

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages [I-1] to [I-67], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XTX TECHNOLOGY INC. (芯天下技術股份有限公司) AND GF CAPITAL (HONG KONG) LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of XTX Technology Inc. (芯天下技術股份有限公司) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [I-3] to [I-67], which comprises the consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025 and 31 March 2026, the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 31 March 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2025 and the three months ended 31 March 2026 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [I-3] to [I-67] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company 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 3 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 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 of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at 31 December 2023, 2024 and 2025 and 31 March 2026, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the three months ended 31 March 2025 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board (“**the IAASB**”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (“**ISAs**”) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3 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.

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Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividend declared and paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[[•] 2026]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue	5	662,877	442,134	519,180	126,331	224,112
Cost of sales		(560,210)	(380,272)	(400,948)	(108,173)	(99,438)
Gross profit		102,667	61,862	118,232	18,158	124,674
Other income	6	7,589	9,524	7,231	1,397	402
Other gains and losses	7	(590)	(1,608)	(3,387)	(124)	(1,170)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	(1,805)	1,202	(595)	(427)	(1,516)
Distribution and selling expenses		(24,254)	(29,096)	(23,943)	(6,349)	(8,577)
Administrative expenses		(22,978)	(25,520)	(19,683)	(4,979)	(7,203)
Research and development expenses		(85,222)	(65,866)	(47,318)	(11,944)	(15,966)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	9	(677)	(2,892)	(1,932)	(549)	(600)
(Loss) profit before tax		(25,270)	(52,394)	21,426	(4,817)	86,806
Income tax credit (expenses)	10	11,244	15,258	5,790	2,115	(10,917)
(Loss) profit for the year/period	11	(14,026)	(37,136)	27,216	(2,702)	75,889
Other comprehensive (expense) income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		(284)	(558)	1,023	57	623
Total comprehensive (expense) income for the year/period		(14,310)	(37,694)	28,239	(2,645)	76,512
(LOSS) EARNINGS PER SHARE						
Basic (RMB)	15	(0.1362)	(0.3605)	0.2642	(0.0262)	0.7368

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	16	68,597	50,642	41,873	40,371
Right-of-use assets	17	20,854	13,610	11,813	11,058
Intangible assets	18	9,236	3,657	1,762	4,709
Deferred tax assets	20	28,712	43,656	49,245	38,328
Prepayments for property, plant and equipment		1,077	3,378	12	12,065
		128,476	114,943	104,705	106,531
Current Assets					
Inventories	21	363,409	317,861	294,003	424,336
Trade and other receivables	22a	165,444	128,051	162,748	192,766
Financial assets at fair value through profit or loss (“FVTPL”)	22b	—	—	35,000	—
Cash and cash equivalents	23	105,152	128,949	101,318	149,484
		634,005	574,861	593,069	766,586
Current Liabilities					
Trade and other payables	24	58,092	49,709	59,997	80,675
Contract liabilities		51	69	1,774	655
Borrowings	25	60,036	71,052	46,025	87,392
Lease liabilities	26	5,546	3,128	3,165	3,027
		123,725	123,958	110,961	171,749
Net Current Assets		510,280	450,903	482,108	594,837
Total Assets Less Current Liabilities		638,756	565,846	586,813	701,368
Capital and Reserves					
Share capital	27	103,000	103,000	103,000	103,000
Reserves		518,298	450,121	457,912	534,424
Total Equity		621,298	553,121	560,912	637,424
Non-current Liabilities					
Borrowings	25	—	—	15,010	53,700
Deferred tax liabilities	20	515	201	—	—
Lease liabilities	26	16,943	12,524	10,891	10,244
		17,458	12,725	25,901	63,944
		638,756	565,846	586,813	701,368

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	16	67,446	49,149	39,904	38,215
Right-of-use assets	17	17,809	12,746	10,606	10,071
Intangible assets	18	9,236	3,657	1,462	4,425
Investments in subsidiaries . .	19	21,870	21,870	27,370	27,370
Amounts due from subsidiaries	30	49,047	71,495	105,057	89,412
Deferred tax assets	20	19,223	29,260	31,901	25,865
Prepayments for property, plant and equipment		1,077	3,378	12	12,065
		185,708	191,555	216,312	210,123
Current Assets					
Inventories	21	363,409	317,354	291,136	419,418
Trade and other receivables .	22a	160,645	117,478	133,720	150,439
Amounts due from a subsidiary	30	—	—	—	10,804
Financial assets at FVTPL . .	22b	—	—	35,000	—
Cash and cash equivalents . .	23	88,899	107,673	73,162	130,283
		612,953	542,505	533,018	710,944
Current Liabilities					
Trade and other payables . . .	24	51,704	43,330	54,592	73,108
Contract liabilities	32	—	69	1,409	527
Amounts due to subsidiaries .	30	7,473	8,705	9,439	34,015
Borrowings	25	60,036	61,046	36,024	77,385
Lease liabilities	26	3,879	2,546	2,481	2,455
		123,124	115,696	103,945	187,490
Net Current Assets		489,829	426,809	429,073	523,454
Total Assets Less Current Liabilities		675,537	618,364	645,385	733,577
Capital and Reserves					
Share capital	27	103,000	103,000	103,000	103,000
Reserves	28	556,739	503,056	517,020	567,065
Total Equity		659,739	606,056	620,020	670,065
Non-current Liabilities					
Borrowings	25	—	—	15,010	53,700
Deferred tax liabilities	20	355	77	—	—
Lease liabilities	26	15,443	12,231	10,355	9,812
		15,798	12,308	25,365	63,512
		675,537	618,364	645,385	733,577

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Share-based payments reserves	Translation reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000
At 1 January 2023	103,000	312,259	13,537	(794)	33,407	167,439	628,848
Loss for the year	—	—	—	—	—	(14,026)	(14,026)
Other comprehensive expense for the year	—	—	—	(284)	—	—	(284)
Total comprehensive expense for the year	—	—	—	(284)	—	(14,026)	(14,310)
Recognition of equity-settled share-based payments (Note 29)	—	—	6,760	—	—	—	6,760
Profit appropriations to statutory reserve.	—	—	—	—	168	(168)	—
At 31 December 2023	103,000	312,259	20,297	(1,078)	33,575	153,245	621,298
Loss for the year	—	—	—	—	—	(37,136)	(37,136)
Other comprehensive expense for the year	—	—	—	(558)	—	—	(558)
Total comprehensive expense for the year	—	—	—	(558)	—	(37,136)	(37,694)
Recognition of equity-settled share-based payments (Note 29)	—	—	417	—	—	—	417
Dividends recognised as distribution (Note 14).	—	—	—	—	—	(30,900)	(30,900)
At 31 December 2024	103,000	312,259	20,714	(1,636)	33,575	85,209	553,121
Profit for the year	—	—	—	—	—	27,216	27,216
Other comprehensive income for the year	—	—	—	1,023	—	—	1,023
Total comprehensive income for the year	—	—	—	1,023	—	27,216	28,239
Recognition of equity-settled share- based payments (Note 29)	—	—	152	—	—	—	152
Profit appropriations to statutory reserve.	—	—	—	—	3,586	(3,586)	—
Dividends recognised as distribution (Note 14).	—	—	—	—	—	(20,600)	(20,600)
At 31 December 2025	103,000	312,259	20,866	(613)	37,161	88,239	560,912
Profit for the period	—	—	—	—	—	75,889	75,889
Other comprehensive income for the period.	—	—	—	623	—	—	623
Total comprehensive income for the period.	—	—	—	623	—	75,889	76,512
At 31 March 2026	103,000	312,259	20,866	10	37,161	164,128	637,424

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	Share capital	Share premium	Share-based payments reserves	Translation reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000
For the three months ended							
31 March 2025 (Unaudited)							
At 1 January 2025	103,000	312,259	20,714	(1,636)	33,575	85,209	553,121
Loss for the period	—	—	—	—	—	(2,702)	(2,702)
Other comprehensive income for the period.	—	—	—	57	—	—	57
Total comprehensive income (expense) for the period	—	—	—	57	—	(2,702)	(2,645)
Recognition of equity-settled share-based payments (Note 29)	—	—	152	—	—	—	152
At 31 March 2025 (unaudited)	103,000	312,259	20,866	(1,579)	33,575	82,507	550,628

Note:

- (a) The statutory surplus reserve represents the amount transferred from net profit for the year of the Company established in the People’s Republic of China (the “PRC”) in accordance with the relevant PRC laws until the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve cannot be reduced except either use to set off the accumulated losses or increase capital.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
(Loss) profit before tax	(25,270)	(52,394)	21,426	(4,817)	86,806
Adjustments for:					
Finance costs	677	2,892	1,932	549	600
Bank interest income	(903)	(1,627)	(1,980)	(643)	(136)
Gain on fair value changes of financial assets at FVTPL	(1,910)	(37)	(244)	—	(48)
Write down for inventories	43,532	23,551	11,215	7,132	3,370
Impairment losses recognised under ECL model, net	1,805	(1,202)	595	427	1,516
Depreciation of property, plant and equipment	3,978	4,792	3,792	1,020	853
Depreciation of right-of-use assets	6,046	4,517	3,098	765	755
Amortisation of intangible assets	5,879	5,579	2,211	556	580
Loss on disposal of property, plant and equipment	1,630	2,673	66	19	325
Loss (gain) on early termination of leases	93	(188)	—	—	—
Share-based payment expense	6,760	417	152	152	—
Net foreign exchange losses (gains)	814	(962)	2,644	111	932
Operating cash flows before movements in working capital	43,131	(11,989)	44,907	5,271	95,553
(Increase) decrease in inventories	(96,380)	41,623	32,049	25,185	(128,778)
(Increase) decrease in trade and other receivables	(40,066)	38,566	(32,902)	(23)	(32,820)
(Decrease) increase in contract liabilities	(9,271)	18	1,705	(20)	(1,119)
(Decrease) increase in trade and other payables	(87,428)	(8,382)	9,601	(10,204)	19,396
Cash (used in) generated from operations	(190,014)	59,836	55,360	20,209	(47,768)
Income taxes (paid) refunded	(2,372)	30	—	—	2,342
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(192,386)	59,866	55,360	20,209	(45,426)
INVESTING ACTIVITIES					
Proceeds from disposal of financial assets at FVTPL	529,741	15,037	179,244	—	35,048
Proceeds from disposal of property, plant and equipment	640	—	—	—	—
Interest received	903	1,627	1,980	643	136
Purchases of financial assets at FVTPL	(337,000)	(15,000)	(214,000)	—	—
Purchases of and prepayments for property, plant and equipment	(39,944)	(11,432)	(11,210)	(2,452)	(16,654)
Purchases of intangible assets	(3,832)	—	(316)	—	(1,800)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	150,508	(9,768)	(44,302)	(1,809)	16,730

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	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
FINANCING ACTIVITIES					
Additions of borrowings	60,000	182,000	77,000	—	80,000
Repayment of borrowings	—	(171,000)	(87,000)	(30,000)	—
Repayment of lease liabilities	(5,122)	(3,922)	(2,897)	(565)	(785)
Interest paid	(641)	(2,876)	(1,949)	(579)	(543)
Issue costs paid	—	—	(1,623)	—	(1,501)
Dividends paid	—	(30,900)	(20,600)	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	54,237	(26,698)	(37,069)	(31,144)	77,171
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,359	23,400	(26,011)	(12,744)	48,475
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	93,900	105,152	128,949	128,949	101,318
Effect of foreign exchange rate changes	(1,107)	397	(1,620)	(56)	(309)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	105,152	128,949	101,318	116,149	149,484

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NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established as a company with limited liability in Shenzhen, Guangdong Province, the PRC in April 2014. On 8 February 2021, the Company was converted into a joint stock company with limited liability. Its ultimate controlling shareholders are Mr. Long Dongqing (龍冬慶) (“**Mr. Long**”), Mr. Ai Kanglin (艾康林) and Mr. Wang Bin (王彬) (collectively referred to “**Controlling Shareholders**”), who are acting in concert in respects of the decision making relating to the business operation and corporate governance of the Company and reach consensus before voting unanimously at the general meetings of the Company pursuant to a concert party agreement. Mr. Long is the chairman and executive director of the board of the Company. The respective address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Document.

The Group is principally engaged in research and development, design and sale of code-type flash memory chips in the PRC and overseas.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF IFRS ACCOUNTING STANDARDS

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on 1 January 2026 throughout the Track Record Period.

New and amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 20	Regulatory Assets and Regulatory Liabilities ³

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

² Effective for annual periods beginning on or after 1 January 2027.

³ Effective for annual periods beginning on or after 1 January 2029.

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

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IFRS 18 Presentation and Disclosure in Financial Statements

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

IFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The Group does not plan to early adopt IFRS 18. The application of the new standard is not expected have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss and other comprehensive income.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

No statutory financial statements of the Company have been prepared for the years ended 31 December 2023, 2024 and 2025 as there is no statutory audit requirement.

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Note 5.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

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

Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

For lease modifications that decrease the scope of the lease, the Group remeasures lease liabilities and decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease. Any gain or loss relating to the partial or full termination of the lease will be recognized in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e., RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans /the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share awards granted to employees under the share incentive plans of the shareholders of the Company

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

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

When share awards granted are vested or repurchased by the employee incentive platforms, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

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Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

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

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

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- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term deposits with original maturity of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

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

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

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Impairment of financial assets subject to impairment assessment under IFRS 9 Financial Instruments (“IFRS 9”)

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from subsidiaries and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and trade-nature amount due from subsidiaries.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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

- an actual or expected significant deterioration in the financial instrument’s internal credit rating;
- significant deterioration in external market indicators of credit risk;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

The Group assesses lifetime ECL for trade receivables on a collective basis, grouped by internal credit rating and relevant credit information such as forward-looking macroeconomic information.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item as part of the net foreign exchange gains or losses;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item as part of fair value gains or losses of the financial assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, borrowings and amounts due to subsidiaries are subsequently measured at amortised cost using effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other gains and losses’ line item in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Allowance for inventories

The Group performs regular review of the carrying amounts of inventories with reference to aging analyses of the Group’s inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers’ preference, actual saleability of goods may be different from estimation and net realisable value could be affected by differences in this estimation. As at 31 December 2023, 2024 and 2025 and 31 March 2026, the carrying amount of inventories were RMB363,409,000, RMB317,861,000, RMB294,003,000 and RMB424,336,000, net of allowance for inventories of RMB93,324,000, RMB93,148,000, RMB76,498,000 and RMB75,447,000, respectively.

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Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

During the Track Record Period, no impairment loss was recognised for property, plant and equipment, right-of-use assets and intangible assets. As at 31 December 2023, 2024 and 2025 and 31 March 2026, the aggregate carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are approximately RMB98,687,000, RMB67,909,000, RMB55,448,000 and RMB56,138,000, respectively.

Deferred tax assets

As at 31 December 2023, 2024 and 2025 and 31 March 2026, deferred tax assets of approximately RMB13,976,000, RMB29,166,000, RMB36,777,000 and RMB25,686,000 in relation to unused tax losses for the Company and certain operating subsidiaries have been recognised in the consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB61,475,000, RMB73,436,000, RMB69,677,000 and RMB71,351,000 for other subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient taxable profits will be available in the foreseeable future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of higher interest rates and inflation may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods					
Sales of NOR (<i>note a</i>)	241,692	159,296	170,017	39,481	55,932
Sales of SLC NAND (<i>note b</i>)	318,562	215,723	279,945	67,991	149,396
Sales of MCP (<i>note c</i>).	73,221	42,950	38,064	9,751	12,213
Others (<i>note d</i>).	29,402	24,165	31,154	9,108	6,571
Total	662,877	442,134	519,180	126,331	224,112
Geographical markets					
Mainland China	445,019	290,694	394,471	87,672	182,298
Hong Kong	157,930	91,995	59,000	22,883	13,948
Others	59,928	59,445	65,709	15,776	27,866
Total	662,877	442,134	519,180	126,331	224,112
Timing of revenue recognition					
At a point in time	662,877	442,134	519,180	126,331	224,112

Notes:

- (a) NOR refers to a memory chip that memory cells are connected in parallel.
- (b) SLC NAND refers to a memory chip that memory cells are connected in series.
- (c) MCP refers to multi-chip package, which is usually used in space-constrained electronic products.
- (d) Others mainly include sales of other chips products.

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

Information about the Group’s performance obligations is summarized as below:

The Group sells code-type flash memory chips to its customers. Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customers and accepted by the customers. There is generally only one performance obligation. Invoices are usually due within 30 to 90 days, extending up to 180 days for certain customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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(iv) Segment information

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

(v) Geographical information

The Group principally operates in the PRC, which is also the place of domicile. The Group’s revenue based on the location of customers was disclosed in (i) above and the Group’s non-current assets are substantially all located in the PRC.

(vi) Information about major customers

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

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Customer A	69,042	N/A [#]	N/A [#]	N/A [#]	N/A [#]
Customer B	68,005	N/A [#]	N/A [#]	N/A [#]	N/A [#]
Customer C	67,136	N/A [#]	N/A [#]	N/A [#]	N/A [#]
Customer D	N/A [#]	65,484	79,445	34,725	N/A [#]
Customer E	N/A [#]	45,215	N/A [#]	N/A [#]	N/A [#]
Customer F	N/A [#]	N/A [#]	N/A [#]	N/A [#]	47,811
Customer G	N/A [#]	N/A [#]	N/A [#]	N/A [#]	23,406

The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year/period.

6. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest income from bank balances	903	1,627	1,980	643	136
Government grants (<i>Note</i>)	6,283	7,773	5,079	582	—
Others	403	124	172	172	266
	<u>7,589</u>	<u>9,524</u>	<u>7,231</u>	<u>1,397</u>	<u>402</u>

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Note: Amounts mainly represented government incentives and subsidies received from the PRC government authorities, which were recognised in the profit or loss upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

7. OTHER GAINS AND LOSSES

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss on disposal of property, plant and equipment. . . .	(1,630)	(2,673)	(66)	(19)	(325)
(Loss) gain on early termination of leases	(93)	188	—	—	—
Gain on changes in fair value of financial assets at					
FVTPL	1,910	37	244	—	48
Net foreign exchange (losses) gains	(814)	962	(2,644)	(111)	(932)
Donations	—	—	(910)	—	—
Others	37	(122)	(11)	6	39
	<u>(590)</u>	<u>(1,608)</u>	<u>(3,387)</u>	<u>(124)</u>	<u>(1,170)</u>

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Impairment losses recognised					
(reversed) on:					
— trade receivables	1,692	(1,505)	497	329	1,508
— other receivables	113	303	98	98	8
	<u>1,805</u>	<u>(1,202)</u>	<u>595</u>	<u>427</u>	<u>1,516</u>

Details of impairment assessment are set out in Note 34.

9. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expense on borrowings.	75	2,107	1,324	383	447
Interest expense on lease liabilities	602	785	608	166	153
	<u>677</u>	<u>2,892</u>	<u>1,932</u>	<u>549</u>	<u>600</u>

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10. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax	—	—	—	—	—
Deferred tax (Note 20).	(11,244)	(15,258)	(5,790)	(2,115)	10,917
	<u>(11,244)</u>	<u>(15,258)</u>	<u>(5,790)</u>	<u>(2,115)</u>	<u>10,917</u>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Company and PRC subsidiaries is 25% for the Track Record Period except that the Company and certain subsidiaries are eligible for preferential tax rates as detailed below.

The Company and certain of the Group’s subsidiaries operating in the PRC are eligible for certain tax holidays and concessions under the EIT Law and Implementation Regulation of the EIT Law. Details are as follows:

- (i) The Company has been continuously qualified as a high-tech enterprise since 2017 and enjoyed a preferential EIT rate of 15% which is subject to periodic renewal. In 2023, the Company renewed its “High-tech Enterprise Certificate”, which is valid for 3 years and will be expired in October 2026. Accordingly, the Company was entitled to the preferential EIT rate at 15% for the Track Record Period.
- (ii) Shanghai XCTX Technology Limited (上海芯存天下電子科技有限公司), SiliconBay Technology Co., Ltd. (芯之家科技(深圳)有限公司), Bohr Micro (Shenzhen) Technology Co., Ltd. (博爾微晶(深圳)科技有限責任公司), Chengdu Bohr Micro Technology Co., Ltd. (成都博爾微晶科技有限公司), Linkon Microelectronics Limited (靈控微電子(深圳)有限責任公司) and PleiAI Technology (Shenzhen) Limited (硅積智能科技(深圳)有限公司) are subject to “small and thin-profit enterprises” benefits from a preferential tax rate of 20% under the EIT Law for the Track Record Period. Meanwhile, these subsidiaries also enjoyed tax holiday of reduction on annual taxable income. For the Track Record Period, these subsidiaries enjoyed 75% reduction on annual taxable income on first RMB3,000,000.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HKD2,000,000 of profits of a Hong Kong subsidiary will be taxed at 8.25%, and profits above HKD2,000,000 will be taxed at 16.5%. Accordingly, the Hong Kong Profits Tax of the Hong Kong subsidiary is calculated at 8.25% on the first HKD2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2,000,000 for the Track Record Period.

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

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss) profit before tax	(25,270)	(52,394)	21,426	(4,817)	86,806
Tax at the EIT tax rate of 25%	(6,318)	(13,099)	5,357	(1,204)	21,702
Income tax at concessionary rate	4,367	4,877	1,810	73	(4,025)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,387	1,080	737	521	(3,261)
Tax effect of super deduction of research and development expenses (<i>Note</i>).	(16,385)	(13,344)	(12,698)	(1,841)	(3,872)
Tax effect of expenses not deductible for tax purpose	2,637	2,223	192	58	30
Tax effect of tax losses not recognised	3,068	3,005	166	278	343
Utilisation of tax losses previously not recognised	—	—	(1,354)	—	—
Income tax (credit) expenses	(11,244)	(15,258)	(5,790)	(2,115)	10,917

Note: The eligible expenditures represent research and development expenses incurred in the PRC and charged to profit or loss, which is subject to an additional 100% tax deduction in the calculation of income tax expense for the Track Record Period.

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the Group had unused tax losses of approximately RMB140,047,000, RMB243,480,000, RMB284,854,000 and RMB212,391,000, respectively, available for offset against future profits. Deferred tax assets have been recognised in respect of approximately RMB78,572,000, RMB170,044,000, RMB215,177,000 and RMB141,040,000, respectively, of such losses. No deferred tax assets have been recognised in respect of the remaining approximately RMB61,475,000, RMB73,436,000, RMB69,677,000 and RMB71,351,000, respectively, due to the unpredictability of future profit streams. The expiry dates of the unrecognised tax losses are disclosed in the following table.

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
2026	18,503	18,503	13,088	13,088
2027	29,730	29,730	29,730	29,730
2028	13,242	13,242	13,242	13,242
2029	—	11,961	11,961	11,961
2030	—	—	1,656	1,656
2031	—	—	—	1,674
	61,475	73,436	69,677	71,351

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11. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss) profit for the year/period has been arrived at after charging (crediting):					
Depreciation of property, plant and equipment	18,993	24,419	23,198	5,820	5,778
Depreciation of right-of-use assets	6,100	4,517	3,098	765	755
Amortisation of intangible assets	5,879	5,579	2,211	556	580
Total depreciation and amortisation	30,972	34,515	28,507	7,141	7,113
Less: capitalised in inventories	(15,069)	(19,627)	(19,406)	(4,800)	(4,925)
	<u>15,903</u>	<u>14,888</u>	<u>9,101</u>	<u>2,341</u>	<u>2,188</u>
Auditors’ remuneration	—	250	330	—	—
Other expenses (Note)	4,837	4,514	705	705	—
Directors’ and supervisors’ emoluments (Note 12)	3,659	4,364	4,731	942	1,135
Staff salaries and benefits	83,040	78,334	64,495	16,989	22,080
Equity-settled share-based payments	6,760	417	152	152	—
Staff retirement benefit schemes contributions	4,340	3,048	2,750	551	602
Total staff costs	97,799	86,163	72,128	18,634	23,817
Less: capitalised in inventories	(2,458)	(2,264)	(2,530)	(545)	(711)
	<u>95,341</u>	<u>83,899</u>	<u>69,598</u>	<u>18,089</u>	<u>23,106</u>
Cost of inventories recognised as an expense (including write-down of inventories amounting to approximately RMB43,532,000, RMB23,551,000, RMB11,215,000, RMB7,132,000 (unaudited) and RMB3,370,000, respectively).	<u>560,210</u>	<u>380,272</u>	<u>400,948</u>	<u>108,173</u>	<u>99,438</u>

Note:

Other expenses included professional service fees incurred in relation to a previous listing exercise that were expensed during the Track Record Period and redundancy cost resulted from staff layoff.

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12. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS

Details of the emoluments paid/payable to the individuals who were appointed as the directors, supervisors and the chief executive of the Company during the Track Record Period are as follow:

	Director’s Fee	Salaries, allowance and benefits in kind	Performance related bonuses	Contributions to retirement benefit scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023					
Executive directors.					
Mr. Long (i)	—	747	—	18	765
Mr. Wang Bin	—	692	—	18	710
Mr. Ai Kanglin.	—	692	—	18	710
	—	2,131	—	54	2,185
Independent non-executive directors					
Mr. Hu Guoqing	90	—	—	—	90
Ms. Chen Yanni	90	—	—	—	90
Mr. Lin Kaishen (ii).	90	—	—	—	90
	270	—	—	—	270
Non-executive directors					
Mr. Zhou Xiaokang	—	—	—	—	—
Mr. Pu Xun.	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Zhou Guanghao.	—	269	—	11	280
Mr. Zhu Houdong (iii)	—	633	—	17	650
Mr. Li Yuanjia	—	263	—	11	274
	—	1,165	—	39	1,204
	270	3,296	—	93	3,659
Year ended 31 December 2024					
Executive directors					
Mr. Long (i)	—	846	35	19	900
Mr. Wang Bin	—	755	572	26	1,353
Mr. Ai Kanglin.	—	760	31	27	818
	—	2,361	638	72	3,071
Independent non-executive directors					
Mr. Hu Guoqing	90	—	—	—	90
Ms. Chen Yanni	90	—	—	—	90
Mr. Lin Kaishen (ii).	90	—	—	—	90
	270	—	—	—	270
Non-executive directors					
Mr. Zhou Xiaokang	—	—	—	—	—
Mr. Pu Xun.	—	—	—	—	—
	—	—	—	—	—

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	Director’s Fee	Salaries, allowance and benefits in kind	Performance related bonuses	Contributions to retirement benefit scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Supervisors					
Mr. Zhou Guanghao	—	346	15	12	373
Mr. Zhu Houdong (iii)	—	53	—	1	54
Mr. Li Yuanjia	—	272	22	11	305
Mr. Yang Zhi (iii)	—	265	15	11	291
	—	936	52	35	1,023
	270	3,297	690	107	4,364
Year ended 31 December 2025					
Executive directors					
Mr. Long (i)	—	736	127	20	883
Mr. Wang Bin	—	764	806	37	1,607
Mr. Ai Kanglin	—	764	132	37	933
	—	2,264	1,065	94	3,423
Independent non-executive directors					
Mr. Hu Guoqing	90	—	—	—	90
Ms. Chen Yanni	90	—	—	—	90
Mr. Lin Kaishen (ii)	90	—	—	—	90
	270	—	—	—	270
Non-executive directors					
Mr. Zhou Xiaokang	—	—	—	—	—
Mr. Pu Xun	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Zhou Guanghao	—	379	15	14	408
Mr. Li Yuanjia	—	287	13	12	312
Mr. Yang Zhi (iii)	—	289	17	12	318
	—	955	45	38	1,038
	270	3,219	1,110	132	4,731
Three months ended 31 March 2026					
Executive directors					
Mr. Long (i)	—	380	—	8	388
Mr. Wang Bin	—	241	—	9	250
Mr. Ai Kanglin	—	412	—	9	421
	—	1,033	—	26	1,059
Independent non-executive directors					
Mr. Hu Guoqing	23	—	—	—	23
Ms. Chen Yanni	23	—	—	—	23
Mr. Lin Kaishen (ii)	1	—	—	—	1
Mr. Yeung Shek Hin (ii)	22	—	—	—	22
	69	—	—	—	69

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	Director’s Fee	Salaries, allowance and benefits in kind	Performance related bonuses	Contributions to retirement benefit scheme	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-executive directors					
Mr. Zhou Xiaokang	—	—	—	—	—
Mr. Pu Xun.	—	—	—	—	—
	—	—	—	—	—
Supervisors (iv)					
Mr. Zhou Guanghao.	—	3	—	—	3
Mr. Li Yuanjia	—	2	—	—	2
Mr. Yang Zhi (iii)	—	2	—	—	2
	—	7	—	—	7
	69	1,040	—	26	1,135
Three months ended 31 March 2025 (unaudited)					
Executive directors					
Mr. Long (i)	—	219	—	5	224
Mr. Wang Bin	—	193	—	9	202
Mr. Ai Kanglin	—	196	—	9	205
	—	608	—	23	631
Independent non-executive directors					
Mr. Hu Guoqing	23	—	—	—	23
Ms. Chen Yanni	23	—	—	—	23
Mr. Lin Kaishen (ii).	23	—	—	—	23
	69	—	—	—	69
Non-executive directors					
Mr. Zhou Xiaokang	—	—	—	—	—
Mr. Pu Xun.	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Zhou Guanghao.	—	94	—	4	98
Mr. Li Yuanjia	—	69	—	3	72
Mr. Yang Zhi (iii)	—	69	—	3	72
	—	232	—	10	242
	69	840	—	33	942

Notes:

- (i) Mr. Long acts as chief executive of the Company throughout the Track Record Period and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.
- (ii) Mr. Lin Kaishen resigned as the independent non-executive director of the Company on 4 January 2026. Mr. Yeung Shek Hin was appointed as the independent non-executive director of the Company on 4 January 2026.
- (iii) Mr. Zhu Houdong resigned as the supervisor of the Company on 22 January 2024. Mr. Yang Zhi was appointed as the supervisor of the Company on 23 January 2024.
- (iv) Pursuant to the shareholders’ meeting held on 4 January 2026, the board of supervisors was dissolved on 4 January 2026, with its responsibilities to be assumed by the Audit Committee. The emoluments of supervisors for the three months ended 31 March 2026 only covered from 1 January 2026 to 4 January 2026.

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The executive directors’ and supervisors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors’ emoluments shown above were for their services as directors of the Company.

The performance related bonuses are determined based on the Group’s performance, performance of related individual within the Group and market trend.

During the Track Record Period, no emoluments were paid by the Group to any of the directors, supervisors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors, supervisors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the Track Record Period.

During the Track Record Period, certain directors were granted share awards, in respect of their services to the Group under the share incentive plans of the Company. Details of the share incentive plans are set out in Note 29.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026 included nil, 1, 1, nil (unaudited) and 2 directors, respectively and details of whose remuneration are set out in Note 12 above. Details of the remuneration for the Track Record Period of the remaining individuals are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, allowances and benefits in kind	5,104	4,712	4,098	1,965	1,641
Performance related bonuses	225	465	880	—	—
Equity-settled share-based expense	6,662	—	152	—	—
Contributions to retirement benefit scheme	136	91	93	28	45
	<u>12,127</u>	<u>5,268</u>	<u>5,223</u>	<u>1,993</u>	<u>1,686</u>

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

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil to HKD1,000,000	—	—	—	5	3
HKD1,000,001 to HKD1,500,000	4	4	3	—	—
HKD1,500,001 to HKD2,000,000	—	—	1	—	—
HKD2,000,001 to HKD2,500,000	1	—	—	—	—

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

14. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Dividends recognised as distribution:					
2024 interim dividend – RMB0.3 per ordinary share . .	—	30,900	—	—	—
2025 interim dividend – RMB0.2 per ordinary share . .	—	—	20,600	—	—
	—	30,900	20,600	—	—

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss) earnings					
(Loss) profit for the year/period	(14,026)	(37,136)	27,216	(2,702)	75,889
Number of shares					
Weighted average number of ordinary shares	103,000,000	103,000,000	103,000,000	103,000,000	103,000,000

No diluted (loss) earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

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16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Machineries	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2023	2,053	64,736	1,046	4,821	72,656
Additions	7,128	34,465	—	678	42,271
Disposals	—	(2,859)	—	(4)	(2,863)
Exchange adjustments	7	1	—	4	12
At 31 December 2023	9,188	96,343	1,046	5,499	112,076
Additions	138	8,974	—	19	9,131
Disposals	(1,698)	(3,275)	—	(22)	(4,995)
Exchange adjustments	6	2	—	4	12
At 31 December 2024	7,634	102,044	1,046	5,500	116,224
Additions	—	14,497	—	—	14,497
Disposals	(430)	(95)	—	(49)	(574)
Exchange adjustments	(10)	(1)	—	(8)	(19)
At 31 December 2025	7,194	116,445	1,046	5,443	130,128
Additions	21	4,551	—	29	4,601
Disposals	—	(641)	—	—	(641)
Exchange adjustments	—	(1)	—	(5)	(6)
At 31 March 2026	7,215	120,354	1,046	5,467	134,082
ACCUMULATED DEPRECIATION					
At 1 January 2023	767	20,348	993	2,969	25,077
Provided for the year	973	17,172	—	848	18,993
Eliminated on disposals	—	(589)	—	(4)	(593)
Exchange adjustments	1	—	—	1	2
At 31 December 2023	1,741	36,931	993	3,814	43,479
Provided for the year	1,542	21,972	—	905	24,419
Eliminated on disposals	(1,698)	(603)	—	(21)	(2,322)
Exchange adjustments	3	—	—	3	6
At 31 December 2024	1,588	58,300	993	4,701	65,582
Provided for the year	1,041	21,814	—	343	23,198
Eliminated on disposals	(430)	(43)	—	(35)	(508)
Exchange adjustments	(9)	(1)	—	(7)	(17)
At 31 December 2025	2,190	80,070	993	5,002	88,255
Provided for the period	251	5,475	—	52	5,778
Eliminated on disposals	—	(316)	—	—	(316)
Exchange adjustments	—	(1)	—	(5)	(6)
At 31 March 2026	2,441	85,228	993	5,049	93,711
CARRYING VALUES					
At 31 December 2023	7,447	59,412	53	1,685	68,597
At 31 December 2024	6,046	43,744	53	799	50,642
At 31 December 2025	5,004	36,375	53	441	41,873
At 31 March 2026	4,774	35,126	53	418	40,371

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The Company

	Leasehold improvements	Machineries	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2023	1,407	64,698	1,046	3,940	71,091
Additions	7,128	33,914	—	615	41,657
Disposals	—	(2,859)	—	(4)	(2,863)
At 31 December 2023	8,535	95,753	1,046	4,551	109,885
Additions	138	7,981	—	8	8,127
Disposals	(1,480)	(3,275)	—	(22)	(4,777)
At 31 December 2024	7,193	100,459	1,046	4,537	113,235
Additions	—	13,516	—	—	13,516
Disposals	—	(95)	—	(15)	(110)
At 31 December 2025	7,193	113,880	1,046	4,522	126,641
Additions	—	4,245	—	29	4,274
Disposals	—	(641)	—	—	(641)
At 31 March 2026	7,193	117,484	1,046	4,551	130,274
ACCUMULATED DEPRECIATION					
At 1 January 2023	577	20,342	993	2,695	24,607
Provided for the year	736	17,137	—	552	18,425
Eliminated on disposals	—	(589)	—	(4)	(593)
At 31 December 2023	1,313	36,890	993	3,243	42,439
Provided for the year	1,355	21,760	—	634	23,749
Eliminated on disposals	(1,478)	(603)	—	(21)	(2,102)
At 31 December 2024	1,190	58,047	993	3,856	64,086
Provided for the year	999	21,423	—	285	22,707
Eliminated on disposals	—	(43)	—	(13)	(56)
At 31 December 2025	2,189	79,427	993	4,128	86,737
Provided for the period	250	5,340	—	48	5,638
Eliminated on disposals	—	(316)	—	—	(316)
At 31 March 2026	2,439	84,451	993	4,176	92,059
CARRYING VALUES					
At 31 December 2023	7,222	58,863	53	1,308	67,446
At 31 December 2024	6,003	42,412	53	681	49,149
At 31 December 2025	5,004	34,453	53	394	39,904
At 31 March 2026	4,754	33,033	53	375	38,215

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The property, plant and equipment of the Group and the Company, after taking into account the residual values, are depreciated on a straight-line basis on the following periods:

Machineries	3–5 years
Motor vehicles	4 years
Furniture, fixtures and office equipment.	3–5 years
Leasehold improvements	<i>Note</i>

Note: Over the shorter of the lease terms and 7 years.

17. RIGHT-OF-USE ASSETS

The Group

	<u>Leased properties</u>
	<i>RMB’000</i>
As at 31 December 2023	
Carrying amount.	20,854
As at 31 December 2024	
Carrying amount.	13,610
As at 31 December 2025	
Carrying amount.	11,813
As at 31 March 2026	
Carrying amount.	11,058
For the year ended 31 December 2023	
Depreciation charge	6,100
For the year ended 31 December 2024	
Depreciation charge	4,517
For the year ended 31 December 2025	
Depreciation charge	3,098
For the three months ended 31 March 2026	
Depreciation charge	755
For the three months ended 31 March 2025 (unaudited)	
Depreciation charge	765

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The Company

	Leased properties
	<i>RMB'000</i>
As at 31 December 2023	
Carrying amount.	17,809
As at 31 December 2024	
Carrying amount.	12,746
As at 31 December 2025	
Carrying amount.	10,606
As at 31 March 2026	
Carrying amount.	10,071
For the year ended 31 December 2023	
Depreciation charge	3,684
For the year ended 31 December 2024	
Depreciation charge	2,705
For the year ended 31 December 2025	
Depreciation charge	2,140
For the three months ended 31 March 2026	
Depreciation charge	535
For the three months ended 31 March 2025 (unaudited)	
Depreciation charge	535

	The Group				
	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Total cash outflow for leases	5,724	4,707	3,505	731	938
Additions to right-of-use assets.	18,836	997	1,325	95	—

	The Company				
	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Total cash outflow for leases	3,256	2,611	2,529	446	702
Additions to right-of-use assets.	16,187	41	—	—	—

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During the Track Record Period, the Group and the Company leases offices and warehouses for its operations. Lease contracts are entered into for fixed term of 12 months to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

In addition, the Group’s lease liabilities of approximately RMB22,489,000, RMB15,652,000, RMB14,056,000 and RMB13,271,000 are recognised with related right-of-use assets of approximately RMB20,854,000, RMB13,610,000, RMB11,813,000 and RMB11,058,000 as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. The Company’s lease liabilities of approximately RMB19,322,000, RMB14,777,000, RMB12,836,000 and RMB12,267,000 are recognised with related right-of-use assets of approximately RMB17,809,000, RMB12,746,000, RMB10,606,000 and RMB10,071,000 as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in Note 26.

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18. INTANGIBLE ASSETS

The Group

	Office software	Patents	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At 1 January 2023	17,835	2,915	20,750
Additions	3,567	265	3,832
At 31 December 2023 and 2024	21,402	3,180	24,582
Additions	316	—	316
At 31 December 2025	21,718	3,180	24,898
Additions	3,527	—	3,527
At 31 March 2026	25,245	3,180	28,425
AMORTISATION			
At 1 January 2023	6,570	2,897	9,467
Charge for the year	5,815	64	5,879
At 31 December 2023	12,385	2,961	15,346
Charge for the year	5,525	54	5,579
At 31 December 2024	17,910	3,015	20,925
Charge for the year	2,158	53	2,211
At 31 December 2025	20,068	3,068	23,136
Charge for the period	567	13	580
At 31 March 2026	20,635	3,081	23,716
CARRYING VALUES			
At 31 December 2023	9,017	219	9,236
At 31 December 2024	3,492	165	3,657
At 31 December 2025	1,650	112	1,762
At 31 March 2026	4,610	99	4,709

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The Company

	Office software	Patents	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At 1 January 2023	17,835	2,915	20,750
Additions	3,567	265	3,832
At 31 December 2023, 2024 and 2025	21,402	3,180	24,582
Additions	3,527	—	3,527
At 31 March 2026	24,929	3,180	28,109
AMORTISATION			
At 1 January 2023	6,570	2,897	9,467
Charge for the year	5,815	64	5,879
At 31 December 2023	12,385	2,961	15,346
Charge for the year	5,525	54	5,579
At 31 December 2024	17,910	3,015	20,925
Charge for the year	2,142	53	2,195
At 31 December 2025	20,052	3,068	23,120
Charge for the period	551	13	564
At 31 March 2026	20,603	3,081	23,684
CARRYING VALUES			
At 31 December 2023	9,017	219	9,236
At 31 December 2024	3,492	165	3,657
At 31 December 2025	1,350	112	1,462
At 31 March 2026	4,326	99	4,425

The above intangible assets of the Group and the Company have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Office software	3–5 years
Patents	10 years

19. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	31,870	31,870	37,370	37,370
Less: impairment provision	(10,000)	(10,000)	(10,000)	(10,000)
	21,870	21,870	27,370	27,370

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20. DEFERRED TAXATION

For the purpose of 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			As at 31 March	
2023	2024	2025	2026	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Deferred tax assets	28,712	43,656	49,245	38,328
Deferred tax liabilities	(515)	(201)	—	—
	<u>28,197</u>	<u>43,455</u>	<u>49,245</u>	<u>38,328</u>

The Company				
As at 31 December			As at 31 March	
2023	2024	2025	2026	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Deferred tax assets	19,223	29,260	31,901	28,565
Deferred tax liabilities	(355)	(77)	—	—
	<u>18,868</u>	<u>29,183</u>	<u>31,901</u>	<u>28,565</u>

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

The Group

	Tax losses	Right-of-use assets	Lease liabilities	Inventory provision	ECL provision	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	6,033	(1,334)	848	11,072	459	(125)	16,953
Credit (charge) for the year (<i>Note 10</i>)	7,943	(1,528)	1,499	2,927	278	125	11,244
At 31 December 2023	13,976	(2,862)	2,347	13,999	737	—	28,197
Credit (charge) for the year (<i>Note 10</i>)	15,190	754	(440)	(16)	(230)	—	15,258
At 31 December 2024	29,166	(2,108)	1,907	13,983	507	—	43,455
Credit (charge) for the year (<i>Note 10</i>)	7,611	295	244	(2,470)	110	—	5,790
At 31 December 2025	36,777	(1,813)	2,151	11,513	617	—	49,245
(Charge) credit for the period (<i>Note 10</i>).	(11,091)	125	(131)	(141)	321	—	(10,917)
At 31 March 2026	<u>25,686</u>	<u>(1,688)</u>	<u>2,020</u>	<u>11,372</u>	<u>938</u>	<u>—</u>	<u>38,328</u>

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The Company

	Tax losses	Right-of-use assets	Lease liabilities	Inventory provision	ECL provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	—	(881)	567	11,072	388	(125)	11,021
Credit (charge) for the year	4,548	(1,790)	1,749	2,927	288	125	7,847
At 31 December 2023	4,548	(2,671)	2,316	13,999	676	—	18,868
Credit (charge) for the year	10,354	759	(481)	(43)	(274)	—	10,315
At 31 December 2024	14,902	(1,912)	1,835	13,956	402	—	29,183
Credit (charge) for the year	4,939	321	90	(2,539)	(93)	—	2,718
At 31 December 2025	19,841	(1,591)	1,925	11,417	309	—	31,901
(Charge) credit for the period	(6,098)	80	(85)	(181)	2,948	—	(3,336)
At 31 March 2026	13,743	(1,511)	1,840	11,236	3,257	—	28,565

21. INVENTORIES

The Group				
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and work in progress . . .	250,591	223,403	218,451	341,426
Finished goods	206,116	187,606	152,050	158,207
Goods in transit	26	—	—	150
	456,733	411,009	370,501	499,783
Less: allowance for inventories	(93,324)	(93,148)	(76,498)	(75,447)
	363,409	317,861	294,003	424,336

The Company				
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and work in progress . . .	250,591	223,097	217,202	339,000
Finished goods	206,116	187,298	150,044	155,178
Goods in transit	26	—	—	143
	456,733	410,395	367,246	494,321
Less: allowance for inventories	(93,324)	(93,041)	(76,110)	(74,903)
	363,409	317,354	291,136	419,418

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22a. TRADE AND OTHER RECEIVABLES

	The Group			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	92,606	62,508	72,443	102,601
Less: allowance for credit losses	(4,630)	(3,125)	(3,622)	(5,130)
	87,976	59,383	68,821	97,471
Other receivables	6,418	5,745	6,051	5,451
Less: allowance for credit losses	(217)	(525)	(851)	(250)
	6,201	5,220	5,200	5,201
Note receivables	2,000	1,239	—	—
Prepayments to suppliers and prepaid operation expenses	28,803	29,890	53,972	54,440
Prepaid income tax	2,372	2,342	2,342	—
Value-added tax recoverable	38,092	29,977	30,022	32,206
Deferred issue costs	—	—	2,391	3,448
	165,444	128,051	162,748	192,766

	The Company			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	88,826	52,305	44,297	61,089
Less: allowance for credit losses	(4,441)	(2,615)	(2,000)	(3,049)
	84,385	49,690	42,297	58,040
Other receivables	5,686	5,051	5,110	5,121
Less: allowance for credit losses	(67)	(61)	(61)	(62)
	5,619	4,990	5,049	5,059
Note receivables	2,000	1,239	—	—
Prepayments to suppliers and prepaid operation expenses	28,565	29,589	52,625	52,990
Prepaid income tax	2,343	2,342	2,342	—
Value-added tax recoverable	37,733	29,628	29,016	30,902
Deferred issue costs	—	—	2,391	3,448
	160,645	117,478	133,720	150,439

As at 1 January 2023, the Group’s and the Company’s trade receivables from contracts with customers amounting to approximately RMB55,832,000 and RMB48,529,000, respectively.

The Group grants the credit period ranging from 0 day to 180 days to its trade customers. A longer credit period may be granted to large or long-established customers with good repayment history.

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The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of each reporting period:

The Group				
As at 31 December				As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–90 days	84,640	53,395	56,732	90,362
91–365 days	3,336	5,988	12,089	7,109
	<u>87,976</u>	<u>59,383</u>	<u>68,821</u>	<u>97,471</u>
The Company				
As at 31 December				As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–90 days	81,374	49,433	37,724	52,868
91–365 days	3,011	257	4,573	5,172
	<u>84,385</u>	<u>49,690</u>	<u>42,297</u>	<u>58,040</u>

Included in the balance are the Group’s trade receivables balance from debtors with the aggregate carrying amount of approximately RMB6,387,000, RMB9,488,000, RMB1,697,000 and RMB5,627,000, and the Company’s trade receivables balance from debtors with the aggregate carrying amount of approximately RMB6,285,000, RMB7,492,000, RMB987,000 and RMB5,527,000 which are past due as at 31 December 2023, 2024 and 2025 and 31 March 2026. The Group and the Company do not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 34.

22b. FINANCIAL ASSETS AT FVTPL

The Group and the Company				
As at 31 December				As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in financial products issued by banks (<i>Note</i>)	<u>—</u>	<u>—</u>	<u>35,000</u>	<u>—</u>

Note: An aggregate amount of approximately nil, nil, RMB35,000,000 and nil as at 31 December 2023, 2024 and 2025 and 31 March 2026 were financial products issued by banks denominated in RMB and with contractual maturities within one year. These financial products as at 31 December 2025 had expected return rates ranging from 0.75% to 1.70% per annum.

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23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and time deposits with original maturity less than three months for the purpose of meeting the Group’s short term cash commitments. The Group’s and the Company’s demand deposits carry interest at market rates range from 0.01% to 0.10%, 0.05% to 0.10%, 0.05% to 3.03% and 0.05% to 3.03% per annum as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

As at 31 December 2023 and 31 March 2026, the time deposits of the Group carried interest at a market rate of 4.00% and 0.85% per annum, respectively. As at 31 December 2024 and 2025, the Group had no time deposits.

As at 31 March 2026, the time deposits of the Company carried interest at a market rate of 0.85% per annum. As at 31 December 2023, 2024 and 2025, the Company had no time deposits.

24. TRADE AND OTHER PAYABLES

	The Group			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	28,512	25,701	32,696	50,698
Payroll payables	7,106	11,051	12,848	10,754
Other tax payables	1,100	597	602	1,020
Deposit payables	18,997	10,761	9,544	13,838
Accrued issued costs and [REDACTED]	—	—	3,073	1,295
Other payables and accruals	2,377	1,599	1,234	3,070
	<u>58,092</u>	<u>49,709</u>	<u>59,997</u>	<u>80,675</u>

	The Company			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	28,512	25,555	32,436	49,090
Payroll payables	4,134	6,705	9,344	6,457
Other tax payables	919	498	497	896
Deposit payables	15,880	9,323	8,139	12,454
Accrued issued costs and [REDACTED]	—	—	3,073	1,295
Other payables and accruals	2,259	1,249	1,103	2,916
	<u>51,704</u>	<u>43,330</u>	<u>54,592</u>	<u>73,108</u>

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The average credit period on purchases of goods is 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	The Group			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–60 days	24,026	21,573	31,846	44,783
61–180 days	4,447	3,926	287	5,253
181–365 days	39	39	524	388
Over 365 days	—	163	39	274
	<u>28,512</u>	<u>25,701</u>	<u>32,696</u>	<u>50,698</u>

	The Company			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–60 days	24,026	21,427	31,589	43,968
61–180 days	4,447	3,926	284	4,705
181–365 days	39	39	524	375
Over 365 days	—	163	39	42
	<u>28,512</u>	<u>25,555</u>	<u>32,436</u>	<u>49,090</u>

25. BORROWINGS

	The Group			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured bank borrowings	<u>60,036</u>	<u>71,052</u>	<u>61,035</u>	<u>141,092</u>
The carrying amounts of the above borrowings are analysed based on contractual repayment date as follows:				
Within one year	60,036	71,052	46,025	87,392
Within a period of more than one year but not more than two years	—	—	—	20,300
Within a period of more than two years but not more than five years	—	—	15,010	33,400
	<u>60,036</u>	<u>71,052</u>	<u>61,035</u>	<u>141,092</u>
Less: Amount due within one year shown under current liabilities	<u>(60,036)</u>	<u>(71,052)</u>	<u>(46,025)</u>	<u>(87,392)</u>
Amount due shown under non-current liabilities	<u>—</u>	<u>—</u>	<u>15,010</u>	<u>53,700</u>

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	The Company			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured bank borrowings.	60,036	61,046	51,034	131,085
The carrying amounts of the above borrowings are analysed based on contractual repayment date as follows:				
Within one year	60,036	61,046	36,024	77,385
Within a period of more than one year but not more than two years	—	—	—	20,300
Within a period of more than two years but not more than five years	—	—	15,010	33,400
	60,036	61,046	51,034	131,085
Less: Amount due within one year shown under current liabilities	(60,036)	(61,046)	(36,024)	(77,385)
Amount due shown under non-current liabilities	—	—	15,010	53,700

The above borrowings of the Group and the Company carried interests at fixed rates of 3.00% to 3.30%, 2.80% to 2.95%, 2.50% to 2.95% and 2.35% to 2.60% per annum as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

At 31 December 2023, the borrowings amounting to approximately RMB60,036,000 were jointly guaranteed by the Company, Mr. Long and Ms. Shen Yue, a shareholder of the Company. The financial guarantee provided by Ms. Shen Yue had been released during the year ended 31 December 2024. The borrowings amounting to approximately RMB71,052,000, RMB61,035,000 and RMB141,092,000 as at 31 December 2024 and 2025 and 31 March 2026 were jointly guaranteed by the Company and Mr. Long. [As represented by the directors of the Company, the guarantees from Mr. Long will be released before [REDACTED].]

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26. LEASE LIABILITIES

	The Group			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	5,546	3,128	3,165	3,027
Within a period of more than one year but not more than two years	4,532	2,753	2,778	2,750
Within a period of more than two years but not more than five years	8,125	7,673	8,113	7,494
Within a period of more than five years.	4,286	2,098	—	—
	22,489	15,652	14,056	13,271
Less: Amount due for settlement within one year shown under current liabilities	(5,546)	(3,128)	(3,165)	(3,027)
Amount due for settlement after one year shown under non-current liabilities	16,943	12,524	10,891	10,244

The weighted average incremental borrowing rates applied to lease liabilities of the Group are 4.25%, 4.18%, 4.15% and 4.16% per annum as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

	The Company			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	3,879	2,546	2,481	2,455
Within a period of more than one year but not more than two years	3,584	2,481	2,379	2,355
Within a period of more than two years but not more than five years	7,573	7,652	7,976	7,457
Within a period of more than five years.	4,286	2,098	—	—
	19,322	14,777	12,836	12,267
Less: Amount due for settlement within one year shown under current liabilities	(3,879)	(2,546)	(2,481)	(2,455)
Amount due for settlement after one year shown under non-current liabilities	15,443	12,231	10,355	9,812

The weighted average incremental borrowing rates applied to lease liabilities of the Company are 4.24%, 4.20%, 4.20% and 4.20% per annum as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

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27. SHARE CAPITAL

Details of movements of registered and issued share capital of the Company are as follows:

	Number of shares	Share capital <i>RMB’000</i>
Ordinary shares of RMB1 each		
Authorized, issued and fully paid		
At 1 January 2023 and 31 December 2023, 2024 and 2025 and		
31 March 2026	103,000,000	103,000

28. RESERVES OF THE COMPANY

	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023.	312,259	13,534	33,407	189,146	548,346
Profit and total comprehensive income for the year	—	—	—	1,676	1,676
Profit appropriations to statutory reserve.	—	—	168	(168)	—
Recognition of equity-settled share-based payments.	—	6,717	—	—	6,717
At 31 December 2023.	312,259	20,251	33,575	190,654	556,739
Loss and total comprehensive expense for the year	—	—	—	(23,196)	(23,196)
Dividends recognised as distribution (Note 14).	—	—	—	(30,900)	(30,900)
Recognition of equity-settled share-based payments.	—	413	—	—	413
At 31 December 2024.	312,259	20,664	33,575	136,558	503,056
Profit and total comprehensive income for the year.	—	—	—	34,559	34,559
Profit appropriations to statutory reserve.	—	—	3,586	(3,586)	—
Dividends recognised as distribution (Note 14).	—	—	—	(20,600)	(20,600)
Recognition of equity-settled share-based payments.	—	5	—	—	5
At 31 December 2025.	312,259	20,669	37,161	146,931	517,020
Profit and total comprehensive income for the period	—	—	—	50,045	50,045
At 31 March 2026.	312,259	20,669	37,161	196,976	567,065

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29. SHARE-BASED PAYMENT TRANSACTIONS

(1) 2017 Share Incentive Plan (as defined below)

Effective in August 2017, the shareholders of the Company has adopted a share incentive plan (the “**2017 Share Incentive Plan**”) and established a limited partnership, 深圳龍芯天下企業管理合夥企業(有限合夥) Shenzhen Longxin Tianxia Enterprise Management Partnership (Limited Partnership) (“**Longxin Tianxia I**”), as the [REDACTED] employee incentive platform, pursuant to which Longxin Tianxia I is authorised to grant share awards to directors, officers and employees (the “**2017 Eligible Participants**”) who provide services to the Company and its affiliates.

The following table discloses movements of the 2017 Share Incentive Plan during the Track Record Period:

	Directors and supervisors					Employees					Total				
	For the year ended 31 December			Three months ended 31 March		For the year ended 31 December			Three months ended 31 March		For the year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026	2023	2024	2025	2025	2026	2023	2024	2025	2025	2026
	(unaudited)					(unaudited)					(unaudited)				
Outstanding at															
1 January.	44,455	244,455	234,455	234,455	234,455	7,928,546	6,424,546	6,631,546	6,631,546	6,584,546	7,973,001	6,669,001	6,866,001	6,866,001	6,819,001
Granted	200,000	—	—	—	—	350,000	812,000	20,000	—	—	550,000	812,000	20,000	—	—
Repurchased	—	(10,000)	—	—	—	(1,854,000)	(605,000)	(67,000)	(30,000)	(30,000)	(1,854,000)	(615,000)	(67,000)	(30,000)	(30,000)
Outstanding at															
31 December/															
31 March.	244,455	234,455	234,455	234,455	234,455	6,424,546	6,631,546	6,584,546	6,601,546	6,554,546	6,669,001	6,866,001	6,819,001	6,836,001	6,789,001

(2) 2020 Share Incentive Plans (as defined below)

Effective in March 2020, the shareholders of the Company adopted three share incentive plans (the “**2020 Share Incentive Plans**”) and established three limited partnership, 深圳龍芯天下二企業管理合夥企業(有限合夥) Shenzhen Longxin Tianxia II Enterprise Management Partnership (Limited Partnership) (“**Longxin Tianxia II**”), 深圳龍芯天下三企業管理合夥企業(有限合夥) Shenzhen Longxin Tianxia III Enterprise Management Partnership (Limited Partnership) (“**Longxin Tianxia III**”) and 深圳龍芯天下四企業管理合夥企業(有限合夥) Shenzhen Longxin Tianxia IV Enterprise Management Partnership (Limited Partnership) (“**Longxin Tianxia IV**”), as the [REDACTED] employee incentive platforms, pursuant to which the [REDACTED] employee incentive platforms are authorised to grant share awards to directors, officers and employees (the “**2020 Eligible Participants**”) who provide services to the Company and its affiliates.

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The following table discloses movements of the 2020 Share Incentive Plans during the Track Record Period:

	Directors and supervisors					Employees					Total				
	For the year ended 31 December			Three months ended 31 March		For the year ended 31 December			Three months ended 31 March		For the year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026	2023	2024	2025	2025	2026	2023	2024	2025	2025	2026
	(unaudited)					(unaudited)					(unaudited)				
Outstanding at															
1 January.	124,880	124,880	104,880	104,880	104,880	4,263,137	4,174,137	3,257,250	3,257,250	3,091,750	4,388,017	4,299,017	3,362,130	3,362,130	3,196,630
Granted	—	—	—	—	—	—	358,000	73,000	—	—	—	358,000	73,000	—	—
Repurchased	—	(20,000)	—	—	—	(89,000)	(1,274,887)	(238,500)	(85,000)	(30,000)	(89,000)	(1,294,887)	(238,500)	(85,000)	(30,000)
Outstanding at															
31 December/															
31 March.	124,880	104,880	104,880	104,880	104,880	4,174,137	3,257,250	3,091,750	3,172,250	3,061,750	4,299,017	3,362,130	3,196,630	3,277,130	3,166,630

The fair values of the share awards subscribed by the 2017 Eligible Participants and 2020 Eligible Participants (together the “**Eligible Participants**”) under the 2017 Share Incentive Plan and 2020 Share Incentive Plans (collectively as the “[REDACTED] Share Incentive Plans”) at respective subscription dates were determined by reference to recent transaction prices.

Except for certain share awards granted under Longxin Tianxia I without service condition prior to the Track Record Period, the remaining share awards subscribed by the Eligible Participants under the [REDACTED] Share Incentive Plans will vest in four equal installments from the respective grant dates, subject to the successful of the Company’s [REDACTED] (the “[REDACTED] Condition”). None of the share awards may be sold, transferred, pledged, hypothecated, or otherwise disposed of, directly or indirectly, by the Eligible Participants before the successful of the [REDACTED]. The aforesaid arrangement has been accounted for as share-based payment transactions granted by the shareholders of the Company.

Based on the [REDACTED] Share Incentive Plans, when the Eligible Participants leave the Group (the “**Outgoing Employees**”) before the [REDACTED], they are required to return the share awards granted to them at the initial subscription price.

In addition, separate supplemental agreements were signed between the relevant limited partnership and certain Eligible Participants, which specified the Outgoing Employees are not required to return certain portion of the share awards when Outgoing Employees leave the Group (the “**Modification**”). Such portion of share awards no longer had vesting service condition that are subject to the above [REDACTED] Condition and are considered as share awards with a non-vesting condition and the related share-based payment expenses are charged to profit or loss. The Group recognised share-based payment expense of approximately RMB6,760,000, RMB417,000, RMB152,000, RMB152,000 (unaudited) and nil for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026, respectively, for the share awards retained by the Outgoing Employees as a result of the Modification.

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the outstanding number of share awards with non-vesting conditions are 3,360,051, 3,450,051, 3,560,051 and 3,560,051, respectively.

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The Group did not recognise any share-based payment expenses for the Track Record Period for other share awards since the directors of the Company are in the view that it is not yet probable to achieve the [REDACTED] Condition during the Track Record Period.

30. RELATED PARTY DISCLOSURES

The Company has the following balances with subsidiaries during the Track Record Period:

The Company

Relationships	Nature of balances	As at 31 December			As at
					31 March
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries:					
Subsidiaries.	Non-trade nature	25,633	35,371	29,871	29,871
Subsidiaries.	Trade nature	40,914	61,624	95,686	90,845
Less: allowance for credit losses.		(17,500)	(25,500)	(20,500)	(20,500)
		49,047	71,495	105,057	100,216
Amounts due to subsidiaries:					
Subsidiaries.	Non-trade nature	2,595	7,375	7,823	7,786
Subsidiaries.	Trade nature	4,878	1,330	1,616	26,229
		7,473	8,705	9,439	34,015

The trade related balances with subsidiaries were unsecured and interest-free. The following table gives the information of the aging of the trade related balances with subsidiaries.

	The Company			
	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	18,340	20,710	41,300	55,600
Over 1 year.	22,574	40,914	54,386	35,245
	<u>40,914</u>	<u>61,624</u>	<u>95,686</u>	<u>90,845</u>

The trade related amounts due to subsidiaries were unsecured and interest-free with aging within 1 year.

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The non-trade related balances with subsidiaries were interest-free, unsecured and repayable on demand. Included in the amounts due from subsidiaries as at 31 December 2023 and 2024 and 31 March 2026, the Company considered that there is significant increase in the credit risk of a subsidiary (the “**Subsidiary**”) due to its recurring loss and scale down of operation, credit loss allowance of approximately RMB3,500,000, RMB8,000,000 and nil, respectively, was recognized by the Company during the years ended 31 December 2023 and 2024 and the three months ended 31 March 2026. During the year ended 31 December 2025, the Company received repayment of approximately RMB5,000,000 from the Subsidiary and thus, credit loss allowance of approximately RMB5,000,000 was reversed by the Company during the year ended 31 December 2025.

As at 31 December 2023, Mr. Long and Ms. Shen Yue provided financial guarantees in respect of the Group’s bank borrowings amounted to approximately RMB60,036,000. The financial guarantee provided by Ms. Shen Yue had been released during the year ended 31 December 2024. As at 31 December 2024 and 2025 and 31 March 2026, Mr. Long provided financial guarantees in respect of the Group’s bank borrowings amounted to approximately RMB71,052,000, RMB61,035,000, and RMB141,092,000 respectively. [As represented by directors of the Company, the guarantees from Mr. Long will be released before [REDACTED].]

Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period is set out in Note 12.

31. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme under the MPF Scheme for employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in fund under the control of trustees. The Group contributes certain percent of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Company and the Company’s subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The total expense recognised in profit or loss of approximately RMB4,433,000, RMB3,155,000, RMB2,882,000, RMB584,000 (unaudited) and RMB628,000 represents contributions payable to these schemes by the Group during each of the year ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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	Borrowings	Lease liabilities	Accrued issue cost	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	—	9,516	—	—	9,516
Financing cash flows	59,961	(5,724)	—	—	54,237
New leases entered	—	18,836	—	—	18,836
Early termination of leases	—	(741)	—	—	(741)
Finance costs	75	602	—	—	677
As at 31 December 2023	60,036	22,489	—	—	82,525
Financing cash flows	8,909	(4,707)	—	(30,900)	(26,698)
New leases entered	—	997	—	—	997
Early termination of leases	—	(3,912)	—	—	(3,912)
Finance costs	2,107	785	—	—	2,892
Dividend declared	—	—	—	30,900	30,900
As at 31 December 2024	71,052	15,652	—	—	86,704
Financing cash flows	(11,341)	(3,505)	(1,623)	(20,600)	(37,069)
New leases entered	—	1,325	—	—	1,325
Early termination of leases	—	(24)	—	—	(24)
Finance costs	1,324	608	—	—	1,932
Issue cost accruals	—	—	2,391	—	2,391
Dividend declared	—	—	—	20,600	20,600
As at 31 December 2025	61,035	14,056	768	—	75,859
Financing cash flows	79,610	(938)	(1,501)	—	77,171
Finance costs	447	153	—	—	600
Issue cost accruals	—	—	1,057	—	1,057
As at 31 March 2026	141,092	13,271	324	—	154,687
(Unaudited)					
As at 31 December 2024	71,052	15,652	—	—	86,704
Financing cash flows	(30,413)	(731)	—	—	(31,144)
New leases entered	—	95	—	—	95
Finance costs	383	166	—	—	549
As at 31 March 2025	41,022	15,182	—	—	56,204

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group expects to balance its overall capital structure through new share issues as well as the issue of the new debt or the redemption of existing debts and the payment of dividends.

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34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December			Aa at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Cash and cash equivalents	105,152	128,949	101,318	149,484
Trade and other receivables	96,177	65,842	74,021	102,672
Financial assets at amortised cost	201,329	194,791	175,339	252,156
Financial assets at FVTPL	—	—	35,000	—
	<u>201,329</u>	<u>194,791</u>	<u>210,339</u>	<u>252,156</u>
Financial liabilities				
Trade and other payables	49,886	38,061	43,474	67,606
Borrowings	60,036	71,052	61,035	141,092
Financial liabilities at amortised cost . . .	<u>109,922</u>	<u>109,113</u>	<u>104,509</u>	<u>208,698</u>

The Company

	As at 31 December			Aa at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Cash and cash equivalents	88,899	107,673	73,162	130,283
Trade and other receivables	92,004	55,919	47,346	63,099
Amounts due from subsidiaries	49,047	71,495	105,057	100,216
Financial assets at amortised cost	229,950	235,087	225,565	293,598
Financial assets at FVTPL	—	—	35,000	—
	<u>229,950</u>	<u>235,087</u>	<u>260,565</u>	<u>293,598</u>
Financial liabilities				
Trade and other payables	46,651	36,127	41,678	64,460
Amounts due to subsidiaries	7,473	8,705	9,439	34,015
Borrowings	60,036	61,046	51,034	131,085
Financial liabilities at amortised cost . . .	<u>114,160</u>	<u>105,878</u>	<u>102,151</u>	<u>229,560</u>

(b) Financial risk management objectives and policies

The Group’s and the Company’s major financial instruments include cash and cash equivalents, financial assets at FVTPL, trade and other receivables, amounts due from subsidiaries, trade and other payables, amounts due to subsidiaries, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments

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include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group’s and the Company’s activities expose primarily to the market risks of changes in interest rates and currency rates.

There has been no significant change to the Group’s and the Company’s exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

The Company have foreign currency sales and purchases and cash and cash equivalents which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposures and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group’s and the Company’s foreign currency denominated monetary assets and intra-group balances at the reporting date are as follows:

	As at 31 December			Aa at 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Assets				
USD	85,439	111,992	120,006	120,857
Liabilities				
USD	1,945	3,821	5,037	27,609

Sensitivity analysis

The following table details the Group’s and the Company’s sensitivity to a reasonably possible change of 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. The sensitivity analysis also includes intra-group balances. A positive number below indicates an increase in profit for the year/period where USD strengthen 5% against RMB. For a 5% weakening of USD against RMB, there would be an equal and opposite impact on the loss/profit for the year/period and the amounts below would be negative.

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	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period				
— USD against RMB	3,548	4,597	4,886	3,963

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (Note 25) and lease liabilities (Note 26). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 23). The cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate on bank balances. No sensitivity analysis was presented as management considers the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Credit risk and impairment assessment

At the end of each reporting period, the maximum exposure to credit risk of the Group and the Company which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position and the statements of financial position at the end of each reporting period.

Trade receivables and amounts due from subsidiaries arising from contracts with customers

In order to minimise the credit risk, the management of the Group and the Company has delegated the responsible personnel for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

The Group has concentration of credit risk as 10%, 31%, 29%, and 26% of total trade receivables were due from the Group’s largest debtor as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. The concentration of credit risk for the five largest debtors of total trade receivables were 43%, 61%, 60% and 77% as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group and the Company perform impairment assessment under ECL model on trade receivables and amounts due from subsidiaries in trade nature which are credit-impaired individually. The remaining trade receivables and amounts due from subsidiaries are grouped and assessed on collective basis based on the nature of customers and customers’ aging of outstanding balances. During the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026, the credit loss allowance of approximately RMB1,692,000, RMB(1,505,000), RMB497,000, RMB329,000 (unaudited) and RMB1,508,000, respectively, was recognised (reversed) by the Group in relation to the trade receivables. During the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026, the credit loss allowance of RMB1,887,000, RMB(1,826,000), RMB(615,000), RMB256,000 (unaudited) and RMB1,049,000, respectively, was recognised (reversed) by the Company in relation to the trade receivables. For the amounts due from subsidiaries in a trade nature, the Company assessed the ECL to be insignificant and thus no loss allowance is recognised for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026.

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Other receivables and non-trade amounts due from subsidiaries

The Company assessed the loss allowance for amounts due from a subsidiary in non-trade nature on lifetime ECL basis as the Group and the Company have considered that credit risks of a subsidiary have increased significantly since initial recognition and became credit-impaired, and except for the credit-impaired amounts due from the subsidiary, the remaining other receivables and amounts due from subsidiaries are assessed on 12m ECL basis. For the amounts due from subsidiaries in non-trade nature, the Company considered that there is significant increase in the credit risk of a subsidiary due to its recurring loss and scale down of operation, credit loss allowance of approximately RMB3,500,000, RMB8,000,000 and nil respectively, was recognised by the Company during the years ended 31 December 2023, 2024 and the three months ended 31 March 2026. During the year ended 31 December 2025, the Company received repayment of approximately RMB5,000,000 from the subsidiary and thus, credit loss allowance of approximately RMB5,000,000 was reversed by the Company during the year ended 31 December 2025. For the remaining amounts due from subsidiaries in non-trade nature, the Company assessed the ECL are insignificant and thus no loss allowance is recognised for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026.

In determining the ECL for other receivables, the Group and the Company have taken into account the historical default experience and forward-looking information as appropriate. The Group and the Company have considered the consistently low historical default rate in connection with payments and the Group and the Company also actively monitor the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. During the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026, the credit loss allowance of approximately RMB113,000, RMB303,000, RMB98,000, RMB98,000 (unaudited) and RMB8,000, respectively, was recognised by the Group and the credit loss allowance of approximately RMB34,000, RMB(6,000), RMB(441), RMB21,000 (unaudited) and RMB1,000, respectively, was recognised (reversed) by the Company for other receivables.

Cash and cash equivalents

The credit risks on cash and cash equivalents are limited because the counterparties are authorised banks in the PRC with high credit ratings assigned by external credit-rating agencies.

The Group does not have any significant concentration of credit risk.

The Group and the Company assessed 12m ECL for cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised for the years ended 31 December 2023, 2024 and 2025 and for the three months ended 31 March 2025 and 2026.

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

Internal credit rating	Description	Trade receivables and trade-nature amounts due from subsidiaries	Other financial assets
Low risk . . .	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL — not credit-impaired	12-month ECL
Normal risk .	The counterparty has a normal risk of default and does not have material past-due amounts.	Lifetime ECL — not credit-impaired	12-month ECL
Watch list. . .	Debtor frequently repays after due dates but usually settle in full.	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful . . .	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off . . .	There is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

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

The Group

	Notes	Internal credit rating	12m or life-time ECL	Gross carrying amount			
				31/12/2023	31/12/2024	31/12/2025	31/03/2026
				RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables .	22a	(i)	Life-time ECL (not credit-impaired)	92,503	62,404	72,341	102,501
			Life-time ECL (credit-impaired)	103	104	102	100
Other receivables .	22a	(ii)	12m ECL	6,418	5,745	6,051	5,451
Note receivables .	22a	(ii)	12m ECL	2,000	1,239	—	—
Cash and cash equivalents . . .	23	(ii)	12m ECL	105,152	128,949	101,318	149,484

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The Company

	Notes	Internal credit rating	12m or life-time ECL	Gross carrying amount			
				31/12/2023	31/12/2024	31/12/2025	31/03/2026
				RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables .	22a	(i)	Life-time ECL (not credit-impaired)	88,826	52,305	44,297	61,089
Other receivables .	22a	(ii)	12m ECL	5,686	5,051	5,110	5,121
Note receivables .	22a	(ii)	12m ECL	2,000	1,239	—	—
Amounts due from subsidiaries . . .	30	(i)	Life-time ECL (not credit-impaired)	40,914	61,624	95,686	90,845
Amounts due from subsidiaries . . .	30	(ii)	Lifetime ECL — credit-impaired	17,500	25,500	20,500	20,500
Amounts due from subsidiaries . . .	30	(ii)	12m ECL	8,133	9,871	9,371	9,371
Cash and cash equivalents . . .	23	(ii)	12m ECL	88,899	107,673	73,162	130,283

Notes:

- (i) For trade receivables and amounts due from subsidiaries in trade nature, the Group and the Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables and amounts due from subsidiaries (trade-nature) are grouped and assessed on collective basis, grouped by internal credit rating.

As part of the Group’s and the Company’s credit risk management, the Group and the Company applies internal credit rating for its customers. Set out below is the information about the credit risk exposure on the Group’s trade receivables using a collective basis:

The Group

	Loss rate	Trade receivables	Lifetime ECL
		RMB'000	RMB'000
As at 31 December 2023			
Internal credit rating			
Normal	5%	92,503	4,527
Loss	100%	103	103
		92,606	4,630
As at 31 December 2024			
Internal credit rating			
Normal	5%	62,404	3,021
Loss	100%	104	104
		62,508	3,125
As at 31 December 2025			
Internal credit rating			
Normal	5%	72,341	3,520
Loss	100%	102	102
		72,443	3,622
As at 31 March 2026			
Internal credit rating			
Normal	5%	102,501	5,030
Loss	100%	100	100
		102,601	5,130

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The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the Group provided approximately RMB4,527,000, RMB3,021,000, RMB3,520,000 and RMB5,030,000 impairment allowance respectively for trade receivables which are not credit-impaired, and impairment allowance of RMB103,000, RMB104,000, RMB102,000 and RMB100,000 were made on credit-impaired debtors respectively.

The Company

	Loss rate	Trade receivables	Lifetime ECL
		RMB'000	RMB'000
As at 31 December 2023			
Internal credit rating			
Normal.	5%	88,826	4,441
As at 31 December 2024			
Internal credit rating			
Normal.	5%	52,305	2,615
As at 31 December 2025			
Internal credit rating			
Normal.	5%	44,297	2,000
As at 31 March 2026			
Internal credit rating			
Normal.	5%	61,089	3,049

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the Company provided approximately RMB4,441,000, RMB2,615,000, RMB2,000,000 and RMB3,049,000 impairment allowance for trade receivables which is not credit-impaired respectively. The company had no credit-impaired balances.

The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	The Group	The Company
	RMB'000	RMB'000
As at 1 January 2023	2,938	2,554
— net impairment losses recognised	1,692	1,887
As at 31 December 2023	4,630	4,441
— net impairment losses reversed	(1,505)	(1,826)
As at 31 December 2024	3,125	2,615
— net impairment losses recognised (reversed)	497	(615)
As at 31 December 2025	3,622	2,000
— net impairment losses recognised	1,508	1,049
As at 31 March 2026	5,130	3,049

- (ii) For the purposes of internal credit risk management, the Group and the Company have applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group and the Company determine the ECL for other receivables, note receivables, amounts due from subsidiaries in non-trade nature and bank balances by assessment of probability of default. During each year ended 31 December 2023, 2024 and 2025 and for the three months ended 31 March 2025 and 2026, except for the significant increase in credit risk in a subsidiary as detailed in Note 30, the Group and the Company consider the provision of impairment allowance for the remaining balances are insignificant.

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Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s and the Company’s contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity table

The Group

	Weighted average interest rate	On demand or less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 31 December 2023						
Trade and other payables	—	49,886	—	—	49,886	49,886
Borrowings	3.15	61,206	—	—	61,206	60,036
Lease liabilities	4.25	5,939	13,787	5,852	25,578	22,489
		<u>117,031</u>	<u>13,787</u>	<u>5,852</u>	<u>136,670</u>	<u>132,411</u>

	Weighted average interest rate	On demand or less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 31 December 2024						
Trade and other payables	—	38,061	—	—	38,061	38,061
Borrowings	2.86	72,836	—	—	72,836	71,052
Lease liabilities	4.18	3,282	11,524	3,043	17,849	15,652
		<u>114,179</u>	<u>11,524</u>	<u>3,043</u>	<u>128,746</u>	<u>124,765</u>

	Weighted average interest rate	On demand or less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 31 December 2025						
Trade and other payables	—	43,474	—	—	43,474	43,474
Borrowings	2.76	47,150	15,780	—	62,930	61,035
Lease liabilities	4.15	3,530	11,775	—	15,305	14,056
		<u>94,154</u>	<u>27,555</u>	<u>—</u>	<u>121,709</u>	<u>118,565</u>

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	Weighted average interest rate	On demand or less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2026						
Trade and other payables	—	67,606	—	—	67,606	67,606
Borrowings	2.50	90,118	55,240	—	145,358	141,092
Lease liabilities	4.16	3,414	11,199	—	14,613	13,271
		161,138	66,439	—	227,577	221,969

The Company

	Weighted average interest rate	On demand or less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023						
Trade and other payables	—	46,651	—	—	46,651	46,651
Amounts due to subsidiaries	—	7,473	—	—	7,473	7,473
Borrowings	3.15	61,206	—	—	61,206	60,036
Lease liabilities	4.24	4,140	12,273	5,852	22,265	19,322
		119,470	12,273	5,852	137,595	133,482

	Weighted average interest rate	On demand or less than 1 years	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024						
Trade and other payables	—	36,127	—	—	36,127	36,127
Amounts due to subsidiaries	—	8,705	—	—	8,705	8,705
Borrowings	2.87	62,552	—	—	62,552	61,046
Lease liabilities	4.20	2,675	11,235	3,043	16,953	14,777
		110,059	11,235	3,043	124,337	120,655

	Weighted average interest rate	On demand or less than 1 years	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2025						
Trade and other payables	—	41,678	—	—	41,678	41,678
Amounts due to subsidiaries	—	9,439	—	—	9,439	9,439
Borrowings	2.76	37,410	15,780	—	53,190	51,034
Lease liabilities	4.20	2,809	11,381	—	14,190	12,836
		91,336	27,161	—	118,497	114,987

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	Weighted average interest rate	On demand or less than 1 years	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2026						
Trade and other payables	—	64,460	—	—	64,460	64,460
Amounts due to subsidiaries	—	34,015	—	—	34,015	34,015
Borrowings	2.50	79,923	55,240	—	135,163	131,085
Lease liabilities	4.20	2,809	10,767	—	13,576	12,267
		181,207	66,007	—	247,214	241,827

(c) Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group establishes appropriate valuation techniques and inputs to the models utilised to estimate the fair value of the financial instruments.

The table below analyses the Group’s financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- The lowest level of input which is significant to the fair value measurement is not based on observable market data (that is, unobservable inputs) (level 3).

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

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Fair value of financial instruments that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets are determined.

	As at 31 December 2023	As at 31 December 2024	As at 31 December 2025	As at 31 March 2026	Fair value hierarchy	Valuation techniques(s) and key input(s)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
Investment in financial products issued by banks. . .	N/A	N/A	35,000	N/A	Level 2	Discounted cash flow using the expected return rate of the referenced benchmark on the market

There were no transfer between Level 1 and 2 during the Track Record Period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the Group’s and the Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

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35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the date of this report, the Company has direct and indirect interest in the following subsidiaries:

Name of companies	Place and date of incorporation/ establishment	Authorised or registered/ paid up issued capital	Equity interest attributable to the Company				As at the date of this report	Legal form	Principal activities	Notes
			As at 31 December		As at 31 March					
			2023	2024	2025	2026				
Directly held:										
SiliconBay Technology Co.,Ltd. 芯之家科技(深圳)有限公司	Mainland China 03 March 2021	RMB25,000,000/ RMB20,500,000 as at 31 December 2023 and 2024, and RMB25,000,000 as at 31 December 2025, 31 March 2026 and the date of this report	100%	100%	100%	100%	100%	Limited liability company	Holding company	(b)
Shanghai XCTX Technology Limited 上海芯存天下電子科技有限公司	Mainland China 23 August 2021	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	Limited liability company	Research and development ("R&D") and design of chips	(b)
XTX TECHNOLOGY LIMITED 芯天下技術有限公司.	Hong Kong 30 August 2016	USD200,000/ USD200,000	100%	100%	100%	100%	100%	Limited liability company	R&D, design and sales of chips	(c)

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Name of companies	Place and date of incorporation/ establishment	Authorised or registered/ paid up issued capital	Equity interest attributable to the Company				Legal form	Principal activities	Notes	
			As at 31 December		As at 31 March					
			2023	2024	2025	2026				As at the date of this report
Indirectly held:										
Bohr Micro (Shenzhen) Technology Co., Ltd. 博爾微晶(深圳)科技有限責任公司 . . .	Mainland China 28 September 2023	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	Limited liability company	R&D, design and sales of chips	(b) (d)
Chengdu Bohr Micro Technology Co., Ltd. 成都博爾微晶科技有限公司	Mainland China 10 August 2021	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	Limited liability company	R&D, design and sales of chips	(b)
Linkon Microelectronics (Shenzhen) Co., Ltd. 靈控微電子(深圳)有限責任公司	Mainland China 28 September 2023	RMB10,000,000/ RMB5,500,000	100%	100%	100%	100%	100%	Limited liability company	R&D, design and sales of chips	(b) (d)
PleiAI Technology Limited (硅積智能科 技有限公司) (formerly known as Linkon Microelectronics Limited (靈控 微電子有限公司))	Hong Kong 30 October 2023	HKD5,000,000/ HKD100,000	100%	100%	100%	100%	100%	Limited liability company	Design of chips	(d) (e)
PleiAI Technology (Shenzhen) Limited 硅積智能科技(深圳)有限公司	Mainland China 11 December 2025	RMB1,000,000/ RMB1,000,000	—	—	100%	100%	100%	Limited liability company	R&D, design and sales of chips	(b) (d)

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Notes:

- (a) The English names of the subsidiaries incorporated in Mainland China represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.
- (b) No audited financial statements of these subsidiaries have been prepared since there are no statutory audit requirements in the relevant jurisdiction.
- (c) Up to the date of issuance of the report, no financial statements for the year ended 31 December 2025 have been issued. No financial statements for the year ended 31 December 2024 have been issued as it was exempted by relevant statutory authority. The statutory financial statements of this subsidiary for the year ended 31 December 2023 were prepared in accordance with HKFRS Accounting Standards and were audited by Y.S. Chu & Co. Certified Public Accountants.
- (d) These subsidiaries were established by the Group during the Track Record Period.
- (e) Up to the date of issuance of the report, no financial statements for the year ended 31 December 2025 have been issued. The statutory financial statements of this subsidiary for the period from 30 October 2023 (date of incorporation) to 31 December 2024 were prepared in accordance with HKFRS Accounting Standards and were audited by TC-Professional CPA Limited Certified Public Accountants.

None of the subsidiaries has issued any debt securities as at 31 December 2023, 2024 and 2025 and 31 March 2026 or at any time during the Track Record Period.

36. EVENTS AFTER THE TRACK RECORD PERIOD

[There have been no material subsequent events identified subsequent to 31 March 2026.]

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 31 March 2026.