

APPENDIX I

ACCOUNTANTS’ REPORT

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

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN VERGIGA SEMICONDUCTOR CO., LTD. AND GF CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Shenzhen Vergiga Semiconductor Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024, 2025 and the five months ended 31 May 2026 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024, 2025 and 31 May 2026 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024, 2025 and 31 May 2026 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2025 and other explanatory information (the “Interim Comparative Financial Information”).

The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the HKICPA. 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 Hong Kong Standards on Auditing 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 Interim 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 notes 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods and for the five months ended 31 May 2025.

Certified Public Accountants
Hong Kong
[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		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>
REVENUE	5	575,477	624,259	814,135	347,187	353,267
Cost of sales		(488,075)	(515,370)	(621,974)	(269,310)	(290,036)
Gross profit		87,402	108,889	192,161	77,877	63,231
Other income and gains .	6	6,806	9,620	5,595	1,407	5,677
Selling and distribution expenses		(21,321)	(24,007)	(33,934)	(13,630)	(14,941)
Administrative expenses .		(21,690)	(28,958)	(50,353)	(14,118)	(29,654)
Research and development costs		(37,903)	(47,173)	(59,659)	(20,334)	(28,808)
(Reversal of impairment)/impairment losses on financial assets, net		(2,256)	(2,667)	1,515	(612)	(210)
Other expenses		(76)	(6)	(912)	(381)	(1,301)
Finance costs	8	(2,173)	(2,965)	(2,822)	(1,617)	(1,700)
PROFIT/(LOSS)						
BEFORE TAX	7	8,789	12,733	51,591	28,592	(7,706)
Income tax credit/(expense)	11	5,188	6,620	(1,075)	(2,063)	7,196
PROFIT/(LOSS) FOR THE YEAR/ PERIODS		<u>13,977</u>	<u>19,353</u>	<u>50,516</u>	<u>26,529</u>	<u>(510)</u>
Attributable to: Owners of the parent . . .		<u>13,977</u>	<u>19,353</u>	<u>50,516</u>	<u>26,529</u>	<u>(510)</u>
EARNINGS PER SHARE						
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	13	<u>0.23</u>	<u>0.31</u>	<u>0.82</u>	<u>0.43</u>	<u>(0.01)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR/PERIODS	<u>13,977</u>	<u>19,353</u>	<u>50,516</u>	<u>26,529</u>	<u>(510)</u>
OTHER COMPREHENSIVE LOSS					
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>(124)</u>	<u>(36)</u>	<u>(88)</u>	<u>(58)</u>	<u>(11)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent year/period	<u>(124)</u>	<u>(36)</u>	<u>(88)</u>	<u>(58)</u>	<u>(11)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD, NET OF TAX	<u>(124)</u>	<u>(36)</u>	<u>(88)</u>	<u>(58)</u>	<u>(11)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD . . .	<u>13,853</u>	<u>19,317</u>	<u>50,428</u>	<u>26,471</u>	<u>(521)</u>
Attributable to:					
Owners of the parent . . .	<u>13,853</u>	<u>19,317</u>	<u>50,428</u>	<u>26,471</u>	<u>(521)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	120,718	237,946	287,147	337,176
Right-of-use assets	15	8,273	7,559	9,715	87,050
Intangible assets	16	2,287	2,013	3,971	3,770
Deferred tax assets	28	10,031	16,651	15,576	22,773
Prepayments, deposits and other receivables	20	61,990	20,009	31,747	8,659
Total non-current assets		203,299	284,178	348,156	459,428
CURRENT ASSETS					
Inventories	18	173,493	134,373	188,188	206,481
Trade and bills receivables . .	19	79,490	134,710	117,829	130,622
Prepayments, deposits and other receivables	20	40,514	60,883	79,327	79,263
Financial assets at fair value through other comprehensive income	21	36,496	24,500	18,289	37,408
Cash and cash equivalents . . .	22	212,170	172,476	187,496	117,807
Total current assets		542,163	526,942	591,129	571,581
CURRENT LIABILITIES					
Trade payables	23	23,320	32,322	69,994	50,600
Contract liabilities	24	3,858	6,743	4,688	2,517
Other payables and accruals . .	25	65,553	43,128	47,729	64,888
Interest-bearing bank and other borrowings	26	20,062	27,681	73,467	74,289
Lease liabilities	15	1,139	1,204	1,508	40,941
Total current liabilities		113,932	111,078	197,386	233,235
NET CURRENT ASSETS . . .		428,231	415,864	393,743	338,346
TOTAL ASSETS LESS CURRENT LIABILITIES .					
		631,530	700,042	741,899	797,774
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	26	28,908	78,478	62,821	115,822
Lease liabilities	15	1,214	564	2,218	1,662
Deferred income	27	682	659	734	719
Total non-current liabilities . .		30,804	79,701	65,773	118,203
Net assets		600,726	620,341	676,126	679,571
EQUITY					
Equity attributable to owners of the parent					
Share capital	29	61,880	61,880	61,880	61,880
Reserves	31	538,846	558,461	614,246	617,691
Total equity attributable to owners of the parent		600,726	620,341	676,126	679,571
Total equity		600,726	620,341	676,126	679,571

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Share-based payment reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 31)	(Accumulated losses)/ Retained profits RMB'000	Total equity RMB'000
At 31 December 2022 and 1 January 2023.....	61,880	523,453	6,072	(222)	(1,915)	589,268
Profit for the year	–	–	–	–	13,977	13,977
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations ...	–	–	–	(124)	–	(124)
Total comprehensive income for the year	–	–	–	(124)	13,977	13,853
Share-based payments	–	–	(2,395)	–	–	(2,395)
At 31 December 2023	61,880	523,453*	3,677*	(346)*	12,062*	600,726

Year ended 31 December 2024

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Share-based payment reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2023 and 1 January 2024	61,880	523,453	3,677	(346)	–	12,062	600,726
Profit for the year	–	–	–	–	–	19,353	19,353
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations.....	–	–	–	(36)	–	–	(36)
Total comprehensive income for the year	–	–	–	(36)	–	19,353	19,317
Share-based payments	–	–	298	–	–	–	298
Transfer from retained profits	–	–	–	–	2,204	(2,204)	–
At 31 December 2024	61,880	523,453*	3,975*	(382)*	2,204*	29,211*	620,341

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Share-based payment reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2024 and 1 January 2025	61,880	523,453	3,975	(382)	2,204	29,211	620,341
Profit for the year	—	—	—	—	—	50,516	50,516
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	—	(88)	—	—	(88)
Total comprehensive income for the year	—	—	—	(88)	—	50,516	50,428
Share-based payments	—	—	5,357	—	—	—	5,357
Transfer from retained profits	—	—	—	—	4,496	(4,496)	—
At 31 December 2025	61,880	523,453*	9,332*	(470)*	6,700*	75,231*	676,126

Five months ended 31 May 2026

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Share-based payment reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2025 and 1 January 2026	61,880	523,453	9,332	(470)	6,700	75,231	676,126
Loss for the period	—	—	—	—	—	(510)	(510)
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	—	—	—	(11)	—	—	(11)
Total comprehensive loss for the period	—	—	—	(11)	—	(510)	(521)
Share-based payments	—	—	3,966	—	—	—	3,966
At 31 May 2026	61,880	523,453*	13,298*	(481)*	6,700*	74,721*	679,571

* The reserve accounts comprise the consolidated reserves of RMB538,846,000, RMB558,461,000, RMB614,246,000 and RMB617,691,000 in the consolidated statements of financial position as at 31 December 2023, 2024, 2025 and 31 May 2026, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

Five months ended 31 May 2025 (Unaudited)

	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 31)	Share-based payment reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2024 and 1 January 2025	61,880	523,453	3,975	(382)	2,204	29,211	620,341
Profit for the period	–	–	–	–	–	26,529	26,529
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	–	–	–	(58)	–	–	(58)
Total comprehensive income for the period	–	–	–	(58)	–	26,529	26,471
Share-based payments	–	–	1,506	–	–	–	1,506
At 31 May 2025 (Unaudited)	61,880	523,453	5,481	(440)	2,204	55,740	648,318

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
	Notes	2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax . .		8,789	12,733	51,591	28,592	(7,706)
Adjustments for:						
Bank interest income . . .	6	(2,740)	(2,622)	(1,326)	(771)	(211)
Finance costs	8	2,173	2,965	2,822	1,617	1,700
Investment income from financial assets at fair value through profit or loss	6	(1,427)	(348)	—	—	—
Loss on disposal of items of property, plant and equipment . .	7	—	55	—	—	—
Loss/(gain) on disposal of items of right-of- use assets		24	17	(28)	—	—
Depreciation of items of property and equipment	7	5,750	13,925	22,457	8,242	11,636
Amortisation of intangible assets	7	225	274	425	136	208
Depreciation of right-of- use assets	7	2,013	1,420	1,671	663	1,154
Impairment/(reversal of impairment) of trade and bills receivables . .	7	2,237	2,618	(884)	867	419
Impairment/(reversal of impairment) on other receivables	7	19	49	(631)	(255)	(209)
Write-down of inventories to net realisable value	7	30,980	22,207	1,274	2,227	2,874
Share-based payments . .	7	(2,395)	298	5,357	1,506	3,966
Foreign exchange losses/(gains), net . . .		72	(128)	468	250	165
		<u>45,720</u>	<u>53,463</u>	<u>83,196</u>	<u>43,074</u>	<u>13,996</u>
Decrease/(increase) in inventories		31,088	16,913	(55,089)	(7,529)	(21,167)
(Increase)/decrease in trade and bills receivables		(45,126)	(57,838)	17,957	(20,534)	(13,777)

APPENDIX I

ACCOUNTANTS’ REPORT

<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
(Increase)/decrease in financial assets at fair value through other comprehensive income .	(28,822)	11,996	6,211	7,730	(19,119)
Decrease/(increase) in prepayments, deposits and other receivables .	36,223	20,744	(2,594)	(60,264)	1,445
Increase/(decrease) in trade payables	5,673	9,002	37,672	20,375	(19,394)
(Decrease)/increase in other payables and accruals	(15,398)	72	4,174	2,092	5,863
Increase/(decrease) in contract liabilities	961	2,885	(2,055)	(4,576)	(2,171)
(Decrease)/increase in deferred income	<u>(6)</u>	<u>(23)</u>	<u>75</u>	<u>(9)</u>	<u>(15)</u>
Cash generated from/(used in) operations	30,313	57,214	89,547	(19,641)	(54,339)
Interest received	2,740	2,622	1,326	771	211
Income tax paid	<u>(1,888)</u>	<u>(1,682)</u>	<u>(1,811)</u>	<u>(2,777)</u>	<u>–</u>
Net cash flows generated from/(used in) operating activities . . .	<u>31,165</u>	<u>58,154</u>	<u>89,062</u>	<u>(21,647)</u>	<u>(54,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of financial assets at fair value through profit or loss .	(280,000)	(80,000)	–	–	–
Proceeds from redemption of financial assets at fair value through profit or loss	280,000	80,000	–	–	–
Investment income received from disposal of financial assets at fair value through profit or loss	1,427	348	–	–	–
Purchases of items of property, plant and equipment	(51,036)	(150,981)	(69,257)	(39,850)	(50,308)
Prepayment for purchase of leasehold land	–	–	(25,870)	–	(13,374)
Purchases of items of intangible assets	(714)	–	(2,059)	(957)	(724)

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		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>
					<i>(Unaudited)</i>	
Proceeds from disposal of property, plant and equipment		–	54	–	–	–
Net cash flows used in investing activities . . .		(50,323)	(150,579)	(97,186)	(40,807)	(64,406)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings . . .		48,908	77,144	60,668	9,611	63,167
Repayment of bank loans		(15,000)	(20,000)	(30,533)	(7,518)	(8,921)
Interest paid		(2,070)	(2,819)	(2,744)	(1,580)	(1,486)
Payment of leases liabilities		(1,981)	(1,351)	(1,844)	(577)	(440)
Payment of lease deposits		(58)	(393)	(123)	(78)	–
Refund of lease deposits .		176	58	20	–	–
Payment for deferred [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash flows generated from/(used in) financing activities . . .		29,975	52,639	23,700	(142)	49,022
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		10,817	(39,786)	15,576	(62,596)	(69,512)
Cash and cash equivalents at beginning of year/periods		201,548	212,170	172,476	172,476	187,496
Effect of foreign exchange rate changes, net		(195)	92	(556)	(308)	(177)
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIODS		212,170	172,476	187,496	109,572	117,807
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows	22	212,170	172,476	187,496	109,572	117,807

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION THE COMPANY

		As at 31 December			As at 31 May
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	3,264	6,031	5,799	5,417
Right-of-use assets	15	2,299	1,588	3,796	3,161
Intangible assets	16	2,281	2,008	2,134	2,008
Investments in subsidiaries . .	17	23,551	120,792	149,892	190,392
Deferred tax assets	28	7,580	10,632	10,585	13,588
Prepayments, deposits and other receivables	20	38,918	12,681	2,716	3,022
Total non-current assets		77,893	153,732	174,922	217,588
CURRENT ASSETS					
Inventories	18	173,610	125,634	144,729	134,099
Trade and bills receivables . .	19	79,264	134,418	117,789	130,389
Prepayments, deposits and other receivables	20	114,460	123,471	228,774	288,543
Financial assets at fair value through other comprehensive income	21	36,496	24,500	18,289	35,461
Cash and cash equivalents . . .	22	210,250	166,537	179,566	106,702
Total current assets		614,080	574,560	689,147	695,194
CURRENT LIABILITIES					
Trade payables	23	29,015	55,072	94,920	71,618
Contract liabilities	24	3,858	6,692	4,688	2,517
Other payables and accruals . .	25	23,541	23,034	28,642	32,714
Interest-bearing bank and other borrowings	26	20,030	—	40,026	41,166
Lease liabilities	15	1,139	1,152	1,297	1,562
Total current liabilities		77,583	85,950	169,573	149,577
NET CURRENT ASSETS		536,497	488,610	519,574	545,617
TOTAL ASSETS LESS CURRENT LIABILITIES					
		614,390	642,342	694,496	763,205
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	26	—	—	—	59,000
Lease liabilities	15	1,214	470	2,218	1,662
Deferred income		—	—	98	92
Total non-current liabilities . .		1,214	470	2,316	60,754
Net assets		613,176	641,872	692,180	702,451
EQUITY					
Share capital	29	61,880	61,880	61,880	61,880
Reserves	31	551,296	579,992	630,300	640,571
Total equity		613,176	641,872	692,180	702,451

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Shenzhen Vergiga Semiconductor Co., Ltd. (深圳市威兆半導體股份有限公司) (the “Company”) was incorporated as a limited liability company in the People’s Republic of China (the “PRC”) on 4 December 2012. On 28 June 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

During the Relevant Periods and for the five months ended 31 May 2025, the Company and its subsidiaries (collectively the “Group”) were primarily engaged in the design, research and development, manufacture and sale of power semiconductors.

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

Name	Date and place of registration and place of operations	Registered capital	Percentage of equity attributable to the Company	Principal business activities
Zhuhai Vergiga Semiconductor Co., Ltd. (珠海市威兆半導體有限公司) (Note (a), (b))	23 September 2020 Zhuhai, PRC	RMB100,000,000	100	Technology development, manufacturing and provision of wafer fabrication and testing services
Vergiga Integrated Circuit (Zhoushan) Co., Ltd. (威兆集成電路(舟山)有限公司) (Note (a),(c)) . .	4 September 2025 Zhoushan, PRC	RMB80,000,000	100	Manufacturing, packaging and sales of power semiconductor device

Notes:

- (a) The English names of these companies represent the best effort made by the directors of the Company to directly translate the Chinese names as they do not register any official English names.
- (b) The statutory financial statements of this entity for the year ended 31 December 2023, 2024 and 2025 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Shenzhen Rongcheng Certified Public Accountants LLP (容誠會計師事務所(特殊普通合夥)深圳分所), certified public accountants registered in the PRC.
- (c) No audited financial statements have been prepared for this entity for the year ended 31 December 2025.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group.

2.1 BASIS OF PREPARATION

The Historical Financial Information of the Company and its subsidiaries (collectively referred to as the “Group”) has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting year commencing from 1 January 2026, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods and for the five months ended 31 May 2025.

Basis of consolidation

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation</i> ²
IFRS 20	<i>Regulatory Assets and Regulatory Liabilities</i> ³

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual years beginning on or after 1 January 2027

³ Reporting periods beginning on or after 1 January 2029

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

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;

APPENDIX I

ACCOUNTANTS’ REPORT

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Buildings	3.17% to 9.50%
Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Machinery	9.50% to 31.67%
Electronic devices and others	31.67%
Motor vehicles	23.75%

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

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

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

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to the consolidated statements of profit or loss as incurred.

APPENDIX I

ACCOUNTANTS’ REPORT

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Plant and properties	1 to 3 years
Leasehold land	50 years

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

(b) Lease liabilities

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

Impairment of financial assets

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

General approach

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

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

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

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s financial liabilities include trade payables, other payables, interest-bearing bank and other borrowings.

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Events after the reporting year

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

Provisions

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

APPENDIX I

ACCOUNTANTS’ REPORT

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statements of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery and acceptance of the products as agreed in the sales contracts, or upon the withdrawn of the products and confirm the usage by customers for the products that are delivered to customers’ manufacturing warehouses.

(b) Provision of services

The group provides customers with wafer processing and chip reliability testing services. The revenue from these related services is recognised upon the completion of the services and their acceptance by the customers.

Other income

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

Contract liabilities

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

Share-based payments

The Company operates a share incentive plan. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the discounted cash flow model or when there is a recent share transaction price close to the grant date of the granted shares, the recent share transaction price is used. Further details of the equity-settled transactions are given in note 30 to the Historical Financial Information.

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

Other employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting year, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting year and their consolidated statements of profit or loss are translated into RMB at the average exchange rates for the year.

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

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

APPENDIX I

ACCOUNTANTS’ REPORT

Judgements

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

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group’s key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed. In determining whether cash flows are going to be realised by collecting the financial assets’ contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

Research and development expenses

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised as well as the tax rate that is expected to apply to the year when the liability is settled, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 28 to the Historical Financial Information.

Estimation uncertainty

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

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers’ needs and prices change when the products’ expiration date is approaching. The Group reassesses these estimates at the end of the reporting year.

The Group also reviews the condition of its inventories and makes a provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting year and makes a provision against obsolete and slow-moving items. The Group reassesses the estimation at the end of each reporting year. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventory amount in the reporting year in which such estimates have been changed.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

APPENDIX I

ACCOUNTANTS’ REPORT

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and other receivables is disclosed in note 19 and note 20 to the Historical Financial Information respectively.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting year. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases — estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Share-based payments

The Group makes the best estimate of the number of exercisable equity instruments at the end of the reporting year during the vesting year based on the fair value on the grant date and the latest subsequent information obtained, and includes the services obtained in the current year in relevant costs or expenses. The fair value is determined using the discounted cash flow model or when there is a recent share transaction price close to the grant date of the granted shares. Significant estimates on assumptions for estimating the fair value and the number of exercisable equity instrument are made by the Group. Further details are included in note 30 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decision on resources allocation and preformation assessment, therefore, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Mainland China*	522,822	585,541	795,009	338,839	328,646
Other countries/regions . . .	52,655	38,718	19,126	8,348	24,621
Total revenue	<u>575,477</u>	<u>624,259</u>	<u>814,135</u>	<u>347,187</u>	<u>353,267</u>

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

* Mainland China means the People’s Republic of China excluding Hong Kong, Macau and Taiwan.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of non-current assets is presented.

Information about major customers

Revenue derived from major customers which accounted for 10% or more of the Group’s total revenue is as follows:

	Year ended 31 December			Five months ended 31 May
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Customer A	N/A*	84,635	187,886	71,260
Customer B	61,789	103,720	N/A*	N/A*
Customer C	79,138	N/A*	N/A*	N/A*
Customer D	N/A*	N/A*	129,297	104,786

* The corresponding revenue of these customers are not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue during the respective year.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Medium-and-low-voltage products	536,089	561,565	765,658	321,967	342,815
High-voltage products . . .	6,801	10,076	13,113	6,605	4,264
Others	32,587	52,618	35,364	18,615	6,188
Total	<u>575,477</u>	<u>624,259</u>	<u>814,135</u>	<u>347,187</u>	<u>353,267</u>
Timing of revenue recognition					
Goods transferred at a point in time	575,477	623,895	813,271	346,818	352,977
Services transferred at a point in time	–	364	864	369	290
Total	<u>575,477</u>	<u>624,259</u>	<u>814,135</u>	<u>347,187</u>	<u>353,267</u>

The following table shows the amounts of revenue recognised in the Relevant Periods and the five months ended 31 May 2025 that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Revenue recognised that was included in the contract liabilities at the beginning of year:	<u>2,897</u>	<u>3,858</u>	<u>6,743</u>	<u>6,098</u>	<u>4,484</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Performance obligations

Information about the Group’s performance obligation is summarised below:

(i) Sale of products

The performance obligation is generally satisfied upon delivery and acceptance of the power semiconductor products, payment in advance is normally required and for certain customers payment is made within 30-90 days after the client confirm the payment amounts and the invoice is issued.

For certain products that are delivered to a customer’s location for their use, performance obligation is fulfilled when the product is used by the customer, the customer generally confirms the payment amount and issue the invoice within 60 days, and the payment is generally made by using electronic payment notes with a maturity of 6 months.

(ii) Processing services and testing service

This performance obligation is fulfilled upon the completion and acceptance of the service. For processing services, payment is normally made within 30 days after the client confirm the payment amounts. For the testing service, the payment is usually made after the service is completed and the invoice is issued.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023, 2024, 2025 and 31 May 2025 and 2026 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amounts expected to be recognised as revenue:					
Within one year	<u>3,858</u>	<u>6,743</u>	<u>4,688</u>	<u>2,167</u>	<u>2,517</u>

6. OTHER INCOME AND GAINS

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income					
Bank interest income	2,740	2,622	1,326	771	211
Investment income from financial assets at fair value through profit or loss	1,427	348	—	—	—
Value-added tax additional deduction	258	3,657	—	—	—
Government grants*.	<u>2,326</u>	<u>2,851</u>	<u>1,142</u>	<u>262</u>	<u>1,358</u>
Total other income	<u>6,751</u>	<u>9,478</u>	<u>2,468</u>	<u>1,033</u>	<u>1,569</u>
Gains					
Foreign exchange gains, net	—	128	—	—	—
Sales of scraped materials	—	—	3,004	289	3,990
Others	<u>55</u>	<u>14</u>	<u>123</u>	<u>85</u>	<u>118</u>
Total gains	<u>55</u>	<u>142</u>	<u>3,127</u>	<u>374</u>	<u>4,108</u>
Total other income and gains	<u>6,806</u>	<u>9,620</u>	<u>5,595</u>	<u>1,407</u>	<u>5,677</u>

* The Group has received certain government grants related to assets and income. Certain grants have future related costs expected to be incurred which required the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. There are no unfulfilled conditions or contingencies relating to these grants.

APPENDIX I

ACCOUNTANTS’ REPORT

7. PROFIT/(LOSS) BEFORE TAX

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

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2023	2024	2025	2025	2026
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i>
Cost of inventories sold*		488,075	515,370	621,974	269,310	290,036
Depreciation of property, plant and equipment	14	5,750	13,925	22,457	8,242	11,636
Depreciation of right-of-use assets	15	2,013	1,420	1,671	663	1,154
Amortisation of intangible assets	16	225	274	425	136	208
Research and development costs		37,903	47,173	59,659	20,334	28,808
Lease payments not included in the measurement of lease liabilities		58	41	32	11	18
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expense (including directors’ and supervisors’ remuneration)**						
Salaries and other benefits		43,678	54,333	80,054	31,089	42,665
Pension scheme contributions, social welfare and other welfare**		4,532	6,021	8,477	3,324	4,426
Share-based payments	30	(2,395)	298	5,357	1,506	3,966
		45,815	60,652	93,888	35,919	51,057
Impairment/(reversal of impairment) on trade receivables	19	2,237	2,618	(884)	867	419
Impairment/(reversal of impairment) on other receivables	20	19	49	(631)	(255)	(209)
		2,256	2,667	(1,515)	612	210
Foreign exchange losses/(gains)		72	(128)	687	324	298
Write-down of inventories to net realisable value*		30,980	22,207	1,274	2,227	2,874
Loss on disposal of items of property, plant and equipment		–	55	–	–	–

* Write-down of inventories to net realisable value is included in “Cost of sales” in the consolidated statements of profit or loss.

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

*** Directors’ and supervisors’ remuneration refer to note 9 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest-bearing bank and other borrowings**	1,409	2,656	2,679	1,526	1,628
Interest expenses on lease liabilities	62	101	84	35	72
Finance cost on letter of credit*	836	208	56	56	—
Other finance cost	—	—	3	—	—
Less: Interest capitalised . .	(134)	—	—	—	—
	<u>2,173</u>	<u>2,965</u>	<u>2,822</u>	<u>1,617</u>	<u>1,700</u>

* The Company issued letters of credit to its suppliers, the amount represents the finance cost charged by the banks when the suppliers complete the negotiation of the letters of credits through the banks in advance before the maturity date of the letters of credit.

** The Company received interest subsidies from government authorities amounted to RMB109,000 and RMB677,000 in 2023 and 2025, respectively. The subsidies received has been deducted from the interest expense.

9. DIRECTORS’ AND SUPERVISORS’ REMUNERATION

The remuneration of each of the Company’s directors and supervisors is set out below:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	259	240	240	99	99
Other emoluments:					
Salaries, allowances and benefits in kind	3,304	3,745	4,121	1,767	1,086
Performance related bonuses	1,669	1,584	2,238	933	662
Pension scheme contributions	462	476	495	206	132
Share-based payments . .	357	599	1,782	488	606
	<u>6,051</u>	<u>6,644</u>	<u>8,876</u>	<u>3,493</u>	<u>2,585</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the five months ended 31 May 2025 were as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Mr. Liu Yang (note (i)). . .	87	80	76	33	—
Mr. Wang Caizhang (note (ii)).	73	—	—	—	—
Mr. Hu Qing (note (iii)). . .	73	—	—	—	—
Ms. Ji Xingdan (note (iv)). .	13	80	80	33	33
Mr. Chen Yu (note (v)). . .	13	80	80	33	33

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Mr. RUAN Tim (note (vi))	—	—	4	—	33
	<u>259</u>	<u>240</u>	<u>240</u>	<u>99</u>	<u>99</u>
	<u><u>259</u></u>	<u><u>240</u></u>	<u><u>240</u></u>	<u><u>99</u></u>	<u><u>99</u></u>

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

Year ended 31 December 2023	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Li Weicong (note (vii))	373	240	73	—	686
Mr. He Wei (note (viii))	489	923	70	109	1,591
Mr. Jiang Chunliang (note (ix))	648	140	73	82	943
Mr. Huang Yi (note (x))	541	106	73	75	795
Non-executive directors:					
Mr. Luo Ming (note (xi))	—	—	—	—	—
Mr. Yuan Wei (note (xii))	—	—	—	—	—
Supervisors:					
Ms. Xiao Fan (note (xiii))	413	80	67	25	585
Ms. Lei Xiufang (note (xiv))	411	96	33	25	565
Ms. Wu Jing (note (xv))	429	84	73	41	627
	<u>3,304</u>	<u>1,669</u>	<u>462</u>	<u>357</u>	<u>5,792</u>
	<u><u>3,304</u></u>	<u><u>1,669</u></u>	<u><u>462</u></u>	<u><u>357</u></u>	<u><u>5,792</u></u>

Year ended 31 December 2024	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Li Weicong (note (vii))	373	240	74	—	687
Mr. He Wei (note (viii))	498	660	74	184	1,416
Mr. Jiang Chunliang (note (ix))	821	240	74	138	1,273
Mr. Huang Yi (note (x))	691	136	74	126	1,027
Non-executive directors:					
Mr. Luo Ming (note (xi))	—	—	—	—	—
Mr. Yuan Wei (note (xii))	—	—	—	—	—
Supervisors:					
Ms. Xiao Fan (note (xiii))	462	101	72	41	676
Ms. Lei Xiufang (note (xiv))	426	101	34	41	602
Ms. Wu Jing (note (xv))	474	106	74	69	723
	<u>3,745</u>	<u>1,584</u>	<u>476</u>	<u>599</u>	<u>6,404</u>
	<u><u>3,745</u></u>	<u><u>1,584</u></u>	<u><u>476</u></u>	<u><u>599</u></u>	<u><u>6,404</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Li Weicong					
(note (vii))	373	241	77	–	691
Mr. He Wei (note (viii)) . .	485	1,207	77	120	1,889
Mr. Jiang Chunliang					
(note (ix))	839	200	77	90	1,206
Mr. Huang Yi (note (x)) . .	792	198	77	951	2,018
Non-executive directors:					
Mr. Luo Ming (note (xi)) .	–	–	–	–	–
Mr. Yuan Wei (note (xii)) .	–	–	–	–	–
Supervisors:					
Ms. Xiao Fan (note (xiii)) .	606	147	75	549	1,377
Ms. Lei Xiufang					
(note (xiv))	539	125	35	27	726
Ms. Wu Jing (note (xv)) . .	487	120	77	45	729
	<u>4,121</u>	<u>2,238</u>	<u>495</u>	<u>1,782</u>	<u>8,636</u>

Five months ended 31 May 2026	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Li Weicong					
(note (vii))	163	100	33	–	296
Mr. He Wei (note (viii)) . .	216	396	33	70	715
Mr. Jiang Chunliang					
(note (ix))	358	83	33	53	527
Mr. Huang Yi (note (x)) . .	349	83	33	483	948
Non-executive directors:					
Mr. Luo Ming (note (xi)) .	–	–	–	–	–
Mr. Yuan Wei (note (xii)) .	–	–	–	–	–
	<u>1,086</u>	<u>662</u>	<u>132</u>	<u>606</u>	<u>2,486</u>

Five months ended 31 May 2025 (Unaudited)	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Li Weicong					
(note (vii))	163	101	32	–	296
Mr. He Wei (note (viii)) . .	205	503	32	22	762
Mr. Jiang Chunliang					
(note (ix))	370	83	32	16	501
Mr. Huang Yi (note (x)) . .	330	83	32	276	721
Non-executive directors:					
Mr. Luo Ming (note (xi)) .	–	–	–	–	–
Mr. Yuan Wei (note (xii)) .	–	–	–	–	–
Supervisors:					
Ms. Xiao Fan (note (xiii)) .	256	61	31	161	509
Ms. Lei Xiufang					
(note (xiv))	236	52	15	5	308
Ms. Wu Jing (note (xv)) . .	207	50	32	8	297
	<u>1,767</u>	<u>933</u>	<u>206</u>	<u>488</u>	<u>3,394</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Mr. Liu Yang was appointed as an independent non-executive director of the Company with effect from 30 November 2022 and resigned on 12 December 2025 due to the expiry of his term of office and his personal career planning.
- (ii) Mr. Wang Caizhang was appointed as an independent non-executive director of the Company with effect from 30 November 2022 and resigned on 30 October 2023 due to his personal career planning.
- (iii) Mr. Hu Qing was appointed as an independent non-executive director of the Company with effect from 30 November 2022 and resigned on 30 October 2023 due to his personal career planning.
- (iv) Ms. Ji Xingdan was appointed as an independent director of the Company with effect from 30 October 2023 and was re-designated as an independent non-executive director on 12 December 2025.
- (v) Mr. Chen Yu was appointed as an independent director of the Company with effect from 30 October 2023 and was re-designated as an independent non-executive director on 12 December 2025.
- (vi) Mr. RUAN Tim was designated as an independent non-executive director on 12 December 2025.
- (vii) Mr. Li Weicong was appointed as an executive director of the Company with effect from 3 December 2012.
- (viii) Mr. He Wei was appointed as an executive director of the Company with effect from 21 June 2022.
- (ix) Mr. Jiang Chunliang was appointed as an executive director of the Company with effect from 16 May 2020.
- (x) Mr. Huang Yi was appointed as an executive director of the Company with effect from 29 September 2022.
- (xi) Mr. Luo Ming was appointed as a non-executive director of the Company with effect from 16 May 2020.
- (xii) Mr. Yuan Wei was appointed as a non-executive director of the Company with effect from 29 September 2022.
- (xiii) Ms. Xiao Fan was appointed as a supervisor of the Company with effect from 28 December 2021.
- (xiv) Ms. Lei Xiufang was appointed as a supervisor of the Company with effect from 21 June 2022.
- (xv) Ms. Wu Jing was appointed as a supervisor of the Company with effect from 16 May 2020.

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

During the Relevant Periods, the Company’s shares were granted to certain directors in respect to their services rendering to the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such granted shares, which has been recognized in the consolidated statements of profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above directors’ remuneration disclosures.

On 12 December 2025, the shareholders of the Company resolved to abolish the supervisory committee.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 December 2023, 2024, 2025 and the five months ended 31 May 2025 and 2026 included 1, 2, 2, 2 and 1 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 4, 3, 3, 3 and 4 highest paid employees who are not a director of the Group during the year ended 31 December 2023, 2024, 2025 and the five months ended 31 May 2025 and 2026 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Salaries, allowances and benefits in kind	3,319	2,917	3,056	1,655	1,778
Performance related bonuses	2,032	1,727	2,366	669	988

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Pension scheme contributions . . .	273	196	174	89	101
Share-based payments.	171	126	1,820	522	2,012
	<u>5,795</u>	<u>4,966</u>	<u>7,416</u>	<u>2,935</u>	<u>4,879</u>

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
				(Unaudited)	
HK\$0 to HK\$500,000.	—	—	—	—	—
HK\$500,001 to HK\$1,000,000 . .	—	—	—	2	2
HK\$1,000,001 to HK\$1,500,000 .	3	1	—	1	2
HK\$1,500,001 to HK\$2,000,000 .	—	1	1	—	—
HK\$2,000,001 to HK\$2,500,000 .	1	1	1	—	—
HK\$2,500,001 to HK\$3,000,000 .	—	—	—	—	—
HK\$3,000,001 to HK\$3,500,000 .	—	—	—	—	—
HK\$3,500,001 to HK\$4,000,000 .	—	—	—	—	—
HK\$4,000,001 to HK\$4,500,000 .	—	—	1	—	—
	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>
	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>

During the Relevant Periods and the five months ended 31 May 2025, the Company’s shares were granted to certain highest paid employees in respect to their services rendering to the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such granted shares, which has been recognised in the consolidated statements of profit or loss, was determined at the date of grant and the amount included in the Historical Financial Information is included in the above highest paid employees’ remuneration disclosures.

11. INCOME TAX

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

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

The Company was accredited as a “High and New Technology Enterprise” under the relevant tax rules and regulations in December 2020 and November 2023, and therefore the Company was entitled to a preferential CIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC every three years.

Pursuant to Caishui [2022] No. 13 “Announcement on Further Implementing the Income Tax Preferential Policies for Small Meagre-profit Enterprises” (關於進一步實施小微企業所得稅優惠政策的公告), Zhuhai Haochen Semiconductor Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income exceeding RMB1,000,000 but less than RMB3,000,000 from 1 January 2022 to 31 December 2024.

Pursuant to Caishui [2023] No. 12 “Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (財政部、國家稅務總局關於進一步支持小微企業和個體工商發展有關稅費政策的公告), Zhuhai Haochen Semiconductor Co., Ltd. and Vergiga Integrated Circuit (Zhoushan) Co., Ltd. were qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income from 1 January 2023 to 31 December 2027.

APPENDIX I

ACCOUNTANTS’ REPORT

The major components of the income tax (credit)/expense for the year are as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax expense:					
Mainland China	186	—	—	—	—
Deferred tax (credit)/charge					
expense:					
Mainland China	(5,374)	(6,620)	1,075	2,063	(7,196)
Total tax (credit)/charge for the					
year	<u>(5,188)</u>	<u>(6,620)</u>	<u>1,075</u>	<u>2,063</u>	<u>(7,196)</u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate, are as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before tax	<u>8,789</u>	<u>12,733</u>	<u>51,591</u>	<u>28,592</u>	<u>(7,706)</u>
Tax charge at the statutory tax					
rate of 25%	2,197	3,183	12,898	7,148	(1,927)
Effect of different tax rates					
enacted by local authorities . . .	(1,559)	(2,890)	(4,002)	(2,315)	(1,126)
Expenses not deductible for tax . .	(149)	434	1,585	509	1,060
Tax losses utilised from previous					
years	(49)	(65)	(74)	(28)	(1,035)
Tax losses and temporary					
difference not recognised	—	108	429	32	670
Super deduction for research and					
development expenses	<u>(5,628)</u>	<u>(7,390)</u>	<u>(9,761)</u>	<u>(3,273)</u>	<u>(4,838)</u>
Tax (credit)/charge at the Group’s					
effective rate	<u>(5,188)</u>	<u>(6,620)</u>	<u>1,075</u>	<u>2,063</u>	<u>(7,196)</u>

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

	Year ended 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Unused tax losses	6,929	6,778	7,613	9,901
Temporary difference not recognised	208	3	7	6
Total	<u>7,137</u>	<u>6,781</u>	<u>7,620</u>	<u>9,907</u>

The Group has accumulated tax losses in Mainland China of Nil, RMB431,000, RMB2,141,000 and RMB4,804,000 as at the end of the Relevant Periods, respectively, that will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose.

The Group has accumulated tax losses in Hong Kong of RMB6,929,000, RMB6,347,000, RMB5,472,000 and RMB5,097,000 as at the end of the Relevant Periods, respectively, that will be carried forward indefinitely for offsetting against future taxable profits of the company in which the losses arose.

APPENDIX I

ACCOUNTANTS’ REPORT

12. DIVIDENDS

No dividends have been paid or declared by the Company in respect of the Relevant Periods and for the five months ended 31 May 2025.

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

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

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

The calculation of basic earnings per share is based on:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	13,977	19,353	50,516	26,529	(510)
Number of shares					
Weighted average number of ordinary shares in issue during the year/period, used in the basic earnings per share calculation	61,880,000	61,880,000	61,880,000	61,880,000	61,880,000

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	–	7,416	2,206	1,815	3,298	51,364	66,099
Accumulated depreciation	–	(2,730)	(1,154)	(1,160)	(2,081)	–	(7,125)
Net carrying amount	–	4,686	1,052	655	1,217	51,364	58,974
At 1 January 2023, net of accumulated depreciation	–	4,686	1,052	655	1,217	51,364	58,974
Additions	–	3,604	449	301	–	63,140	67,494
Depreciation provided during the year	(1,041)	(2,596)	(648)	(248)	(1,217)	–	(5,750)
Transfers	91,688	16,846	685	–	–	(109,219)	–
At 31 December 2023, net of accumulated depreciation	90,647	22,540	1,538	708	–	5,285	120,718
At 31 December 2023:							
Cost	91,688	27,866	3,340	2,115	3,298	5,285	133,592
Accumulated depreciation	(1,041)	(5,326)	(1,802)	(1,407)	(3,298)	–	(12,874)
Net carrying amount	90,647	22,540	1,538	708	–	5,285	120,718

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	91,688	27,866	3,340	2,115	3,298	5,285	133,592
Accumulated depreciation	(1,041)	(5,326)	(1,802)	(1,407)	(3,298)	–	(12,874)
Net carrying amount . . .	<u>90,647</u>	<u>22,540</u>	<u>1,538</u>	<u>708</u>	<u>–</u>	<u>5,285</u>	<u>120,718</u>
At 1 January 2024, net of accumulated depreciation	90,647	22,540	1,538	708	–	5,285	120,718
Additions	1,052	10,228	640	191	–	119,151	131,262
Disposals	–	–	(5)	–	–	(104)	(109)
Depreciation provided during the year	(4,967)	(7,924)	(747)	(287)	–	–	(13,925)
Transfers	<u>21,422</u>	<u>52,964</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(74,386)</u>	<u>–</u>
At 31 December 2024, net of accumulated depreciation	<u>108,154</u>	<u>77,808</u>	<u>1,426</u>	<u>612</u>	<u>–</u>	<u>49,946</u>	<u>237,946</u>
At 31 December 2024:							
Cost	114,162	91,029	3,892	2,306	3,298	49,946	264,633
Accumulated depreciation	(6,008)	(13,221)	(2,466)	(1,694)	(3,298)	–	(26,687)
Net carrying amount . . .	<u>108,154</u>	<u>77,808</u>	<u>1,426</u>	<u>612</u>	<u>–</u>	<u>49,946</u>	<u>237,946</u>
	Buildings	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost	114,162	91,029	3,892	2,306	3,298	49,946	264,633
Accumulated depreciation	(6,008)	(13,221)	(2,466)	(1,694)	(3,298)	–	(26,687)
Net carrying amount . . .	<u>108,154</u>	<u>77,808</u>	<u>1,426</u>	<u>612</u>	<u>–</u>	<u>49,946</u>	<u>237,946</u>
At 1 January 2025, net of accumulated depreciation	108,154	77,808	1,426	612	–	49,946	237,946
Additions	–	316	1,772	147	–	69,423	71,658
Depreciation provided during the year	(6,483)	(14,754)	(941)	(279)	–	–	(22,457)
Transfers	<u>4,658</u>	<u>73,874</u>	<u>785</u>	<u>243</u>	<u>–</u>	<u>(79,560)</u>	<u>–</u>
At 31 December 2025, net of accumulated depreciation	<u>106,329</u>	<u>137,244</u>	<u>3,042</u>	<u>723</u>	<u>–</u>	<u>39,809</u>	<u>287,147</u>
At 31 December 2025:							
Cost	118,820	165,219	6,449	2,696	3,298	39,809	336,291
Accumulated depreciation	(12,491)	(27,975)	(3,407)	(1,973)	(3,298)	–	(49,144)
Net carrying amount . . .	<u>106,329</u>	<u>137,244</u>	<u>3,042</u>	<u>723</u>	<u>–</u>	<u>39,809</u>	<u>287,147</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2026							
At 1 January 2026:							
Cost	118,820	165,219	6,449	2,696	3,298	39,809	336,291
Accumulated depreciation	(12,491)	(27,975)	(3,407)	(1,973)	(3,298)	–	(49,144)
Net carrying amount . . .	<u>106,329</u>	<u>137,244</u>	<u>3,042</u>	<u>723</u>	<u>–</u>	<u>39,809</u>	<u>287,147</u>
At 1 January 2026, net of accumulated depreciation	106,329	137,244	3,042	723	–	39,809	287,147
Additions	–	–	267	155	–	61,243	61,665
Depreciation provided during the period . . .	(2,881)	(8,056)	(603)	(96)	–	–	(11,636)
Transfers	<u>4,863</u>	<u>7,526</u>	<u>1,406</u>	<u>–</u>	<u>–</u>	<u>(13,795)</u>	<u>–</u>
At 31 May 2026, net of accumulated depreciation	<u>108,311</u>	<u>136,714</u>	<u>4,112</u>	<u>782</u>	<u>–</u>	<u>87,257</u>	<u>337,176</u>
At 31 May 2026:							
Cost	123,683	172,745	8,122	2,851	3,298	87,257	397,956
Accumulated depreciation	(15,372)	(36,031)	(4,010)	(2,069)	(3,298)	–	(60,780)
Net carrying amount . . .	<u>108,311</u>	<u>136,714</u>	<u>4,112</u>	<u>782</u>	<u>–</u>	<u>87,257</u>	<u>337,176</u>

At the end of the Relevant Periods, certain of the Group’s buildings and machinery were pledged to secure bank loans granted to the Group for borrowings (note 26).

The Company

	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023:					
Cost	4,564	1,902	1,815	3,256	11,537
Accumulated depreciation	(2,190)	(982)	(1,159)	(2,050)	(6,381)
Net carrying amount . . .	<u>2,374</u>	<u>920</u>	<u>656</u>	<u>1,206</u>	<u>5,156</u>
At 1 January 2023, net of accumulated depreciation	2,374	920	656	1,206	5,156
Additions	588	143	301	–	1,032
Depreciation provided during the year	<u>(970)</u>	<u>(499)</u>	<u>(249)</u>	<u>(1,206)</u>	<u>(2,924)</u>
At 31 December 2023, net of accumulated depreciation	<u>1,992</u>	<u>564</u>	<u>708</u>	<u>–</u>	<u>3,264</u>
At 31 December 2023:					
Cost	5,153	2,046	2,115	3,256	12,570
Accumulated depreciation	(3,161)	(1,482)	(1,407)	(3,256)	(9,306)
Net carrying amount . . .	<u>1,992</u>	<u>564</u>	<u>708</u>	<u>–</u>	<u>3,264</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
31 December 2024						
At 1 January 2024:						
Cost	5,153	2,046	2,115	3,256	12,570	
Accumulated depreciation	(3,161)	(1,482)	(1,407)	(3,256)	(9,306)	
Net carrying amount	<u>1,992</u>	<u>564</u>	<u>708</u>	<u>—</u>	<u>3,264</u>	
At 1 January 2024, net of						
accumulated depreciation	1,992	564	708	—	3,264	
Additions	3,731	353	191	—	4,275	
Disposals	—	(5)	—	—	(5)	
Depreciation provided during the year	<u>(854)</u>	<u>(363)</u>	<u>(286)</u>	<u>—</u>	<u>(1,503)</u>	
At 31 December 2024, net of						
accumulated depreciation	<u>4,869</u>	<u>549</u>	<u>613</u>	<u>—</u>	<u>6,031</u>	
At 31 December 2024:						
Cost	8,884	2,310	2,307	3,256	16,757	
Accumulated depreciation	(4,015)	(1,761)	(1,694)	(3,256)	(10,726)	
Net carrying amount	<u>4,869</u>	<u>549</u>	<u>613</u>	<u>—</u>	<u>6,031</u>	
	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025						
At 1 January 2025:						
Cost	8,884	2,310	2,307	3,256	—	16,757
Accumulated depreciation	(4,015)	(1,761)	(1,694)	(3,256)	—	(10,726)
Net carrying amount	<u>4,869</u>	<u>549</u>	<u>613</u>	<u>—</u>	<u>—</u>	<u>6,031</u>
At 1 January 2025, net of accumulated						
depreciation	4,869	549	613	—	—	6,031
Additions	248	964	147	—	44	1,403
Depreciation provided during the year	(1,029)	(331)	(275)	—	—	(1,635)
Transfers	<u>—</u>	<u>44</u>	<u>—</u>	<u>—</u>	<u>(44)</u>	<u>—</u>
At 31 December 2025, net of accumulated						
depreciation	<u>4,088</u>	<u>1,226</u>	<u>485</u>	<u>—</u>	<u>—</u>	<u>5,799</u>
At 31 December 2025:						
Cost	9,132	3,318	2,454	3,256	—	18,160
Accumulated depreciation	(5,044)	(2,092)	(1,969)	(3,256)	—	(12,361)
Net carrying amount	<u>4,088</u>	<u>1,226</u>	<u>485</u>	<u>—</u>	<u>—</u>	<u>5,799</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery	Electronic devices and others	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2026						
At 1 January 2026:						
Cost	9,132	3,318	2,454	3,256	–	18,160
Accumulated depreciation	(5,044)	(2,092)	(1,969)	(3,256)	–	(12,361)
Net carrying amount	<u>4,088</u>	<u>1,226</u>	<u>485</u>	<u>–</u>	<u>–</u>	<u>5,799</u>
At 1 January 2026, net of accumulated depreciation	4,088	1,226	485	–	–	5,799
Additions	–	98	155	–	66	319
Depreciation provided during the period	(428)	(202)	(71)	–	–	(701)
Transfers	–	18	(1)	–	(17)	–
At 31 May 2026, net of accumulated depreciation	<u>3,660</u>	<u>1,140</u>	<u>568</u>	<u>–</u>	<u>49</u>	<u>5,417</u>
At 31 May 2026:						
Cost	9,132	3,434	2,608	3,256	49	18,479
Accumulated depreciation	(5,472)	(2,294)	(2,040)	(3,256)	–	(13,062)
Net carrying amount	<u>3,660</u>	<u>1,140</u>	<u>568</u>	<u>–</u>	<u>49</u>	<u>5,417</u>

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties. Lump sum payments were made upfront to acquire the leased land from the owners with lease years of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms with from 12 months to 36 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

The Group

	Plant and properties	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
31 December 2023			
At 1 January 2023:			
Cost	5,188	6,344	11,532
Accumulated depreciation	(3,512)	(243)	(3,755)
Net carrying amount	<u>1,676</u>	<u>6,101</u>	<u>7,777</u>
At 1 January 2023, net of accumulated depreciation	1,676	6,101	7,777
Additions	2,558	–	2,558
Depreciation provided during the year	(1,886)	(127)	(2,013)
Early termination	(49)	–	(49)
At 31 December 2023, net of accumulated depreciation	<u>2,299</u>	<u>5,974</u>	<u>8,273</u>
At 31 December 2023:			
Cost	2,470	6,344	8,814
Accumulated depreciation	(171)	(370)	(541)
Net carrying amount	<u>2,299</u>	<u>5,974</u>	<u>8,273</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Plant and properties	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
31 December 2024			
At 1 January 2024:			
Cost	2,470	6,344	8,814
Accumulated depreciation	(171)	(370)	(541)
Net carrying amount	<u>2,299</u>	<u>5,974</u>	<u>8,273</u>
At 1 January 2024, net of accumulated depreciation	2,299	5,974	8,273
Additions	1,025	–	1,025
Depreciation provided during the year	(1,293)	(127)	(1,420)
Early termination	(319)	–	(319)
At 31 December 2024, net of accumulated depreciation	<u>1,712</u>	<u>5,847</u>	<u>7,559</u>
At 31 December 2024:			
Cost	2,948	6,344	9,292
Accumulated depreciation	(1,236)	(497)	(1,733)
Net carrying amount	<u>1,712</u>	<u>5,847</u>	<u>7,559</u>

	Plant and properties	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
31 December 2025			
At 1 January 2025:			
Cost	2,948	6,344	9,292
Accumulated depreciation	(1,236)	(497)	(1,733)
Net carrying amount	<u>1,712</u>	<u>5,847</u>	<u>7,559</u>
At 1 January 2025, net of accumulated depreciation	1,712	5,847	7,559
Additions	4,103	–	4,103
Depreciation provided during the year	(1,544)	(127)	(1,671)
Early termination	(276)	–	(276)
At 31 December 2025, net of accumulated depreciation	<u>3,995</u>	<u>5,720</u>	<u>9,715</u>
At 31 December 2025:			
Cost	4,668	6,344	11,012
Accumulated depreciation	(673)	(624)	(1,297)
Net carrying amount	<u>3,995</u>	<u>5,720</u>	<u>9,715</u>

	Plant and properties	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
31 May 2026			
At 1 January 2026:			
Cost	4,668	6,344	11,012
Accumulated depreciation	(673)	(624)	(1,297)
Net carrying amount	<u>3,995</u>	<u>5,720</u>	<u>9,715</u>
At 1 January 2026, net of accumulated depreciation	3,995	5,720	9,715
Additions	–	78,489	78,489
Depreciation provided during the period	(709)	(445)	(1,154)
At 31 May 2026, net of accumulated depreciation	<u>3,286</u>	<u>83,764</u>	<u>87,050</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Plant and properties	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
At 31 May 2026:			
Cost	4,667	84,833	89,500
Accumulated depreciation	(1,381)	(1,069)	(2,450)
Net carrying amount	<u>3,286</u>	<u>83,764</u>	<u>87,050</u>

At the end of the Relevant Periods, certain of the Group’s leasehold land was pledged to secure bank facilities granted to the Group (note 26).

At the end of 31 May 2026, the Group have not obtained land certifications for two pieces of land located at Zhoushan city with an aggregate net carrying amount of RMB 78,097,000.

The Company

	Plant and properties
	RMB'000
31 December 2023	
At 1 January 2023:	
Cost	4,779
Accumulated depreciation	(3,261)
Net carrying amount	<u>1,518</u>
At 1 January 2023, net of accumulated depreciation	1,518
Additions	2,558
Depreciation provided during the year	(1,734)
Early termination	(43)
At 31 December 2023, net of accumulated depreciation	<u>2,299</u>
At 31 December 2023:	
Cost	2,471
Accumulated depreciation	(172)
Net carrying amount	<u>2,299</u>

	Plant and properties
	RMB'000
31 December 2024	
At 1 January 2024:	
Cost	2,471
Accumulated depreciation	(172)
Net carrying amount	<u>2,299</u>
At 1 January 2024, net of accumulated depreciation	2,299
Additions	839
Depreciation provided during the year	(1,231)
Early termination	(319)
At 31 December 2024, net of accumulated depreciation	<u>1,588</u>
At 31 December 2024:	
Cost	2,763
Accumulated depreciation	(1,175)
Net carrying amount	<u>1,588</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Plant and properties

RMB'000

31 December 2025

At 1 January 2025:

Cost	2,763
Accumulated depreciation	(1,175)
Net carrying amount	1,588
At 1 January 2025, net of accumulated depreciation	1,588
Additions	3,867
Depreciation provided during the year	(1,384)
Early termination	(275)
At 31 December 2025, net of accumulated depreciation	3,796
At 31 December 2025:	
Cost	4,248
Accumulated depreciation	(452)
Net carrying amount	3,796

Plant and properties

RMB'000

31 May 2026

At 1 January 2026:

Cost	4,248
Accumulated depreciation	(452)
Net carrying amount	3,796
At 1 January 2026, net of accumulated depreciation	3,796
Additions	–
Depreciation provided during the period	(635)
Early termination	–
At 31 May 2026, net of accumulated depreciation	3,161
At 31 May 2026:	
Cost	4,246
Accumulated depreciation	(1,085)
Net carrying amount	3,161

(b) Lease liabilities

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

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period . . .	1,778	2,353	1,768	3,726
Additions	2,558	1,025	4,022	39,245
Accretion of interest recognised during the year/period	62	101	84	72
Early termination	(64)	(360)	(304)	–
Payments	(1,981)	(1,351)	(1,844)	(440)
At the end of year/period	2,353	1,768	3,726	42,603
Analysed into:				
Current portion	1,139	1,204	1,508	40,941
Non-current portion	1,214	564	2,218	1,662

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period . . .	1,644	2,353	1,622	3,515
Additions	2,558	839	3,786	–
Accretion of interest recognised during the year/period	58	93	73	68
Early termination	(44)	(360)	(306)	–
Payments	(1,863)	(1,303)	(1,660)	(359)
At the end of year/period	<u>2,353</u>	<u>1,622</u>	<u>3,515</u>	<u>3,224</u>
Analysed into:				
Current portion.	1,139	1,152	1,297	1,562
Non-current portion	<u>1,214</u>	<u>470</u>	<u>2,218</u>	<u>1,662</u>

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

The Group

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on lease liabilities	62	101	84	35	72
Depreciation charge of right-of-use assets	2,013	1,420	1,671	663	1,154
Expense relating to short-term leases/leases of low-value assets	<u>58</u>	<u>41</u>	<u>32</u>	<u>11</u>	<u>18</u>
Total amount recognised in profit or loss	<u>2,133</u>	<u>1,562</u>	<u>1,787</u>	<u>709</u>	<u>1,244</u>

The Company

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on lease liabilities	58	93	73	30	68
Depreciation charge of right-of-use assets	1,734	1,231	1,384	610	635
Expense relating to short-term leases/leases of low-value assets	<u>4</u>	<u>13</u>	<u>21</u>	<u>5</u>	<u>43</u>
Total amount recognised in profit or loss	<u>1,796</u>	<u>1,337</u>	<u>1,478</u>	<u>645</u>	<u>746</u>

APPENDIX I

ACCOUNTANTS’ REPORT

16. INTANGIBLE ASSETS

The Group

Software

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January:				
Cost	1,910	2,624	2,624	5,007
Accumulated amortisation	(112)	(337)	(611)	(1,036)
Net carrying amount	<u>1,798</u>	<u>2,287</u>	<u>2,013</u>	<u>3,971</u>
At 1 January, net of accumulated amortisation	1,798	2,287	2,013	3,971
Additions	714	–	2,383	7
Amortisation provided during the year/period	(225)	(274)	(425)	(208)
At 31 December, net of accumulated amortisation	<u>2,287</u>	<u>2,013</u>	<u>3,971</u>	<u>3,770</u>
At 31 December:				
Cost	2,624	2,624	5,007	5,014
Accumulated amortisation	(337)	(611)	(1,036)	(1,244)
Net carrying amount	<u>2,287</u>	<u>2,013</u>	<u>3,971</u>	<u>3,770</u>

The Company

Software

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January:				
Cost	1,910	2,618	2,618	3,032
Accumulated amortisation	(112)	(337)	(610)	(898)
Net carrying amount	<u>1,798</u>	<u>2,281</u>	<u>2,008</u>	<u>2,134</u>
At 1 January, net of accumulated amortisation	1,798	2,281	2,008	2,134
Additions	708	–	414	–
Amortisation provided during the year/period	(225)	(273)	(288)	(126)
At 31 December, net of accumulated amortisation	<u>2,281</u>	<u>2,008</u>	<u>2,134</u>	<u>2,008</u>
At 31 December:				
Cost	2,618	2,618	3,032	3,017
Accumulated amortisation	(337)	(610)	(898)	(1,009)
Net carrying amount	<u>2,281</u>	<u>2,008</u>	<u>2,134</u>	<u>2,008</u>

APPENDIX I

ACCOUNTANTS’ REPORT

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Investments, at cost	23,551	120,792	149,892	190,392

18. INVENTORIES

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	65,697	48,997	40,453	58,224
Finished goods	80,460	57,084	77,327	61,004
Dispatched Goods	1,460	1,804	1,045	805
Outsourced processing materials . . .	25,253	21,036	42,021	46,551
Goods in transit	623	2,211	3,231	7,496
Work in progress	–	3,241	24,111	32,401
	173,493	134,373	188,188	206,481

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	65,688	46,593	18,774	22,153
Finished goods	82,125	56,584	81,835	57,902
Outsourced processing materials . . .	25,253	20,254	40,889	46,551
Goods in transit	544	2,203	3,231	7,493
	173,610	125,634	144,729	134,099

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from third parties .	82,478	140,303	122,038	136,008
Less: Impairment of trade receivables	(3,233)	(5,851)	(4,967)	(5,386)
Trade receivables, net	79,245	134,452	117,071	130,622
Bills receivable*	245	258	758	–
Net carrying amount	79,490	134,710	117,829	130,622

* Bills receivable is subject to impairment under simplified approach and the impairment is considered to be minimal.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s trading terms with its certain customers are on credit, and the credit year is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. The Group’s accounts receivable mainly come from some important customers. Although the credit risk is relatively concentrated, the ageing of accounts receivable is within one year, and the credit risk has not increased significantly. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year	79,245	134,452	117,071	130,622

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of year/period . . .	996	3,233	5,851	4,967
Impairment losses(reversal), net (note 7)	2,237	2,618	(884)	419
At the end of year/period	3,233	5,851	4,967	5,386

An impairment analysis is performed at the end of each of the Relevant Periods, using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the reporting period about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

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

	As at 31 December			As at 31 May
	2023	2024	2025	2026
Expected credit loss rate	3.92%	4.17%	4.07%	3.96%
Gross carrying amount (RMB’000) .	82,478	140,303	122,038	136,008
Expected credit losses (RMB’000) .	3,233	5,851	4,967	5,386

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables				
Third parties	82,243	139,998	121,996	135,765
Less: Impairment of trade receivables	(3,224)	(5,838)	(4,965)	(5,376)
Trade receivables, net	79,019	134,160	117,031	130,389
Bill receivable	245	258	758	–
	79,264	134,418	117,789	130,389

APPENDIX I

ACCOUNTANTS’ REPORT

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of allowance for expected credit losses, is as follows:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	79,019	134,160	117,031	130,389

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period . . .	960	3,224	5,838	4,965
Impairment losses/(reversal), net . . .	2,264	2,614	(873)	411
At the end of year/period	3,224	5,838	4,965	5,376

Set out below is the information during the Relevant Periods about the credit risk exposure on the Company’s trade receivables using a provision matrix:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	Current	Current	Current	Current
Expected credit loss rate	3.92%	4.17%	4.07%	3.96%
Gross carrying amount (RMB'000) . .	82,243	139,998	121,996	135,765
Expected credit losses (RMB'000) . .	3,224	5,838	4,965	5,376

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Prepayments	21,717	19,131	42,896	49,392
Deposits and other receivables*	12,409	37,510	16,061	5,154
Value-added tax recoverable	3,750	2,613	13,070	16,079
Prepaid tax	2,889	2,371	4,182	3,178
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	40,765	61,625	79,637	79,363
Less: Impairment of deposits and other receivables**	(251)	(742)	(310)	(100)
Total	40,514	60,883	79,327	79,263
Non-current				
Prepayment for purchase of property, plant and equipment	21,315	6,283	2,271	3,376
Prepayment for purchase of leasehold land . .	–	–	25,870	–
Prepayment for purchase of intangible assets .	–	1,478	1,154	1,871
Value-added tax recoverable	7,325	–	–	961
Deposits and other receivables*	34,039	12,495	2,500	2,500
	62,679	20,256	31,795	8,708
Less: Impairment of deposits and other receivables**	(689)	(247)	(48)	(49)
Total	61,990	20,009	31,747	8,659

* Deposits and other receivables are unsecured and non-interest-bearing.

APPENDIX I

ACCOUNTANTS’ REPORT

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

The movements in the loss allowance for deposits and other receivables are as follows:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period	921	940	989	358
Impairment losses/(reversal), net (<i>note 7</i>) . . .	19	49	(631)	(209)
At the end of year/period	<u>940</u>	<u>989</u>	<u>358</u>	<u>149</u>

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Prepayments	21,587	16,262	31,597	46,064
Deposits and other receivables* . . .	12,349	37,386	15,790	4,870
Value-added tax recoverable	49	93	178	219
Prepaid tax	2,871	2,371	3,837	2,834
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due from subsidiaries* . . .	<u>77,853</u>	<u>68,098</u>	<u>174,248</u>	<u>229,091</u>
	114,709	124,210	229,078	288,638
Less: Impairment of deposits and other receivables**	<u>(249)</u>	<u>(739)</u>	<u>(304)</u>	<u>(95)</u>
Total	<u>114,460</u>	<u>123,471</u>	<u>228,774</u>	<u>288,543</u>
Non-current				
Prepayment for purchase of property, plant and equipment . . .	5,568	108	264	271
Prepayment for purchase of intangible assets	–	325	–	300
Deposits and other receivables* . . .	<u>34,039</u>	<u>12,495</u>	<u>2,500</u>	<u>2,500</u>
	39,607	12,928	2,764	3,071
Less: Impairment of deposits and other receivables**	<u>(689)</u>	<u>(247)</u>	<u>(48)</u>	<u>(49)</u>
Total	<u>38,918</u>	<u>12,681</u>	<u>2,716</u>	<u>3,022</u>

* Deposits and other receivables and the amounts due from subsidiaries are unsecured, and non-interest-bearing.

** As at the end of the Relevant Periods, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss. The impairment of amounts due from subsidiaries is considered to be minimal.

The loss allowance for amounts due from subsidiaries is considered to be minimal.

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in the loss allowance for other receivables are as follows:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period . . .	919	938	986	352
Impairment losses/(reversal), net . . .	19	48	(634)	(208)
At the end of year/period	<u>938</u>	<u>986</u>	<u>352</u>	<u>144</u>

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	<u>36,496</u>	<u>24,500</u>	<u>18,289</u>	<u>37,408</u>

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	<u>36,496</u>	<u>24,500</u>	<u>18,289</u>	<u>35,461</u>

The Group endorses or discounts certain bank acceptance bills in its routine management. Such bills receivable are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cash flows and selling.

22. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>212,170</u>	<u>172,476</u>	<u>187,496</u>	<u>117,807</u>

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances				
Denominated in				
– RMB	177,647	167,361	185,853	114,665
– USD	34,503	5,106	1,629	3,138
– Others	20	9	14	4
	<u>212,170</u>	<u>172,476</u>	<u>187,496</u>	<u>117,807</u>

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	210,250	166,537	179,566	106,702

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances				
Denominated in				
– RMB	176,393	163,931	178,915	103,955
– USD	33,857	2,606	651	2,747
	210,250	166,537	179,566	106,702

23. TRADE PAYABLES

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	23,320	32,322	69,994	50,600

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

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	23,320	31,391	69,994	50,600
One year to two years	–	931	–	–
Total	23,320	32,322	69,994	50,600

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables due to subsidiaries . .	5,723	24,197	30,943	21,655
Trade payables due to third parties .	23,292	30,875	63,977	49,963
	29,015	55,072	94,920	71,618

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

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	29,015	54,141	94,920	71,618
One year to two years	–	931	–	–
Total	29,015	55,072	94,920	71,618

The trade payables are non-interest-bearing and are mainly on credit terms with credit years of 30 or 60 days.

APPENDIX I

ACCOUNTANTS’ REPORT

24. CONTRACT LIABILITIES

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of products	3,858	6,743	4,688	2,517

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of products	3,858	6,692	4,688	2,517

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits payable	4,750	200	–	–
Payroll payables	11,992	14,946	21,131	27,173
Accruals	667	693	2,570	1,258
Other payables	726	152	192	–
Payables for purchase of property, plant and equipment*	44,640	22,143	20,694	33,156
Output value-added tax to be transferred	189	728	575	284
Other tax payables	2,589	4,266	2,567	3,017
	65,553	43,128	47,729	64,888

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits payable.	4,750	200	–	–
Payroll payables	10,925	13,081	17,811	24,090
Accruals	660	686	2,525	1,258
Other payables	4,388	4,049	5,158	4,401
Payables for purchase of property, plant and equipment	67	48	67	103
Output value-added tax to be transferred	189	721	575	284
Other tax payables	2,562	4,249	2,506	2,578
	23,541	23,034	28,642	32,714

* For the balance in respect of letters of credit issued by the Group to its suppliers included in the payables for purchase of property, plant and equipment, banks generally charge a negotiate fee in the range of 1.75% to 2.10% as finance cost upon the completion of negotiation of letters of credit by suppliers. Other than the balance of letters of credit, the other payables and accruals are non-interest-bearing and repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December 2023			As at 31 December 2024			As at 31 December 2025			As at 31 May 2026		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current												
Bank loans – unsecured . . .	–	–	–	–	–	–	2.11	2026	40,026	2.11	2026	40,024
Other loans – secured (ii) . .	4.90	2024	20,030	–	–	–	–	–	–	–	–	–
Current portion of long-term bank loans – secured (iii) & (iv)	3.50~3.70	2024	32	3.15~3.50	2025	27,681	3.15~3.50	2026	32,876	2.85	2027	33,123
Current portion of long term bank loans – unsecured . .	–	–	–	–	–	–	–	–	–	2.19	2026	1,142
Discounted bills receivables .	–	–	–	–	–	–	1.48~1.70	2026	565	–	–	–
Total – current			20,062			27,681			73,467			74,289
Non-current												
Bank loans – secured (iii) & (iv)	3.50~3.70	2028	28,908	3.15~3.50	2028	78,478	3.15~3.50	2028	62,821	2.19~2.85	2028	56,822
Bank loans – unsecured . . .	–	–	–	–	–	–	–	–	–	2.19	2028	59,000
Total – non-current			28,908			78,478			62,821			115,822
Total			48,970			106,159			136,288			190,111

	As at 31 December			As at 31 May		
	2023	2024	2025	2026		
	RMB'000	RMB'000	RMB'000	RMB'000		
Analysed into:						
Bank loans repayable:						
Within one year or on demand . . .		32	27,681	72,902		74,289
In the second year		7,516	32,800	30,451		41,264
In the third to fifth years, inclusive		21,392	45,678	32,370		74,558
Subtotal		28,940	106,159	135,723		190,111
Discounted bills receivables:						
Within one year or on demand . . .		–	–	565		–
Subtotal		–	–	565		–
Other borrowings repayable:						
Within one year or on demand . . .		20,030	–	–		–
Subtotal		20,030	–	–		–
Total		48,970	106,159	136,288		190,111

The Company

	As at 31 December 2023			As at 31 December 2024			As at 31 December 2025			As at 31 May 2026		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current												
Bank loans – unsecured . . .	–	–	–	–	–	–	2.11	2026	40,026	2.11	2026	40,024
Other loans – secured (ii) . .	4.90	2024	20,030	–	–	–	–	–	–	–	–	–
Current portion of long term bank loans – unsecured . .	–	–	–	–	–	–	–	–	–	2.19	2026	1,142
Total – current			20,030			–			40,026			41,166
Non-current												
Bank loans – unsecured . . .	–	–	–	–	–	–	–	–	–	2.19	2028	59,000
Total – non-current			–			–			–			59,000
Total			20,030			–			40,026			100,166

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) All borrowings were denominated in RMB as at the end of the Relevant Periods.
- (ii) As at 31 December 2023, the Group pledged certain invention patents and utility model patents as collateral to secure borrowings from certain financial institutions as collateral to secure other loans. These patent rights had not previously been capitalised in the financial statements.
- (iii) As at 31 December 2023, land use right with a net carrying amounts of RMB5,974,000 were pledged to secure the bank loans. In September 2024, the land use right pledge was released (note 15).
- As at 31 December 2024, 31 December 2025 and 31 May 2026, machinery with net carrying amount of RMB5,433,000, RMB32,499,000 and RMB79,167,000 was pledged to secure the bank loans (note 14).
- As at 31 May 2026, the buildings of Zhuhai Vergiga Semiconductor Co., Ltd. located in High-Tech District, Zhuhai with a net carrying amount of approximately RMB108,311,000 were pledged to secure a loan borrowings cap to RMB156,000,000 from China Merchants Bank (note 14).
- (iv) As at the end of the Relevant Periods, certain directors provided guarantees for bank borrowings of the Group (note 36(c)).

27. DEFERRED INCOME

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	682	659	734	719

The movements of deferred income for the Relevant Periods are as follows:

	Year ended 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period . . .	688	682	659	734
Grants received during the year/period	–	–	101	–
Amounts released to profit or loss during the year/period	(6)	(23)	(26)	(15)
At end of the year/period	682	659	734	719

28. DEFERRED TAX

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

The Group

	Impairment of inventories	Impairment of trade and other receivables	Deferred income	Losses available for offsetting against future taxable profits	Lease liabilities	Unrealised profit/(losses) from intercompany transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	3,162	291	172	975	282	42	4,924
Deferred tax credited/(charged) to the statement of profit or loss during the year	3,922	336	(1)	1,142	64	(11)	5,452
At 31 December 2023 . .	7,084	627	171	2,117	346	31	10,376

APPENDIX I

ACCOUNTANTS’ REPORT

	Impairment of inventories	Impairment of trade and other receivables	Deferred income	Losses available for offsetting against future taxable profits	Lease liabilities	Unrealised profit/(losses) from intercompany transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	7,084	627	171	2,117	346	31	10,376
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,623	400	(6)	4,977	(73)	(377)	6,544
At 31 December 2024 . .	8,707	1,027	165	7,094	273	(346)	16,920
At 1 January 2025	8,707	1,027	165	7,094	273	(346)	16,920
Deferred tax (charged)/credited to the statement of profit or loss during the year	(1,624)	(228)	9	(194)	349	963	(725)
At 31 December 2025 . .	7,083	799	174	6,900	622	617	16,195
At 1 January 2026	7,083	799	174	6,900	622	617	16,195
Deferred tax (charged)/credited to the statement of profit or loss during the period	(353)	32	(3)	7,612	(110)	(1,099)	7,083
At 31 May 2026	6,730	831	171	14,512	512	(482)	23,278

The Company

	Impairment of inventories	Impairment of trade and other receivables	Deferred income	Losses available for offsetting against future taxable profits	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	3,108	282	–	398	241	4,029
Deferred tax credited/(charged) to the statement of profit or loss during the year	3,846	343	–	(398)	105	3,896
At 31 December 2023	6,954	625	–	–	346	7,925
At 1 January 2024	6,954	625	–	–	346	7,925
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,648	399	–	1,001	(104)	2,944
At 31 December 2024	8,602	1,024	–	1,001	242	10,869
At 1 January 2025	8,602	1,024	–	1,001	242	10,869
Deferred tax (charged)/credited to the statement of profit or loss during the year	(1,649)	(226)	15	1,815	330	285
At 31 December 2025	6,953	798	15	2,816	572	11,154
At 1 January 2026	6,953	798	15	2,816	572	11,154
Deferred tax (charged)/credited to the statement of profit or loss during the period	(474)	30	(1)	2,441	(91)	2,908
At 31 May 2026	6,479	828	14	5,257	481	14,062

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group

	Right-of-use assets
	<i>RMB'000</i>
At 1 January 2023.	267
Deferred tax charged to the statement of profit or loss during the year	78
At 31 December 2023	<u>345</u>
At 1 January 2024.	345
Deferred tax credited to the statement of profit or loss during the year	(76)
At 31 December 2024	<u>269</u>
At 1 January 2025.	269
Deferred tax charged to the statement of profit or loss during the year	350
At 31 December 2025	<u>619</u>
At 1 January 2026.	619
Deferred tax credited to the statement of profit or loss during the period	(114)
At 31 May 2026	<u>505</u>

The Company

	Right-of-use assets
	<i>RMB'000</i>
At 1 January 2023.	228
Deferred tax charged to the statement of profit or loss during the year	117
At 31 December 2023	<u>345</u>
At 1 January 2024.	345
Deferred tax credited to the statement of profit or loss during the year	(108)
At 31 December 2024	<u>237</u>
At 1 January 2025.	237
Deferred tax charged to the statement of profit or loss during the year	332
At 31 December 2025	<u>569</u>
At 1 January 2026.	569
Deferred tax credited to the statement of profit or loss during the period	(95)
At 31 May 2026	<u>474</u>

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

The Group

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<u>10,031</u>	<u>16,651</u>	<u>15,576</u>	<u>22,773</u>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position .	7,580	10,632	10,585	13,588
Net deferred tax liabilities recognised in the statement of financial position	—	—	—	—

29. SHARE CAPITAL

Share capital

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

	Number of shares in issue	Share capital RMB'000
As at 31 December 2023, 2024, 2025 and 31 May 2026	61,880,000	61,880

30. SHARE-BASED PAYMENTS

The Group approved and adopted a share award scheme (the “Share Award Scheme”) for certain employees of the Group (“Share Incentive Participants”) in order to recognise the contributions of the Share Incentive Participants to the growth and development of the Group, and incentivise them to further promote the development of the Group. The Share Award Scheme became effective on 13 December 2021 and will remain in force throughout the year during which all Share Incentive Participants hold the restricted share units (“RSUs”).

In order to implement the Share Award Scheme, Zhejiang Free Trade Zone Weizhuyexin Technology Partnership (Limited Partnership), Zhoushan Leading Integrated Circuit Partnership (Limited Partnership) and Zhoushan Tuowei Semiconductor Technology Partnership (Limited Partnership) were established and designated as share platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share platforms. Zhejiang Free Trade Zone Weizhuyexin Technology Partnership (Limited Partnership), with a registered capital of RMB28,760,000, holds 902,397 shares (2,188,490 shares after conversion into a joint stock company and capitalization of capital reserve) of the Company. Zhoushan Leading Integrated Circuit Partnership (Limited Partnership), with a registered capital of RMB7,500,000, holds 2,430,936 shares (5,895,498 shares after conversion into a joint stock company and capitalization of capital reserve) of the Company. Zhoushan Tuowei Semiconductor Technology Partnership (Limited Partnership) with a registered capital of RMB7,500,000, holds 3,333,333 shares (8,083,989 shares after conversion into a joint stock company and capitalization of capital reserve) of the Company.

On 8 February 2021, Zhoushan Tuowei Semiconductor Technology Partnership (Limited Partnership) granted 12% of the partnership’s property shares, corresponding to 400,000 shares of Company (970,079 shares after conversion into a joint stock company and capitalization of capital reserve), to a core employee at an consideration amount of RMB900,000.

On 13 December 2021, the Group indirectly granted 43,643 RSUs and 2,188,490 RSUs of the Company to 39 and 19 eligible employees at a subscribed price of RMB36.12 and RMB31.87 through Zhoushan Leading Intergrated Circuit Partnership (Limited Partnership) and Zhejiang Free Trade Zone Weizhuyexin Technology Partnership (Limited Partnership), respectively.

On 3 November 2022, the Group indirectly granted 142,842 RSUs of the Company to 41 eligible employees at a subscribed price of RMB88.36 through Zhoushan Leading Integrated Circuit Partnership (Limited Partnership).

On 5 March 2025, the Group indirectly granted 395,697 RSUs of the Company to 5 eligible employees at a subscribed price of RMB13.14 through Zhejiang Free Trade Zone Weizhuyexin Technology Partnership (Limited Partnership).

On 26 March 2026, the Group indirectly granted 187,237 RSUs and 414,720 RSUs of the Company to 2 and 1 eligible employees at a subscribed price of RMB13.14 through Zhoushan Leading Integrated Circuit Partnership (Limited Partnership) and Zhejiang Free Trade Zone Weizhuyexin Technology Partnership (Limited Partnership) respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

All of the RSUs granted to the Share Incentive Participants shall become vested subject to the later of a successful [REDACTED] condition (the “[REDACTED] Condition”) and an enforceable prohibition year (one or three years) being calculated from the date of the completion of the [REDACTED]. The [REDACTED] Condition would be satisfied when the ordinary shares of the Company are successfully [REDACTED] on a recognised stock exchange.

The fair value of the RSUs granted on 5 March 2025 is measured by using the discounted cashflow method.

The following table lists the significant inputs to the discounted cashflow fair value model used:

	5 March 2025
Expected volatility	58.30%
Risk-free interest rate (%)	2
DLOM (Discounts For Lack of Marketability) (%)	14

The fair value of the RSUs granted on 26 March 2026 was estimated as at the grant date by reference to recent equity transaction prices.

The shares of the Company granted indirectly through the share platforms and the outstanding shares under the Share Award Scheme during the Relevant Periods were as follows:

	Number of shares
At 1 January 2023.	3,339,813
Granted during the year	–
Forfeited during the year.	(1,185,861)
At 31 December 2023	2,153,952
At 1 January 2024.	2,153,952
Granted during the year	–
Forfeited during the year.	(561,127)
At 31 December 2024	1,592,825
At 1 January 2025.	1,592,825
Granted during the year	395,697
Forfeited during the year.	(90,119)
At 31 December 2025	1,898,403
At 1 January 2026.	1,898,403
Granted during the period	601,957
Forfeited during the period	(13,724)
At 31 May 2026	2,486,636

The aforesaid transactions have been accounted for as share-based payment transactions. During the Relevant Periods, the Group recognized a reversal of share-based payment expense of RMB2,395,000, and share-based payment expenses of RMB298,000, RMB5,357,000 and RMB3,966,000, respectively.

31. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(i) Capital reserve

The capital reserve mainly represents the difference between the value of share capital and the consideration received.

(ii) Share-based payment reserve

The share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions, details of which were set out in note 30 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

(iv) Statutory surplus reserve

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

The Company

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

	Capital reserve	Share-based payment reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023.	523,516	6,072	5,805	535,393
Profit for the year	—	—	18,298	18,298
Total comprehensive income for the year	—	—	18,298	18,298
Share-based payments	—	(2,395)	—	(2,395)
At 31 December 2023	523,516	3,677	24,103	551,296

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024.	523,516	3,677	—	24,103	551,296
Profit for the year	—	—	—	28,398	28,398
Total comprehensive income for the year	—	—	—	28,398	28,398
Share-based payments.	—	298	—	—	298
Transferred from retained profits .	—	—	2,204	(2,204)	—
At 31 December 2024.	523,516	3,975	2,204	50,297	579,992

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025.	523,516	3,975	2,204	50,297	579,992
Profit for the year	—	—	—	44,951	44,951
Total comprehensive income for the year	—	—	—	44,951	44,951
Share-based payments.	—	5,357	—	—	5,357
Transferred from retained profits .	—	—	4,496	(4,496)	—
At 31 December 2025.	523,516	9,332	6,700	90,752	630,300

APPENDIX I

ACCOUNTANTS’ REPORT

	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	523,516	9,332	6,700	90,752	630,300
Profit for the period	—	—	—	6,305	6,305
Total comprehensive income for the period	—	—	—	6,305	6,305
Share-based payments	—	3,966	—	—	3,966
At 31 May 2026	<u>523,516</u>	<u>13,298</u>	<u>6,700</u>	<u>97,057</u>	<u>640,571</u>

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods and the five months ended 31 May 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,558,000, RMB1,025,000, RMB4,022,000, RMB39,245,000 and RMB581,000 respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Interest-bearing bank and other borrowings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	1,778	15,021	16,799
Changes from financing cash flows	(1,981)	31,838	29,857
New leases	2,558	—	2,558
Interest expense	62	2,111	2,173
Early termination of lease liabilities	(64)	—	(64)
At 31 December 2023	<u>2,353</u>	<u>48,970</u>	<u>51,323</u>
At 1 January 2024	2,353	48,970	51,323
Changes from financing cash flows	(1,351)	54,325	52,974
New leases	1,025	—	1,025
Interest expense	101	2,864	2,965
Early termination of lease liabilities	(360)	—	(360)
At 31 December 2024	<u>1,768</u>	<u>106,159</u>	<u>107,927</u>
At 1 January 2025	1,768	106,159	107,927
Changes from financing cash flows	(1,844)	27,391	25,547
New leases	4,022	—	4,022
Interest expense	84	2,738	2,822
Early termination of lease liabilities	(304)	—	(304)
At 31 December 2025	<u>3,726</u>	<u>136,288</u>	<u>140,014</u>
At 1 January 2026	3,726	136,288	140,014
Changes from financing cash flows	(440)	52,760	52,320
New leases	39,245	—	39,245
Interest expense	72	1,628	1,700
Settlement of discounted bills receivables upon maturity	—	(565)	(565)
At 31 May 2026	<u>42,603</u>	<u>190,111</u>	<u>232,714</u>
At 1 January 2025	1,768	106,159	107,927
Changes from financing cash flows	(577)	513	(64)
New leases	581	—	581
Interest expense	35	1,582	1,617
At 31 May 2025 (unaudited)	<u>1,807</u>	<u>108,254</u>	<u>110,061</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statement of cash flows are as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Within operating activities	58	41	32	11	18
Within financing activities	1,981	1,351	1,844	577	440
Total	2,039	1,392	1,876	588	458

33. COMMITMENTS

The Group had the following capital commitments at the end of each reporting year:

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Equipments	37,986	10,960	5,574	9,108
Building construction	14,274	1,720	29,957	67,011
	52,260	12,680	35,531	76,119

34. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bank facilities are included in note 26 to the Historical Financial Information.

35. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety during the Relevant Periods

- At 31 December 2025, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with a carrying amount of RMB192,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.
- At 31 December 2025, the Group discounted certain bills receivable accepted by banks in Mainland China (the “Discounted Bills”) with a carrying amount of RMB565,000 to certain banks (the “Discounting”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated bank loans. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024, 2025 and 31 May 2026, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB7,871,000, RMB7,345,000, RMB4,808,000 and RMB1,494,000. At 31 December 2023, 2024, 2025 and 31 May 2026, the Group discounted certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain reputable banks with a carrying amount in aggregate of Nil, Nil, RMB14,241,000 and Nil. The Derecognised Bills had a maturity of one to six months at the end of the reporting year. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised

APPENDIX I

ACCOUNTANTS’ REPORT

Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023, 2024, 2025 and 31 May 2026, the Group has recognised loss amounted to Nil, Nil, RMB189,000 and Nil on the date of transfer of the Derecognised Bills.

36. RELATED PARTY TRANSACTIONS

(a) Names and relationships of the related parties:

	Relationship with the Group
Nanjing X-IPM Technologies Co., Ltd	Dr. LUO Ming, a Non-executive director of the Company, is a director of Nanjing X-IPM Technologies Co., Ltd
OPPO Guangdong Mobile Communications Co., Ltd (“OPPO Guandong”)	Shareholder of the Company with more than 5% of direct shareholding
Mr. Li Weicong	Chairman and Chief Executive Officer
Ms. Wu Shaodan.	The spouse of Chairman and Chief Executive Officer

(b) The Group had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2025:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Sales of products:					
OPPO Guandong.	—	9	—	—	—
Nanjing X-IPM Technologies Co., Ltd.	10	—	—	—	—
	<u>10</u>	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Guarantees provided by related parties:

31 December 2023

Guarantees provided by:

	Amount	Duration	Nature
	RMB’000		
Mr. Li Weicong	3,973	2021~2023	Lease
Mr. Li Weicong**	1,742	2023~2025	Lease
Mr. Li Weicong	10,000	2022~2023	Borrowing
Mr. Li Weicong and Ms. Wu Shaodan	45,000*	2022~2023	Borrowing
Mr. Li Weicong and Ms. Wu Shaodan	20,000	2023~2024	Borrowing
Mr. Li Weicong and Ms. Wu Shaodan***	156,000	2022~2028	Borrowing, Facility

31 December 2024

Guarantees provided by:

	Amount	Duration	Nature
	RMB’000		
Mr. Li Weicong**	1,742	2023~2025	Lease
Mr. Li Weicong and Ms. Wu Shaodan	20,000	2023~2024	Borrowing
Mr. Li Weicong and Ms. Wu Shaodan***	156,000	2022~2028	Borrowing, Facility

APPENDIX I

ACCOUNTANTS’ REPORT

31 December 2025

Guarantees provided by:

	Amount	Duration	Nature
	RMB'000		
Mr. Li Weicong**	1,742	2023~2025	Lease
Mr. Li Weicong and Ms. Wu Shaodan*** . . .	156,000	2022~2028	Borrowing

31 May 2026

Guarantees provided by:

	Amount	Duration	Nature
	RMB'000		
Mr. Li Weicong and Ms. Wu Shaodan*** . . .	156,000	2022~2028	Borrowing

* Shenzhen High-tech Investment and Financing Guarantee Co., Ltd provided guarantee on bank borrowings of the Group amounted to RMB15,000,000, Mr. Li Weicong and Ms. Wu Shaodan provided counter-guarantee to Shenzhen High-tech Investment and Financing Guarantee Co., Ltd in the equivalent amount of RMB15,000,000 during the year 2022 and 2023.

Mr. Li Weicong and Ms. Wu Shaodan provided guarantee on bank borrowings of the Group with an amount cap to RMB30,000,000 during the year 2022 and 2023.

** Mr. Li Weicong provided guarantees for office leases of the Group with an amount cap to RMB1,742,000 with the guarantee year from 2023 to 2025. The guarantee from Mr. Li Weicong has been released with the termination of office leases.

*** Mr. Li Weicong and Ms. Wu Shaodan provided guarantees for bank and other borrowings of the Group with an amount cap to RMB156,000,000 with the guarantee year from 2022 to 2028. The guarantee from Mr. Li Weicong and Ms. Wu Shaodan will be removed on or before [REDACTED].

(d) Compensation of key management personnel of the Group

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	4,373	4,722	5,039	2,011	1,814
Performance related bonuses	1,873	1,676	2,385	994	723
Pension scheme contributions	608	612	606	238	199
Share-based payments	686	(269)	1,842	499	1,736
	<u>7,540</u>	<u>6,741</u>	<u>9,872</u>	<u>3,742</u>	<u>4,472</u>

(e) Redemption rights of the Pre-[REDACTED] Investors granted by related parties

According to the share subscription agreements entered by the Company and the shareholders, the Pre-[REDACTED] Investors had been granted the redemption right provided by the Controlling Shareholders and the founders (collectively, the “Related Parties Redemption Right”). The Company is not a party to the Related Parties Redemption Right during the Relevant Periods. The Company has not provided any guarantees with respect to such redemption rights during the Relevant Periods and taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplemental agreements, the directors considered that no financial liability regarding redemption rights granted by controlling shareholders was required to be recorded by the Company during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

The Group

Financial assets	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	36,496	24,500	18,289	37,408
At amortised cost:				
Cash and cash equivalents	212,170	172,476	187,496	117,807
Trade and bills receivables	79,490	134,710	117,829	130,622
Financial assets included in prepayments, deposits and other receivables	45,508	49,016	18,203	7,505
	337,168	356,202	323,528	255,934

The Company

Financial assets	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	36,496	24,500	18,289	35,461
At amortised cost:				
Cash and cash equivalents	210,250	166,537	179,566	106,702
Trade and bills receivables	79,264	134,418	117,789	130,389
Financial assets included in prepayments, deposits and other receivables	123,303	116,993	192,186	7,226
	412,817	417,948	489,541	244,317

Financial liabilities

The Group

Financial liabilities	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At amortised cost:				
Trade payables	23,320	32,322	69,994	50,600
Financial liabilities included in other payables and accruals . . .	50,116	22,495	20,886	33,156
Lease liabilities	2,353	1,768	3,726	42,603
Interest bearing bank and other borrowings	48,970	106,159	136,288	190,111
	124,759	162,744	230,894	316,470

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Financial liabilities	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At amortised cost:				
Trade payables	29,015	55,072	94,920	71,618
Financial liabilities included in other payables and accruals . . .	9,205	4,297	5,225	4,504
Lease liabilities	2,353	1,622	3,515	3,224
Interest bearing bank and other borrowings	20,030	–	40,026	100,166
	<u>60,603</u>	<u>60,991</u>	<u>143,686</u>	<u>179,512</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023, 2024, 2025 and 31 May 2026, the fair values of the Group’s financial assets or liabilities approximated to their respective carrying amounts.

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

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023, 2024, 2025 and 31 May 2026 were assessed to be insignificant.

Fair value hierarchy

The Group

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

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	–	36,496	–	36,496
	<u>–</u>	<u>36,496</u>	<u>–</u>	<u>36,496</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	—	24,500	—	24,500
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	—	18,289	—	18,289
	=	=	=	=

As at 31 May 2026

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	—	37,408	—	37,408
	=	=	=	=

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

The fair values of the bank acceptance bills at fair value through other comprehensive income (Level 2) have been calculated by discounting the expected cash flows from the receivables based on the market interest rates of instruments with similar terms and risks.

The Company

The following tables illustrate the fair value measurement hierarchy of the Company’s financial instruments:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	—	36,496	—	36,496
	=	=	=	=

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	–	24,500	–	24,500
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	–	18,289	–	18,289
	=	=	=	=

As at 31 May 2026

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	–	35,461	–	35,461
	=	=	=	=

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s short-term and long-term borrowings. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group’s policy is to maintain certain of its interest-bearing bank borrowings at floating interest rates. At the end of each Relevant Periods, approximately 6%, 25%, 27% and 19% of the Group’s interest-bearing borrowings bore interest at floating rates. The Group currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The following table details the effect on the Group’s loss before tax for each of the Relevant Periods and accumulated losses as at the end of each reporting year that a 25-basis-point increase or decrease in interest rate would have.

	Increase/(Decrease) in basis points	(Increase)/ Decrease in loss before tax	(Increase)/ Decrease in accumulated losses
		RMB'000	RMB'000
31 December 2023			
Increase of interest rate	25	(5)	(5)
Decrease of interest rate	(25)	5	5

APPENDIX I

ACCOUNTANTS’ REPORT

	Increase/(Decrease) in basis points	(Increase)/ Decrease in loss before tax	(Increase)/ Decrease in accumulated losses
		RMB'000	RMB'000
31 December 2024			
Increase of interest rate	25	(49)	(49)
Decrease of interest rate	(25)	49	49
31 December 2025			
Increase of interest rate	25	(69)	(69)
Decrease of interest rate	(25)	69	69
31 May 2026			
Increase of interest rate	25	(68)	(68)
Decrease of interest rate	(25)	68	68

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group’s profit before tax.

	Year ended 31 December			Five months ended 31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
RMB/USD				
Strengthened 5%	(3,312)	(1,848)	(645)	(1,175)
Weakened 5%	3,312	1,848	645	1,175

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

Maximum exposure and staging as at the end of each of the Relevant Periods

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	82,478	82,478
Financial assets included in prepayments, deposits and other receivables – Normal**	46,448	—	—	—	46,448
Financial assets at fair value through other comprehensive income . .	36,496	—	—	—	36,496
Cash and cash equivalents .	212,170	—	—	—	212,170
	<u>295,114</u>	<u>—</u>	<u>—</u>	<u>82,478</u>	<u>377,592</u>

APPENDIX I

ACCOUNTANTS’ REPORT

At 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	140,303	140,303
Financial assets included in prepayments, deposits and other receivables					
– Normal**	50,005	–	–	–	50,005
Financial assets at fair value through other comprehensive income . .	24,500	–	–	–	24,500
Cash and cash equivalents .	172,476	–	–	–	172,476
	<u>246,981</u>	<u>–</u>	<u>–</u>	<u>140,303</u>	<u>387,284</u>

At 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	122,038	122,038
Financial assets included in prepayments, deposits and other receivables					
– Normal**	18,561	–	–	–	18,561
Financial assets at fair value through other comprehensive income . .	18,289	–	–	–	18,289
Cash and cash equivalents .	187,496	–	–	–	187,496
	<u>224,346</u>	<u>–</u>	<u>–</u>	<u>122,038</u>	<u>346,384</u>

At 31 May 2026

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	136,008	136,008
Financial assets included in prepayments, deposits and other receivables . .					
– Normal**	7,654	–	–	–	7,654
Financial assets at fair value through other comprehensive income . .	37,408	–	–	–	37,408
Cash and cash equivalents .	117,807	–	–	–	117,807
	<u>162,869</u>	<u>–</u>	<u>–</u>	<u>136,008</u>	<u>298,877</u>

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

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

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023, 2024, 2025 and 31 May 2026, the Group had certain concentrations of credit risk as 26%, 35%, 23% and 43% of the Group’s trade and bills receivables were due from the largest customer, and 85%, 85%, 58% and 75% of the Group’s trade and bills receivables were due from the five largest customers.

Liquidity risk

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

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

As at 31 December 2023			
	Less than 1 year	Over 1 year	Total
	RMB’000	RMB’000	RMB’000
Trade payables	23,320	—	23,320
Financial liabilities included in other payables and accruals	50,116	—	50,116
Lease liabilities	1,223	1,246	2,469
Interest bearing bank and other borrowings	21,455	30,855	52,310
	<u>96,114</u>	<u>32,101</u>	<u>128,215</u>

As at 31 December 2024			
	Less than 1 year	Over 1 year	Total
	RMB’000	RMB’000	RMB’000
Trade payables	32,322	—	32,322
Financial liabilities included in other payables and accruals	22,495	—	22,495
Lease liabilities	1,258	584	1,842
Interest bearing bank and other borrowings	30,781	82,464	113,245
	<u>86,856</u>	<u>83,048</u>	<u>169,904</u>

As at 31 December 2025			
	Less than 1 year	Over 1 year	Total
	RMB’000	RMB’000	RMB’000
Trade payables	69,994	—	69,994
Financial liabilities included in other payables and accruals	20,886	—	20,886
Lease liabilities	1,658	2,313	3,971
Interest bearing bank and other borrowings	76,029	65,949	141,978
	<u>168,567</u>	<u>68,262</u>	<u>236,829</u>

As at 31 May 2026			
	Less than 1 year	Over 1 year	Total
	RMB’000	RMB’000	RMB’000
Trade payables	50,600	—	50,600
Financial liabilities included in other payables and accruals	33,156	—	33,156
Lease liabilities	41,057	1,718	42,775
Interest bearing bank and other borrowings	77,790	118,451	196,241
	<u>202,603</u>	<u>120,169</u>	<u>322,772</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Capital management

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

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

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

	As at 31 December			As at 31 May
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Total assets	745,462	811,120	939,285	1,031,009
Total liabilities	144,736	190,779	263,159	351,438
Asset-liability ratio	19%	24%	28%	34%

40. EVENTS AFTER THE REPORTING YEAR

There is no significant event subsequent to 31 May 2026.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any year subsequent to 31 May 2026.