purchase of wealth management products		(4,357,142)	(3,304,103)	(3,547,060)
Proceeds from disposal of wealth management products		4,837,206	3,838,548	2,916,365
Placement of deposit certificates		(345,127)	(361,592)	(50,000)
Withdrawal of deposit certificates		95,304	100,350	406,935
Net cash inflow from disposal of a subsidiary	25(f)	–	28	–
Net cash used in investing activities		(291,897)	(147,795)	(872,037)

APPENDIX I

ACCOUNTANTS’ REPORT

	Note	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Financing activities				
Proceeds from bank loans and other borrowings	25(d)	808,766	1,781,471	2,374,061
Repayments of bank loans and other borrowings	25(d)	(693,750)	(911,665)	(1,804,600)
Interest paid	25(d)	(13,787)	(34,651)	(28,299)
Capital element of lease rentals paid	25(d)	(37,796)	(49,159)	(48,446)
Interest element of lease rentals paid	25(d)	(6,832)	(5,683)	(5,109)
Dividends paid to equity shareholders of the Company		(24,724)	(109,014)	(27,230)
Dividends paid to non-controlling interests		–	(2,380)	(6,880)
Payment for acquisition of non-controlling interests		(2,041)	(37,993)	(47,929)
Payments for repurchase of shares		–	(20,494)	(802)
Proceeds from granting of restricted shares and exercise of share options under share-based payment scheme		61,313	96,615	150,754
Capital injection from non-controlling interests		–	–	2,000
Other cash flows arising from financing activities		(8,658)	8,924	(3,689)
Net cash generated from financing activities		82,491	715,971	553,831
Net increase/(decrease) in cash and cash equivalents		100,524	705,870	(457,537)
Effect of foreign exchange rate changes		6,200	428	(14,737)
Cash and cash equivalents at the beginning of the year		488,032	594,756	1,301,054
Cash and cash equivalents at the end of the year	25(a)	594,756	1,301,054	828,780

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

深圳麥格米特電氣股份有限公司 Shenzhen Megmeet Electrical Co., Ltd., hereinafter referred to as the “**Company**”, was established in Shenzhen, Guangdong Province, the People’s Republic of China (the “**PRC**”) on July 29, 2003 as a limited liability company under the Company Law of the PRC. In September 2010, the Company was converted into a joint stock limited liability company. On March 6, 2017, the Company’s A Shares were listed on Shenzhen Stock Exchange (“**the A Share Listing**”).

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are mainly engaged in providing power electronics and related control technology in a broad range of application areas, including power supplies, new energy transportation, industrial automation, smart home appliances, intelligent equipment, and precision connectivity and magnetic components.

The financial statements of the Company and its subsidiaries for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The Company’s financial statements for the years ended December 31, 2023, 2024 and 2025 were audited by Zhonghui Certified Public Accountants (Special General Partnership), 中匯會計師事務所 (特殊普通合夥).

As at December 31, 2023, 2024 and 2025, and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation / registration	Particulars of registered / paid-up capital	Effective interest held by the Group As at December 31,			At the date of this report	Principal activities/ place of operations
			2023	2024	2025		
Shenzhen Megmeet Electrical Supply Chain Management Co., Ltd. (深圳麥米電氣供應鏈管理有限公司) (“ Megmeet Electrical Supply ”)(i) (ii)	Chinese Mainland, January 19, 2024	RMB500,000,000/ RMB500,000,000	–	100%	100%	100%	Procurement and import and export trade in Chinese Mainland
Hunan Megmeet Electrical Technology Co., Ltd. (湖南麥格米特電氣技術有限公司) (i) (iii)	Chinese Mainland, October 18, 2018	RMB600,000,000/ RMB600,000,000	100%	100%	100%	100%	Manufacturing, research and development, and sales of products in Chinese Mainland
Zhuzhou Megmeet Electrical Co., Ltd. (株洲麥格米特電氣有限公司) (i) (iv)	Chinese Mainland, December 15, 2010	RMB1,600,000,000/ RMB1,600,000,000	100%	100%	100%	100%	Manufacturing, research and development, and sales of products in Chinese Mainland
Zhejiang IKAHE Co., Ltd. (浙江怡和衛浴有限公司) (“ Zhejiang IKAHE ”)(i) (v)	Chinese Mainland, January 10, 2011	RMB80,000,000/ RMB40,000,000	100%	100%	100%	100%	Research and development, manufacturing and sales of sanitaryware products in Chinese Mainland
Shenzhen Megmeet Welding Technology Co., Ltd. (深圳市麥格米特焊接技術有限公司) (i) (iii)	Chinese Mainland, September 6, 2017	RMB50,000,000/ RMB50,000,000	53.70%	53.70%	53.70%	53.70%	Research and development and sales of smart welding products in Chinese Mainland
Megmeet Electrical India Private Limited (vi)	India, November 28, 2018	INR 30,000,000/ INR 30,000,000	99.99%	99.99%	99.99%	99.99%	Manufacturing and sales of products in India
Megmeet Hong Kong Limited (vii)	Hong Kong, June 3, 2010	USD 28,001,000/ USD 28,001,000	100%	100%	100%	100%	Investment holding, cross-border trades, and sales of products in Hong Kong

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) The official names of these companies are in Chinese and the English translation of the company names is for reference only. These companies are all limited liability companies under the Company Law of the PRC.
- (ii) No financial statements have been prepared for this entity for the year ended December 31, 2023 as it was established in 2024. The financial statements of this entity for the year ended December 31, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the Chinese Mainland issued by Ministry of Finance of the PRC (the “**PRC GAAP**”) and audited by Shenzhen Shenye Certified Public Accountants (General Partnership) 深圳市深業會計師事務所(普通合夥).
- (iii) The financial statements of these entities for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with PRC GAAP and audited by Shenzhen Shenye Certified Public Accountants (General Partnership) 深圳市深業會計師事務所(普通合夥).
- (iv) The financial statements of this entity for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with PRC GAAP and audited by Zhonghui Certified Public Accountants (Special General Partnership) Shenzhen Branch 中匯會計師事務所(特殊普通合夥)深圳分所.
- (v) The financial statements of this entity for the year ended December 31, 2023 and 2025 were prepared in accordance with PRC GAAP and audited by Zhonghui Certified Public Accountants (Special General Partnership) Shenzhen Branch 中匯會計師事務所(特殊普通合夥)深圳分所. The financial statements of this entity for the year ended December 31, 2024 were prepared in accordance with PRC GAAP and audited by Shenzhen Shenye Certified Public Accountants (General Partnership) 深圳市深業會計師事務所(普通合夥).
- (vi) This entity prepared the financial statements in accordance with Indian Accounting Standards. The statutory financial statements of this entity for the years ended March 31, 2023 and 2024 were audited by DRKS & ASSOCIATES Chartered Accountants. The audited financial statements of this entity for the year ended December 31, 2025 is not available at the date of this report.
- (vii) This entity prepared the financial statements in accordance with HKFRS Accounting Standards. The statutory financial statements of this entity for the years ended December 31, 2023 and 2024 were audited by Ng, Suen, Lau C.P.A. Limited. The audited financial statements of this entity for the year ended December 31, 2025 is not available at the date of this report.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IASB**”). Further details of the material accounting policy information adopted are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on January 1, 2025 are set out in note 37.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi (“**RMB**”), rounded to the nearest thousand (“**RMB’000**”), unless otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except certain financial assets measured at their fair value (see note 2(f)).

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group elects to measure the non-controlling interests (“NCI”) at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method. It is initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income (“OCI”) of those investees, until the date on which significant influence or joint control ceases.

APPENDIX I

ACCOUNTANTS’ REPORT

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group’s net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(k)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company’s statements of financial position, an investment in associate is accounted by equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(k)(ii)).

(f) Other investments

The Group’s policies for investments, other than investments in subsidiaries and associates, are set out below.

Other investments are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 34(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses and interest income calculated using the effective interest method (see note 2(v)(ii)(b)) are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses and interest income (calculated using the effective interest method) are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income (see note 2(v)(ii)(d)).

APPENDIX I

ACCOUNTANTS’ REPORT

(g) Investment properties

Investment property is initially measured at cost. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	20-40 years
-----------	-------------

The carrying amount of investment property measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Any gain or loss on disposal of investment property is recognized in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any impairment losses (see note 2(k)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gains or losses on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. The estimate useful lives are as follows:

– Freehold land is not depreciated.	
– Buildings and structures	20-40 years
– Plant and machinery	10 years
– Transportation equipment	4 years
– Electronic equipment	3 years
– Office equipment and others	3-5 years
– Molds	3 years
– Leasehold improvements	1-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress is stated at cost less impairment losses (see note 2(k)(ii)). Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research and development activities is recognized in profit or loss as incurred.

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses (see note 2(k)(ii)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives, if any, and is generally recognized in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

– Software	10 years
– Patents and non-patent technology	10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identifiable asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see notes 2(f)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the financial statements, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(v)(ii)(a).

(k) **Credit losses and impairment of assets**

(i) *Credit losses from financial instruments, contract assets and lease receivables*

The Group recognizes a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortized cost, debt instruments measured at FVOCI and contract assets.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected live of the instrument is less than 12 months); and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECLs.

APPENDIX I

ACCOUNTANTS’ REPORT

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial assets in the statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGUs”). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(I) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable 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.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalized as inventory (see note 2(l)(i)), property, plant and equipment (see note 2(h)) or intangible assets (see note 2(i)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalized if the costs relate to revenue which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Amortization of capitalized contract costs is recognized in profit or loss when the revenue to which the asset relates is recognized (see note 2(v)(i)).

APPENDIX I

ACCOUNTANTS’ REPORT

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see note 2(k)(i)).

(n) Cash and cash equivalents and restricted bank deposits

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Guarantee deposits which are restricted to use are presented separately in the statements of financial position as “Restricted bank deposits”. Restricted bank deposits are excluded from cash and cash equivalents in the consolidated cash flow statements.

Cash and cash equivalents and restricted bank deposits are assessed for ECLs in accordance with the policy set out in note 2(k)(i).

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with note 2(x).

(q) Convertible notes that contain an equity component

Compound financial instruments issued by the Group comprise convertible notes denominated in RMB that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. Interest is recognized in profit or loss. The equity component is not remeasured and is recognized in the convertible corporate bond - equity component until the notes are converted.

If the notes are converted, the convertible corporate bond – equity component, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share reserve as consideration for the shares issued.

(r) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see note 2(v)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 2(k)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(m)).

APPENDIX I

ACCOUNTANTS’ REPORT

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(v)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such latter cases, a corresponding receivable is also recognized (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(v)(ii)(b)).

(s) Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) *Share-based payments*

The grant-date fair value of equity-settled share-based payments under share option scheme granted to employees is measured using the Black–Scholes option pricing model. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

(t) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

(u) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group’s assets under leases in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) *Revenue from contracts with customers*

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax (“VAT”) or other sales taxes.

Sales of products

(a) Domestic Sales

- If no installation is required, revenue is recognized when the products are delivered to customers at the locations specified in the sales orders or sales contracts.
- If installation is required, revenue is recognized when the installation and debugging are completed, and the customer accepts the product.

APPENDIX I

ACCOUNTANTS’ REPORT

- Revenue from sales of components supplied on a consignment basis is recognised upon receipt of the customer’s consumption.

(b) Overseas Sales

Revenue from overseas sales of goods is recognized when control of the goods is transferred to the customers in accordance with the contract terms and the relevant delivery terms, which are generally determined by reference to the international commercial terms applicable to the respective shipments.

(ii) *Revenue from other sources and other income*

(a) *Rental income from operating leases*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(b) *Interest income*

Interest income is recognized using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) *Government grants*

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognized by setting up the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

(d) *Dividends*

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

(w) **Translation of foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

APPENDIX I

ACCOUNTANTS’ REPORT

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Other borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of that asset.

(y) Related parties

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

APPENDIX I

ACCOUNTANTS’ REPORT

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group’s accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(a) Loss allowance for expected credit losses

The Group estimates the amount of loss allowance for ECLs on trade and bills receivables and other receivables based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset’s carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(b) Net realizable value of inventories and other contract costs

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group’s net assets value. The Group reassesses these estimates annually. Management measures these estimates at each statement of financial position date.

(c) Deferred tax assets

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing whether such temporary differences can be utilised in the future, the Group needs to make judgments and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group recognizes deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group’s results or financial position.

(d) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group’s historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the GGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group’s profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the estimates of recoverable amount, which would affect profit or loss in future years.

APPENDIX I

ACCOUNTANTS’ REPORT

(f) Fair value measurement of financial instruments using valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The valuation techniques include market comparable model, adjusted recent transaction price and so on. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The use of different valuation techniques or inputs may result in significant differences in fair value estimate. The fair value generated by valuation technique is also verified with transactions of same or similar financial instruments in observable markets according to market practice.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing power electronics and related control technology in a broad range of application areas, including power supplies, new energy transportation, industrial automation, smart home appliances, intelligent equipment, and precision connectivity and magnetic components. Further details regarding the Group’s principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and services is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS15			
Power Supplies	2,121,965	2,353,307	2,680,005
New Energy Transportation	710,248	548,724	1,144,891
Industrial Automation	584,126	627,031	876,920
Smart Home Appliances	2,619,071	3,737,942	3,558,978
Intelligent Equipment	365,889	462,443	605,284
Precision Connectivity and Magnetic Components	315,552	381,067	449,088
Others	31,128	57,416	81,456
	6,747,979	8,167,930	9,396,622
Revenue from other sources			
Rental income	6,262	4,556	6,218
	6,754,241	8,172,486	9,402,840

APPENDIX I

ACCOUNTANTS’ REPORT

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Point in time	6,728,768	8,124,734	9,340,124
Over time	19,211	43,196	56,498
	<u>6,747,979</u>	<u>8,167,930</u>	<u>9,396,622</u>

The Group’s customer base is diversified, and the Group did not have any customer with whom transactions have exceeded 10% of the Group’s aggregate revenue for each of the years ended December 31, 2023, 2024 and 2025.

(ii) ***Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date***

As at December 31, 2023, 2024 and 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group’s existing contracts is RMBNil, RMB4,794,000 and RMB9,016,000 respectively. The Group will recognize the expected revenue in future when or as the service is provided, which is expected to occur over the next 1 to 3 years after each reporting date.

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation in respect of other existing contracts as the original expected duration of substantially all the contracts of the Group are within one year.

(b) **Segment reporting**

For the purposes of assessing segment performance and allocating resources between segments, the Group’s senior executive management makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the Group’s senior executive management does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented. These divisions are the basis on which the Group reports its segment information under IFRS 8 Operating Segments.

The Group manages its businesses by divisions, which are organized by a mixture of business lines (products and services). The Group has presented the following seven reportable segments.

- ***Power Supplies***

Power supplies business primarily comprises network power products (including communications and data center power supplies), core components for energy storage and charging station applications, display power supplies (including commercial display power supplies and LED power supplies), as well as medical power supplies, utility power supplies, and industrial enclosed power supplies.

- ***New Energy Transportation***

The New Energy Transportation business primarily covers integrated electric control systems, integrated power supply solutions, vehicle-mounted compressors, integrated thermal management modules, active hydraulic suspension systems and distributed electric drive systems. It also supplies electric air-conditioning compressors, controllers and other electrical components for high-speed rail, urban rail transit and metro systems.

- ***Industrial Automation***

The core product portfolio primarily includes PLCs, thermostats, servo and variable frequency drives, servo hydraulic pump, linear motors, and high-precision air-bearing stage.

APPENDIX I

ACCOUNTANTS’ REPORT

- **Smart Home Appliances**

The smart home appliances product portfolio comprises HVAC drive and control solutions, smart sanitaryware products and components, and other smart home products.

- **Intelligent Equipment**

The intelligent equipment business primarily comprises intelligent digital welding machines and intelligent oil production equipment.

- **Precision Connectivity and Magnetic Components**

The precision connectivity and magnetic components primarily comprises shaped electromagnetic wires, coaxial cables, ultra-fine flat wires, flexible flat cables, and flexible printed circuit products.

- **Others**

This segment primarily includes research and development services, rental services, and tooling fixtures and test molds.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross profit. The Group’s other operating income and expenses, such as other income and net gains, selling and marketing expenses, administrative expenses, research and development expenses, impairment losses on receivables and contract assets, impairment losses on goodwill, impairment losses on investment in an associate, share of (losses)/profits of associates and finance costs and assets and liabilities are not measured under individual segments. Neither information on segment assets and liabilities nor information concerning capital expenditure is presented.

(i) **Segment results**

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance during the years ended 31 December 2023, 2024 and 2025 are set out below.

Year ended December 31, 2023

	Power Supplies	New Energy Transportation	Industrial Automation	Smart Home Appliances	Intelligent Equipment	Precision Connectivity and Magnetic Components	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers								
Recognized at a point in time	2,121,965	710,248	584,126	2,619,071	365,889	315,552	11,917	6,728,768
Recognized over time	–	–	–	–	–	–	19,211	19,211
	2,121,965	710,248	584,126	2,619,071	365,889	315,552	31,128	6,747,979
Revenue from other sources								
Rental income	–	–	–	–	–	–	6,262	6,262
Reportable segment revenue	<u>2,121,965</u>	<u>710,248</u>	<u>584,126</u>	<u>2,619,071</u>	<u>365,889</u>	<u>315,552</u>	<u>37,390</u>	<u>6,754,241</u>
Reportable segment results	<u>505,454</u>	<u>159,183</u>	<u>185,535</u>	<u>663,262</u>	<u>102,213</u>	<u>21,994</u>	<u>21,201</u>	<u>1,658,842</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2024

	Power Supplies	New Energy Transportation	Industrial Automation	Smart Home Appliances	Intelligent Equipment	Precision Connectivity and Magnetic Components	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers								
Recognized at a point in time	2,353,307	548,724	627,031	3,737,942	462,443	381,067	14,220	8,124,734
Recognized over time	—	—	—	—	—	—	43,196	43,196
	2,353,307	548,724	627,031	3,737,942	462,443	381,067	57,416	8,167,930
Revenue from other sources								
Rental income	—	—	—	—	—	—	4,556	4,556
Reportable segment revenue	<u>2,353,307</u>	<u>548,724</u>	<u>627,031</u>	<u>3,737,942</u>	<u>462,443</u>	<u>381,067</u>	<u>61,972</u>	<u>8,172,486</u>
Reportable segment results	<u>589,975</u>	<u>115,495</u>	<u>185,939</u>	<u>920,402</u>	<u>172,245</u>	<u>17,467</u>	<u>23,881</u>	<u>2,025,404</u>

Year ended December 31, 2025

	Power Supplies	New Energy Transportation	Industrial Automation	Smart Home Appliances	Intelligent Equipment	Precision Connectivity and Magnetic Components	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers								
Recognized at a point in time	2,680,005	1,144,891	876,920	3,558,978	605,284	449,088	24,958	9,340,124
Recognized over time	—	—	—	—	—	—	56,498	56,498
	2,680,005	1,144,891	876,920	3,558,978	605,284	449,088	81,456	9,396,622
Revenue from other sources								
Rental income	—	—	—	—	—	—	6,218	6,218
Reportable segment revenue	<u>2,680,005</u>	<u>1,144,891</u>	<u>876,920</u>	<u>3,558,978</u>	<u>605,284</u>	<u>449,088</u>	<u>87,674</u>	<u>9,402,840</u>
Reportable segment results	<u>592,555</u>	<u>163,447</u>	<u>238,363</u>	<u>783,882</u>	<u>226,934</u>	<u>18,836</u>	<u>29,579</u>	<u>2,053,596</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Reconciliations of reportable segment revenues and profit or loss

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Reportable segment results	1,658,842	2,025,404	2,053,596
Selling and marketing expenses	(310,028)	(368,965)	(413,684)
Administrative expenses	(245,600)	(293,561)	(382,673)
Research and development expenses	(770,574)	(984,042)	(1,122,337)
Impairment losses on receivables and contract assets	(12,848)	(16,306)	(17,836)
Impairment losses on goodwill	(25,039)	(11,624)	(24,365)
Impairment losses on investment in an associate	–	–	(2,159)
Other income and net gains	380,272	161,278	161,194
Finance costs	(36,328)	(51,244)	(32,881)
Share of (losses)/profits of associates	(1,785)	(7,072)	960
Consolidated profit before taxation	636,912	453,868	219,815

(iii) Geographic information

The following table sets out information about the geographical location of (a) the Group’s revenue from external customers and (b) the Group’s non-current assets, excluding financial instruments assets measured at FVPL and deferred tax assets. The Geographical location of customers is based on the location at which the invoices were issued to. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates.

(a) Revenues from external customers analysed by geographical markets:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	4,852,028	5,527,519	6,669,550
Overseas	1,902,213	2,644,967	2,733,290
– India	1,245,258	1,831,547	1,587,091
– Other countries/regions (Note (i))	656,955	813,420	1,146,199
	6,754,241	8,172,486	9,402,840

Note (i): primarily include certain other countries and regions in Asia, North America and Europe.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) *Non-current assets (excluding financial assets measured at FVPL and deferred tax assets) analysed by location of assets:*

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	2,928,022	3,268,205	3,586,577
Overseas	99,926	184,762	383,214
– India	46,128	49,082	66,889
– Other countries/regions (<i>Note (i)</i>)	53,798	135,680	316,325
	<u>3,027,948</u>	<u>3,452,967</u>	<u>3,969,791</u>

Note (i): primarily include certain other countries and regions in Asia, North America and Europe.

Majority of the Group’s other countries/regions non-current assets belong to the operations in Thailand region.

5 OTHER INCOME AND NET GAINS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income:			
Finance income	18,467	31,043	55,862
Government grants (<i>note (a)</i>)	59,238	72,612	61,084
Additional deduction for VAT (<i>note (b)</i>)	24,945	59,371	4,902
Dividend income from financial assets measured at FVPL – equity securities	<u>1,559</u>	<u>1,257</u>	<u>233</u>
	104,209	164,283	122,081
	-----	-----	-----
Other net gains:			
Net gain/(loss) on financial assets measured at FVPL – equity securities	276,190	(15,347)	86,327
Net (loss)/gain on financial assets measured at FVPL – wealth management products	(558)	7,823	5,264
Gain/(loss) on disposal of an associate	–	2,241	(68)
Net loss on discounted notes	(8,574)	(3,371)	(579)
Gain from business acquisition costs adjustment	–	20,393	–
Loss on disposal of property, plant and equipment and right-of-use assets	(935)	(1,533)	(8,006)
Net foreign exchange gains/(losses)	1,492	(15,208)	(45,529)
Others	<u>8,448</u>	<u>1,997</u>	<u>1,704</u>
	276,063	(3,005)	39,113
	-----	-----	-----
	<u>380,272</u>	<u>161,278</u>	<u>161,194</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Government grants

Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the Chinese Mainland.

(b) Additional deduction for VAT

Pursuant to the Notice on the VAT Credit Policy for Advanced Manufacturing Enterprises issued by the Ministry of Finance of the PRC (“MOF”) and the State Administration of Taxation (“SAT”), advanced manufacturing enterprises are eligible for a 5% additional deduction based on deductible input VAT during the period from January 1, 2023 to December 31, 2027. The Company and certain of its subsidiaries are qualified as advanced manufacturing enterprises and eligible for such deduction for the years ended December 31, 2023 and 2024 and 2025.

6 IMPAIRMENT LOSSES ON RECEIVABLES AND CONTRACT ASSETS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	10,926	15,060	17,038
Debt instruments measured at FVOCI	365	62	(59)
Other receivables	287	(70)	206
Contract assets	1,270	1,254	651
	<u>12,848</u>	<u>16,306</u>	<u>17,836</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net interest on bank loans and other borrowings	60,762	77,968	27,772
Interest on lease liabilities	6,832	5,683	5,109
Less: interest expenses capitalized into properties under development	<u>(31,266)</u>	<u>(32,407)</u>	<u>—</u>
	<u>36,328</u>	<u>51,244</u>	<u>32,881</u>

The other borrowing costs have been capitalized at a rate of 6.50% per annum for the years ended December 31, 2023 and 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Staff costs (including directors’ and supervisors’ emoluments)

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, wages and other benefits	1,103,188	1,405,041	1,683,757
Contributions to defined contribution retirement plans	59,698	77,943	92,702
Equity-settled share-based payment expenses	34,614	24,417	25,702
	<u>1,197,500</u>	<u>1,507,401</u>	<u>1,802,161</u>

The Group’s Chinese Mainland entities participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal and provincial government authorities, whereby the Chinese Mainland entities are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group has no other material obligations for payments of pension benefits beyond the contributions above.

(c) Other items

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Depreciation charge and amortization			
– Property, plant and equipment	144,865	194,949	247,437
– Right-of-use assets	51,588	60,565	60,249
– Investment properties	2,228	2,313	2,486
– Intangible assets	4,940	4,252	5,423
	<u>203,621</u>	<u>262,079</u>	<u>315,595</u>
Auditors’ remuneration	2,200	2,200	2,200
Cost of inventories sold (note 20(b))	4,988,584	5,971,419	7,135,744
Impairment losses on goodwill	25,039	11,624	24,365
Rental income from investment properties	(6,262)	(4,556)	(6,218)
Less: direct outgoings from investment properties	<u>2,228</u>	<u>2,313</u>	<u>2,486</u>
	<u>(4,034)</u>	<u>(2,243)</u>	<u>(3,732)</u>

- (i) During the years ended December 31, 2023, 2024 and 2025, cost of inventories includes staff costs, depreciation and amortization expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7(b).

APPENDIX I

ACCOUNTANTS’ REPORT

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax			
Provision for the year			
PRC income tax	50,136	31,022	1,070
Other jurisdictions	14,147	32,711	42,825
	64,283	63,733	43,895
(Over)/under provision in respect of prior years			
PRC income tax	3,043	(6,661)	25,274
Other jurisdictions	(6,083)	—	7,343
	(3,040)	(6,661)	32,617
Deferred tax			
Reversal of temporary differences	(49,442)	(61,895)	(53,774)
	11,801	(4,823)	22,738

(b) Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before taxation	636,912	453,868	219,815
Applicable national tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	90,310	74,674	36,043
Additional deduction for qualified research and development cost	(101,144)	(127,136)	(138,916)
Effect of non-deductible expenses	4,932	6,857	3,662
Income tax exemptions	(24)	(2,298)	—
Effect of utilisation of temporary differences and tax losses unrecognized previously	(1,593)	(297)	(1,283)
Effect of temporary differences and tax losses not recognized	31,462	49,893	90,654
(Over)/under provision in respect of prior years	(3,040)	(6,661)	32,617
Others	(9,102)	145	(39)
Actual tax expense/(credit)	11,801	(4,823)	22,738

The Group’s income tax on profit before taxation is calculated at the tax rates applicable to the Company and its subsidiaries, taking into account preferential tax policies applicable to each of them.

APPENDIX I

ACCOUNTANTS’ REPORT

In accordance with the Corporate Income Tax Law (the CIT Law) of the PRC, enterprises established in the PRC are subject to corporate income tax at the statutory rate of 25% except for the entities below.

- Pursuant to the CIT Law of the PRC and relevant rules and regulations, the Company and certain of its subsidiaries that are qualified as High and New Technology Enterprises are entitled to a preferential income tax rate of 15%.
- Certain subsidiaries of the Group qualified as small and micro enterprises and enjoy the reduction of the applicable tax rate to 5%.
- Pursuant to relevant tax regulations of the PRC, eligible software enterprises that are profit-making (“**Software Enterprise**”) are entitled to two-year CIT exemptions followed by three years’ 50% reduction in the statutory rates, starting from the first profit-making year. The Company’s subsidiary, Chengdu Megmeet Electrical Co., Ltd., is qualified as Software Enterprise and exempted from CIT for the years ended December 31, 2024, and 2025.
- During the year ended December 31, 2025, Megmeet Electrical Supply was entitled to a preferential tax rate of 15% in accordance to Notice of MOF and SAT on Continuing the Preferential Enterprise Income Tax Policies of Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Caishui [2021] No. 30) (《財政部稅務總局關於延續深圳前海深港現代服務業合作區企業所得稅優惠政策的通知(財稅[2021]30號)》), which was applied to companies incorporated in Qianhai, the PRC from January 1, 2021 to December 31, 2025, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate. Accordingly, during the year ended December 31, 2025, Megmeet Electrical Supply was subject to the enterprise income tax at a rate of 15%.

Pursuant to relevant tax regulations of the PRC, for income tax purpose, the Group’s eligible research and development cost qualifies for an additional 100% deduction during the years ended December 31, 2023, 2024 and 2025.

Under the current Hong Kong Inland Revenue Ordinance, the Group’s Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 16.5% on their taxable income generated from the operations in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HK\$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an antifragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates.

The provision for current tax of subsidiaries outside the Chinese Mainland and Hong Kong is calculated at the rates of taxation prevailing in the jurisdictions in which the particular of subsidiaries operate. Enterprises established in the India are subject to corporate income tax rate of 25.168%.

(c) Pillar Two income taxes

The Group is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules (“**Pillar Two model rules**”) published by the Organisation for Economic Co-operation and Development. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

For the period ended 31 December 2024, the Group has entities incorporated in Germany and South Korea where Pillar Two income tax legislation has been implemented. No top-up tax was payable by the Group in Germany, South Korea and other jurisdictions where Pillar Two income tax legislation has not been implemented, including Thailand, the United States, and Brazil as the Transitional Country-by-Country Reporting Safe Harbour was met.

Hong Kong Inland Revenue (Amendment) (Tax on Multinational Enterprise Groups’ Minimum Tax) Ordinance 2025 has been enacted in Hong Kong and is effective from 1 January 2025. For the period ended 31 December 2025, the Group does not expect to be liable to material top-up tax for the year ended 31 December 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

9 DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of directors’ and supervisors’ emoluments during the years ended December 31, 2023, 2024 and 2025 are as follows:

For the year ended December 31, 2023

	Directors’ and supervisors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman and executive director					
Tong Yongsheng	–	960	200	54	1,214
Executive directors					
Zhang Zhi	–	892	144	46	1,082
Wang Xuefen	–	646	410	22	1,078
Independent non-executive directors					
Chu Pan	120	–	–	–	120
Liu Jianhua	120	–	–	–	120
Supervisors					
Liang Min	–	586	144	22	752
Zhao Wandong	–	392	270	45	707
Mao Dongcai	–	468	206	46	720
	240	3,944	1,374	235	5,793

For the year ended December 31, 2024

	Directors’ and supervisors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman and executive director					
Tong Yongsheng	–	956	200	54	1,210
Executive directors					
Zhang Zhi	–	892	144	46	1,082
Wang Xuefen	–	653	650	24	1,327
Independent non-executive directors					
Chu Pan	120	–	–	–	120
Liu Jianhua	120	–	–	–	120
Supervisors					
Liang Min	–	631	144	23	798
Zhao Wandong	–	394	270	43	707
Mao Dongcai	–	476	206	46	728
	240	4,002	1,614	236	6,092

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended December 31, 2025

	Directors’ and supervisors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman and executive director					
Tong Yongsheng	–	713	–	–	713
Executive directors					
Zhang Zhi	–	689	144	24	857
Wang Xuefen	–	699	660	26	1,385
Non-executive directors					
Mao Dongcai (Employee representative director, appointed on November 14, 2025)	–	57	22	3	82
Independent non-executive directors					
Chu Pan*	120	–	–	–	120
Liu Jianhua (resigned on November 14, 2025)	120	–	–	–	120
Shen Huayu (appointed on November 14, 2025)	–	–	–	–	–
Supervisors					
Liang Min	–	524	125	21	670
Zhao Wandong	–	331	212	21	564
Mao Dongcai (resigned on November 14, 2025)	–	389	149	21	559
	<u>240</u>	<u>3,402</u>	<u>1,312</u>	<u>116</u>	<u>5,070</u>

* Chu Pan resigned on May 27, 2026.

During the years ended December 31, 2023, 2024 and 2025, no emoluments was paid by the Group to the directors or supervisors as an inducement to join or up on joining the Group or as compensation for loss of office. No director or supervisor has waived or agreed to waive any emoluments during the years ended December 31, 2023, 2024 and 2025.

10 INDIVIDUALS WITH HIGHEST REMUNERATION

During the years ended December 31, 2023, 2024 and 2025, of the five individuals with the highest remuneration, none of them is directors whose remuneration is disclosed in note 9.

The aggregate remuneration in respect of the five individuals with the highest remuneration are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries and other emoluments	4,394	4,988	5,878
Discretionary bonuses	3,047	3,340	5,205
Retirement scheme contributions	199	199	117
Share-based payments	4,082	3,560	1,686
	<u>11,722</u>	<u>12,087</u>	<u>12,886</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The remuneration of the above individuals with the highest remuneration are within the following bands:

	Year ended December 31,		
	2023	2024	2025
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
HKD 1,500,001 – 2,000,000	1	–	–
HKD 2,000,001 – 2,500,000	2	4	1
HKD 2,500,001 – 3,000,000	1	–	3
HKD 4,000,001 – 4,500,000	1	1	1

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share during the years ended December 31, 2023, 2024 and 2025 is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue for the respective year.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year attributable to ordinary equity shareholders of the Company	629,322	436,122	145,752

	Year ended December 31,		
	2023	2024	2025
	<i>’000</i>	<i>’000</i>	<i>’000</i>
Weighted average number of ordinary shares:			
Issued ordinary shares at the beginning of the year	497,570	501,102	545,625
Effect of treasury shares (<i>note 33(d)</i>)	(3,089)	(3,089)	(3,092)
Effect of share options exercised (<i>note 33(c)</i>)	1,547	1,736	1,980
Effect of conversion of convertible corporate bonds into ordinary shares (<i>note 33(c)</i>)	1	4,372	–
Weighted average number of ordinary shares at the end of the year	496,029	504,121	544,513

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on following profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares.

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit attributable to ordinary equity shareholders of the Company (diluted):			
Profit for the year attributable to ordinary equity shareholders of the Company	629,322	436,122	145,752
Add: interest expense of convertible corporate bonds	17,139	14,880	–
	<u>646,461</u>	<u>451,002</u>	<u>145,752</u>
Profit for the year attributable to ordinary equity shareholders of the Company (diluted)	<u>646,461</u>	<u>451,002</u>	<u>145,752</u>
	Year ended December 31,		
	2023	2024	2025
	’000	’000	’000
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares at the end of the year	496,029	504,121	544,513
Effect of convertible corporate bonds (note 28(c))	39,430	35,521	–
Effect of restricted shares (note 32(b))	–	–	534
Effect of share options (note 32(a))	5,566	4,868	5,454
	<u>541,025</u>	<u>544,510</u>	<u>550,501</u>
Weighted average number of ordinary shares (diluted) at the end of the year	<u>541,025</u>	<u>544,510</u>	<u>550,501</u>

APPENDIX I

ACCOUNTANTS’ REPORT

12 PROPERTY, PLANT AND EQUIPMENT

The Group:

	Freehold land	Buildings and structures	Plant and machinery	Transportation equipment	Electronic equipment	Office equipment and others	Molds	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:										
At January 1, 2023	17,172	423,365	371,651	16,933	188,440	95,569	59,009	352,482	66,610	1,591,231
Additions	–	4,495	108,227	3,412	67,915	19,948	10,732	545,877	11,478	772,084
Transfer from construction in progress	–	330,911	18,818	–	6,211	643	11,280	(374,294)	6,431	–
Disposals	–	–	(7,082)	(1,252)	(8,134)	(3,518)	(2,284)	–	–	(22,270)
Foreign exchange differences	291	–	312	6	116	50	1	–	63	839
At December 31, 2023	17,463	758,771	491,926	19,099	254,548	112,692	78,738	524,065	84,582	2,341,884
Additions	–	14,799	99,189	3,134	100,398	33,204	11,779	489,407	16,623	768,533
Transfer from construction in progress	–	361,970	23,477	–	4,606	9,290	3,080	(408,708)	6,285	–
Transfer to investment properties	–	–	–	–	–	–	–	(5,623)	–	(5,623)
Disposals	–	–	(7,731)	(848)	(8,208)	(5,902)	(4,808)	–	–	(27,497)
Foreign exchange differences	261	–	327	21	57	12	2	6	73	759
At December 31, 2024	17,724	1,135,540	607,188	21,406	351,401	149,296	88,791	599,147	107,563	3,078,056
Additions	–	4,465	160,454	4,137	118,427	42,242	26,950	387,943	12,027	756,645
Transfer from construction in progress	–	513,976	45,747	–	15,843	1,923	6,632	(587,060)	2,939	–
Transfer to investment properties	–	(15,874)	–	–	–	–	–	–	–	(15,874)
Disposals	–	–	(10,793)	(1,653)	(12,526)	(5,013)	(3,501)	–	–	(33,486)
Foreign exchange differences	(394)	–	(2,264)	(52)	(887)	(42)	(92)	(1,946)	(246)	(5,923)
Reclassifications	–	(5,538)	10,477	–	(10,477)	5,538	–	–	–	–
At December 31, 2025	17,330	1,632,569	810,809	23,838	461,781	193,944	118,780	398,084	122,283	3,779,418

APPENDIX I

ACCOUNTANTS’ REPORT

	Freehold land	Buildings and structures	Plant and machinery	Transportation equipment	Electronic equipment	Office equipment and others	Molds	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:										
At January 1, 2023	–	59,143	73,148	10,714	108,177	52,649	34,402	–	24,586	362,819
Charge for the year	–	13,601	41,923	2,476	39,628	19,510	11,654	–	16,073	144,865
Written back on disposals	–	–	(6,044)	(993)	(5,321)	(2,420)	(2,062)	–	–	(16,840)
Foreign exchange differences	–	–	35	2	82	37	–	–	11	167
At December 31, 2023	–	72,744	109,062	12,199	142,566	69,776	43,994	–	40,670	491,011
Charge for the year	–	21,661	52,418	2,655	60,023	24,450	14,346	–	19,396	194,949
Written back on disposals	–	–	(4,051)	(706)	(6,510)	(4,563)	(3,869)	–	–	(19,699)
Foreign exchange differences	–	–	43	4	21	(4)	–	–	24	88
At December 31, 2024	–	94,405	157,472	14,152	196,100	89,659	54,471	–	60,090	666,349
Charge for the year	–	36,727	60,814	2,872	83,086	28,948	16,026	–	18,964	247,437
Transfer to investment properties	–	(946)	–	–	–	–	–	–	–	(946)
Written back on disposals	–	–	(6,297)	(1,242)	(6,473)	(3,983)	(3,379)	–	–	(21,374)
Foreign exchange differences	–	–	(490)	(14)	(125)	(12)	(10)	–	(174)	(825)
Reclassifications	–	(2,017)	4,020	–	(4,020)	2,017	–	–	–	–
At December 31, 2025	–	128,169	215,519	15,768	268,568	116,629	67,108	–	78,880	890,641
Net book value:										
At December 31, 2023	17,463	686,027	382,864	6,900	111,982	42,916	34,744	524,065	43,912	1,850,873
At December 31, 2024	17,724	1,041,135	449,716	7,254	155,301	59,637	34,320	599,147	47,473	2,411,707
At December 31, 2025	17,330	1,504,400	595,290	8,070	193,213	77,315	51,672	398,084	43,403	2,888,777

As at December 31, 2023, 2024 and 2025, certain buildings in Chinese Mainland with a net book value of RMB12,314,000, RMB11,261,000 and RMB10,560,000 respectively have not yet been registered, and title deeds have not been obtained. The directors are of the opinion that the absence of formal title does not affect the value of the buildings, and the Group has the right to use and dispose of them.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	Buildings and structures	Plant and machinery	Transportation equipment	Electronic equipment	Office equipment and others	Molds	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At January 1, 2023	28,286	3,152	3,715	67,321	22,839	664	53,984	20,548	200,509
Additions	170	2,288	406	22,335	6,025	216	19,831	2,883	54,154
Transfer from construction in progress	–	375	–	3,451	–	–	(3,826)	–	–
Disposals	–	(111)	(380)	(1,592)	(319)	–	–	–	(2,402)
At December 31, 2023	28,456	5,704	3,741	91,515	28,545	880	69,989	23,431	252,261
Additions	–	1,456	298	26,089	5,274	2,116	26,384	4,735	66,352
Transfer from construction in progress	–	–	–	1,168	466	–	(1,634)	–	–
Disposals	(422)	(57)	(258)	(1,422)	(1,730)	(572)	–	–	(4,461)
At December 31, 2024	28,034	7,103	3,781	117,350	32,555	2,424	94,739	28,166	314,152
Additions	–	2,144	821	21,240	4,750	5,193	53,457	2,516	90,121
Transfer from construction in progress	–	103	–	–	–	–	(103)	–	–
Disposals	–	(135)	(659)	(849)	(585)	–	–	–	(2,228)
At December 31, 2025	28,034	9,215	3,943	137,741	36,720	7,617	148,093	30,682	402,045

Accumulated depreciation:

At January 1, 2023	8,005	1,260	3,082	41,933	15,217	633	–	11,462	81,592
Charge for the year	1,355	497	369	14,923	4,255	35	–	3,861	25,295
Written back on disposals	–	(35)	(356)	(1,235)	(297)	–	–	–	(1,923)
At December 31, 2023	9,360	1,722	3,095	55,621	19,175	668	–	15,323	104,964
Charge for the year	1,342	733	211	20,149	4,712	156	–	4,436	31,739
Written back on disposals	(77)	(25)	(229)	(1,351)	(937)	(256)	–	–	(2,875)
At December 31, 2024	10,625	2,430	3,077	74,419	22,950	568	–	19,759	133,828
Charge for the year	1,335	820	278	22,152	4,784	1,095	–	3,561	34,025
Written back on disposals	–	(26)	(360)	(749)	(524)	–	–	–	(1,659)
At December 31, 2025	11,960	3,224	2,995	95,822	27,210	1,663	–	23,320	166,194

Net book value:

At December 31, 2023	19,096	3,982	646	35,894	9,370	212	69,989	8,108	147,297
At December 31, 2024	17,409	4,673	704	42,931	9,605	1,856	94,739	8,407	180,324
At December 31, 2025	16,074	5,991	948	41,919	9,510	5,954	148,093	7,362	235,851

APPENDIX I

ACCOUNTANTS’ REPORT

13 RIGHT-OF-USE ASSETS

The Group:

	Land-use rights	Buildings	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost:			
At January 1, 2023	281,649	156,424	438,073
Additions	–	89,138	89,138
Disposals	–	(11,813)	(11,813)
At December 31, 2023	281,649	233,749	515,398
Additions	–	26,004	26,004
Disposals	–	(39,029)	(39,029)
At December 31, 2024	281,649	220,724	502,373
Additions	32,816	69,226	102,042
Disposals	–	(60,760)	(60,760)
At December 31, 2025	314,465	229,190	543,655
Accumulated depreciation:			
At January 1, 2023	28,066	51,246	79,312
Charge for the year	7,255	44,333	51,588
Disposals	–	(8,395)	(8,395)
At December 31, 2023	35,321	87,184	122,505
Charge for the year	7,255	53,310	60,565
Disposals	–	(24,726)	(24,726)
At December 31, 2024	42,576	115,768	158,344
Charge for the year	7,690	52,559	60,249
Disposals	–	(48,652)	(48,652)
At December 31, 2025	50,266	119,675	169,941
Net book value:			
At December 31, 2023	246,328	146,565	392,893
At December 31, 2024	239,073	104,956	344,029
At December 31, 2025	264,199	109,515	373,714

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s and the Company’s land-use rights on leasehold land are located in the Chinese Mainland. Depreciation is recognized in profit or loss on a straight-line basis over the respective periods of the land-use rights.

The Group leases other properties for periods ranging from 1 to 9 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

The analysis of expense items in relation to leases recognized in the Group’s profit or loss is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Depreciation charge of right-of-use assets	51,588	60,565	60,249
Interest on lease liabilities	6,832	5,683	5,109
Expense relating to short-term leases and leases of low-value items	5,752	4,359	5,333

Details of total cash flow for leases and the maturity analysis of lease liabilities are set out in note 25(e) and note 29 respectively.

The Company:

	Land-use rights	Buildings	Total
	RMB’000	RMB’000	RMB’000
Cost:			
At January 1, 2023	74,023	74,626	148,649
Additions	–	18,596	18,596
At December 31, 2023	74,023	93,222	167,245
Additions	–	3,844	3,844
Disposals	–	(16,028)	(16,028)
At December 31, 2024	74,023	81,038	155,061
Additions	–	5,214	5,214
Disposals	–	(700)	(700)
At December 31, 2025	74,023	85,552	159,575
Accumulated depreciation:			
At January 1, 2023	6,671	21,475	28,146
Charge for the year	2,582	13,829	16,411
At December 31, 2023	9,253	35,304	44,557
Charge for the year	2,582	17,859	20,441
Disposals	–	(6,220)	(6,220)
At December 31, 2024	11,835	46,943	58,778
Charge for the year	2,582	18,365	20,947
Disposals	–	(700)	(700)
At December 31, 2025	14,417	64,608	79,025
Net book value:			
At December 31, 2023	64,770	57,918	122,688
At December 31, 2024	62,188	34,095	96,283
At December 31, 2025	59,606	20,944	80,550

The Company leases other properties for periods ranging from 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

APPENDIX I

ACCOUNTANTS’ REPORT

14 INVESTMENT PROPERTIES

The Group:

	Buildings
	<i>RMB’000</i>
Cost:	
At January 1, 2023, December 31, 2023	93,796
Transfer from construction in progress	5,623
At December 31, 2024	99,419
Transfer from property, plant and equipment	14,928
Additions	3,041
At December 31, 2025	117,388

Accumulated depreciation:	
At January 1, 2023	10,282
Charge for the year	2,228
At December 31, 2023	12,510
Charge for the year	2,313
At December 31, 2024	14,823
Charge for the year	2,486
At December 31, 2025	17,309

Net book value:	
At December 31, 2023	81,286
At December 31, 2024	84,596
At December 31, 2025	100,079

The Group leases out investment property under operating leases. The leases typically run for an initial period of ranging from 3 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments usually reflect market rentals. None of the leases includes variable lease payments.

APPENDIX I

ACCOUNTANTS’ REPORT

- (a) Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	3,863	3,822	3,375
After 1 year but within 2 years	3,358	2,523	3,375
After 2 years but within 3 years	2,059	2,523	3,375
After 3 years but within 4 years	2,059	2,523	3,375
After 4 years but within 5 years	2,059	309	2,532
	<u>13,398</u>	<u>11,700</u>	<u>16,032</u>

- (b) Investment properties of the Group were stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses. Fair values of these investment properties are RMB82,000,000, RMB84,700,000 and RMB100,700,000 as at December 31, 2023, 2024 and 2025, respectively.

The Company:

	Buildings
	RMB'000
Cost:	
At January 1, 2023, December 31, 2023 , and December 31, 2024	37,779
Additions	<u>3,041</u>
At December 31, 2025	<u>40,820</u>
Accumulated depreciation:	
At January 1, 2023	9,047
Charge for the year	<u>897</u>
At December 31, 2023	9,944
Charge for the year	<u>897</u>
At December 31, 2024	10,841
Charge for the year	<u>899</u>
At December 31, 2025	<u>11,740</u>
Net book value:	
At December 31, 2023	<u>27,835</u>
At December 31, 2024	<u>26,938</u>
At December 31, 2025	<u>29,080</u>

APPENDIX I

ACCOUNTANTS’ REPORT

15 INTANGIBLE ASSETS

The Group:

	Software	Patents and non-patent technology	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2023	32,802	3,815	36,617
Additions	9,113	–	9,113
Disposals	(2,146)	–	(2,146)
At December 31, 2023	39,769	3,815	43,584
Additions	6,197	–	6,197
Disposals	(1,055)	–	(1,055)
At December 31, 2024	44,911	3,815	48,726
Additions	12,206	–	12,206
Disposals	(442)	(1,522)	(1,964)
At December 31, 2025	56,675	2,293	58,968
Accumulated amortization:			
At January 1, 2023	13,225	1,411	14,636
Charge for the year	4,567	373	4,940
Written back on disposals	(1,631)	–	(1,631)
At December 31, 2023	16,161	1,784	17,945
Charge for the year	3,762	490	4,252
Written back on disposals	(575)	–	(575)
At December 31, 2024	19,348	2,274	21,622
Charge for the year	5,109	314	5,423
Written back on disposals	(418)	(1,081)	(1,499)
At December 31, 2025	24,039	1,507	25,546
Net book value:			
At December 31, 2023	23,608	2,031	25,639
At December 31, 2024	25,563	1,541	27,104
At December 31, 2025	32,636	786	33,422

The amortization charge for the years ended December 31, 2023, 2024 and 2025 is included in selling and marketing expenses, administrative expenses, research and development expenses and cost of sales in the consolidated statements of profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	Software	Patents and non-patent technology	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost:			
At January 1, 2023	28,164	971	29,135
Additions	8,763	–	8,763
Disposals	(1,399)	–	(1,399)
At December 31, 2023	35,528	971	36,499
Additions	5,020	–	5,020
Disposals	(326)	–	(326)
At December 31, 2024	40,222	971	41,193
Additions	9,591	–	9,591
At December 31, 2025	49,813	971	50,784

Accumulated amortization:

At January 1, 2023	10,436	372	10,808
Charge for the year	3,544	97	3,641
Written back on disposals	(1,238)	–	(1,238)
At December 31, 2023	12,742	469	13,211
Charge for the year	3,701	97	3,798
Written back on disposals	(170)	–	(170)
At December 31, 2024	16,273	566	16,839
Charge for the year	4,642	97	4,739
At December 31, 2025	20,915	663	21,578

Net book value:

At December 31, 2023	22,786	502	23,288
At December 31, 2024	23,949	405	24,354
At December 31, 2025	28,898	308	29,206

APPENDIX I

ACCOUNTANTS’ REPORT

16 GOODWILL

RMB’000

Cost:

At January 1, 2023 and December 31, 2023	143,831
Liquidation of a subsidiary	(1,428)

At December 31, 2024 and 2025	142,403
-------------------------------	---------

Accumulated impairment losses:

At January 1, 2023	45,327
Impairment loss	25,039

At December 31, 2023	70,366
Impairment loss	11,624
Liquidation of a subsidiary	(1,428)

At December 31, 2024	80,562
Impairment loss	24,365

At December 31, 2025	104,927
----------------------	---------

Carrying amount:

At December 31, 2023	73,465
----------------------	--------

At December 31, 2024	61,841
----------------------	--------

At December 31, 2025	37,476
----------------------	--------

Goodwill arising on acquisitions is allocated to the Group’s CGUs for the purpose of impairment testing. The Group tests goodwill for impairment annually at the CGU level, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

APPENDIX I

ACCOUNTANTS’ REPORT

The carrying amount of goodwill allocated to each of the CGUs as at December 31, 2023, 2024 and 2025 are as below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Costs:			
Zhejiang IKAHE	15,711	15,711	15,711
Hangzhou Chenkong Intelligent Control Technology Co., Ltd. (“ Hangzhou Chenkong ”)	9,042	9,042	9,042
Suzhou Zhiwei Precision Dive Control Technology Co., Ltd. (“ Suzhou Zhiwei ”)	6,572	6,572	6,572
Guangdong Megmeet Electrical Technology Co., Ltd. (“ Guangdong Megmeet ”)	9,594	9,594	9,594
Guangdong Tianjin Electronic Technology Co., Ltd. and its subsidiaries (“ Guangdong Tianjin ”)	61,028	61,028	61,028
Shenzhen Megmeet Energy Technology Co., Ltd. (“ Shenzhen Megmeet Energy ”)	7,632	7,632	7,632
Hangzhou Flowtric Technology Co., Ltd. (“ Hangzhou Flowtric ”)	14,834	14,834	14,834
Wolgi International Technology Development (Shenzhen) Co., Ltd. (“ Wolgi International ”)	16,990	16,990	16,990
Beijing Laite Weineng Technology Co., Ltd. (“ Beijing Laite ”)	1,428	–	–
Guangdong Lizwire Electrical Co., Ltd. (“ Guangdong Lizwire ”)	1,000	1,000	1,000
Accumulated impairment losses:			
Suzhou Zhiwei	(1,156)	(1,156)	(1,156)
Guangdong Megmeet	(2,287)	(2,287)	(2,287)
Shenzhen Megmeet Energy	(7,632)	(7,632)	(7,632)
Guangdong Tianjin	(25,039)	(36,663)	(61,028)
Hangzhou Flowtric	(14,834)	(14,834)	(14,834)
Wolgi International	(16,990)	(16,990)	(16,990)
Beijing Laite	(1,428)	–	–
Guangdong Lizwire	(1,000)	(1,000)	(1,000)
	<u>73,465</u>	<u>61,841</u>	<u>37,476</u>

Impairment tests for CGU containing goodwill

Management performed impairment testing on goodwill as at December 31, 2023, 2024 and 2025 according to IAS 36 “Impairment of assets”. The recoverable amounts of CGUs are determined based on the value in use (“VIU”) calculation by the directors of the Company with the assistance of an independent valuer.

For the purposes of impairment review, the recoverable amounts of the respective CGUs are determined based on the value-in-use (“VIU”) calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year forecast period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 0%. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry, the CGUs themselves and macro-environment of the relevant region.

APPENDIX I

ACCOUNTANTS’ REPORT

Impairment tests for CGU containing goodwill

Key assumptions for the significant amount of goodwill are set out as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Annual growth rate of revenue			
– Zhejiang IKAHE	13.78%-42.14%	13.78-42.14%	4.54%-8.95%
– Hangzhou Chenkong	5.56%-22.25%	5.56%-20.22%	9.79%-10.00%
– Suzhou Zhiwei	25.46%-160.66%	6.38%-41.33%	10.94%-54.92%
– Guangdong Megmeet	3.09%-319.59%	5.23%-101.71%	2.19%-9.73%
– Guangdong Tianjin	6.92%-87.57%	6.39%-42.66%	11.26%-28.81%
Gross profit margin			
– Zhejiang IKAHE	20.22%-21.99%	19.50%-20.65%	12.21%-12.73%
– Hangzhou Chenkong	28.00%-29.00%	28.00%-29.00%	27.00%-29.00%
– Suzhou Zhiwei	19.82%-22.32%	18.56%-21.83%	21.45%-22.79%
– Guangdong Megmeet	18.53%-19.04%	17.51%-38.57%	28.64%-35.60%
– Guangdong Tianjin	14.84%-16.96%	10.41%-18.10%	7.51%-16.69%
Pre-tax discount rate			
– Zhejiang IKAHE	14.61%	12.32%	10.30%
– Hangzhou Chenkong	12.20%	11.10%	12.20%
– Suzhou Zhiwei	12.80%	11.40%	13.10%
– Guangdong Megmeet	13.90%	12.10%	12.00%
– Guangdong Tianjin	13.20%	14.40%	14.30%

In the year ended December 31, 2023, 2024 and 2025, management reassessed the key assumptions for impairment testing of goodwill of certain CGUs and considered that the revenue growth rate and profit margin were less than expected. Based on the results of impairment testing for CGUs containing goodwill, the carrying amount of certain CGUs were determined to be higher than their recoverable amount of RMB 25,039,000, RMB11,624,000 and RMB24,365,000 in year ended December 31, 2023, 2024 and 2025 respectively and impairment losses of the same amount were recognized in profit or loss during track record period.

Details of the headroom calculated based on the recoverable amounts deducting the carrying amount of and goodwill allocated for each CGU as at December 31, 2023, 2024 and 2025 are set out as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Zhejiang IKAHE	595,732	322,281	318,757
Hangzhou Chenkong	114,181	106,663	108,408
Suzhou Zhiwei	188	490	19,372
Guangdong Megmeet	443	9,024	14,360
	<u>710,544</u>	<u>438,458</u>	<u>460,897</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate, gross margin rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively:

	Year ended December 31,		
	2023	2024	2025
Annual growth rate of revenue			
–Zhejiang IKAHE	-67.22%	-47.87%	-58.84%
–Hangzhou Chenkong	-75.00%	-61.27%	-62.17%
–Suzhou Zhiwei	-0.48%	-1.04%	-21.17%
–Guangdong Megmeet	-1.62%	-15.75%	-21.38%
Gross profit margin			
–Zhejiang IKAHE	-5.28%	-3.86%	-2.62%
–Hangzhou Chenkong	-7.50%	-6.32%	-6.17%
–Suzhou Zhiwei	-0.02%	-0.05%	-1.14%
–Guangdong Megmeet	-0.14%	-1.29%	-2.92%
Pre-tax discount rate			
–Zhejiang IKAHE	22.98%	11.24%	15.46%
–Hangzhou Chenkong	20.23%	13.76%	14.75%
–Suzhou Zhiwei	0.03%	0.07%	1.53%
–Guangdong Megmeet	0.14%	1.97%	3.25%

Except for Suzhou Zhiwei and Guangdong Megmeet, the directors of the Company are of the view that a reasonably possible change in a key parameter will not cause the carrying amount of the relevant CGUs to exceed the respective recoverable amounts as at December 31, 2023, 2024 and 2025.

17 FINANCIAL ASSETS MEASURED AT FVPL

The Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current			
Unlisted equity securities (i)	850,778	903,749	1,063,470
Current			
Listed equity securities	30,898	44	–
Wealth management products (ii)	706,453	179,831	815,790
	<u>737,351</u>	<u>179,875</u>	<u>815,790</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current			
Unlisted equity securities (i)	850,578	903,549	1,063,270
Current			
Listed equity securities	30,898	44	–
Wealth management products (ii)	146,511	48,409	754,830
	177,409	48,453	754,830

The analysis on the fair value measurement of the above financial asset is allowed in note 34(e).

Notes:

- (i) The unlisted equity securities measured at FVPL represent investments in unlisted equity interest of private companies incorporated in Chinese Mainland.
- (ii) Wealth management products were issued by banks with variable investment income and can be redeemed on demand or in the short-term.

18 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company listed below:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of investments in subsidiaries	3,315,886	4,188,633	4,957,095
Less: Impairment loss	(31,988)	(31,988)	(31,988)
	3,283,898	4,156,645	4,925,107

The particulars of the principal subsidiaries of the Group are set out in note 1.

APPENDIX I

ACCOUNTANTS’ REPORT

19 INTERESTS IN ASSOCIATES

All of the associates are unlisted corporate entities whose quoted market price is not available.

All the associates are accounted for using the equity method in Historical Financial Information. The following list contains particulars of associates of the Group:

Name of associate	Place of incorporation and business	Effective interest held by the Group			Principal activities
		As at 31 December	As at 31 December	As at 31 December	
		2023	2024	2025	
Guangdong Guoyan New Materials Co., Ltd. (“New Material”) (a) (b)	Chinese Mainland	22.72%	30.72%	30.72%	Manufacturing, research and development, and sales of products
Yingxue Automotive Technology (Changshu) Co., Ltd. (“Changshu Yingxue”) (a) (c)	Chinese Mainland	31.60%	30.77%	38.77%	Manufacturing, research and development, and sales of products
Chongqing Senyate New Energy Technology Development Co., Ltd (“Chongqing Senyate”) (a) (d)	Chinese Mainland	13.00%	23.28%	23.28%	Manufacturing, research and development, and sales of products
Longquan Xiazhi Thermal Management System Co., Ltd. (“Longquan Xiazhi”) (a) (e)	Chinese Mainland	N/A	N/A	15.69%	Manufacturing, research and development, and sales of products

Notes:

- (a) These Chinese Mainland entities are limited liability companies. The English translation of these companies’ name is for reference only. The official name of these companies is in Chinese.
- (b) During the year ended 31 December 2024, the Group made a capital contribution of RMB18,400,000 to New Material. Upon completion of the contribution, the Group’s equity interest in New Material increased to 30.72%.
- (c) During the year ended 31 December 2023, the Group made a capital contribution of RMB30,000,000 to Changshu Yingxue. Upon completion of the contribution, the Group’s equity interest in Changshu Yingxue increased to 31.60%. During the year ended 31 December 2025, the Group made a capital contribution of RMB20,800,000 to Changshu Yingxue. Upon completion of the contribution, the Group’s equity interest in Changshu Yingxue increased to 38.77%.
- (d) During the year ended 31 December 2024, the Group made a capital contribution of RMB10,000,000 to Chongqing Senyate. Upon completion of the contribution, the Group’s equity interest in Chongqing Senyate increased to 23.28%, and the investment is classified as an associate, accounted for using the equity method.

APPENDIX I

ACCOUNTANTS’ REPORT

- (e) During the year ended 31 December 2025, the Group made a capital contribution of RMB80,000,000 to Longquan Xiazhi. Upon completion of the contribution, the Group acquired 15.69% equity interest in Longquan Xiazhi. One of the five members of the board of directors of Longquan Xiazhi is a representative of the Group, therefore the Group is able to exercise significant influence over Longquan Xiazhi and accounts for Longquan Xiazhi as an associate.

Aggregate information of the associates that are not individually material is disclosed below:

The Group and the Company:

	As at December 31,/year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	181,732	211,924	297,811
Aggregate amounts of the group’s share of those associates’			
(Loss)/profit from operations	(1,785)	(7,072)	960
Other comprehensive income	—	—	—
Total comprehensive income	(1,785)	(7,072)	960

20 INVENTORIES AND OTHER CONTRACT COSTS

- (a) Inventories and other contract costs in the statements of financial position comprises:

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	1,000,073	1,267,756	1,459,693
Finished goods	500,610	649,662	741,547
Work in progress	305,630	307,981	409,309
Goods in transit	165,260	276,151	286,935
	1,971,573	2,501,550	2,897,484
Less: write-down of inventories	(54,503)	(86,447)	(124,118)
	1,917,070	2,415,103	2,773,366
Other contract costs	601	897	1,349
	1,917,671	2,416,000	2,774,715

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	156,317	163,172	376,558
Goods in transit	90,019	187,928	236,121
Finished goods	73,880	98,212	212,651
Work in progress	41,270	50,379	102,050
	361,486	499,691	927,380
Less: write-down of inventories	(7,800)	(11,056)	(46,484)
	353,686	488,635	880,896
Other contract costs	305	438	709
	353,991	489,073	881,605

Other contract costs represented the capitalized costs to fulfil the sales contracts with customers. The other contract costs are recognized as cost of sales in the consolidated statements of profit or loss in the period in which related revenue is recognized.

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

The Group:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold (note7(c))	4,988,584	5,971,419	7,135,744
Carrying amount of inventories recognized as expense	102,587	121,589	156,237
Write-down of inventories	10,583	31,944	42,202
	5,101,754	6,124,952	7,334,183

APPENDIX I

ACCOUNTANTS’ REPORT

21 TRADE AND BILLS RECEIVABLES/DEBT INSTRUMENTS MEASURED AT FVOCI

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
– Third parties	2,234,070	2,603,412	2,881,528
– Related parties	37,669	27,566	91,305
Less: loss allowance	(42,604)	(54,748)	(62,012)
	2,229,135	2,576,230	2,910,821
Bills receivable	112,764	156,948	33,568
Less: loss allowance	(1,128)	(1,569)	(336)
	111,636	155,379	33,232
	2,340,771	2,731,609	2,944,053
Debt instruments measured at FVOCI (notes (ii)(iii))	352,826	231,371	322,161

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
– Third parties	735,027	947,186	1,240,902
– Related parties	3,378	19,927	71,463
– Subsidiaries	60,160	130,820	335,633
Less: loss allowance	(10,705)	(15,697)	(19,721)
	787,860	1,082,236	1,628,277
Bills receivable	81,225	134,239	12,552
Less: loss allowance	(558)	(107)	(43)
	80,667	134,132	12,509
	868,527	1,216,368	1,640,786
Debt instruments measured at FVOCI (note (ii))	110,537	142,587	191,003

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Trade and bills receivables are expected to be recovered within one year.
- (ii) Debt instruments measured at FVOCI are bill receivables issued by certain creditworthy banks and digital trade receivable certificates without recourse, which are considered to be held within a business model whose objective is achieved by both selling and collecting contractual cash flows. The bills receivable are principally bank accepted bills with maturity of less than one year.
- (iii) As at December 31, 2023, 2024 and 2025, bill receivables endorsed or discounted but not matured under debt instruments measured at FVOCI amounting to RMB1,271,941,000, RMB1,398,075,000 and RMB1,631,183,000 were derecognized. In accordance with the relevant laws in the Chinese Mainland, the holders of these bill receivables have a right of recourse against the Group if the issuing banks default on payment. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of the ownership relating to these bill receivables, and accordingly derecognized the full carrying amounts of the bill receivables. The maximum exposure to loss for the Group’s continuing involvement, if any, in the endorsed and discounted bill receivables will be their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s continuing involvement in the derecognized bill receivables are minimal.
- (iv) As at December 31, 2023, 2024 and 2025, the loss allowance with respect of the Group’s trade receivables due from related parties amounted of RMB1,502,000, RMB4,047,000 and RMB11,295,000, respectively.

Ageing analysis

As of the end of each reporting period, the ageing analysis of the trade and bills receivables, based on the invoice date, is as follows:

The Group:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	2,330,453	2,714,967	2,934,943
Over 1 year and within 2 years	37,752	43,228	34,896
Over 2 years and within 3 years	2,356	18,218	13,117
Over 3 years	13,942	11,513	23,445
	2,384,503	2,787,926	3,006,401
Less: loss allowance	(43,732)	(56,317)	(62,348)
	2,340,771	2,731,609	2,944,053

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	870,742	1,206,526	1,631,171
Over 1 year and within 2 years	5,856	21,549	21,473
Over 2 years and within 3 years	410	3,219	4,866
Over 3 years	2,782	878	3,040
	879,790	1,232,172	1,660,550
Less: loss allowance	(11,263)	(15,804)	(19,764)
	868,527	1,216,368	1,640,786

Further details on the Group’s credit policy and credit risk arising from trade and bills receivables are set out in note 34(a).

22 PREPAYMENTS AND OTHER RECEIVABLES

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Other receivables – Third parties	12,729	13,961	12,549
Less: loss allowance	(636)	(698)	(614)
	12,093	13,263	11,935
VAT recoverable	69,132	112,796	156,466
Prepayments for goods	69,288	52,688	84,885
Deposits, net of allowance	14,682	13,488	15,412
Current tax assets	4,942	11,215	12,765
Others	3,116	2,385	5,275
	173,253	205,835	286,738
Non-current			
Prepayment for purchase of property, plant and equipment and right-of-use assets	101,059	70,242	217,524

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Other receivables			
– Third parties	3,929	4,335	3,249
– Subsidiaries	1,258,077	913,839	941,806
Less: loss allowance	(196)	(217)	(149)
	1,261,810	917,957	944,906
Prepayments for goods	22,990	14,854	11,953
VAT recoverable	24,086	–	24,652
Deposits, net of allowance	6,277	5,178	4,909
Current tax assets	3,192	–	317
Others	1,407	–	806
	<u>1,319,762</u>	<u>937,989</u>	<u>987,543</u>
Non-current			
Prepayment for purchase of property, plant and equipment and right-of-use assets	<u>9,198</u>	<u>6,476</u>	<u>15,577</u>

Current portion of the prepayments and other receivables are expected to be recovered or recognized as expenses within one year.

23 DEPOSIT CERTIFICATES

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposit certificates (<i>Note</i>)	<u>321,001</u>	<u>594,991</u>	<u>248,719</u>
Analysed into:			
Current	–	353,467	227,731
Non-current	<u>321,001</u>	<u>241,524</u>	<u>20,988</u>
	<u>321,001</u>	<u>594,991</u>	<u>248,719</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposit certificates (<i>Note</i>)	184,043	312,797	237,953
Analysed into:			
Current	–	81,729	216,965
Non-current	184,043	231,068	20,988
	184,043	312,797	237,953

Note:

As at December 31, 2023, 2024 and 2025, the balance represents deposit certificates purchased from creditworthy licensed banks in Chinese Mainland earning interest at a fixed rate of 3.00% to 3.51%, 1.35% to 3.51% and 2.95% to 3.40% per annum, respectively, with an original maturity period of 17 to 37 months, 3 to 37 months, and 23 to 37 months, respectively. The deposit certificates are redeemable, and the contractual terms of the time deposits give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are held within a business model with the objective to hold in order to collect contractual cash flows. For such purpose, the certificate of deposits are accounted for as financial assets measured at amortized cost.

24 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets arising from sale of industrial products	27,786	28,348	47,507
Less: loss allowance	(4,103)	(5,356)	(6,007)
	23,683	22,992	41,500

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets arising from sale of industrial products	7,900	9,761	24,237
Less: loss allowance	(896)	(1,662)	(2,273)
	7,004	8,099	21,964

APPENDIX I

ACCOUNTANTS’ REPORT

In accordance with the sales contracts, the domestic customers generally retain 5% to 10% of the total contract consideration as the retention money until expiry of the warranty period. The retention money is recorded as contract assets before the Group and the Company are unconditionally entitled.

(b) Contract liabilities

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Receipts in advance	53,807	64,809	92,978

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Receipts in advance	52,225	43,361	56,817

Generally, the Group requests customers to pay a portion of the contract amount as down payments, majority of the contract liabilities are expected to be transferred to revenue within one year.

Movement of contract liabilities are as follows:

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	49,947	53,807	64,809
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(49,947)	(53,807)	(64,809)
Increase in contract liabilities as a result of billing in advance of sales activities	53,807	64,809	92,978
Balance at the end of the year	53,807	64,809	92,978

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	20,272	52,225	43,361
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(20,272)	(52,225)	(43,361)
Increase in contract liabilities as a result of billing in advance of sales activities	52,225	43,361	56,817
Balance at the end of the year	52,225	43,361	56,817

25 CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	595,508	1,301,255	832,450
Less: restricted bank deposits	(752)	(201)	(3,670)
Cash and cash equivalents in the consolidated cash flow statements	594,756	1,301,054	828,780

As at December 31, 2023, 2024 and 2025, cash that is placed with banks in Chinese Mainland amounted to RMB445,646,000, RMB1,066,649,000 and RMB512,041,000 respectively. Remittance of funds out of Chinese Mainland is subject to the relevant rules and regulations of foreign exchange control.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	143,458	725,953	438,721
Less: restricted bank deposits	–	–	(2,917)
Cash and cash equivalents in the statements of financial position of the Company	143,458	725,953	435,804

(b) Restricted bank deposits

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Frozen cash due to litigations	–	–	3,161
Guarantee deposits for bank acceptances	751	200	500
Other restricted deposits	1	1	9
	752	201	3,670

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Frozen cash due to litigations	–	–	2,917

APPENDIX I

ACCOUNTANTS’ REPORT

(c) **Reconciliation of profit before taxation to cash generated from/(used in) operations:**

	<i>Note</i>	Year ended December 31,		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation		636,912	453,868	219,815
Adjustments for:				
Depreciation charge and amortization	7(c)	203,621	262,079	315,595
Impairment losses on receivables and contract assets	6	12,848	16,306	17,836
Write-down of inventories	20(b)	10,583	31,944	42,202
Net (gain)/loss on financial assets measured at FVPL – equity securities	5	(276,190)	15,347	(86,327)
Net loss/(gain) on financial assets measured at FVPL – wealth management products	5	558	(7,823)	(5,264)
Share of losses/(profits) of associates	19	1,785	7,072	(960)
(Gain)/loss on disposal of an associate	5	–	(2,241)	68
Finance costs	7(a)	36,328	51,244	32,881
Finance income		(6,780)	(12,748)	(10,663)
Loss on disposal of property, plant and equipment and right-of-use assets	5	935	1,533	8,006
Dividend income from financial assets measured at FVPL – equity securities	5	(1,559)	(1,257)	(233)
Gain from business acquisition costs adjustment	5	–	(20,393)	–
Impairment losses on goodwill	16	25,039	11,624	24,365
Impairment losses on investment in an associate		–	–	2,159
Equity-settled share-based payment expenses	7(b)	34,614	24,417	25,702
Changes in working capital:				
Increase in inventories and other contract costs		(17,264)	(530,274)	(400,917)
Increase in trade and bills receivables/Debt instruments measured at FVOCI		(909,853)	(649,833)	(751,013)
Increase in prepayments and other receivables		(11,538)	(31,732)	(84,028)
Increase in contract assets		(6,279)	(563)	(19,159)
(Increase)/decrease in restricted cash		(751)	550	(3,469)
Increase in trade and bills payables		502,452	449,735	617,134
Increase/(decrease) in accruals and other payables		109,686	105,010	(40,208)
Increase in contract liabilities		3,860	11,002	28,169
(Decrease)/increase in deferred income		(7,402)	8,996	18,446
Cash generated from/(used in) operations		341,605	193,863	(49,863)

APPENDIX I

ACCOUNTANTS’ REPORT

(d) **Reconciliation of liabilities arising from financing activities:**

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

	Bank loans and other borrowings(excluding convertible corporate bonds)	Convertible corporate bonds	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(note 28)</i>	<i>(note 28)</i>	<i>(note 29)</i>	
Balance at January 1, 2023	397,369	1,027,486	98,716	1,523,571
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	808,766	–	–	808,766
Repayment of bank loans and other borrowings	(693,750)	–	–	(693,750)
Interest paid	(10,127)	(3,660)	–	(13,787)
Capital element of lease rentals paid	–	–	(37,796)	(37,796)
Interest element of lease rentals paid	–	–	(6,832)	(6,832)
Total changes from financing cash flows	104,889	(3,660)	(44,628)	56,601
Other changes:				
Interest expenses	9,332	68,333	6,832	84,497
Interest paid classified as investing cash flows	–	(31,266)	–	(31,266)
Interest capitalized (note 7(a))	–	31,266	–	31,266
Derecognition of matured bank acceptance bills	(7,061)	–	–	(7,061)
Increase in lease liabilities from entering into new leases during the year	–	–	89,138	89,138
Disposals of right-of-use assets	–	–	(2,334)	(2,334)
Converted to shares	–	(63)	–	(63)
Exchange adjustments	–	–	(2)	(2)
Total other changes	2,271	68,270	93,634	164,175
Balance at December 31, 2023	504,529	1,092,096	147,722	1,744,347

APPENDIX I

ACCOUNTANTS’ REPORT

	Bank loans and other borrowings	Convertible corporate bonds	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 28)</i>	<i>(note 28)</i>	<i>(note 29)</i>	
Balance at January 1, 2024	504,529	1,092,096	147,722	1,744,347
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	1,781,471	–	–	1,781,471
Repayment of bank loans and other borrowings	(910,230)	(1,435)	–	(911,665)
Interest paid	(28,086)	(6,565)	–	(34,651)
Capital element of lease rentals paid	–	–	(49,159)	(49,159)
Interest element of lease rentals paid	–	–	(5,683)	(5,683)
Total changes from financing cash flows	843,155	(8,000)	(54,842)	780,313
Other changes:				
Interest expenses	28,040	59,761	5,683	93,484
Interest paid classified as investing cash flows	–	(32,407)	–	(32,407)
Interest capitalized (<i>note 7(a)</i>)	–	32,407	–	32,407
Derecognition of matured bank acceptance bills	(19,638)	–	–	(19,638)
Increase in lease liabilities from entering into new leases during the year	–	–	26,004	26,004
Disposals of right-of-use assets	–	–	(15,695)	(15,695)
Converted to shares	–	(1,143,937)	–	(1,143,937)
Redemption of convertible corporate bonds	–	80	–	80
Exchange adjustments	–	–	295	295
Total other changes	8,402	(1,084,096)	16,287	(1,059,407)
Balance at December 31, 2024	1,356,086	–	109,167	1,465,253

APPENDIX I

ACCOUNTANTS’ REPORT

	Bank loans and other borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(note 28)</i>	<i>(note 29)</i>	
Balance at January 1, 2025	1,356,086	109,167	1,465,253
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	2,374,061	–	2,374,061
Repayment of bank loans and other borrowings	(1,804,600)	–	(1,804,600)
Interest paid	(28,299)	–	(28,299)
Capital element of lease rentals paid	–	(48,446)	(48,446)
Interest element of lease rentals paid	–	(5,109)	(5,109)
Total changes from financing cash flows	541,162	(53,555)	487,607
Other changes:			
Interest expenses	27,772	5,109	32,881
Derecognition of matured bank acceptance bills	(5,000)	–	(5,000)
Increase in lease liabilities from entering into new leases during the year	–	69,226	69,226
Disposals of right-of-use assets	–	(12,880)	(12,880)
Exchange adjustments	2,062	1,029	3,091
Total other changes	24,834	62,484	87,318
Balance at December 31, 2025	1,922,082	118,096	2,040,178

(e) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprises the following, which are related to lease rentals paid:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within operating cash flows	5,752	4,359	5,333
Within investing cash flows	32,816	–	–
Within financing cash flows	44,628	54,842	53,555
	83,196	59,201	58,888

APPENDIX I

ACCOUNTANTS’ REPORT

(f) Disposal of a subsidiary

During the year ended December 31, 2024, the Group disposed its 100% equity interests in its subsidiary, MEGMEET SWEDEN AB. to a third party at a cash consideration of USD23,000 (equivalent to RMB164,000) which was settled during the year. Upon completion of this transaction, the entity ceased to be a subsidiary of the Group.

	<i>RMB’000</i>
Current assets	411
Net assets attributable to the Group disposed of	411
Total consideration	164
Cash and cash equivalents disposed of	(136)
Net cash outflow	28

(g) Non-cash transactions

For the year ended December 31, 2023, 2024 and 2025, the Group used trade and bills receivables from customers amounting to RMB 426,230,000, RMB345,082,000 and RMB230,365,000 respectively, to settle its payables for purchase of property, plant and equipment and investment properties.

26 TRADE AND BILLS PAYABLES

The Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables			
– Third parties	2,203,676	2,833,742	3,262,015
– Related parties	6,065	7,595	5,333
Bills payable	1,063,016	880,796	1,146,688
	3,272,757	3,722,133	4,414,036

The Company:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables			
– Third parties	346,078	502,558	395,145
– Subsidiaries	287,239	492,058	423,337
– Related parties	1,958	1,857	264
Bills payable	971,686	916,538	863,000
	1,606,961	1,913,011	1,681,746

All trade and bills payables are expected to be settled within one year or are repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

As of the end of each reporting period, the ageing analysis of trade and bills payables based on the invoice date, is as follows:

The Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	3,257,849	3,695,136	4,377,906
Over 1 year but within 2 years	11,119	20,060	30,188
Over 2 years but within 3 years	2,802	4,973	3,363
Over 3 years	987	1,964	2,579
	<u>3,272,757</u>	<u>3,722,133</u>	<u>4,414,036</u>

The Company:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,606,265	1,912,700	1,681,004
Over 1 year but within 2 years	9	202	700
Over 2 years but within 3 years	74	1	42
Over 3 years	613	108	–
	<u>1,606,961</u>	<u>1,913,011</u>	<u>1,681,746</u>

APPENDIX I

ACCOUNTANTS’ REPORT

27 ACCRUED EXPENSES AND OTHER PAYABLES

The Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Liabilities not derecognized by bill endorsement	34,444	130,158	30,725
Liabilities not derecognized by receivables			
certificate with resource	20,907	16,546	30,288
Accrued charges and others	22,631	26,354	42,397
Deposits	9,147	9,394	11,589
Accrued payroll and other benefits	234,905	288,144	289,168
Other taxes payables	93,370	33,802	38,671
Consideration payable	6,172	1,907	–
Dividends payable	–	6,880	–
Receipts on unvested shares granted	–	–	69,998
Output VAT to be recognized	3,036	3,346	3,227
	<u>424,612</u>	<u>516,531</u>	<u>516,063</u>
Non-current			
Other payables	<u>15,090</u>	<u>33,152</u>	<u>56,528</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Amounts due to subsidiaries	107,223	687,998	1,968,130
Liabilities not derecognized by bill endorsement	25,538	128,053	11,861
Liabilities not derecognized by receivables certificate with resource	30,261	15,668	27,604
Accrued charges and others	3,560	5,086	10,270
Deposits	699	188	1,476
Accrued payroll and other benefits	101,199	123,340	94,349
Other taxes payables	2,246	7,682	2,815
Receipts on unvested shares granted	–	–	69,998
Output VAT to be recognized	3,781	1,604	1,612
	<u>274,507</u>	<u>969,619</u>	<u>2,188,115</u>
Non-current			
Other payables	<u>5,652</u>	<u>8,227</u>	<u>10,298</u>

Accrued expenses and other payables are interest-free and unsecured. All of those payables is expected to be settled within one year or repayable on demand or according to contract terms.

28 BANK LOANS AND OTHER BORROWINGS

(a) The analysis of the repayment schedule of bank loans and other borrowings is as follows:

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	343,865	1,112,786	993,478
After 1 year but within 2 years	18,000	145,500	113,316
After 2 years but within 5 years	1,234,760	97,800	815,288
	<u>1,596,625</u>	<u>1,356,086</u>	<u>1,922,082</u>

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	49,496	310,761	161,773
After 1 year but within 2 years	18,000	145,500	113,316
After 2 years but within 5 years	1,234,760	97,800	815,288
	<u>1,302,256</u>	<u>554,061</u>	<u>1,090,377</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) The analysis of category of bank loans and other borrowings is as follows:

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unsecured and unguaranteed short-term bank loans	125,073	319,000	138,705
Secured short-term bank loans (note (i))	1,050	40,000	–
Bank borrowings secured by bills receivable and letter of credit (note (ii))	198,268	735,000	693,000
Current portion of unsecured and unguaranteed long-term bank loans	18,138	18,786	161,773
Current portion of convertible corporate bonds (note(c))	1,336	–	–
	<u>343,865</u>	<u>1,112,786</u>	<u>993,478</u>
Non-current			
Unsecured and unguaranteed bank loans	162,000	243,300	928,604
Convertible corporate bonds (note(c))	1,090,760	–	–
	<u>1,252,760</u>	<u>243,300</u>	<u>928,604</u>

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Unsecured and unguaranteed short-term bank loans	30,022	291,975	–
Current portion of unsecured and unguaranteed long-term bank loans	18,138	18,786	161,773
Current portion of convertible corporate bonds	1,336	–	–
	<u>49,496</u>	<u>310,761</u>	<u>161,773</u>
Non-current			
Unsecured and unguaranteed bank loans	162,000	243,300	928,604
Convertible corporate bonds (note (c))	1,090,760	–	–
	<u>1,252,760</u>	<u>243,300</u>	<u>928,604</u>

Notes:

- (i) As at December 31, 2023, bank loans of RMB1,050,000 was secured by the pledge of revenue entitlement under Intelligent Equipment contract with amount of RMB7,424,000. As at December 31, 2024, other borrowings of RMB40,000,000 was secured by the pledge of certain self-developed patents.

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) The Group obtained these bank borrowings by discounting certain bills receivable and letter of credit.
- (iii) As at December 31, 2023, 2024 and 2025, bills receivable and letter of credit held by subsidiaries of the Company with a carrying amount of RMB188,000,000, RMB730,000,000 and RMB693,000,000 were issued by entities within the Group. These intra-group bills receivable and letter of credit were discounted with banks by such subsidiaries to obtain short-term financing. These bills receivable and letter of credit were eliminated in full on consolidation. The Group has retained substantially all the risks and rewards, including default risk, associated with these intra-group bills. Accordingly, the Group recognized the cash received on the transfer of the bills receivable and letter of credit as bank loans.

(c) Convertible corporate bonds

As approved by the relevant regulatory authorities in the PRC, the Company made a public offering of RMB1,220,000,000 A-share convertible corporate bonds on October 13, 2022. The convertible corporate bonds have a term of six years from October 13, 2022 to October 12, 2028, at coupon rates of 0.3% per annum for the first year, 0.5% per annum for the second year, 1.0% per annum for the third year, 1.5% per annum for the fourth year, 2.0% per annum for the fifth year and 2.5% per annum for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day six months after the completion date of the offering (April 19, 2023) and ends on the maturity date (October 12, 2028).

In accordance with formulas set out in the document of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB30.99 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the 2022 and 2023 annual cash dividend was declared and paid, the conversion price of the convertible corporate bonds was adjusted to RMB30.94 and RMB30.58 per share respectively.

These convertible corporate bonds are subject to conditional redemptions. During the conversion period, if the closing price of the Company’s A-shares is not less than 130% (inclusive) of the current conversion price for at least fifteen trading days in any thirty consecutive trading days, or if the outstanding balance of the unconvertible bonds is less than RMB30,000,000, the Board of Directors of the Company has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus accrued interest. In addition, during the last two interest-bearing years of the convertible corporate bonds, if the closing price of the Company’s A-shares is lower than 70% of the current conversion price for any thirty consecutive trading days, the bondholders have the right to sell all or part of their convertible corporate bonds back to the Company at their par value plus accrued interest.

	Liability	Equity	Total
	RMB'000	RMB'000	RMB'000
Issued nominal value of convertible corporate bonds	1,018,650	201,350	1,220,000
Direct issuance expenses	(5,596)	(1,106)	(6,702)
Balance at the issuance date	1,013,054	200,244	1,213,298
At January 1, 2023	1,027,486	200,244	1,227,730
Amortization	68,333	–	68,333
Interest paid	(3,660)	–	(3,660)
Amount of bond converted	(63)	(12)	(75)
At December 31, 2023	1,092,096	200,232	1,292,328
Amortization	59,761	–	59,761
Payment of interest payables	(6,565)	–	(6,565)
Amount of bond converted	(1,143,937)	(199,995)	(1,343,932)
Amount of bond redeemed	(1,355)	(237)	(1,592)
At December 31, 2024	–	–	–

During the year ended December 31, 2023, convertible corporate bonds of RMB72,600 in par value were converted to 2,331 A-shares. During the year ended December 31, 2024, convertible corporate bonds of RMB1,218,493,000 in par value were converted to 39,843,778 A-shares.

APPENDIX I

ACCOUNTANTS’ REPORT

29 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	48,004	43,347	45,489
After 1 year but within 2 years	35,996	35,238	29,543
After 2 years but within 5 years	63,722	30,582	43,064
	99,718	65,820	72,607
	147,722	109,167	118,096

The Company:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	14,570	15,386	14,173
After 1 year but within 2 years	15,365	11,417	7,364
After 2 years but within 5 years	22,671	4,847	240
	38,036	16,264	7,604
	52,606	31,650	21,777

APPENDIX I

ACCOUNTANTS’ REPORT

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

The Group:

	Years ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year	5,712	33,774	33,152
Provision for current year	64,283	63,733	43,895
(Over)/under-provision in respect of prior years	(3,040)	(6,661)	32,617
Income tax paid	(31,675)	(56,169)	(89,468)
Current tax deduction	(1,506)	(1,525)	(1,289)
At the end of the year	<u>33,774</u>	<u>33,152</u>	<u>18,907</u>
Current taxation in the statements of financial position represents:			
Current tax assets (<i>note 22</i>)	(4,942)	(11,215)	(12,765)
Current taxation	<u>38,716</u>	<u>44,367</u>	<u>31,672</u>
	<u>33,774</u>	<u>33,152</u>	<u>18,907</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Deferred tax assets and liabilities recognized:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets and liabilities recognized in the statements of financial position and the movements during the year are as follows:

The Group:

	Credit loss allowance	Provision for asset impairment loss	Provision and other accruals	Tax losses	Share-based payment	Government grants	Unrealised profits	Lease liabilities	Right-of-use assets	Fair value changes and others	Depreciation allowances in excess of related depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2023	4,841	6,345	1,470	56,272	2,247	1,795	2,143	425	–	(43,239)	(4,012)	28,287
Credit/(charged) to profit or loss	1,529	1,599	554	52,186	3,195	(778)	29,679	14,854	(14,356)	(40,712)	1,692	49,442
Charged to reserves	–	–	–	6,014	3,000	–	–	–	–	–	–	9,014
Current tax deduction	–	–	–	(1,506)	–	–	–	–	–	–	–	(1,506)
Balance at December 31, 2023	6,370	7,944	2,024	112,966	8,442	1,017	31,822	15,279	(14,356)	(83,951)	(2,320)	85,237
Credit/(charged) to profit or loss	2,011	10,168	820	54,969	141	2,483	(11,934)	(4,890)	5,048	3,648	(569)	61,895
Charged to reserves	–	–	–	5,474	35,389	–	–	–	–	–	–	40,863
Current tax deduction	–	–	–	(1,525)	–	–	–	–	–	–	–	(1,525)
Balance at January 1, 2025	8,381	18,112	2,844	171,884	43,972	3,500	19,888	10,389	(9,308)	(80,303)	(2,889)	186,470
Credit/(charged) to profit or loss	1,185	2,845	(40)	67,523	(1,552)	918	(5,231)	(699)	686	(12,802)	941	53,774
Charged to reserves	–	–	–	18,662	9,074	–	–	–	–	–	–	27,736
Current tax deduction	–	–	–	(1,289)	–	–	–	–	–	–	–	(1,289)
Balance at December 31, 2025	9,566	20,957	2,804	256,780	51,494	4,418	14,657	9,690	(8,622)	(93,105)	(1,948)	266,691

The Company:

	Credit loss allowance	Provision for asset impairment loss	Provision and other accruals	Tax losses	Share-based payment	Government grants	Lease liabilities	Right-of-use assets	Fair value changes and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2023	1,543	5,050	748	18,972	1,479	796	247	–	(42,517)	(13,682)
Credit/(charged) to profit or loss	225	1,053	100	36,565	2,647	(624)	7,644	(7,556)	(41,373)	(1,319)
Charged to reserves	–	–	–	4,347	2,265	–	–	–	–	6,612
Balance at December 31, 2023	1,768	6,103	848	59,884	6,391	172	7,891	(7,556)	(83,890)	(8,389)
Credit/(charged) to profit or loss	676	603	386	63,770	(376)	168	(3,143)	3,070	3,602	68,756
Charged to reserves	–	–	–	3,716	21,898	–	–	–	–	25,614
Balance at January 1, 2025	2,444	6,706	1,234	127,370	27,913	340	4,748	(4,486)	(80,288)	85,981
Credit/(charged) to profit or loss	582	5,730	311	26,338	142	(115)	(1,481)	1,470	(12,793)	20,184
Charged to reserves	–	–	–	11,508	7,165	–	–	–	–	18,673
Balance at December 31, 2025	3,026	12,436	1,545	165,216	35,220	225	3,267	(3,016)	(93,081)	124,838

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Reconciliation to the statements of financial position

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the consolidated statements of financial positions	93,626	186,470	266,691
Net deferred tax liabilities recognized in the consolidated statements of financial positions	(8,389)	–	–
	<u>85,237</u>	<u>186,470</u>	<u>266,691</u>

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the statements of financial positions	–	85,981	124,838
Net deferred tax liabilities recognized in the statements of financial positions	(8,389)	–	–
	<u>(8,389)</u>	<u>85,981</u>	<u>124,838</u>

(iii) Deferred tax assets not recognized

Deferred tax assets were not recognized on certain unused tax losses and deductible temporary differences in accordance with the accounting policy set out in note 2(t). The tax losses and deductible temporary differences unrecognized as deferred tax assets are as follows.

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	499,610	942,558	1,367,935
Deductible temporary differences	<u>38,924</u>	<u>85,311</u>	<u>99,387</u>
	<u>538,534</u>	<u>1,027,869</u>	<u>1,467,322</u>

The tax losses not recognized as deferred tax assets mainly represent the tax loss of the Company and its subsidiaries in Chinese Mainland. These tax losses will expire after 10 years for entities qualified as High and New Technology Enterprises, or 5 years for other entities, from the year of occurrence.

APPENDIX I

ACCOUNTANTS’ REPORT

(iv) *Deferred tax liabilities not recognized*

At December 31, 2023, 2024 and 2025, no deferred tax liabilities have been recognized for the temporary differences relating to undistributed earnings of subsidiaries amounting to RMB89,410,000, RMB199,275,000 and RMB349,343,000. No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31 DEFERRED INCOME

The Group:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	22,589	15,187	24,182
Additions	1,777	11,359	22,251
Credited to profit or loss	(9,179)	(2,364)	(3,805)
At the end of the year	15,187	24,182	42,628

The Company:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	5,304	1,144	2,267
Additions	–	2,201	–
Credited to profit or loss	(4,160)	(1,078)	(768)
At the end of the year	1,144	2,267	1,499

Deferred income represented grants received from governments mainly for construction of property, plant and equipment. Government grants relating to compensation of assets are recognized as other income on a straight-line basis over the expected useful life of the relevant assets.

32 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has adopted several share-based incentive schemes, and the participants of these schemes include the core management and technical personnel. The share-based payment expenses recognized during the Track Record Period are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share options	34,614	24,417	12,569
Restricted shares	–	–	13,133
	34,614	24,417	25,702

APPENDIX I

ACCOUNTANTS’ REPORT

(a) **Share option scheme**

Phase One Share Option Scheme

The Company has a Phase One Share Option Scheme whereby the directors of the Company are authorised at May 23, 2022, at their discretion, to invite employees of the Group to subscribe for shares of the Company at consideration of RMB17.87 per option granted. On June 9, 2022, a total number of 18,142,000 ordinary share options were granted to 605 eligible participants under the Phase One Share Option Scheme. The exercise price per option was adjusted to RMB17.66, RMB17.44 and RMB17.39 in 2023, 2024 and 2025 respectively subsequently for the dividend declared for 2022, 2023 and 2024 respectively.

Phase Two Share option scheme

The Company has a Phase Two Share Option Scheme whereby the directors of the Company are authorised at May 18, 2023, at their discretion, to invite employees of the Group to subscribe for shares of the Company at consideration of RMB17.71 per option grant. On May 18, 2023, a total number of 1,858,000 ordinary share options were granted to 80 eligible participants under the Phase Two Share Option Scheme. The exercise price per share was adjusted to RMB17.44 and RMB17.39 in 2024 and 2025 respectively subsequently for the dividend declared for 2023 and 2024 respectively.

(i) *The terms and conditions of the grants are as follows:*

Share Option granted on	Number of options	Vesting conditions	Contractual life of options
June 9, 2022	18,142,000	Subject to satisfaction of the Company’s performance targets and individual performance evaluation, 25%, 25%, 25% and 25% of the granted options shall vest after 12 months, 24 months, 36 months and 48 months from the grant date.	Vesting period plus 12 months
May 18, 2023	1,858,000	Subject to satisfaction of the Company’s target performance and individual performance evaluation, 40%, 30% and 30% of the options granted vest after 12 months, 24 months and 36 months from the grant date.	Vesting period plus 12 months

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *The number and weighted average exercise prices of share options:*

	For the year ended December 31,					
	2023		2024		2025	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RMB		RMB		RMB	
Outstanding at the beginning of the year	17.71	17,744,000	17.66	15,528,479	17.44	9,778,905
Granted during the year	17.71	1,858,000	–	–	–	–
Lapsed during the year	–	–	17.44	(7,500)	17.39	(1)
Forfeited during the year	17.66	(543,500)	17.44	(210,200)	17.39	(66,900)
Exercised during the year	17.66	(3,530,021)	17.53	(5,531,874)	17.41	(4,521,654)
Outstanding at the end of the year	17.66	<u>15,528,479</u>	17.44	<u>9,778,905</u>	17.39	<u>5,190,350</u>
Exercisable at the end of the year	17.66	<u>857,579</u>	17.44	<u>135,705</u>	17.39	<u>350,100</u>

The options outstanding as at December 31, 2023 and 2024 and 2025 had a weighted average remaining contractual life of 1.5 years, 1.0 years and 0.49 years, respectively.

The weighted average share prices at the date of exercise for share options exercised during the year ended December 31, 2023 and 2024 and 2025 are RMB17.66, RMB17.53 and RMB17.41 respectively.

(iii) *Fair value of share options and assumptions:*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured using the Black-Scholes option pricing model. The particulars of the share options and significant inputs into the model are as follow:

Options granted on	Fair value of granted share options and assumptions
	May 18, 2023
Fair value at grant date (RMB per option)	17.71
Exercise price (RMB per option)	17.39–17.44
Option life (years)	2–4 years
Expected time to vest (years)	1–3 years
Expected dividends	0.61%
Expected volatility	13.8%–16.16%
Risk-free rate	1.50%–2.75%

The exercise price of share option shall be adjusted when there is distribution of dividends or change in the number of shares issued.

APPENDIX I

ACCOUNTANTS’ REPORT

The expected volatility is based on the index volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) Restricted Share Scheme

On May 29, 2025, the directors of the Company approved and adopted Restricted Share Scheme, and 3,089,000 shares were granted to 253 eligible participants at a price of RMB22.97 on June 17, 2025 accordingly.

Subject to satisfaction of the vesting conditions, which include the fulfilment of the Company’s target performance and the individual performance evaluation. Shares granted under the Restricted Share Scheme vest in three batches: 30%, 30% and 40% of the shares vest after 12 months, 24 months, and 36 months, respectively, from the date when the shares are transferred to the plan.

(i) The number and weighted average grant date fair value of restricted shares

	Exercisable at the end of the year	
	2025	
	Weighted average grant date fair value	Number of restricted shares
	RMB	
Outstanding at the beginning of the year	–	–
Granted during the year	22.97	3,089,000
Forfeited during the year	22.97	(35,000)
Outstanding at the end of the year	22.97	3,054,000
Exercisable at the end of the year	N/A	–

If the vesting conditions are not met, the Company shall repurchase the shares at the grant price adjusted for the dividend declared or changes in the number of shares issued, if any.

The fair value of the shares granted under Restricted Share Scheme is calculated based on the grant price and the market closing price of the Company’s shares at the grant date.

APPENDIX I

ACCOUNTANTS’ REPORT

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity are set out below:

	Share capital	Treasury shares	Capital reserve	Convertible corporate bond – equity component	Statutory reserve	Fair value reserve	Retained profits	Total equity
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at January 1, 2023	497,570	(69,995)	1,961,484	200,244	122,466	–	795,568	3,507,337
Changes in equity for 2023:								
Profit for the year	–	–	–	–	–	–	921,191	921,191
Other comprehensive income	–	–	–	–	–	72	–	72
Total comprehensive income	–	–	–	–	–	72	921,191	921,263
Appropriation to statutory reserve	–	–	–	–	92,119	–	(92,119)	–
Conversion of convertible corporate bond	2	–	73	(12)	–	–	–	63
Exercise of share options	3,530	–	58,810	–	–	–	–	62,340
Forfeiture of share options	–	–	(1,663)	–	–	–	–	(1,663)
Equity-settled share-based payment expense	–	–	36,277	–	–	–	–	36,277
Deferred tax impact on equity-settled share option	–	–	6,612	–	–	–	–	6,612
Acquisition costs adjustment	–	–	–	–	–	–	(24,724)	(24,724)
Balance at December 31, 2023	<u>501,102</u>	<u>(69,995)</u>	<u>2,061,593</u>	<u>200,232</u>	<u>214,585</u>	<u>72</u>	<u>1,599,916</u>	<u>4,507,505</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital	Treasury shares	Capital reserve	Convertible corporate bond – equity component	Statutory reserve	Fair value reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2024	501,102	(69,995)	2,061,593	200,232	214,585	72	1,599,916	4,507,505
Changes in equity for 2024:								
Profit for the year	-	-	-	-	-	-	382,625	382,625
Other comprehensive income	-	-	-	-	-	166	-	166
Total comprehensive income	-	-	-	-	-	166	382,625	382,791
Appropriation to statutory reserve	-	-	-	-	38,262	-	(38,262)	-
Conversion of convertible corporate bond	39,844	-	1,304,088	(199,995)	-	-	-	1,143,937
Redemption of convertible corporate bond	-	-	152	(237)	-	-	-	(85)
Exercise of share options	5,532	-	91,394	-	-	-	-	96,926
Forfeiture of share options	-	-	(2,386)	-	-	-	-	(2,386)
Equity-settled share-based payment expense	-	-	26,803	-	-	-	-	26,803
Deferred tax impact on equity-settled share option	-	-	25,614	-	-	-	-	25,614
Share repurchase	-	(20,494)	-	-	-	-	-	(20,494)
Cancellation of treasury shares pursuant to capital reduction	(853)	20,014	(19,161)	-	-	-	-	-
Dividends approved and paid in respect of the previous year (note 33(b))	-	-	-	-	-	-	(109,014)	(109,014)
Balance at December 31, 2024	545,625	(70,475)	3,488,097	-	252,847	238	1,835,265	6,051,597

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital	Treasury shares	Capital reserve	Statutory reserve	Fair value reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2025	545,625	(70,475)	3,488,097	252,847	238	1,835,265	6,051,597
Changes in equity for 2025:							
Profit for the year	–	–	–	–	–	757,189	757,189
Other comprehensive income	–	–	–	–	(80)	–	(80)
Total comprehensive income	–	–	–	–	(80)	757,189	757,109
Appropriation to statutory reserve	–	–	–	22,209	–	(22,209)	–
Exercise of share options	4,522	–	74,213	–	–	–	78,735
Cancellation of treasury shares relating to forfeited restricted shares	(35)	805	(770)	–	–	–	–
Forfeiture of share options	–	–	(1,332)	–	–	–	(1,332)
Equity-settled share-based payment expense	–	–	27,034	–	–	–	27,034
Deferred tax impact on equity-settled share option	–	–	18,673	–	–	–	18,673
Dividends approved and paid in respect of the previous year (note 33(b))	–	–	–	–	–	(27,230)	(27,230)
Changes in of treasury shares	–	(480)	960	–	–	–	480
Balance at December 31, 2025	<u>550,112</u>	<u>(70,150)</u>	<u>3,606,875</u>	<u>275,056</u>	<u>158</u>	<u>2,543,015</u>	<u>6,905,066</u>

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Ordinary A shares			
Final dividend proposed after the end of the reporting period (tax inclusive)	<u>109,014</u>	<u>27,230</u>	<u>17,448</u>

The final dividends of RMB2.2 per 10 shares (tax inclusive) in respect of the year ended December 31, 2023 was approved by the Annual General Meeting of the Company at May 21, 2024. The final dividend proposed after the end of the year ended December 31, 2023 have not been recognized as liabilities as at the end of the year.

The final dividends of RMB0.5 per 10 shares (tax inclusive) in respect of the year ended December 31, 2024 was approved by the Annual General Meeting of the Company at May 20, 2025. The final dividend proposed after the end of the year ended December 31, 2024 have not been recognized as liabilities as at the end of the year.

The final dividends of RMB0.3 per 10 shares (tax inclusive) in the year ended December 31, 2025 was approved by the Annual General Meeting of the Company at May 27, 2026. The final dividend proposed after the end of the year ended December 31, 2025 have not been recognized as liabilities as at the end of the year.

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Ordinary A shares			
Final dividend in respect of the previous financial year, approved and paid during the year (tax inclusive)	24,724	109,014	27,230

Final dividends of RMB0.5, RMB2.2 and RMB0.5 per 10 share (tax inclusive) in respect of the previous year were declared and paid during the years ended December 31, 2023, 2024 and 2025, respectively.

- (c) **Share capital**

	Number of shares (’000)	RMB’000
Ordinary shares, issued and fully paid:		
At January 1, 2023	497,570	497,570
Conversion of convertible corporate bond	2	2
Exercise of share options	3,530	3,530
At December 31, 2023 and January 1, 2024	501,102	501,102
Conversion of convertible bonds into ordinary shares	39,844	39,844
Exercise of share options	5,532	5,532
Repurchase and cancellation of treasury shares	(853)	(853)
At December 31, 2024 and January 1, 2025	545,625	545,625
Exercise of share options	4,522	4,522
Repurchase and cancellation of restricted shares	(35)	(35)
At December 31, 2025	550,112	550,112

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Treasury shares

During the years ended December 31, 2023, 2024 and 2025, the Company repurchased its own ordinary A shares as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	(69,995)	(69,995)	(70,475)
Repurchase of shares for ESOP	–	(20,494)	–
Cancellation of treasury shares pursuant to capital reduction	–	20,014	–
Cancellation of restricted shares for ESOP	–	–	805
Others	–	–	(480)
At the end of the year	(69,995)	(70,475)	(70,150)

At December 31, 2023, 2024 and 2025, the Company held 3,089,000, 3,109,000 and 3,054,000 of its own ordinary A shares respectively.

During the years ended December 31, 2024, the Company repurchased 852,300 shares on the Shenzhen Stock Exchange for an aggregate consideration of RMB20,494,000. The details of repurchase information are as follows:

Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		RMB	RMB	RMB'000
2024	852,300	24.44	22.20	(20,494)

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises the amount arising from shares issuances, transactions of acquiring interests in a subsidiary with non-controlling shareholders, transactions of share-based payment and conversion of convertible corporate bonds.

(ii) Statutory reserve

According to the PRC laws, the PRC subsidiaries of the Group and the Company are required to set up statutory reserve fund. Statutory reserve fund was set up by appropriating at least 10% of the entity’s annual profit after taxation, as determined under PRC regulations, until the balance of the fund equals to 50% of the entity’s registered capital. This fund can be used to make up previous years’ losses or to convert into paid-in capital. The amount of statutory reserve at the consolidation level only includes statutory reserve of the Company.

(iii) Convertible corporate bond – equity component

The convertible corporate bond - equity component comprises the portion of the equity component of convertible corporate bonds.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group’s subsidiaries with functional currency other than RMB.

APPENDIX I

ACCOUNTANTS’ REPORT

(v) *Fair value reserve*

This reserve represents the cumulative fair value changes of financial assets classified as fair value through other comprehensive income, including receivables financing (bills receivable and trade receivables). Impairment losses on these financial assets are also recognized in this reserve.

(f) **Capital management**

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables and contract assets. The Group’s exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and certificate of deposits are limited because the counterparties are banks with sound credit ratings, for which the Group considers having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade and bills receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

As the Group’s customer base is diversified, the Group has no significant concentration of credit risk in individual customers, or industries or countries in which the customers operate.

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs. Expected loss rates are determined based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

The Group will conduct a separate impairment test on trade receivables with significantly different credit risk characteristics such as significantly deteriorating credit condition of the debtor, low possibility of future payment collection, and credit impairment that has occurred.

The loss rates remained constant for the years ended December 31, 2023, 2024 and 2025, because the Group considers that there has been no significant change in the Group’s customer base, the historical loss experience or the ageing pattern of those financial assets.

APPENDIX I

ACCOUNTANTS’ REPORT

The expected credit loss was determined as follows for trade and bills receivables and contract assets:

As at December 31, 2023			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Trade receivables – Domestic clients			
Within 1 year	1.09%	1,825,978	19,991
Over 1 year but within 2 years	10.17%	36,764	3,740
Over 2 years but within 3 years	38.92%	2,356	917
Over 3 years	100.00%	13,942	13,942
		1,879,040	38,590
Trade receivables – Overseas clients			
Within 1 year	1.00%	391,710	3,915
Over 1 year but within 2 years	10.01%	989	99
		392,699	4,014
		2,271,739	42,604
Bills receivable	1.00%	112,764	1,128
		2,384,503	43,732
Contract assets	14.77%	27,786	4,103

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2024			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Trade receivables – Domestic clients			
Within 1 year	0.98%	2,104,620	20,641
Over 1 year but within 2 years	14.86%	43,228	6,425
Over 2 years but within 3 years	45.95%	18,218	8,371
Over 3 years	100.00%	11,513	11,513
		2,177,579	46,950
		-----	-----
Trade receivables – Overseas clients			
Within 1 year	1.72%	453,399	7,798
		453,399	7,798
		-----	-----
		2,630,978	54,748
Bills receivable	1.00%	156,948	1,569
		2,787,926	56,317
		=====	=====
Contract assets	18.89%	28,348	5,356

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2025			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Trade receivables – Domestic clients			
Within 1 year	1.00%	2,393,132	23,931
Over 1 year but within 2 years	12.04%	34,423	4,145
Over 2 years but within 3 years	40.88%	13,117	5,362
Over 3 years	100.00%	23,445	23,445
		2,464,117	56,883
Trade receivables – Overseas clients			
Within 1 year	1.00%	508,243	5,082
Over 1 year but within 2 years	9.94%	473	47
		508,716	5,129
		2,972,833	62,012
Bills receivable	1.00%	33,568	336
		3,006,401	62,348
Contract assets	12.64%	47,507	6,007

Movement in the loss allowance account in respect of trade and bills receivables and contract assets during the years ended December 31, 2023, 2024 and 2025 is as follows:

As at December 31,			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	39,377	47,835	61,673
Loss allowance recognized	12,196	16,314	17,689
Amounts written off	(3,455)	(2,507)	(10,577)
Exchange adjustments	(283)	31	(430)
At the end of the year	47,835	61,673	68,355

Other receivables

The directors of the Company consider the Group’s exposure to credit risk arising from other receivables is not significant as the balances of other receivables are mainly loans to employees, pledged deposits and other miscellaneous operating receivables and no significant actual losses were experienced historically by the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Liquidity risk

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

The following table details the remaining contractual maturities as at the end of the reporting periods of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay:

	As at December 31, 2023				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills payables	3,272,757	–	–	3,272,757	3,272,757
Financial liabilities included in accrued expenses and other payables	93,301	–	–	93,301	93,301
Bank loans and other borrowings (excluding convertible corporate bonds payable)	348,568	21,828	146,479	516,875	504,529
Convertible corporate bonds payable	6,100	12,199	1,445,614	1,463,913	1,092,096
Lease liabilities	53,678	43,539	65,257	162,474	147,722
	<u>3,774,404</u>	<u>77,566</u>	<u>1,657,350</u>	<u>5,509,320</u>	<u>5,110,405</u>
	As at December 31, 2024				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills payables	3,722,133	–	–	3,722,133	3,722,133
Financial liabilities included in accrued expenses and other payables	191,239	–	–	191,239	191,239
Bank loans and other borrowings	1,121,868	150,489	99,224	1,371,581	1,356,086
Lease liabilities	47,145	37,540	33,218	117,903	109,167
	<u>5,082,385</u>	<u>188,029</u>	<u>132,442</u>	<u>5,402,856</u>	<u>5,378,625</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2025

	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total contractual undiscounted cash flow	Carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables	4,414,036	–	–	4,414,036	4,414,036
Financial liabilities included in accrued expenses and other payables	114,999	–	–	114,999	114,999
Bank loans and other borrowings	1,019,545	134,352	828,199	1,982,096	1,922,082
Lease liabilities	49,323	31,990	47,478	128,791	118,096
	<u>5,597,903</u>	<u>166,342</u>	<u>875,677</u>	<u>6,639,922</u>	<u>6,569,213</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is primarily exposed to cash flow risk in relation to variable-rate bank balances and bank loans. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and bank loans is insignificant because the current market interest rates are relatively low and stable.

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales which give rise to cash balances, receivables and payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB, United States dollars (“USD”), Euros (“EUR”), Hong Kong dollars (“HKD”), Indian Rupee (“INR”), Thai Baht (“THB”), and South Korean Won (“KRW”). The Group manages this risk as follows:

(i) Net exposure to currency risk

The following table details the Group’s exposure at the end of the reporting period to currency risk arising from recognized assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2023

	USD	EUR	CNY	INR	THB	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash and cash equivalents	180,952	144	–	–	972	61
Trade receivables	99,638	917	–	–	–	3,975
Inter-company trade receivables	116,473	7,651	–	–	–	–
Other receivables	–	–	–	–	728	1
Inter-company other receivables	–	16,307	–	–	–	–
	<u>397,063</u>	<u>25,019</u>	<u>–</u>	<u>–</u>	<u>1,700</u>	<u>4,037</u>
Financial liabilities						
Trade payables	(200,875)	(4)	–	–	(1,328)	(17)
Inter-company trade payables	(6,281)	–	–	–	–	–
Other payables	–	(34)	–	–	(72)	(87)
Inter-company other payables	(40,958)	–	–	–	–	–
	<u>(248,114)</u>	<u>(38)</u>	<u>–</u>	<u>–</u>	<u>(1,400)</u>	<u>(104)</u>
	<u>148,949</u>	<u>24,981</u>	<u>–</u>	<u>–</u>	<u>300</u>	<u>3,933</u>

As at December 31, 2024

	USD	EUR	CNY	INR	THB	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash and cash equivalents	327,989	578	–	–	774	1,503
Trade receivables	132,121	5,372	–	–	9	4,132
Inter-company trade receivables	571,533	9,246	–	801,275	–	–
Other receivables	–	–	–	–	802	74
Inter-company other receivables	–	22,603	–	–	–	–
	<u>1,031,643</u>	<u>37,799</u>	<u>–</u>	<u>801,275</u>	<u>1,585</u>	<u>5,709</u>
Financial liabilities						
Trade payables	(222,733)	(377)	–	–	(8,218)	(136)
Inter-company trade payables	(11,726)	–	(340,012)	–	–	–
Other payables	–	–	–	–	(359)	–
Inter-company other payables	(37,354)	–	–	–	–	–
	<u>(271,813)</u>	<u>(377)</u>	<u>(340,012)</u>	<u>–</u>	<u>(8,577)</u>	<u>(136)</u>
	<u>759,830</u>	<u>37,422</u>	<u>(340,012)</u>	<u>801,275</u>	<u>(6,992)</u>	<u>5,573</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31, 2025					
	USD	EUR	CNY	INR	THB	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash and cash equivalents	169,487	–	–	–	6,140	7,596
Trade receivables	136,704	30,692	–	–	8,090	6,364
Inter-company trade receivables	730,503	23,873	–	494,668	–	–
Other receivables	–	–	–	–	1,967	75
Inter-company other receivables	–	24,858	–	–	–	–
	<u>1,036,694</u>	<u>79,423</u>	<u>–</u>	<u>494,668</u>	<u>16,197</u>	<u>14,035</u>
Financial liabilities						
Trade payables	(265,037)	–	–	–	(19,434)	(30)
Inter-company trade payables	(26,965)	(102)	(300,901)	–	–	–
Other payables	–	–	–	–	(2,173)	(41)
Inter-company other payables	(21,437)	–	–	–	–	–
	<u>(313,439)</u>	<u>(102)</u>	<u>(300,901)</u>	<u>–</u>	<u>(21,607)</u>	<u>(71)</u>
	<u>723,255</u>	<u>79,321</u>	<u>(300,901)</u>	<u>494,668</u>	<u>(5,410)</u>	<u>13,964</u>

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group’s profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31, 2023		As at December 31, 2024		As at December 31, 2025	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		RMB'000		RMB'000
USD	5% (5%)	6,633 (6,633)	5% (5%)	30,488 (30,488)	5% (5%)	29,907 (29,907)
EUR	5% (5%)	1,049 (1,049)	5% (5%)	1,573 (1,573)	5% (5%)	3,379 (3,379)
CNY	5% (5%)	– –	5% (5%)	(14,191) 14,191	5% (5%)	(12,547) 12,547
INR	5% (5%)	– –	5% (5%)	33,441 (33,441)	5% (5%)	20,652 (20,652)
THB	5% (5%)	12.00 (12.00)	5% (5%)	(279.65) 279.65	5% (5%)	(216.40) 216.40

APPENDIX I

ACCOUNTANTS’ REPORT

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities’ profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group’s presentation currency.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis during the years ended December 31, 2023, 2024 and 2025.

(e) **Fair value measurement**

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

The Group's head of finance is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The head of finance reports directly to the chief financial officer. At each reporting date, the financial management department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the executive director.

APPENDIX I

ACCOUNTANTS’ REPORT

Analysis on fair value measurement of financial instruments as at December 31, 2023, 2024 and 2025 are as follows:

	Fair value at December 31, 2023	Fair value measurement at December 31, 2023, categorized into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Financial assets measured at FVPL				
– Listed equity securities	30,898	30,898	–	–
– Unlisted equity securities	850,778	–	788,009	62,769
– Wealth management products	706,453	–	706,453	–
Debt instruments measured at FVOCI				
– Bills receivable	352,826	–	352,826	–
	Fair value at December 31, 2024	Fair value measurement at December 31, 2024, categorized into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Financial assets measured at FVPL				
– Listed equity securities	44	44	–	–
– Unlisted equity securities	903,749	–	660,483	243,266
– Wealth management products	179,831	–	179,831	–
Debt instruments measured at FVOCI				
– Bills receivable	231,371	–	231,371	–

APPENDIX I

ACCOUNTANTS’ REPORT

	Fair value at December 31, 2025	Fair value measurement at December 31, 2025, categorized into		
	RMB’000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Financial assets measured at FVPL				
– Unlisted equity securities	1,063,470	–	518,520	544,950
– Wealth management products	815,790	–	815,790	–
Debt instruments measured at FVOCI				
– Bills receivable	322,161	–	322,161	–

During the years ended December 31, 2023, 2024 and 2025, certain unlisted equity investments were transferred between Level 3 to Level 2 of the fair value hierarchy as orderly arm’s length transaction prices from equity injections became available, which provided observable market inputs for fair value measurement. These investments no longer relied on significant unobservable inputs. Other unlisted equity investments without such observable arm’s length transactions remained in Level 3 as their valuation continued to rely on significant unobservable inputs such as discount rates and liquidity discounts. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period.

Information about Level 1 fair value measurements

The fair value of equity securities listed in the Chinese Mainland is determined with reference to its stock price publicly quoted on active stock exchanges as at December 31, 2023 and 2024.

Information about Level 2 fair value measurements

The fair values of certain unlisted equity securities in Level 2 are measured at observable prices from recent market transactions for the same assets. These investments were acquired by the Group recently or newly financed on the market.

The fair value of wealth management products is determined with reference to the net asset values of the wealth management products as published by the banks as at December 31, 2023, 2024 and 2025.

The fair value of bills receivable is equal to their face value due to their short maturities.

Information about Level 3 fair value measurements

The fair value of unlisted equity investments is determined by using valuation techniques such as market multiplier method.

The following table presents the related valuation techniques and significant unobservable inputs of the unlisted equity investments in Level 3.

APPENDIX I

ACCOUNTANTS’ REPORT

	Valuation Technique	Significant Unobservable Input	Range	Relationship of unobservable inputs to fair value
Unlisted equity securities	Market approach (i)	Discount for lack of marketability (“DLOM”)	33%	As at December 31, 2023, 2024 and 2025, a decrease/increase of the DLOM by 1% would have increased the Group’s profit or decreased the Group’s loss by RMB701,000, RMB3,336,000 and RMB8,119,000, respectively, a 1% increase in the DLOM would have had the opposite effect.

The movement during the years ended December 31, 2023, 2024 and 2025 in the balances of unlisted equity investments in Level 3 fair value measurements are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	102,130	62,769	243,266
Changes in fair value recognized	159,157	7,331	70,890
Transfers between Level 2 and Level 3	(198,518)	181,166	230,794
Transfer to an associate	–	(8,000)	–
At the end of the year	62,769	243,266	544,950

(ii) *Fair value of financial assets and liabilities carried at amortized cost*

The carrying amounts of the Group’s financial instruments carried at amortized cost are not materially different from their fair values as at December 31, 2023, 2024 and 2025.

35 COMMITMENTS

Capital commitments outstanding at the end of the reporting periods not provided for in the consolidated financial statements were as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contracted for acquisition of property, plant and equipment and right-of-use assets	594,304	241,017	318,065

APPENDIX I

ACCOUNTANTS’ REPORT

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors and supervisors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Directors’ and supervisors’ fees	240	240	240
Salaries, allowances and other benefits	5,730	5,783	5,016
Discretionary bonuses	1,924	2,164	1,752
Retirement scheme contributions	327	327	166
	<u>8,221</u>	<u>8,514</u>	<u>7,174</u>

Total remuneration is included in “staff costs” (see note 7(b)).

(b) Names and relationships with related parties

The Group entered into the following material related party transactions.

Name of related party	Relationship with the Group
Zhejiang UGOO Technology Co., Ltd.	Entity controlled by Tong Yongsheng
Anhui Megmeet Electric Drive Technology Co., Ltd.	Associate of the Group
Beijing Huahui Hengtai Energy Technology Co., Ltd.	Associate of the Group
New Material	Associate of the Group
Hangzhou Zhongmai Intelligent Equipment Co., Ltd.	Associate of the Group
Jinhua Kangyang Environmental Technology Co., Ltd.	Associate of the Group
Longquan Xiazhi Thermal Management System Co., Ltd.	Associate of the Group
Nanjing Xunchuan Intelligent Industrial Technology Co., Ltd.	Associate of the Group
Jiangsu Maxtronics Tech Co., Ltd.*	Associate of the Group
Suzhou Hanhua Intelligent Manufacturing Technology Co., Ltd.	Associate of the Group
Suzhou Xispek Testing Technology Co., Ltd.	Associate of the Group
Tangshan Huimi Smart Home Technology Co., Ltd.	Associate of the Group
Yingxue Automotive Technology (Changshu) Co., Ltd.	Associate of the Group
Changsha Zhongfang Robot Technology Co., Ltd.	Associate of the Group
Chongqing Senyate New Energy Technology Development Co., Ltd.	Associate of the Group
Key Material Co., Ltd. (Dongguan Factory)	Subsidiary of an associate

* The name of “Shanghai Maxtronics Tech Co., Ltd.” was changed to “ Jiangsu Maxtronics Tech Co., Ltd.” on 31 July 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Transactions with related parties

The material related party transactions entered into by the Group during the years ended December 31, 2023, 2024 and 2025 and the balances with related parties as at December 31, 2023, 2024 and 2025 are set out below.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and rendering of services			
Associates of the Group	66,263	46,816	81,540
Entity controlled by Tong Yongsheng	661	–	25
	<u>66,924</u>	<u>46,816</u>	<u>81,565</u>
Rental services			
Associates of the Group	<u>3,369</u>	<u>3,086</u>	<u>3,032</u>
Purchases of goods and services			
Associates of the Group	37,657	21,739	29,023
Entity controlled by Tong Yongsheng	<u>911</u>	<u>1,793</u>	<u>1,437</u>
	<u>38,568</u>	<u>23,532</u>	<u>30,460</u>
Cost relating to short term lease			
Entity controlled by Tong Yongsheng	<u>1,154</u>	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(d) **Balances with related parties**

The Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade related:			
Trade receivables, net of allowance			
Associate of the Group	36,019	23,519	80,010
Entity controlled by Tong Yongsheng	148	–	–
	<u>36,167</u>	<u>23,519</u>	<u>80,010</u>
Prepayments			
Associate of the Group	2	–	–
	<u>2</u>	<u>–</u>	<u>–</u>
Contract assets			
Entity controlled by Tong Yongsheng	75	75	–
	<u>75</u>	<u>75</u>	<u>–</u>
Trade payables			
Associate of the Group	6,065	7,594	5,284
Entity controlled by Tong Yongsheng	–	1	49
	<u>6,065</u>	<u>7,595</u>	<u>5,333</u>
Contract liabilities			
Associate of the Group	–	98	138
	<u>–</u>	<u>98</u>	<u>138</u>
Other payables			
Associate of the Group	–	–	16
	<u>–</u>	<u>–</u>	<u>16</u>

APPENDIX I

ACCOUNTANTS’ REPORT

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2025

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2025 and which have not been adopted in Historical Financial Information. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity	January 1 2026
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	January 1 2026
Annual improvements to IFRS Accounting Standards – Volume 11	January 1 2026
IFRS 18, Presentation and disclosure in financial statements	January 1 2027
IFRS 19, Subsidiaries without public accountability: disclosures	January 1 2027
Amendments to IAS 21, Translation to a hyperinflationary presentation currency	January 1 2027
IFRS 20, Regulatory assets and regulatory liabilities	January 1 2029
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Note

Note: On 17 December 2015, the IASB has deferred the effective date of its previously issued narrow-scope amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture, by removing the original effective date of 1 January 2016 and indicating that a new effective date will be determined at a future date.

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity’s financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

38 SIGNIFICANT NON-ADJUSTING EVENTS

- (a) Subsequent to the end of the reporting period, the final dividend was approved by shareholders at the annual general meeting. Further details are disclosed in note 33(b).
- (b) Pursuant to the approval from the China Securities Regulatory Commission (“CSRC”), the Company completed a placing of 31,325,851 A shares at an issue price of RMB85.01 per share on 6 February 2026. The new shares were listed on the Shenzhen Stock Exchange on the same date.

The total gross proceeds from the placing were approximately RMB2,663.01 million, with net proceeds of approximately RMB2,629.35 million after deducting issuance costs. Following the placing, the total issued share capital of the Company increased from 550,152,641 shares to 581,478,492 shares.

SUBSEQUENT FINANCIAL STATEMENTS

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