ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LONTIUM SEMICONDUCTOR CORPORATION AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Lontium Semiconductor Corporation (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-[•], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**document**") in connection with the **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

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

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[•]
Certified Public Accountants
Hong Kong

[DATE]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	5	323,147	466,003	568,204
Cost of sales		(149,876)	(213,149)	(267,532)
Gross profit		173,271	252,854	300,672
Other income and gains, net	6	44,044	43,552	37,138
Selling and marketing expenses		(9,090)	(11,072)	(10,274)
Administrative expenses		(27,273)	(28,620)	(35,309)
Research and development expenses		(74,527)	(99,969)	(113,248)
Impairment losses on financial assets under the expected credit loss ("**ECL**") model, net		(139)	(1,490)	(2,217)
Other expenses	9	(1,006)	(2,270)	(2,075)
Finance costs	8	(63)	(37)	(12)
PROFIT BEFORE TAX		105,217	152,948	174,675
Income tax expense	12	(2,521)	(8,536)	(2,758)
PROFIT FOR THE YEAR		102,696	144,412	171,917
Attributable to:				
Owners of the parent		102,696	144,412	171,917
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic (RMB per share)	14	0.58	0.78	0.93
Diluted (RMB per share)	14	0.58	0.78	0.93

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	102,696	144,412	171,917
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations	—	4	(4)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	—	4	(4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	102,696	144,416	171,913
Attributable to:			
Owners of the parent	102,696	144,416	171,913

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	104,184	102,676	104,450
Right-of-use assets	*16(a)*	1,005	500	51,038
Other intangible assets	*17*	7,369	12,459	16,255
Prepayments, other receivables and other assets	*21*	610	4,966	5,166
Deferred tax assets	*28*	—	3,741	3,930
Total non-current assets		113,168	124,342	180,839
CURRENT ASSETS				
Inventories	*19*	73,086	114,773	161,346
Trade receivables	*20*	5,250	33,537	75,689
Income tax recoverable		6,643	—	35
Prepayments, other receivables and other assets	*21*	17,876	1,899	18,826
Financial investments at fair value through profit or loss	*18*	1,158,181	867,886	763,995
Pledged deposits	*23*	1	1	1
Cash and cash equivalents	*23*	112,332	359,922	457,279
Total current assets		1,373,369	1,378,018	1,477,171
CURRENT LIABILITIES				
Trade payables	*24*	9,078	6,007	31,217
Contract liabilities	*25*	7,674	274	23
Other payables and accruals	*27*	29,164	44,266	55,750
Lease liabilities	*16(b)*	493	525	—
Income tax payable		—	5,501	776
Total current liabilities		46,409	56,573	87,766
NET CURRENT ASSETS		1,326,960	1,321,445	1,389,405
TOTAL ASSETS LESS CURRENT LIABILITIES		1,440,128	1,445,787	1,570,244
NON-CURRENT LIABILITIES				
Deferred income	*26*	9,875	13,987	10,754
Lease liabilities	*16(b)*	545	—	—
Deferred tax liabilities	*28*	242	—	—
Total non-current liabilities		10,662	13,987	10,754
Net assets		1,429,466	1,431,800	1,559,490
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	69,259	102,281	133,328
Treasury shares	*29*	—	(59,625)	(59,508)
Reserves	*31*	1,360,207	1,389,144	1,485,670
Total equity		1,429,466	1,431,800	1,559,490

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					
	Share capital	Share premium*	Share-based payment reserve*	Statutory reserve*	Retained profits*	Total equity
	RMB'000 *(note 29)*	*RMB'000* *(note 31(a))*	*RMB'000* *(note 31(b))*	*RMB'000* *(note 31(c))*	*RMB'000*	*RMB'000*
At 1 January 2023	51,944	56,683	4,255	24,078	179,202	316,162
Profit for the year	—	—	—	—	102,696	102,696
Total comprehensive income for the year	—	—	—	—	102,696	102,696
Dividends declared *(note 13)*	—	—	—	—	(20,778)	(20,778)
Issue of shares	17,315	1,012,966	—	—	—	1,030,281
Exercise of share award	—	1,247	(1,247)	—	—	—
Share-based payment expense	—	—	1,105	—	—	1,105
Appropriation to statutory reserve	—	—	—	9,981	(9,981)	—
At 31 December 2023	69,259	1,070,896	4,113	34,059	251,139	1,429,466

Year ended 31 December 2024

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share premium*	Share-based payment reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total equity
	RMB'000 *(note 29)*	*RMB'000* *(note 29)*	*RMB'000* *(note 31(a))*	*RMB'000* *(note 31(b))*	*RMB'000*	*RMB'000* *(note 31(c))*	*RMB'000*	*RMB'000*
At 1 January 2024	69,259	—	1,070,896	4,113	—	34,059	251,139	1,429,466
Profit for the year	—	—	—	—	—	—	144,412	144,412
Other comprehensive income for the year:								
Exchange differences related to foreign operations	—	—	—	—	4	—	—	4
Total comprehensive income for the year	—	—	—	—	4	—	144,412	144,416
Dividends declared *(note 13)*	—	9	—	—	—	—	(96,471)	(96,462)
Shares repurchased	—	(59,214)	—	—	—	—	—	(59,214)
Issue of restricted shares	6	(420)	414	—	—	—	—	—
Exercise of share award	—	—	1,116	(1,116)	—	—	—	—
Share-based payment expense	—	—	—	12,059	—	—	—	12,059
Tax implications related to a share incentive plan	—	—	—	1,535	—	—	—	1,535
Transfer from share premium	33,016	—	(33,016)	—	—	—	—	—
Appropriation to statutory reserve	—	—	—	—	—	14,707	(14,707)	—
At 31 December 2024	102,281	(59,625)	1,039,410	16,591	4	48,766	284,373	1,431,800

Year ended 31 December 2025

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share premium*	Share-based payment reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total equity
	RMB'000 *(note 29)*	*RMB'000* *(note 29)*	*RMB'000* *(note 31(a))*	*RMB'000* *(note 31(b))*	*RMB'000*	*RMB'000* *(note 31(c))*	*RMB'000*	*RMB'000*
At 1 January 2025	102,281	(59,625)	1,039,410	16,591	4	48,766	284,373	1,431,800
Profit for the year	—	—	—	—	—	—	171,917	171,917
Other comprehensive income for the year:								
Exchange differences related to foreign operations	—	—	—	—	(4)	—	—	(4)
Total comprehensive income for the year	—	—	—	—	(4)	—	171,917	171,913
Dividends declared *(note 13)*	—	6	—	—	—	—	(70,989)	(70,983)
Exercise of share award	—	—	2,660	(2,660)	—	—	—	—
Exercise of Type I Restricted Shares	—	111	25	(25)	—	—	—	111
Exercise of Type II Restricted Shares	623	—	26,695	(5,330)	—	—	—	21,988
Share-based payment expense	—	—	—	3,720	—	—	—	3,720
Tax implications related to a share incentive plan	—	—	915	55	—	—	—	970
Transfer from share premium	30,424	—	(30,453)	—	—	—	—	(29)
Appropriation to statutory reserve	—	—	—	—	—	15,930	(15,930)	—
At 31 December 2025	133,328	(59,508)	1,039,252	12,351	—	64,696	369,371	1,559,490

* These reserve accounts comprise total the consolidated reserves of RMB1,360,207,000, RMB1,389,144,000 and RMB1,485,670,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		105,217	152,948	174,675
Adjustments for:				
Finance costs	*8*	63	37	12
Bank interest income	*7*	(413)	(1,017)	(708)
Losses/(gains) on disposal of property, plant and equipment		4	(3)	27
Gains on adjustment of right-of-use assets	*7*	—	(34)	—
Fair value gains on financial investments at fair value through profit or loss	*7*	(28,659)	(24,884)	(24,518)
Depreciation of property, plant and equipment	*7*	15,800	16,212	18,967
Depreciation of right-of-use assets	*7*	502	500	1,277
Amortisation of other intangible assets	*7*	3,550	4,498	8,340
Write-down of inventories to net realisable value	*7*	(15)	2,927	4,397
Impairment loss recognised on financial assets under ECL model, net	*7*	139	1,490	2,217
Share-based payment expense	*30*	1,105	12,059	3,720
Foreign exchange differences, net		(278)	(107)	945
		97,015	164,626	189,351
Decrease/(increase) in inventories		11,804	(44,614)	(50,969)
Increase in trade receivables		(2,995)	(29,776)	(44,370)
(Increase)/decrease in prepayments, other receivables and other assets		(14,743)	14,837	(3,609)
Increase in pledged deposits		(1)	—	—
Increase/(decrease) in trade payables		3,297	(3,071)	25,210
Increase in other payables and accruals		16,470	15,996	6,313
Increase/(decrease) in contract liabilities		2,275	(7,400)	(251)
(Decrease)/increase in deferred income		(3,393)	4,112	(3,233)
Cash generated from operations		109,729	114,710	118,442
Bank interest received		413	1,017	708
Income tax paid		(8,512)	(8,921)	(8,916)
Income tax refund		1,782	10,081	2,179
Net cash flows from operating activities		103,412	116,887	112,413

		Year ended 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(27,913)	(18,256)	(26,167)
Additions to other intangible assets		(5,673)	(10,510)	(6,736)
Additions to Leasehold land		—	—	(51,815)
Proceeds from disposal of items of property, plant and equipment		1	—	40
Disposal of financial investments at fair value through profit or loss		1,523,000	3,132,000	4,352,600
Investments in financial investments at fair value through profit or loss		(2,564,000)	(2,849,489)	(4,250,456)
Investment income		11,477	32,670	26,265
Net cash flows (used in)/from investing activities		(1,063,108)	286,415	43,731
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		1,052,244	420	21,988
Share issue expenses		(21,963)	—	(8,251)
Lease payments		(558)	(558)	(586)
Share repurchase		—	(59,214)	—
Dividends paid		(20,778)	(96,471)	(70,989)
Net cash flows from/(used in) financing activities		1,008,945	(155,823)	(57,838)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49,249	247,479	98,306
Cash and cash equivalents at beginning of year		62,805	112,332	359,922
Effect of foreign exchange rate changes, net		278	111	(949)
CASH AND CASH EQUIVALENTS AT END OF YEAR		112,332	359,922	457,279
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*23*	112,333	359,923	457,280
Less: Pledged deposits	*23*	(1)	(1)	(1)
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position	*23*	112,332	359,922	457,279

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	101,426	101,075	103,760
Right-of-use assets	*16(a)*	—	—	51,038
Other intangible assets	*17*	7,369	12,459	16,255
Investments in subsidiaries	*22*	11,450	13,069	13,394
Prepayments, other receivables and other assets	*21*	566	4,905	5,071
Deferred tax assets	*28*	—	3,741	3,931
Total non-current assets		120,811	135,249	193,449
CURRENT ASSETS				
Inventories	*19*	71,122	112,375	159,002
Trade receivables	*20*	3,105	20,440	61,118
Income tax recoverable		6,643	—	—
Prepayments, other receivables and other assets	*21*	17,744	1,340	17,819
Financial investments at fair value through profit or loss	*18*	1,158,181	867,886	763,995
Cash and cash equivalents	*23*	86,496	344,327	430,465
Total current assets		1,343,291	1,346,368	1,432,399
CURRENT LIABILITIES				
Trade payables	*24*	8,972	5,949	31,037
Contract liabilities	*25*	7,624	108	23
Other payables and accruals	*27*	25,555	38,796	50,444
Income tax payable		—	5,501	776
Total current liabilities		42,151	50,354	82,280
NET CURRENT ASSETS		1,301,140	1,296,014	1,350,119
TOTAL ASSETS LESS CURRENT LIABILITIES		1,421,951	1,431,263	1,543,568
NON-CURRENT LIABILITIES				
Deferred income	*26*	8,961	13,530	10,754
Deferred tax liabilities	*28*	242	—	—
Total non-current liabilities		9,203	13,530	10,754
Net assets		1,412,748	1,417,733	1,532,814
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	69,259	102,281	133,328
Treasury shares	*29*	—	(59,625)	(59,508)
Reserves	*31*	1,343,489	1,375,077	1,458,994
Total equity		1,412,748	1,417,733	1,532,814

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was established in the People's Republic of China ("**PRC**") and was converted into a joint stock company on 31 August 2015. The registered office of the Company is located at Building B3, Intelligent Equipment Technology Park, No. 3963 Susong Road, Economic and Technological Development Zone, Hefei City, Anhui Province China. The Company's A shares were listed on the Shanghai Stock Exchange on 21 February 2023.

During the Relevant Periods, the Company and its subsidiaries (collectively, the "**Group**") were involved in the research and sale of smart video chips and interconnect chips.

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

Name	Place and date of registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
深圳朗田畝半導體科技有限公司 Shenzhen Lontium Semiconductor Technology Co., Ltd.* *(note (i))*	PRC/ Chinese Mainland 17 May 2013	RMB10,000,000	100%	—	Design and sale of integrated circuit
ADVANCED CHIPLET TECHNOLOGY PTE. LTD. *(note (ii))*	Singapore/Singapore 22 December 2023	United States Dollar ("**USD**") 1,000,000	100%	—	Research and development of electronic products

* The English name of the company registered in the Chinese Mainland represent the best efforts made by the directors of the Company in directly translating the Chinese name of the company as no English name been registered.

Notes:

(i) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared in accordance with the China Accounting Standards for Business Enterprises were audited by Shenzhen Yuanfeng Certified Public Accountants Co., Ltd. (深圳源豐會計師事務所有限公司), certified public accountants registered in the Chinese Mainland.

(ii) LONTIUM SINGAPORE PTE. LTD., a wholly-owned entity in Singapore was established in 2023 and renamed as ADVANCED CHIPLET TECHNOLOGY PTE. LTD. on 20 August 2024. The statutory financial statements of this entity for the year ended 31 December 2024 prepared in accordance with the provisions of the Companies Act 1967 (the Act) and Financial Reporting Standards in Singapore was audited by FOZL Assurance PAC, certified public accountants registered in Singapore.

2.1 BASIS OF PREPARATION

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

The Historical Financial Information has been prepared under the historical cost convention, except for financial investments at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendment	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[1]

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

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies and no significant impact on the Group's financial performance and financial position is expected in the period of initial application. The application of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated.

A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	3.17%
Machinery	19.00%
Masks	33.33%
Motor vehicles	23.75%
Electronic equipment and other equipment	19.00% to 31.67%
Building improvements	20.00%

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

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

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

Intangible assets (other than goodwill)

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

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Categories	**Estimated useful lives**
Software	3 to 5 years
Licences	3 to 5 years

The estimated useful lives of intangible assets are determined by considering the period of the economic benefits to the Group, as well as by referring to the industry practice.

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Buildings	3 years

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the

Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through profit or loss are held with the intention of selling them.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial investments at fair value through profit or loss

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

Derecognition of financial assets

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables.

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

The Group's financial liabilities include trade payables, other payables and accruals.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables)

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

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

Derecognition of financial liabilities

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of smart video chips and interconnect chips

Revenue from the sale of smart video chips and interconnect chips is recognised at the point in time when control of the asset is transferred to the customer, as follows:

For domestic sales, revenue is recognised when the products are dispatched and confirmed by the customer.

For export sales, revenue is recognised upon delivery under Free on Board ("**FOB**") terms.

(b) Sale of others

Revenue from other sources, which include technological services and ancillary components, is recognised at a point in time. Recognition occurs upon the customer's acceptance of the service or the transfer of control of the components to the customer.

Other income

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

Contract liabilities

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

Share-based payments

The Company operates a share-based payment scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the share price at the grant date, further details of which are given in note 30 to the Historical Financial Information.

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

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

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

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

Other employee benefits

Pension scheme

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

Housing fund and other social insurances — Chinese Mainland

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the Chinese Mainland. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each of the reporting period.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

The functional currency of an overseas subsidiary is currency other than the RMB. As at the end of each of the reporting period, the assets and liabilities of this subsidiary are translated into RMB at the exchange rate prevailing at the end of each of the reporting period and its statement of profit or loss is translated into RMB at the exchange rate that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary is translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details on deferred taxes are disclosed in note 28 to the Historical Financial Information.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and other receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 20 and note 21 to the Historical Financial Information, respectively.

Inventory provision determined on net realisable value

According to the inventory accounting policy, the Group measures inventory at the lower of cost and net realisable value, and makes inventory provision for the obsolete inventory, slow-moving inventory and the inventory of which the cost is higher than this net realisable value. At the end of each reporting period, the Group reviews whether individual inventory items are obsolete or stagnant and whether their net realisable value is lower than their cost. The impairment of inventory is based on the assessment of the inventory's merchantability and its net realisable value. Identification of inventory impairment requires management to make judgements and estimates based on solid evidence and factors such as the purpose of holding the inventory and the impact of events after the end of each reporting period. The difference between the actual result and the original estimate will affect the carrying amount of inventories and the accrual or reversal of inventory provision during the period in which the estimate is changed.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in one single operating segment, i.e., research and sales of smart video chips and interconnect chips. Management monitors the operating results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland	186,522	286,990	355,735
Hong Kong China	93,564	117,072	154,602
Taiwan China	37,889	57,903	53,077
Other regions	5,172	4,038	4,790
Total	323,147	466,003	568,204

(b) Non-current assets

The geographical information of non-current assets is not presented as more than 90% of the non-current assets of the Group are located in Chinese Mainland.

Information about major customers

Revenue from major customers which individually amounted to 10% or more of the Group's revenue is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	53,033	64,898	63,704
Customer B	N/A*	51,757	58,311
Customer C	N/A*	N/A*	97,453

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

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	323,147	466,003	568,204
Revenue from contracts with customers			
(a) Disaggregated revenue information			
Types of goods or services			
Smart video chips	269,543	381,387	473,109
Interconnect chips	52,154	73,287	93,331
Others	1,450	11,329	1,764
Total	323,147	466,003	568,204
Geographical markets			
Chinese Mainland	186,522	286,990	355,735
Hong Kong China	93,564	117,072	154,602
Taiwan China	37,889	57,903	53,077
Other regions	5,172	4,038	4,790
Total	323,147	466,003	568,204
Timing of revenue recognition			
Goods transferred at a point in time	323,147	466,003	568,204

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the each of the Relevant Periods:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	1,259	7,674	274

(b) Performance obligations

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

The performance obligation is satisfied upon delivery of chips, components and the acceptance of service to customers and payment is generally due within one month.

The Group has elected the practical expedient for not to disclose the remaining performance obligations because the performance obligations are part of contracts with original expected duration of one year or less.

6. OTHER INCOME AND GAINS, NET

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

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants*	13,229	14,792	9,026
Additional VAT deduction**	884	2,661	2,513
Others	413	1,017	708
Total other income	14,526	18,470	12,247
Other gains, net			
Fair value gains on financial investments at fair value through profit or loss	28,659	24,884	24,518
Others	859	198	373
Total other gains	29,518	25,082	24,891
Total other income and gains, net	44,044	43,552	37,138

* Government grants related to income that is received as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs recognised in profit or loss in the period upon actual receipt. There are no unfulfilled conditions or contingencies relating to these grants. The Group has received certain government grants related to purchases of items of property, plant and equipment and the grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.

** According to the regulations of the Ministry of Finance and the State Administration of Taxation, certain entities within the Group can enjoy an additional 15% deduction of tax calculated based on the input value-added tax ("**VAT**") from the VAT payable since 1 January 2023. The amount of additional deduction was recognised in profit or loss during the years ended 31 December 2023, 2024 and 2025.

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		149,891	210,222	263,135
Depreciation of property, plant and equipment*	*15*	15,800	16,212	18,967
Depreciation of right-of-use assets	*16*	502	500	1,277
Amortisation of other intangible assets	*17*	3,550	4,498	8,513
Research and development costs		74,527	99,969	113,248
Expense relating to leases of low-value assets	*16*	—	54	128
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Employee benefit expense (excluding directors' and supervisors' remuneration *(note 10)*):				
Wages and salaries		68,638	83,483	97,349
Pension scheme contributions		6,712	8,607	9,404
Share-based payment expense	*30*	1,044	11,987	3,690
Foreign exchange differences, net		(736)	1,563	1,714
Impairment/(reversal of impairment provision) of financial assets:				
Impairment of trade receivables	*20*	149	1,489	2,219
(Reversal of impairment provision)/impairment of financial assets included in prepayments, other receivables and other assets		(10)	1	(2)
Total		139	1,490	2,217
Write-down of inventories to net realisable value		(15)	2,927	4,397
Bank interest income		(413)	(1,017)	(708)
Fair value gains on financial investments at fair value through profit or loss	*6*	(28,659)	(24,884)	(24,518)
Gains on modification of lease contracts		—	(34)	—
Losses/(gains) on disposal of property, plant and equipment		4	(3)	27

* Cost of inventories sold and research and development costs include expenses relating to depreciation of property, plant and equipment, amortisation of other intangible assets and employee benefit expense, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	63	37	12

9. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Foreign exchange differences, net	—	1,563	1,714
Donations	1,000	500	150
Loss on disposal of property, plant and equipment	4	—	27
Others	2	207	184
Total	1,006	2,270	2,075

10. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

The remuneration paid or payable to directors and supervisors of the Company during the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	180	240	331
Other emoluments:			
Salaries, allowances and benefits in kind	3,489	3,228	2,571
Performance related bonuses*	1,844	1,096	866
Share-based payment compensation	61	72	30
Pension scheme contributions	213	181	122
Total	5,787	4,817	3,920

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

(a) Independent non-executive directors

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Mr. WU Wenbin *(i)*	60	60	—
Mr. YANG Mingwu *(ii)*	60	60	—
Ms. LI Xiaoling *(iii)*	60	60	—
Mr. CHEN Lai *(iv)*	—	—	80
Mr. XIE Guangjun *(v)*	—	—	80
Ms. WONG Yee Man *(vi)*	—	—	11
Total	180	180	171

(i) Mr. WU Wenbin was appointed as an independent non-executive director of the Company on 26 December 2018 and resigned on 20 December 2024.

(ii) Mr. YANG Mingwu was appointed as an independent non-executive director of the Company on 26 December 2018 and resigned on 20 December 2024.

(iii) Ms. LI Xiaoling was appointed as an independent non-executive director of the Company on 26 December 2018 and resigned on 20 December 2024.

(iv) Mr. CHEN Lai was appointed as an independent non-executive director of the Company on 20 December 2024.

(v) Mr. XIE Guangjun was appointed as an independent non-executive director of the Company on 20 December 2024.

(vi) Ms. WONG Yee Man was appointed as an independent non-executive director of the Company on 8 December 2025.

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

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

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. FENG CHEN (Chief executive officer) *(i)*	1,326	721	—	39	2,086
Mr. LIU Yongyue *(ii)*	696	298	—	49	1,043
Mr. SU Jin *(iii)*	715	380	—	46	1,141
Non-executive directors:					
Mr. GAO Zedong *(iv)*	—	—	—	—	—
Mr. JIA Bingyan *(v)*	—	—	—	—	—
Mr. LIU Qibin *(vi)*	—	—	—	—	—
Subtotal	2,737	1,399	—	134	4,270

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. ZHOU Dafeng *(vii)*	529	276	34	45	884
Ms. GAO Yunyun *(viii)*	223	169	27	34	453
Mr. YANG Fan *(ix)*	—	—	—	—	—
Mr. WANG Ruikun *(x)*	—	—	—	—	—
Ms. YANG Jiaqin *(xi)*	—	—	—	—	—
Subtotal	752	445	61	79	1,337
Total	3,489	1,844	61	213	5,607

Year ended 31 December 2024

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. FENG CHEN (Chief executive officer) *(i)*	—	1,512	509	—	39	2,060
Mr. LIU Yongyue *(ii)*	—	721	245	—	59	1,025
Mr. SU Jin *(iii)*	—	755	259	45	47	1,106
Non-executive directors:						
Mr. JIA Bingyan *(v)*	—	—	—	—	—	—
Mr. LIU Qibin *(vi)*	—	—	—	—	—	—
Mr. WU Wenbin *(xii)*	—	—	—	—	—	—
Subtotal	—	2,988	1,013	45	145	4,191
Supervisors:						
Ms. GAO Yunyun *(viii)*	—	240	83	27	36	386
Mr. WANG Ruikun *(x)*	—	—	—	—	—	—
Ms. YANG Jiaqin *(xi)*	60	—	—	—	—	60
Subtotal	60	240	83	27	36	446
Total	60	3,228	1,096	72	181	4,637

Year ended 31 December 2025

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. FENG CHEN						
(Chief executive officer) *(i)*	—	1,527	509	—	39	2,075
Mr. SU Jin *(iii)*	—	782	267	3	47	1,099
Non-executive directors:						
Mr. WU Wenbin *(xii)*	80	—	—	—	—	80
Subtotal	80	2,309	776	3	86	3,254
Supervisors:						
Ms. GAO Yunyun *(viii)*	—	262	90	27	36	415
Mr. WANG Ruikun *(x)*	—	—	—	—	—	—
Ms. YANG Jiaqin *(xi)*	80	—	—	—	—	80
Subtotal	80	262	90	27	36	495
Total	160	2,571	866	30	122	3,749

(i) Mr. FENG CHEN was appointed as the chief executive and the chairman of the board of directors on 29 November 2006.

(ii) Mr. LIU Yongyue was appointed as an executive director of the Company on 26 December 2018 and resigned on 20 December 2024.

(iii) Mr. SU Jin was appointed as an executive director of the Company on 31 July 2020.

(iv) Mr. GAO Zedong was appointed as a non-executive director of the Company on 20 May 2020 and resigned on 25 July 2023.

(v) Mr. JIA Bingyan was appointed as a non-executive director of the Company on 16 September 2021 and resigned on 20 December 2024.

(vi) Mr. LIU Qibin was appointed as a non-executive director of the Company on 18 August 2011 and resigned on 20 December 2024.

(vii) Mr. ZHOU Dafeng was appointed as a supervisor of the Company on 18 September 2015 and resigned on 25 December 2023.

(viii) Ms. GAO Yunyun was appointed as a supervisor of the Company on 31 July 2020.

(ix) Mr. YANG Fan was appointed as a supervisor of the Company on 16 June 2019 and resigned on 25 December 2023.

(x) Mr. WANG Ruikun was appointed as a supervisor of the Company on 25 December 2023.

(xi) Ms. YANG Jiaqin was appointed as a supervisor of the Company on 25 December 2023.

(xii) Mr. WU Wenbin was appointed as a non-executive director of the Company on 20 December 2024.

Pursuant to a resolution of the shareholders' meeting in December 2025, the Company resolved to dissolve the board of supervisors.

No emoluments were paid by the Company to the directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office during the Relevant Periods. No compensation was paid to, or receivable by, any director, or former director, for the loss of any other office in connection with the management of the affairs of any member of our Group.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 included three, two and two directors of the Company, respectively, details of whose remuneration are set out in note 10 to the Historical Financial Information above. Details of the remuneration of the remaining highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,044	2,932	3,143
Pension scheme contributions	90	140	152
Share-based payment compensation	38	1,937	86
Total	2,172	5,009	3,381

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

	Year ended 31 December		
	2023	2024	2025
HKD1,000,000 to HKD1,500,000	2	—	3
HKD1,500,001 to HKD2,000,000	—	3	—
Total	2	3	3

12. INCOME TAX

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

Chinese Mainland

Pursuant to the Law of the Chinese Mainland on Enterprise Income Tax and respective regulations, the Company and its subsidiary which operate in Chinese Mainland are subject to a statutory rate of 25% or where applicable a preferential rate of 10% or 15% as set out below:

The Company was qualified as a "High and New Technology Enterprise" and was therefore entitled to a preferential income tax rate of 15% during the Relevant Periods. The qualification is subject to review by the relevant tax authority in the Chinese Mainland every three years.

A reduction of income tax rate from 15% to 10% for the Relevant Periods under Preferential Enterprise Income Tax Policies was applied as the Company was qualified as a Key lC Design Enterprise and a Software Enterprise according to the annual review by the tax authorities.

Shenzhen Lontium Semiconductor Technology Co., Ltd. was qualified as a "High and New Technology Enterprise" and was therefore entitled to a preferential income tax rate of 15% during the Relevant Periods. The qualification is subject to review by the relevant tax authority in the Chinese Mainland every three years.

Singapore

Under the tax regulations of Singapore, the statutory corporate income tax rate is 17% as stipulated by local laws. No provision for profits tax in Singapore was made as the Group did not have any assessable income subject to profits tax in Singapore during the Relevant Periods.

The income tax expense of the Group is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	248	10,984	2,892
Deferred income tax	2,273	(2,448)	(134)
Total	2,521	8,536	2,758

A reconciliation of the tax expense applicable to profit before tax at the applicable rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	105,217	152,948	174,675
Tax at the applicable tax rate	10,522	15,295	17,468
Effect of different tax rates of subsidiaries	164	633	652
Adjustments in respect of current tax of previous periods	13	1,892	(1,797)
Expenses not deductible for tax	115	70	259
Effect of super deduction for research and development costs	(8,593)	(8,711)	(13,567)
Tax losses utilised from previous periods	(258)	(861)	(205)
Unrecognised deductible temporary differences and tax losses	558	218	(52)
Tax charge at the Group's effective rate	2,521	8,536	2,758

13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Final dividends in respect of the previous year, declared or paid during the year	20,778	96,471	70,989

The final dividends of RMB0.30, RMB1.40 and RMB0.70 (inclusive of tax) for each ordinary share in respect of the years ended 31 December 2022, 2023 and 2024 were approved by the Annual General Meeting of the Company.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average numbers of share capital outstanding during the Relevant Periods.

On 3 June 2024, 25 April 2025 and 15 June 2026 the Company transferred share premium into share capital with 4.8 new shares issued for every 10 existing shares, 3 new shares issued for every 10 existing shares and 4 new shares issued for every 10 existing shares, respectively. The number of shares increased by 33,015,728, 30,423,935 and 53,143,924 after the conversion incurred in 2024, 2025 and 2026 respectively, among which 8,776 shares are attributable to Type I restricted share owners. If the number of issued and outstanding common shares or potential common shares increases as a result of stock dividends, capitalization of capital reserves, stock splits, or decreases as a result of stock consolidation, but does not affect the amount of owner's equity, earnings per share for each of the periods presented should be recalculated on the basis of the adjusted number of shares.

The calculation of the diluted earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect of the share incentive plan (note 30) issued by the Company. The weighted average numbers of ordinary shares used in the calculation are the numbers of ordinary shares outstanding during the Relevant Periods, as used in the basic earnings per share calculation, and the weighted average numbers of ordinary shares assumed to have been issued at adjusted consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The number of shares used to calculate the basic and diluted earnings per share has deducted the treasury shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	102,696	144,412	171,917
Less: Dividends attributable to owners of the restricted shares	—	(9)	(5)
	102,696	144,403	171,912
Effect of dilution — Dividends attributable to owners of the restricted shares	—	9	5
	102,696	144,412	171,917

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Shares			
Weighted average number of ordinary shares outstanding during the year/period, used in the basic earnings per share calculation	177,650	184,929	184,992
Effect of dilution — weighted average number of ordinary shares:			
Share incentive scheme *(note 30)*	—	145	508
Weighted average number of ordinary shares used in the diluted earnings per share calculation	177,650	185,074	185,500

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Masks	Motor vehicles	Electronic equipment and other equipment	Building improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023								
As at 1 January 2023:								
Cost	71,313	35,919	24,647	884	6,290	5,915	—	144,968
Accumulated depreciation	(2,200)	(19,535)	(19,694)	(840)	(4,642)	(4,875)	—	(51,786)
Net carrying amount	69,113	16,384	4,953	44	1,648	1,040	—	93,182
At 1 January 2023, net of accumulated depreciation	69,113	16,384	4,953	44	1,648	1,040	—	93,182
Additions	—	1,355	12,757	—	1,132	—	11,562	26,806
Disposals	—	—	—	—	(4)	—	—	(4)
Depreciation provided during the year	(2,258)	(5,871)	(5,609)	—	(1,022)	(1,040)	—	(15,800)
Transfers	—	5,764	—	—	63	—	(5,827)	—
At 31 December 2023, net of accumulated depreciation	66,855	17,632	12,101	44	1,817	—	5,735	104,184
As at 31 December 2023:								
Cost	71,313	43,038	36,261	884	7,390	5,915	5,735	170,536
Accumulated depreciation	(4,458)	(25,406)	(24,160)	(840)	(5,573)	(5,915)	—	(66,352)
Net carrying amount	66,855	17,632	12,101	44	1,817	—	5,735	104,184

	Buildings	Machinery	Masks	Motor vehicles	Electronic equipment and other equipment	Building improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024								
As at 1 January 2024:								
Cost	71,313	43,038	36,261	884	7,390	5,915	5,735	170,536
Accumulated depreciation	(4,458)	(25,406)	(24,160)	(840)	(5,573)	(5,915)	—	(66,352)
Net carrying amount	66,855	17,632	12,101	44	1,817	—	5,735	104,184
At 1 January 2024, net of accumulated depreciation	66,855	17,632	12,101	44	1,817	—	5,735	104,184
Additions	—	3,016	9,040	211	1,059	1,439	147	14,912
Disposals	—	—	—	—	(4)	—	—	(4)
Depreciation provided during the year	(2,258)	(5,903)	(7,020)	(46)	(961)	(24)	—	(16,212)
Transfers	—	5,495	—	—	183	—	(5,882)	(204)
At 31 December 2024, net of accumulated depreciation	64,597	20,240	14,121	209	2,094	1,415	—	102,676
As at 31 December 2024:								
Cost	71,313	51,549	44,516	1,095	8,559	6,946	—	183,978
Accumulated depreciation	(6,716)	(31,309)	(30,395)	(886)	(6,465)	(5,531)	—	(81,302)
Net carrying amount	64,597	20,240	14,121	209	2,094	1,415	—	102,676

	Buildings	Machinery	Masks	Motor vehicles	Electronic equipment and other equipment	Building improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025								
As at 1 January 2025:								
Cost	71,313	51,549	44,516	1,095	8,559	6,946	—	183,978
Accumulated depreciation	(6,716)	(31,309)	(30,395)	(886)	(6,465)	(5,531)	—	(81,302)
Net carrying amount	64,597	20,240	14,121	209	2,094	1,415	—	102,676
At 1 January 2025, net of accumulated depreciation	64,597	20,240	14,121	209	2,094	1,415	—	102,676
Additions	—	4,078	12,250	64	1,155	—	3,258	20,805
Disposals	—	(4)	—	(11)	(49)	—	—	(64)
Depreciation provided during the year	(2,258)	(6,541)	(8,797)	(56)	(1,028)	(287)	—	(18,967)
At 31 December 2025, net of accumulated depreciation	62,339	17,773	17,574	206	2,172	1,128	3,258	104,450
As at 31 December 2025:								
Cost	71,313	55,555	56,766	939	9,460	6,946	3,258	204,237
Accumulated depreciation	(8,974)	(37,782)	(39,192)	(733)	(7,288)	(5,818)	—	(99,787)
Net carrying amount	62,339	17,773	17,574	206	2,172	1,128	3,258	104,450

The Company

	Buildings	Machinery	Masks	Motor vehicles	Electronic equipment and other equipment	Building improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023								
As at 1 January 2023:								
Cost	71,313	28,804	21,534	884	5,749	5,508	—	133,792
Accumulated depreciation	(2,200)	(16,531)	(17,443)	(840)	(4,163)	(4,468)	—	(45,645)
Net carrying amount	69,113	12,273	4,091	44	1,586	1,040	—	88,147
At 1 January 2023, net of accumulated depreciation	69,113	12,273	4,091	44	1,586	1,040	—	88,147
Additions	—	1,355	12,757	—	1,082	—	11,557	26,751
Depreciation provided during the year	(2,258)	(4,218)	(4,963)	—	(993)	(1,040)	—	(13,472)
Transfers	—	5,764	—	—	58	—	(5,822)	—
At 31 December 2023, net of accumulated depreciation	66,855	15,174	11,885	44	1,733	—	5,735	101,426
As at 31 December 2023:								
Cost	71,313	35,923	33,148	884	6,850	5,508	5,735	159,361
Accumulated depreciation	(4,458)	(20,749)	(21,263)	(840)	(5,117)	(5,508)	—	(57,935)
Net carrying amount	66,855	15,174	11,885	44	1,733	—	5,735	101,426

	Buildings	Machinery	Masks	Motor vehicles	Electronic equipment and other equipment	Building improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024								
As at 1 January 2024:								
Cost	71,313	35,923	33,148	884	6,850	5,508	5,735	159,361
Accumulated depreciation	(4,458)	(20,749)	(21,263)	(840)	(5,117)	(5,508)	—	(57,935)
Net carrying amount	66,855	15,174	11,885	44	1,733	—	5,735	101,426
At 1 January 2024, net of accumulated depreciation	66,855	15,174	11,885	44	1,733	—	5,735	101,426
Additions	—	3,016	9,040	210	1,029	1,440	147	14,882
Disposals	—	—	—	—	(4)	—	—	(4)
Depreciation provided during the year	(2,258)	(4,964)	(6,804)	(46)	(929)	(24)	—	(15,025)
Transfers	—	5,495	—	—	183	—	(5,882)	(204)
At 31 December 2024, net of accumulated depreciation	64,597	18,721	14,121	208	2,012	1,416	—	101,075
As at 31 December 2024:								
Cost	71,313	44,434	41,403	1,094	7,989	6,948	—	173,181
Accumulated depreciation	(6,716)	(25,713)	(27,282)	(886)	(5,977)	(5,532)	—	(72,106)
Net carrying amount	64,597	18,721	14,121	208	2,012	1,416	—	101,075

	Buildings	Machinery	Masks	Motor vehicles	Electronic equipment and other equipment	Building improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025								
As at 1 January 2025:								
Cost	71,313	44,434	41,403	1,094	7,989	6,948	—	173,181
Accumulated depreciation	(6,716)	(25,713)	(27,282)	(886)	(5,977)	(5,532)	—	(72,106)
Net carrying amount	64,597	18,721	14,121	208	2,012	1,416	—	101,075
At 1 January 2025, net of accumulated depreciation	64,597	18,721	14,121	208	2,012	1,416	—	101,075
Additions	—	4,078	12,250	64	1,109	—	3,258	20,759
Disposals	—	(4)	—	(11)	(49)	—	—	(64)
Depreciation provided during the year	(2,258)	(5,617)	(8,797)	(56)	(994)	(288)	—	(18,010)
At 31 December 2025, net of accumulated depreciation	62,339	17,178	17,574	205	2,078	1,128	3,258	103,760
As at 31 December 2025:								
Cost	71,313	48,441	53,653	938	8,844	6,948	3,258	193,395
Accumulated depreciation	(8,974)	(31,263)	(36,079)	(733)	(6,766)	(5,820)	—	(89,635)
Net carrying amount	62,339	17,178	17,574	205	2,078	1,128	3,258	103,760

At the end of each of the Relevant Periods, no property, plant and equipment of the Group was pledged.

16. LEASES

The Group as a lessee

During the Relevant Periods, the Group has lease contracts for various items of leasehold land and office buildings used in its operations. Leasehold land generally has lease terms of 50 years. Leases of office buildings generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

The Group

	Leasehold land	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	—	1,484	1,484
Additions	—	23	23
Depreciation provided during the year	—	(502)	(502)
As at 31 December 2023 and 1 January 2024	—	1,005	1,005
Additions	—	—	—
Modification of lease contracts	—	(5)	(5)
Depreciation provided during the year	—	(500)	(500)
As at 31 December 2024 and 1 January 2025	—	500	500
Additions	51,815	—	51,815
Depreciation provided during the year	(777)	(500)	(1,277)
As at 31 December 2025	51,038	—	51,038

The Company

	Leasehold land
	RMB'000
As at 31 December 2024 and 1 January 2025	—
Additions	51,815
Depreciation provided during the year	(777)
As at 31 December 2025	51,038

(b) Lease liabilities

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	1,483	1,038	525
New leases	23	—	—
Accretion of interest recognised during the year	63	37	12
Modification of lease contracts	—	(38)	—
Payments	(531)	(512)	(537)
Carrying amount at the end of the year	1,038	525	—
Analysed into:			
Current portion	493	525	—
Non-current portion	545	—	—

The maturity analysis of lease liabilities is disclosed in note 38 to the Historical Financial Information.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	63	37	12
Depreciation charge of right-of-use assets	502	500	1,277
Expense relating to leases of low-value assets*	—	54	128
Total amount recognised in profit or loss	565	591	1,417

(d) The total cash outflow for leases is set out in note 32 to the Historical Financial Information.

17. OTHER INTANGIBLE ASSETS

The Group and The Company

	Software	Licences	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	2,969	—	2,969
Additions	28	7,922	7,950
Amortisation during the year	(2,362)	(1,188)	(3,550)
At 31 December 2023	635	6,734	7,369
At 31 December 2023:			
Cost	7,499	7,922	15,421
Accumulated amortisation	(6,864)	(1,188)	(8,052)
Net carrying amount	635	6,734	7,369
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	635	6,734	7,369
Additions	9,404	—	9,404
Transfers	184	—	184
Amortisation during the year	(2,913)	(1,585)	(4,498)
At 31 December 2024	7,310	5,149	12,459
At 31 December 2024:			
Cost	10,555	7,922	18,477
Accumulated amortisation	(3,245)	(2,773)	(6,018)
Net carrying amount	7,310	5,149	12,459
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation	7,310	5,149	12,459
Additions	12,309	—	12,309
Amortisation during the year	(6,929)	(1,584)	(8,513)
At 31 December 2025	12,690	3,565	16,255

	Software	Licences	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2025:			
Cost	22,863	7,922	30,785
Accumulated amortisation	(10,173)	(4,357)	(14,530)
Net carrying amount	12,690	3,565	16,255

18. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Structured deposits	1,158,181	697,140	588,434
Certificates of deposit	—	170,746	175,561
Total	1,158,181	867,886	763,995

The above structured deposits and certificates of deposit were issued by banks in Chinese Mainland are held with the primary objective of short-term trading for profit.

19. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	31,730	59,027	67,940
Finished goods	30,407	44,741	48,044
Semi-finished goods	425	723	1,062
Materials consigned for processing	17,504	18,354	54,560
	80,066	122,845	171,606
Provision for impairment losses on inventories	(6,980)	(8,072)	(10,260)
Total	73,086	114,773	161,346

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	30,084	56,477	65,695
Finished goods	29,119	43,508	47,223
Semi-finished goods	425	723	507
Materials consigned for processing	17,131	18,354	54,560
	76,759	119,062	167,985
Provision for impairment losses on inventories	(5,637)	(6,687)	(8,983)
Total	71,122	112,375	159,002

20. TRADE RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	5,526	35,302	79,673
Impairment	(276)	(1,765)	(3,984)
Net carrying amount	5,250	33,537	75,689

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,268	21,516	64,335
Impairment	(163)	(1,076)	(3,217)
Net carrying amount	3,105	20,440	61,118

The Group's and the Company's trading terms with its customers are mainly on credit. The credit period is generally within one month. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Credit risk concentration is managed on a customer-by-customer basis. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the time of revenue recognition and net of allowance for expected credit losses, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	5,250	33,537	75,689

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	3,105	20,440	61,118

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

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	127	276	1,765
Impairment losses, net of reversal	149	1,489	2,219
Total	276	1,765	3,984

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	583	163	1,076
Impairment losses, net of reversal	(420)	913	2,141
Total	163	1,076	3,217

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

The Group

	As at 31 December 2023		
	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000		*RMB'000*
Within 1 year	5,526	5.00%	276

	As at 31 December 2024		
	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000		*RMB'000*
Within 1 year	35,302	5.00%	1,765

	As at 31 December 2025		
	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000		*RMB'000*
Within 1 year	79,673	5.00%	3,984

The Company

	As at 31 December 2023		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	3,268	5.00%	163

	As at 31 December 2024		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	21,516	5.00%	1,076

	As at 31 December 2025		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	64,335	5.00%	3,217

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current portion			
Prepayments	17,754	1,754	2,502
Deposits	125	148	122
Value added tax recoverable	—	—	2,575
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables	3	5	1
Subtotal	17,882	1,907	18,832
Less: Impairment losses	(6)	(8)	(6)
Total current portion	17,876	1,899	18,826
Non-current portion			
Prepayments	610	4,966	5,166
Total	18,486	6,865	23,992

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current portion			
Prepayments	17,719	1,276	1,577
Deposits	23	47	20
Value added tax recoverable	—	—	2,575
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables	3	5	1
Amounts due from subsidiaries	—	15	15
Subtotal	17,745	1,343	17,820
Less: Impairment losses	(1)	(3)	(1)
Total current portion	17,744	1,340	17,819
Non-current portion			
Prepayments	566	4,905	5,071
Total	18,310	6,245	22,890

The balances of amounts due from subsidiary are interest-free and unsecured.

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

22. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries	11,450	13,069	13,394

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	112,333	359,923	457,280
Less: Pledged deposits	(1)	(1)	(1)
Total cash and cash equivalents	112,332	359,922	457,279
Denominated in:			
USD	15,069	5,098	52,805
Singapore Dollar ("**SGD**")	—	—	36
RMB	97,263	354,824	404,438
Total	112,332	359,922	457,279

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	86,496	344,327	430,465
Denominated in:			
USD	15,069	4,829	52,481
RMB	71,427	339,498	377,984
Total	86,496	344,327	430,465

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. As at 31 December 2023, 2024 and 2025, the Group and the Company assessed the credit risk of cash and cash equivalents and pledged deposits to be minimal as they were placed in reputable financial institutions.

The carrying amounts of the cash and cash equivalents approximated to their fair values due to their short-term maturities.

24. TRADE PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	9,078	6,007	31,217

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	8,972	5,949	31,037

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	9,078	6,007	31,217

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	8,972	5,949	31,037

Trade payables are non-interest-bearing and are normally settled within one month. As at the end of each of the Relevant Periods, the carrying amounts of trade payables approximated to their fair values.

25. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	7,674	274	23

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	7,624	108	23

Contract liabilities mainly include advances received to deliver products and technological services. The decrease in contract liabilities during the year ended 31 December 2024 was mainly due to the recognition of revenue related to technological services that had been delivered.

26. DEFERRED INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	9,875	13,987	10,754

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	8,961	13,530	10,754

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payables for purchase of property, plant, equipment and other intangible assets	6,371	8,786	11,327
Payroll and welfare payables	20,880	27,675	30,829
Other tax payables	1,904	2,232	1,931
Repurchase obligations of restricted shares	—	411	294
Deposits	—	5,150	5,433
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	9	12	—
Total	29,164	44,266	55,750

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payables for purchase of property, plant, equipment and other intangible assets	6,371	8,786	11,327
Payroll and welfare payables	17,613	23,710	26,609
Other tax payables	1,570	1,728	1,545
Repurchase obligations of restricted shares	—	411	294
Deposits	—	4,149	4,733
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	1	12	—
Total	25,555	38,796	50,444

28. DEFERRED TAX

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

Deferred tax assets

The Group

	Impairment of inventories	Impairment losses on financial assets	Share-based payments	Deferred income	Temporary difference on unrealised profit from intro-group transactions	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	862	7	—	1,190	8	—	2,067
Deferred tax (charged)/credited to profit or loss	(298)	8	—	(294)	(7)	151	(440)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	564	15	—	896	1	151	1,627
Deferred tax credited/(charged) to profit or loss	105	93	1,016	457	(1)	(76)	1,594
Deferred tax credited to equity	—	—	1,535	—	—	—	1,535
Gross deferred tax assets at 31 December 2024 and 1 January 2025	669	108	2,551	1,353	—	75	4,756
Deferred tax credited/(charged) to profit or loss	229	213	(205)	(278)	—	(75)	(116)
Deferred tax credited to equity	—	—	55	—	—	—	55
Gross deferred tax assets at 31 December 2025	898	321	2,401	1,075	—	—	4,695

The Company

	Impairment of inventories	Impairment losses on financial assets	Share-based payments	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	862	59	—	1,190	2,111
Deferred tax charged to profit or loss	(298)	(43)	—	(294)	(635)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	564	16	—	896	1,476
Deferred tax credited to profit or loss	105	92	1,016	457	1,670
Deferred tax credited to equity	—	—	1,535	—	1,535
Gross deferred tax assets at 31 December 2024 and 1 January 2025	669	108	2,551	1,353	4,681
Deferred tax credited/(charged) to profit or loss	229	214	(205)	(278)	(40)
Deferred tax credited to equity	—	—	55	—	55
Gross deferred tax assets at 31 December 2025	898	322	2,401	1,075	4,696

Deferred tax liabilities

The Group

	Right-of-use assets	Fair value adjustments arising from financial investments	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	—	36	36
Deferred tax charged to profit or loss	151	1,682	1,833
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	151	1,718	1,869
Deferred tax credited to profit or loss	(76)	(778)	(854)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	75	940	1,015
Deferred tax credited to profit or loss	(75)	(175)	(250)
Gross deferred tax liabilities at 31 December 2025	—	765	765

The Company

	Fair value adjustments arising from financial investments
	RMB'000
At 1 January 2023	36
Deferred tax charged to profit or loss	1,682
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	1,718
Deferred tax credited to profit or loss	(778)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	940
Deferred tax credited to profit or loss	(175)
Gross deferred tax liabilities at 31 December 2025	765

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	—	3,741	3,930
Net deferred tax liabilities recognised in the consolidated statement of financial position	242	—	—

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the statement of financial position	—	3,741	3,931
Net deferred tax liabilities recognised in the statement of financial position	242	—	—

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

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deductible temporary differences	2,409	2,565	2,061
Tax losses	7,112	1,373	139
Total	9,521	3,938	2,200

As at 31 December 2023, 2024 and 2025, the Group had unutilised tax losses of approximately RMB7,112,000, RMB1,373,000 and RMB139,000, respectively, which could expire in one to ten years for offsetting against future taxable profits. Due to the unpredictability of future profit streams, no deferred tax assets had been recognised for these unused tax losses.

29. SHARE CAPITAL AND TREASURY SHARES

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares of RMB1.00 each	69,259	102,281	133,328

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

	Notes	Number of shares in issue	Share capital	Treasury shares
			RMB'000	*RMB'000*
At 1 January 2023		51,944,146	51,944	—
Issue of shares	*(1)*	17,314,716	17,315	—
At 31 December 2023, 1 January 2024		69,258,862	69,259	—
Issue of restricted shares under share incentive scheme	*(2)*	6,000	6	(420)
Reduction of repurchase obligation due to cash dividend	*(2)*	—	—	9
Transfer from share premium into share capital	*(3)*	33,015,728	33,016	—
Share repurchase	*(4)*	—	—	(59,214)
At 31 December 2024 and 1 January 2025		102,280,590	102,281	(59,625)
Transfer from share premium into share capital	*(5)*	30,423,935	30,424	—
Reduction of repurchase obligation due to cash dividend	*(2)*	—	—	6
Exercise of Type I Restricted Shares	*(7)*	—	—	111
Exercise of Type II Restricted Shares	*(6)*	623,443	623	—
At 31 December 2025		133,327,968	133,328	(59,508)

Notes:

(1) In February 2023, the Company completed listing on the Shanghai Stock Exchange and issued 17,314,716 ordinary shares of RMB1.00 each for RMB64.76 per share for aggregate proceeds of RMB1,030,280,000, net of share issuance expenses. The difference between the par value and issue price amounting to RMB1,012,966,271 has been credited to the share premium account.

(2) In February 2024, the Company issued 6,000 the Type I Restricted Shares under the share incentive scheme of the Company as set out in note 30 below for aggregate proceeds of RMB420,000. The difference between the par value and issue price amounting to RMB414,000 has been credited to the share premium account. Separately, an amount of RMB420,000 relating to the repurchase obligation for these restricted shares was recognised as treasury shares. Subsequently, cash dividends of RMB9,000 and RMB6,000 were applied to reduce the repurchase obligations on 3 June 2024 and 25 April 2025, respectively.

(3) In June 2024, the Company implemented its 2023 annual dividend distribution (the "**2023 Annual Dividend Distribution**"), capitalising capital reserve for the issuance of 4.8 new shares for every 10 shares held by shareholders (excluding the repurchased 482,095 shares). The 2023 annual dividend distribution resulted in a total increase of 33,015,728 shares.

(4) In February 2024, the Company held the 17th meeting of its third board of directors, at which a share repurchase scheme was approved, with the repurchased shares to be utilised for future share incentive plans or employee shareholding schemes as deemed appropriate. The Company repurchased an aggregate of 867,474 shares on the market at a total consideration of approximately RMB59,214,000 during the year of 2024.

(5) In April 2025, the Company implemented its 2024 annual dividend distribution (the "**2024 Annual Dividend Distribution**"), capitalising capital reserve for the issuance of 3 new shares for every 10 shares held by shareholders (excluding the repurchased 867,474 shares). The 2024 annual dividend distribution resulted in a total increase of 30,423,935 shares.

(6) In June 2025, the Company issued 623,443 ordinary share as a result of the exercise of share options under the share incentive scheme of the Company as set out in note 30 below for aggregate proceeds of RMB21,989,000. The difference between the par value and issue price amounting to RMB21,366,000 has been credited to the share premium account.

(7) In December 2025, a total of 3,177 restricted shares under the share incentive scheme of the Company as set out in note 30 below were vested, as one participant met the performance requirements. Therefore, treasury stock of RMB111,000 and restricted shares repurchase obligations included in other payable and accruals of RMB111,000 were derecognized.

30. SHARE-BASED PAYMENTS

Equity-settled shared-based payment arrangement

1) Share award schemes

From 2014 to 2022, the Company conducted a series of share award schemes for eligible management and employees of the Group and Hefei Xinfu Wealth Information Technology Center (General Partnership) was established and designated as a share incentive platform to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

After the grant of the awards, the participants became partners of the share incentive platform and are indirectly interested in the incentive shares under the terms and conditions contained in the relevant agreements. From December 2014 to October 2022, the Group granted incentive shares to 290 eligible employees at subscription prices ranging from RMB2.02 to RMB6.25. The fair value of the incentive shares granted was valued by reference to the most recent transaction prices of the Company's shares at the grant date.

The number of shares granted under the Share award schemes during the Relevant Periods is summarised as follows:

	Year ended 31 December		
	2023	2024	2025
Outstanding as at the beginning of the year . .	403,623	221,388	229,358
Adjustment in number of shares*.	—	106,266	68,807
Vested	(168,794)	(81,913)	(130,828)
Forfeited	(13,441)	(16,383)	(1,521)
Outstanding as at the end of the year.	221,388	229,358	165,816

* The number of shares has been adjusted for the implementation of the Company's 2023 and 2024 annual dividend distributions, which involved a transfer from share premium to share capital to issue 4.8 and 3 new shares for every 10 shares held, with record dates in June 2024 and April 2025, respectively.

2) 2024 Share Incentive Scheme

On 29 January 2024, pursuant to the resolution passed during the Company's extraordinary shareholders' meeting, the 2024 Share Incentive Scheme (the "**SIS**") was approved, granting a total of 1,385,200 restricted shares (including 6,000 Type I Restricted Shares* and 1,379,200 Type II Restricted Shares**) were granted for the purpose of incentivising the management members and core employees of the Group to further promote the development and recognise their contributions. The Type I Restricted Shares under the SIS are valid for a maximum of 48 months from the date of completion of the grant registration until the release of all restricted shares or their cancellation/repurchase. The Type II Restricted Shares are valid for a maximum of 60 months from the grant date until full vesting or lapse.

* Type I Restricted Shares refers to A Shares issued to the participants with certain restrictions stipulated under the SIS. On the grant date of Type I Restricted Shares, the participants of Type I Restricted Shares were entitled to received newly issued A Shares of the Company, with certain restrictions stipulated under the SIS.

** Type II Restricted Shares refers to A Shares granted to the participants pursuant to which A Shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the SIS. The participants of Type II Restricted Shares have the right to subscribe new A Shares in the future upon the satisfaction of certain vesting conditions under the SIS.

On 29 January 2024, the board of directors approved the grant of 1,236,700 restricted shares to 132 participants as a recognition of their contribution and as share incentive. Among them, 6,000 Type I Restricted Shares (representing 11,544 A Shares after the increase of share capital incurred in June 2024 and April 2025) were granted to one participant, 1,230,700 Type II Restricted Shares were granted to 131 participants (First-granted Type II Restricted Shares), and 148,500 Type II Restricted Shares were reserved (Reserved-granted Type II Restricted Shares). The granted price of restricted shares (including Type I Restricted Shares and the First-granted Type II Restricted Shares) was RMB70.00 and adjusted to RMB35.27 after the 2023 Annual Dividend Distribution and 2024 Annual Dividend Distribution. These granted restricted shares will vest in three tranches which are 30% after 1 year, 30% after 2 years, and the remaining 40% after 3 years from the grant date upon the fulfillment of the vesting conditions and employees' individual performance appraisals.

On 27 January 2025, the board of directors further approved the grant of 219,780 (adjusted from 148,500 to 219,780 after the increase of share capital in June 2024) Reserved-granted Type II Restricted Shares to 100 participants. The granted price of Reserved-granted Type II Restricted Shares was RMB55.00 and adjusted to RMB41.86 after the 2024 Annual Dividend Distribution. The granted restricted shares will vest in two tranches which are 50% after 1 year and 50% after 2 years from the grant date upon the fulfillment of the vesting conditions and employees' individual performance appraisals.

The following Type I Restricted Shares were outstanding under the SIS during the year ended 31 December 2024 and 2025:

	Year ended 31 December 2024		Year ended 31 December 2025	
	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	Number of shares
	RMB per share		*RMB per share*	
At 1 January	—	—	46.46	8,880
Granted during the year	70.00	6,000	—	—
Adjustment in number of shares*	46.46	2,880	35.27	2,664
Vested	—	—	35.27	(3,177)
Forfeited	—	—	35.27	—
At 31 December	46.46	8,880	35.27	8,367

The following Type II Restricted Shares were outstanding under the SIS during the year ended 31 December 2024 and 2025:

	Year ended 31 December 2024		Year ended 31 December 2025	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
	RMB per share		*RMB per share*	
At 1 January	—	—	46.46	1,714,499
Granted during the year	70.00	1,230,700	55.00	219,780
Adjustment in number of shares*	46.46	590,736	36.02	580,284
Exercised during the year	—	—	35.27	(623,443)
Forfeited during the year	46.46	(106,937)	36.31	(981,088)
At 31 December	46.46	1,714,499	36.22	910,032

* The number of shares has been adjusted for the implementation of the Company's 2023 and 2024 annual dividend distributions, which involved a transfer from share premium to share capital to issue 4.8 and 3 new shares for every 10 shares held, with record dates in June 2024 and April 2025, respectively.

The exercise prices and exercise periods of the Type II Restricted Shares outstanding as at 31 December 2024 and 31 December 2025 are as follows:

As at 31 December 2024 Number of options	Exercise price	Exercise period
	RMB per share	
483,213	46.46	January 2025 to January 2026
527,694	46.46	January 2026 to January 2027
703,592	46.46	January 2027 to January 2028
1,714,499		

The fair value of the Type II Restricted Shares granted during the year ended 31 December 2024 was RMB24,141,000.

As at 31 December 2025 Number of options	Exercise price	Exercise period
	RMB per share	
336,067	35.27	January 2026 to January 2027
443,050	35.27	January 2027 to January 2028
65,824	41.86	January 2026 to January 2027
65,091	41.86	January 2027 to January 2028
910,032		

The fair value of the Type II Restricted Shares granted during the year ended 31 December 2025 was RMB8,005,000.

Fair values of the Type I Restricted Shares are based on the share price as at the granting date. Fair value of the Type II Restricted Shares is calculated under the Black-Scholes pricing model using the following assumptions:

	First-granted Type II Restricted Shares	Reserved-granted Type II Restricted Shares
Exercise price per share at grant date.	70.00	55.00
Expiry date.	Respective annual due dates	Respective annual due dates
Share price at grant date per share.	85.24	89.84
Expected volatility of the Company's shares. .	12.39%–15.22%	16.40%–19.69%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.50%–2.75%	1.50%–2.10%

Share-based payment expenses

Share-based payment expenses during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Equity-settled share-based payments	1,105	12,059	3,720

31. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium of the Group mainly represents the difference between the par value of the shares issued and the consideration received.

(b) Share-based payment reserve

The share-based payment reserve as set out in note 30 to the Historical Financial Information.

(c) Statutory reserve

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

The Company

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

	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	56,683	4,255	24,078	165,366	250,382
Total comprehensive income for the year	—	—	—	99,814	99,814
Dividends declared *(note 13)*	—	—	—	(20,778)	(20,778)
Issue of shares	1,012,966	—	—	—	1,012,966
Exercise of share award	1,247	(1,247)	—	—	—
Share-based payment expense	—	1,105	—	—	1,105
Appropriation to statutory reserve	—	—	9,981	(9,981)	—
At 31 December 2023 and 1 January 2024	1,070,896	4,113	34,059	234,421	1,343,489
Total comprehensive income for the year	—	—	—	147,067	147,067
Dividends declared *(note 13)*	—	—	—	(96,471)	(96,471)
Issue of restricted shares	414	—	—	—	414
Exercise of share award	1,116	(1,116)	—	—	—
Share-based payment expense	—	12,059	—	—	12,059
Tax implications related to a share incentive plan	—	1,535	—	—	1,535
Transfer from share premium	(33,016)	—	—	—	(33,016)
Appropriation to statutory reserve	—	—	14,707	(14,707)	—
At 31 December 2024 and 1 January 2025	1,039,410	16,591	48,766	270,310	1,375,077
Total comprehensive income for the year	—	—	—	159,304	159,304
Dividends declared *(note 13)*	—	—	—	(70,989)	(70,989)
Exercise of share award	2,660	(2,660)	—	—	—
Exercise of Type I Restricted Shares	25	(25)	—	—	—
Exercise of Type II Restricted Shares	26,695	(5,330)	—	—	21,365
Share-based payment expense	—	3,720	—	—	3,720
Tax implications related to a share incentive plan	915	55	—	—	970
Transfer from share premium	(30,453)	—	—	—	(30,453)
Appropriation to statutory reserve	—	—	15,930	(15,930)	—
At 31 December 2025	1,039,252	12,351	64,696	342,695	1,458,994

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB23,000, nil and nil, respectively. These additions related to building lease arrangements.

(b) Changes in liabilities arising from financing activities

	Total
	RMB'000
At 1 January 2023	1,483
Changes from financing cash flows	(531)
New lease addition	23
Accretion of interest	63
At 31 December 2023 and 1 January 2024	1,038
Changes from financing cash flows	(512)
Adjustment of lease liabilities	(38)
Accretion of interest	37
At 31 December 2024 and 1 January 2025	525
Changes from financing cash flows	(537)
Accretion of interest	12
At 31 December 2025	—

(c) Total cash outflow for leases

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	—	54	128
Within financing activities	558	558	586
Total	558	612	714

33. PLEDGE OF ASSETS

Details of the Group's assets pledged are included in note 23 to the Historical Financial Information.

34. COMMITMENTS

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Capital commitments	8,193	14,312	246,922

35. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions:

The Group had the following material related party transactions during the Relevant Periods:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Related company which is a shareholder			
Purchase of services			
Hefei Haiheng Holding Group Co., Ltd.	89	116	103
Related company which is a shareholder subsidiary			
Purchase of services			
Hefei Haicheng Technology Industry Service Co., Ltd.	872	357	358

The directors of the Company are of the opinion that the above transactions with related companies were conducted in the ordinary course of business with terms agreed mutually.

(b) Outstanding balances with related parties:

The Group

The Group had the following outstanding balances with related parties:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Related company which is a shareholder			
Trade related			
Other receivables			
Hefei Haiheng Holding Group Co., Ltd.	18	12	—
Related company which is a shareholder subsidiary			
Trade related			
Trade payables			
Hefei Haicheng Technology Industry Service Co., Ltd.	1	1	—

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

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	4,254	4,131	4,375
Performance related bonuses	2,166	1,329	1,373
Share-based payments	77	267	55
Pension scheme contributions	300	270	269
Total compensation paid to key management personnel	6,797	5,997	6,072

Further details of directors' and the chief executive's emoluments are included in note 10 to the Historical Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at fair value through profit or loss:			
Financial investments at fair value through profit or loss	1,158,181	867,886	763,995
Financial assets at amortised cost:			
Trade receivables	5,250	33,537	75,689
Financial assets included in prepayments, other receivables and other assets	122	145	117
Pledged deposits	1	1	1
Cash and cash equivalents	112,332	359,922	457,279
Total	1,275,886	1,261,491	1,297,081
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables	9,078	6,007	31,217
Financial liabilities included in other payables and accruals	6,380	14,359	22,990
Total	15,458	20,366	54,207

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

As at 31 December 2023

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial investments measured at fair value through profit or loss	1,158,181	1,158,181

As at 31 December 2024

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial investments measured at fair value through profit or loss	867,886	867,886

As at 31 December 2025

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial investments measured at fair value through profit or loss	763,995	763,995

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables at amortised cost, trade payables, financial assets included in prepayments, other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The Group classifies certificates of deposit and structured deposits issued by banks in Chinese Mainland as financial assets at fair value through profit or loss and the fair value of these certificates of deposit and structured deposits is determined using a discounted cash flow valuation model based on observable market interest rates for instruments with similar terms and risk characteristics. There were no significant unobservable inputs to the valuation of financial instruments as at 31 December 2023, 2024 and 2025.

Fair value hierarchy

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

Financial instruments measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial investments measured at fair value through profit or loss	—	1,158,181	—	1,158,181

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial investments measured at fair value through profit or loss	—	867,886	—	867,886

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial investments measured at fair value through profit or loss	—	763,995	—	763,995

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, time deposits, financial liabilities included in other payables and accruals and lease liabilities.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Foreign currency risk

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

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

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit before tax
	%	*RMB'000*
Year ended 31 December 2023		
If RMB strengthens against USD	5	(766)
If RMB weakens against USD	(5)	766
Year ended 31 December 2024		
If RMB strengthens against USD	5	(743)
If RMB weakens against USD	(5)	743
Year ended 31 December 2025		
If RMB strengthens against USD	5	(3,900)
If RMB weakens against USD	(5)	3,900
If RMB strengthens against SGD	5	(2)
If RMB weakens against SGD	(5)	2

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	5,526	5,526
Financial assets included in prepayments, other receivables and other assets					
— Normal**	128	—	—	—	128
Pledged deposits	1	—	—	—	1
Cash and cash equivalents	112,332	—	—	—	112,332
	112,461	—	—	5,526	117,987

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	35,302	35,302
Financial assets included in prepayments, other receivables and other assets					
— Normal**	153	—	—	—	153
Pledged deposits	1	—	—	—	1
Cash and cash equivalents	359,922	—	—	—	359,922
	360,076	—	—	35,302	395,378

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	79,673	79,673
Financial assets included in prepayments, other receivables and other assets					
— Normal**	123	—	—	—	123
Pledged deposits	1	—	—	—	1
Cash and cash equivalents	457,279	—	—	—	457,279
	457,403	—	—	79,673	537,076

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

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 5.61%, 23.92% and 0% of the Group's trade receivables were due from the Group's largest customer, and 8.30%, 62.71% and 45.72% of the Group's trade receivables were due from the five largest customers, respectively.

Liquidity risk

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

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

	As at 31 December 2023				
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	9,078	—	—	—	9,078
Financial liabilities included in other payables and accruals	6,380	—	—	—	6,380
Lease liabilities	531	558	—	—	1,089
	15,989	558	—	—	16,547

	As at 31 December 2024				
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,007	—	—	—	6,007
Financial liabilities included in other payables and accruals	11,672	2,687	—	—	14,359
Lease liabilities	538	—	—	—	538
	18,217	2,687	—	—	20,904

	As at 31 December 2025				
	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	31,217	—	—	—	31,217
Financial liabilities included in other payables and accruals	14,367	—	2,687	—	17,054
	45,584	—	2,687	—	48,271

Capital management

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

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

The asset-liability ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	57,071	70,560	98,520
Total assets	1,486,537	1,502,360	1,658,010
Gearing ratios	4%	5%	6%

39. EVENTS AFTER THE RELEVANT PERIODS

On 8 December 2025, the Board of Directors has approved the cancellation of 286 Type I Restricted Shares granted under the 2024 share incentive scheme in the general meetings of the Company due to the applicable performance vesting conditions not being met. Such cancellation were completed on 9 February 2026.

On 9 April 2026, the Board of Directors approved the issuance of the ordinary shares under the Company's 2024 share incentive scheme as Type II Restricted Shares, and on 13 May 2026, a total of 399,603 shares were issued by the Company.

On 9 April 2026, the Board of Directors approved the proposed profit distribution for the year ended 31 December 2025. This proposal was subsequently approved at the general meeting on 30 April 2026. On 15 June 2026, the Company announced a cash dividend of RMB138,174,000 was distributed and 53,143,924 shares were issued through a transfer of share premium into share capital on a basis of four new shares for every ten existing shares.

40. SUBSEQUENT FINANCIAL STATEMENTS

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