
APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

[To insert the firm’s letterhead with official address upon final stage]

ACCOUNTANTS’ REPORT ON THE SHANGHAI DISCOVERY GROUP HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF COSMOPLAT IOT TECHNOLOGY CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED.

Introduction

We report on the historical financial information of Shanghai Discovery Energy Services Co., Ltd. (“Shanghai Discovery”) and its subsidiaries (together, the “Shanghai Discovery Group”) set out on pages [•] to [•], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Shanghai Discovery Group for each of the years ended 31 December 2023 and 2024, and the period from 1 January 2025 to 13 August 2025 (the “Pre-acquisition Periods”), and the consolidated statements of financial position of Shanghai Discovery Group and the statements of financial position of Shanghai Discovery as at 31 December 2023 and 2024 and 13 August 2025 and material accounting policy information and other explanatory information (together, the “Shanghai Discovery Group Historical Financial Information”). The Shanghai Discovery Group Historical Financial Information set out on pages [•] to [•] forms an integral part of this report, which has been prepared for inclusion in the document of COSMOPlat IoT Technology Co., Ltd. (the “Company”) dated [REDACTED] (the “document”) in connection with the initial [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 Shanghai Discovery Group Historical Financial Information

The directors of Shanghai Discovery are responsible for the preparation of the Shanghai Discovery Group 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 Shanghai Discovery Group Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Shanghai Discovery Group 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 Shanghai Discovery Group 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 Shanghai Discovery Group Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Shanghai Discovery Group Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Shanghai Discovery Group 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 Shanghai Discovery Group 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 Shanghai Discovery Group Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Shanghai Discovery Group Historical Financial Information.

APPENDIX IB**ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP**

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

Opinion

In our opinion, the Shanghai Discovery Group Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of Shanghai Discovery Group and Shanghai Discovery as at 31 December 2023 and 2024 and 13 August 2025 and of the financial performance and cash flows of Shanghai Discovery Group for each of the Pre-acquisition Periods in accordance with the basis of preparation set out in note 2.1 to the Shanghai Discovery Group Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of Shanghai Discovery Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2024 to 13 August 2024 and other explanatory information (the “Interim Comparative Financial Information”). The directors of Shanghai Discovery are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Shanghai Discovery Group 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* 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 note 2.1 to the Shanghai Discovery Group 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 Shanghai Discovery Group Historical Financial Information, no adjustments to the Shanghai Discovery Underlying Financial Statements as defined on page [•] have been made.

Dividends

We refer to note 10 to the Shanghai Discovery Group Historical Financial Information which contains information about the dividends paid by Shanghai Discovery in respect of the Pre-acquisition Periods.

[•]

Certified Public Accountants

Hong Kong

[Date]

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

I. SHANGHAI DISCOVERY GROUP HISTORICAL FINANCIAL INFORMATION

Preparation of Shanghai Discovery Group Historical Financial Information

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

The financial statements of Shanghai Discovery Group for the Pre-acquisition Periods, on which the Shanghai Discovery Group Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Shanghai Discovery Group Underlying Financial Statements”).

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

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Period from 1 January to 13 August	
		2023	2024	2024	2025
	Notes	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	5	407,301	608,676	200,818	396,141
Cost of sales		(323,127)	(503,566)	(160,793)	(320,854)
Gross profit		84,174	105,110	40,025	75,287
Other income and gains	6	11,454	9,785	3,566	4,540
Selling and distribution expenses		(23,311)	(21,671)	(10,752)	(11,663)
Administrative expenses		(26,475)	(26,944)	(16,008)	(17,548)
Research and development expenses		(34,349)	(26,699)	(14,949)	(16,073)
Impairment losses on financial and contract assets, net	7	(5,427)	(1,417)	(3,613)	(7,601)
Other expenses		(73)	(106)	(106)	(445)
Finance costs	8	(13,643)	(14,464)	(8,679)	(7,671)
(LOSS)/PROFIT BEFORE TAX	7	(7,650)	23,594	(10,516)	18,826
Income tax credit/(expense)	9	1,807	(3,383)	1,740	(2,368)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		(5,843)	20,211	(8,776)	16,458
Attributable to:					
Owners of the parent		(4,593)	21,764	(8,163)	17,382
Non-controlling interests		(1,250)	(1,553)	(613)	(924)
		(5,843)	20,211	(8,776)	16,458

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December		13 August
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	10,819	5,310	19,020
Right-of-use assets	12(a)	3,338	3,089	1,947
Other intangible assets		715	505	369
Trade and bills receivables	14	1,481	—	—
Contract assets	16	24,991	42,774	42,737
Lease receivables	12(d)	30,773	33,787	33,038
Prepayments, other receivables and other assets	15	1,843	1,766	1,766
Deferred tax assets	25	34,091	30,708	28,340
Total non-current assets		108,051	117,939	127,217
CURRENT ASSETS				
Inventories	13	942,294	767,913	550,903
Trade and bills receivables	14	119,275	154,346	224,734
Contract assets	16	12,907	19,329	26,759
Lease receivables	12(d)	4,515	5,891	6,582
Prepayments, other receivables and other assets	15	23,848	15,930	39,684
Financial assets at fair value through profit or loss	17	40,021	80,023	—
Receivables at fair value through other comprehensive income	18	8,612	4,736	—
Pledged deposits	19	8,679	12,679	15,623
Cash and cash equivalents	19	109,547	92,256	47,693
Total current assets		1,269,698	1,153,103	911,978
CURRENT LIABILITIES				
Trade and bills payables	20	280,327	196,461	130,983
Other payables and accruals	21	285,674	259,704	130,940
Contract liabilities	22	759,382	699,710	606,751
Interest-bearing bank borrowings	23	34,739	63,724	107,210
Lease liabilities	12(b)	1,609	2,021	702
Tax payable		9,196	—	—
Provision	24	5,314	7,522	9,265
Total current liabilities		1,376,241	1,229,142	985,851
NET CURRENT LIABILITIES		(106,543)	(76,039)	(73,873)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,508	41,900	53,344

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB **ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP**

		31 December		13 August
		2023	2024	2025
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	23	4,711	23,857	3,536
Lease liabilities	12(b)	1,939	1,292	1,127
Deferred income		800	—	—
Provision	24	<u>2,917</u>	<u>4,421</u>	<u>5,402</u>
Total non-current liabilities		<u>10,367</u>	<u>29,570</u>	<u>10,065</u>
Net (deficiency in assets)/assets		<u>(8,859)</u>	<u>12,330</u>	<u>43,279</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	26	57,709	57,709	57,709
Reserves	27	<u>(68,151)</u>	<u>(45,409)</u>	<u>(15,066)</u>
		(10,442)	12,300	42,643
Non-controlling interests		<u>1,583</u>	<u>30</u>	<u>636</u>
Total (deficits)/equity		<u>(8,859)</u>	<u>12,330</u>	<u>43,279</u>

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserve*	Share-based payment reserve*	Statutory surplus reserve*	Accumulated losses*		
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000
As at 1 January 2023	57,709	(4,969)	23	3,829	(42,691)	13,901	13,739
Total comprehensive loss for the year	—	—	—	—	(4,593)	(4,593)	(5,843)
Equity-settled share-based payment arrangements	—	—	250	—	—	250	250
Capital contribution from non-controlling shareholders	—	—	—	—	—	2,995	2,995
Dividends declared	—	—	—	—	(20,000)	(20,000)	(20,000)
As at 31 December 2023	<u>57,709</u>	<u>(4,969)</u>	<u>273</u>	<u>3,829</u>	<u>(67,284)</u>	<u>(10,442)</u>	<u>(8,859)</u>

Year ended 31 December 2024

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserve*	Share-based payment reserve*	Statutory surplus reserve*	Accumulated losses*		
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000
As at 1 January 2024	57,709	(4,969)	273	3,829	(67,284)	(10,442)	(8,859)
Total comprehensive income for the year	—	—	—	—	21,764	21,764	20,211
Equity-settled share-based payment arrangements	—	—	978	—	—	978	978
As at 31 December 2024	<u>57,709</u>	<u>(4,969)</u>	<u>1,251</u>	<u>3,829</u>	<u>(45,520)</u>	<u>12,300</u>	<u>12,330</u>

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Period from 1 January 2024 to 13 August 2024 (unaudited)

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Accumulated losses		
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000
As at 1 January 2024	57,709	(4,969)	273	3,829	(67,284)	1,583	(8,859)
Total comprehensive loss for the period (unaudited)	—	—	—	—	(8,163)	(613)	(8,776)
Equity-settled share-based payment arrangements (unaudited)	—	—	146	—	—	—	146
As at 13 August 2024 (unaudited)	<u>57,709</u>	<u>(4,969)</u>	<u>419</u>	<u>3,829</u>	<u>(75,447)</u>	<u>970</u>	<u>(17,489)</u>

Period from 1 January 2025 to 13 August 2025

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserve*	Share-based payment reserve*	Statutory surplus reserve*	Accumulated losses*		
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000
As at 1 January 2025	57,709	(4,969)	1,251	3,829	(45,520)	30	12,330
Total comprehensive income for the period	—	—	—	—	17,382	(924)	16,458
Capital contribution from shareholders	—	12,961	—	—	—	—	12,961
Capital contribution from non-controlling shareholders	—	—	—	—	—	1,530	1,530
As at 13 August 2025	<u>57,709</u>	<u>7,992</u>	<u>1,251</u>	<u>3,829</u>	<u>(28,138)</u>	<u>636</u>	<u>43,279</u>

* These reserve accounts comprise the negative balances of consolidated reserves of RMB68,151,000, RMB45,409,000 and RMB15,066,000 in the consolidated statements of financial position as at 31 December 2023, 31 December 2024 and 13 August 2025, respectively.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		Period from 1 January to 13 August	
		2023	2024	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax		(7,650)	23,594	(10,516)	18,826
Adjustments for:					
Finance costs	8	13,643	14,464	8,679	7,671
Bank interest income	6	(2,058)	(964)	(626)	(313)
Finance lease interest income	6	(1,968)	(1,841)	(1,075)	(1,077)
Investment income from financial assets at fair value through profit or loss	6	(140)	(510)	(250)	(811)
Gains on a lease modification/ termination	6	—	(18)	—	—
Write-down of inventories to net realisable value	7	8,814	53	26	—
Impairment losses of other assets	7	—	77	77	—
Impairment losses on financial and contract assets, net	7	5,427	1,417	3,613	7,601
Depreciation of property, plant and equipment	7	2,057	2,368	1,399	1,432
Depreciation of right-of-use assets	7	1,660	1,799	974	950
Amortisation of other intangible assets	7	211	240	148	136
Equity-settled share-based payments expense	7	250	978	146	—
Fair value gains on financial assets at fair value through profit or loss	6	(21)	(23)	(7)	—
Government grants and subsidies credited to the statement of profit or loss during the year/ period		(400)	(800)	(800)	—
		<u>19,825</u>	<u>40,834</u>	<u>1,788</u>	<u>34,415</u>

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
(Increase)/decrease in inventories	(318,289)	174,328	(5,916)	217,010
Increase in trade and bills receivables	(65,568)	(34,586)	(56,430)	(77,219)
Increase in contract assets	(7,283)	(24,560)	(5,067)	(8,128)
Decrease/(increase) in prepayments, other receivables and other assets	4,706	8,303	(46,414)	(10,719)
(Increase)/decrease in receivables at fair value through other comprehensive income	(1,860)	3,876	7,064	4,736
Decrease in trade and bills payables	(17,044)	(83,866)	(35,246)	(65,478)
Increase/(decrease) in other payables and accruals	18,805	(17,081)	(41,204)	(5,785)
Increase/(decrease) in contract liabilities	241,644	(59,672)	35,536	(92,959)
Increase in provisions	1,570	3,712	2,420	2,724
Decrease/(increase) in pledged deposits	<u>47,897</u>	<u>(4,000)</u>	<u>3,346</u>	<u>(2,944)</u>
Cash (used in)/generated from operations	(75,597)	7,288	(140,123)	(4,347)
Interest received	2,058	964	626	313
Income tax paid	<u>(11,036)</u>	<u>(9,603)</u>	<u>(9,335)</u>	<u>(109)</u>
Net cash flows used in operating activities	<u>(84,575)</u>	<u>(1,351)</u>	<u>(148,832)</u>	<u>(4,143)</u>

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash flows used in operating activities	(84,575)	(1,351)	(148,832)	(4,143)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(6,439)	(7,579)	(4,404)	(15,101)
Purchases of items of other intangible assets	(383)	(30)	(30)	—
Receipt of lease fulfilment payments	15,704	6,919	3,862	3,562
Investment income received from financial assets instruments at fair value through profit or loss	140	531	271	834
Purchases of financial assets at fair value through profit or loss	(110,000)	(325,000)	(100,000)	(270,000)
Proceeds from maturity of financial assets at fair value through profit or loss	70,000	285,000	130,000	350,000
Proceeds from disposal of items of property, plant and equipment	1	41	41	—
Net cash flows (used in)/from investing activities	(30,977)	(40,118)	29,740	69,295
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES				
Capital contribution by non-controlling shareholders	2,995	—	—	1,530
New bank borrowings	39,618	89,800	64,800	60,000
Repayment of bank borrowings	(44,237)	(41,708)	(7,818)	(36,690)
Interest paid for bank borrowings	(1,223)	(1,995)	(720)	(1,758)
Principal portion of lease payments	(1,752)	(1,767)	(1,049)	(1,292)
Interest portion of lease payments	(187)	(152)	(85)	(57)
Dividends paid	—	(20,000)	(20,000)	—
Repayment of put option liabilities	—	—	—	(131,448)
Net cash flows (used in)/from financing activities	(4,786)	24,178	35,128	(109,715)

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB **ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP**

	<i>Notes</i>	Year ended 31 December		Period from 1 January to 13 August	
		2023	2024	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(120,338)	(17,291)	(83,964)	(44,563)
Cash and cash equivalents at beginning of year/period		<u>229,885</u>	<u>109,547</u>	<u>109,547</u>	<u>92,256</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>109,547</u>	<u>92,256</u>	<u>25,583</u>	<u>47,693</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	19	118,226	104,935	30,916	63,316
Less: pledged deposits	19	<u>8,679</u>	<u>12,679</u>	<u>5,333</u>	<u>15,623</u>
Cash and cash equivalents as stated in the statements of cash flows and financial position	19	<u>109,547</u>	<u>92,256</u>	<u>25,583</u>	<u>47,693</u>

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

STATEMENTS OF FINANCIAL POSITION OF SHANGHAI DISCOVERY

		31 December		13 August
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	10,624	5,109	18,033
Right-of-use assets	12(a)	2,998	3,089	1,947
Other intangible assets		715	505	369
Investments in subsidiaries	1	9,505	11,505	13,100
Trade and bills receivables	14	1,481	—	—
Contract assets	16	24,991	42,774	42,737
Lease receivables	12(d)	30,773	33,787	33,038
Prepayments, other receivables and other assets	15	1,843	1,766	1,766
Deferred tax assets	25	34,091	30,708	28,340
Total non-current assets		117,021	129,243	139,330
CURRENT ASSETS				
Inventories	13	941,257	767,913	549,820
Trade and bills receivables	14	119,275	154,346	224,734
Contract assets	16	12,805	19,227	26,657
Lease receivables	12(d)	4,515	5,891	6,582
Prepayments, other receivables and other assets	15	23,680	15,475	39,547
Financial assets at fair value through profit or loss	17	40,021	80,023	—
Receivables at fair value through other comprehensive income	18	8,612	4,736	—
Pledged deposits	19	8,679	12,679	15,623
Cash and cash equivalents	19	105,067	89,645	46,306
Total current assets		1,263,911	1,149,935	909,269
CURRENT LIABILITIES				
Trade and bills payables	20	280,091	196,360	130,930
Other payables and accruals	21	284,626	258,882	130,823
Contract liabilities	22	759,382	699,415	606,456
Interest-bearing bank borrowings	23	34,739	63,724	107,210
Lease liabilities	12(b)	1,609	2,021	702
Tax payable		9,196	—	—
Provision	24	5,314	7,522	9,265
Total current liabilities		1,374,957	1,227,924	985,386
NET CURRENT LIABILITIES		(111,046)	(77,989)	(76,117)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,975	51,254	63,213

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB **ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP**

		31 December		13 August
		2023	2024	2025
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	23	4,711	23,857	3,536
Lease liabilities	12(b)	1,693	1,292	1,127
Deferred income		800	—	—
Provision	24	<u>2,917</u>	<u>4,421</u>	<u>5,402</u>
Total non-current liabilities		<u>10,121</u>	<u>29,570</u>	<u>10,065</u>
Net (deficiency in assets)/assets		<u>(4,146)</u>	<u>21,684</u>	<u>53,148</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	26	57,709	57,709	57,709
Reserves	27	<u>(61,855)</u>	<u>(36,025)</u>	<u>(4,561)</u>
Total (deficiency)/equity		<u>(4,146)</u>	<u>21,684</u>	<u>53,148</u>

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

II. NOTES TO THE SHANGHAI DISCOVERY GROUP HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Discovery Energy Services Co., Ltd. (“Shanghai Discovery”) is a limited liability company established under the laws of the PRC on May 30, 2011. The registered office of Shanghai Discovery is Room A, No. 6, Lane 99, Chunguang Road, Minhang District, Shanghai City, the PRC.

During the Pre-acquisition Periods, Shanghai Discovery and its subsidiaries (“Shanghai Discovery Group”) was involved in providing green manufacturing solutions.

Since 14 August 2025, COSMOplat Energy Technology Co., Ltd. (the “COSMOplat Energy”) has become the holding company of Shanghai Discovery along with its subsidiaries. The Shanghai Discovery Group Historical Financial Information incorporates the financial statements of Shanghai Discovery and its subsidiaries for the years ended 31 December 2023 and 2024, and the period from 1 January 2025 to 13 August 2025.

As at 13 August 2025, Shanghai Discovery had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

<u>Name</u>	<u>Place and date of incorporation/ registration and place of operations</u>	<u>Nominal value of issued ordinary share capital/ registered capital</u>	<u>Percentage of equity directly attributable to the Company</u>	<u>Principal activities</u>
Xiamen Carbon Commerce Technology Co., Ltd.* (廈門碳商科技有限公司 (note (a)))	PRC/Chinese mainland 13 May 2021	RMB30,000,000	100%	Provide green manufacturing solutions
Zhejiang Carbon Commerce Technology Co., Ltd.* (浙江碳商科技有限公司 (note (a)))	PRC/Chinese mainland 29 April 2021	RMB10,000,000	100%	Provide green manufacturing solutions
Shanghai Carbon Heng Energy Technology Co., Ltd.* (上海碳之衡能源科技有限公司 (note (b)))	PRC/Chinese mainland 11 Nov 2022	RMB10,000,000	51%	Provide green manufacturing solutions

* The English names of these subsidiaries represent the best efforts made by the management of Shanghai Discovery to translate the Chinese names as they do not have official English names registered in the PRC.

Note:

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2023 and 2024, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.
- (b) The statutory financial statements for this entity for the years ended 31 December 2023 and 2024 prepared in accordance with the Accounting Standards for Business Enterprises (“ASBEs”) were audited by Shanghai Honghua Certified Public Accountants Co., Ltd. (上海宏華會計師事務所有限公司), certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Shanghai Discovery Group Historical Financial Information 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 period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Shanghai Discovery Group in the preparation of the Shanghai Discovery Group Historical Financial Information throughout the Pre-acquisition Periods and the period from 1 January 2024 to 13 August 2024.

The Shanghai Discovery Group Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and receivables at fair value through other comprehensive income, which have been measured at fair value.

Going concern

Shanghai Discovery Group’s current liabilities exceeded its current assets by approximately RMB106,543,000, RMB76,039,000 and RMB73,873,000 as at 31 December 2023, 2024 and 13 August 2025, respectively.

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

On 13 August 2025, COSMOPlat Energy entered into an investment agreement (the “Investment Agreement”) with the then shareholders of Shanghai Discovery. As part of the Investment Agreement, COSMOPlat Energy has agreed to subscribe for the increased registered capital of RMB12,084,000 of Shanghai Discovery at a consideration of RMB204,260,000. Accordingly, the Shanghai Discovery Historical Financial Information has been prepared on a going concern basis.

Basis of consolidation

The Shanghai Discovery Group Historical Financial Information include the financial statements of Shanghai Discovery and its subsidiaries for the Pre-acquisition Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Shanghai Discovery Group. Control is achieved when Shanghai Discovery 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 Shanghai Discovery Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Shanghai Discovery has less than a majority of the voting or similar rights of an investee, the Shanghai Discovery 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 Shanghai Discovery Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as Shanghai Discovery, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Shanghai Discovery 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 Shanghai Discovery 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 Shanghai Discovery Group are eliminated in full on consolidation.

The Shanghai Discovery 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 Shanghai Discovery 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 Shanghai Discovery 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 Shanghai Discovery Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

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 IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

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

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Shanghai Discovery Group is described below:

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the Shanghai Discovery Grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have a material impact on the financial performance and financial position of the Shanghai Discovery Group but is expected to affect the presentation and disclosure of the statement of profit or loss and other comprehensive income. The Shanghai Discovery Group will continue to assess the impact of IFRS 18 on the Shanghai Discovery Group’s financial information.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. IFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. Some of the Shanghai Discovery’s subsidiaries are considering the application of IFRS 19 and its amendments in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Shanghai Discovery Group’s financial information.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Shanghai Discovery Group’s financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation’s comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Shanghai Discovery Group’s financial information.

Annual Improvements to IFRS Accounting Standards — Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Shanghai Discovery Group are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing*

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of *IFRS 7* nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Shanghai Discovery Group’s financial information.

- *IFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with *IFRS 9*, the lessee is required to apply paragraph 3.3.3 of *IFRS 9* and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in *IFRS 16* and an extinguishment of a lease liability in accordance with *IFRS 9*. In addition, the amendments have updated certain wording in paragraph 5.1.3 of *IFRS 9* and Appendix A of *IFRS 9* to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Shanghai Discovery Group’s financial information.
- *IFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of *IFRS 10* is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of *IFRS 10*. Earlier application is permitted. The amendments are not expected to have any significant impact on the Shanghai Discovery Group’s financial information.
- *IAS 7 Statement of Cash Flows*: The amendments replace the term “cost method” with “at cost” in paragraph 37 of *IAS 7* following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Shanghai Discovery Group’s financial statements.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

The Shanghai Discovery Group measures financial assets at fair value through profit or loss and receivables at fair value through other comprehensive income at the end of each of the Pre-acquisition Periods. 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 Shanghai Discovery Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Shanghai Discovery 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 Shanghai Discovery Group Historical Financial Information 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 Shanghai Discovery Group Historical Financial Information on a recurring basis, the Shanghai Discovery 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 of the Pre-acquisition Periods.

Impairment of non-financial assets

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

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

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

An assessment is made at the end of each of the Pre-acquisition Periods 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 statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Shanghai Discovery 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 Shanghai Discovery Group;
 - (ii) has significant influence over the Shanghai Discovery Group; or
 - (iii) is a member of the key management personnel of the Shanghai Discovery Group or of a parent of the Shanghai Discovery Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Shanghai Discovery 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 Shanghai Discovery Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Shanghai Discovery Group or an entity related to the Shanghai Discovery 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 Shanghai Discovery Group or to the parent of the Shanghai Discovery Group.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Shanghai Discovery 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 and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	12.37% to 92.31%
Tools, furniture and fixtures	19.00% to 31.67%
Motor vehicles	23.70%

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

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

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

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Intangible assets (other than goodwill)

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

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Shanghai Discovery 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 Shanghai Discovery Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Shanghai Discovery Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Shanghai Discovery 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:

Buildings

2 to 10 years

If ownership of the leased asset transfers to the Shanghai Discovery 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. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Shanghai Discovery 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

The Shanghai Discovery Group applies the short-term lease recognition exemption to its short-term leases of offices premises (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).

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

Group as a lessor

When the Shanghai Discovery Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Leases in which the Shanghai Discovery Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Shanghai Discovery Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

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.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Shanghai Discovery Group’s business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Shanghai Discovery Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Shanghai Discovery 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 and bills receivables that do not contain a significant financing component or for which the Shanghai Discovery 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 Shanghai Discovery 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 period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Shanghai Discovery 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 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 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 statement 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 statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Shanghai Discovery 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 Shanghai Discovery Group has transferred substantially all the risks and rewards of the asset, or (b) the Shanghai Discovery Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Shanghai Discovery 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 Shanghai Discovery Group continues to recognise the transferred asset to the extent of the Shanghai Discovery Group’s continuing involvement. In that case, the Shanghai Discovery 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 Shanghai Discovery Group has retained.

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 Shanghai Discovery Group could be required to repay.

Impairment of financial assets

The Shanghai Discovery 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 Shanghai Discovery 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 the end of each of the Pre-acquisition Periods, the Shanghai Discovery Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Shanghai Discovery 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.

In certain cases, the Shanghai Discovery Group consider a financial asset to be in default when internal or external information indicates that the Shanghai Discovery Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Shanghai Discovery 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

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Shanghai Discovery Group applies the practical expedient of not adjusting the effect of a significant financing component, the Shanghai Discovery Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Shanghai Discovery Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Shanghai Discovery 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.

For lease receivables, the Shanghai Discovery Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, 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.

The Shanghai Discovery Group’s financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Shanghai Discovery Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

After initial recognition, trade and other payables, and interest-bearing 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 statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

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

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

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- (c) and the costs are expected to be recovered.

The contract fulfilment cost presented in inventories is amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates. The Shanghai Discovery Group recognises an impairment loss in profit or loss to the extent that the carrying amount of contract fulfilment cost recognised exceeds the remaining amount of the consideration that the entity expects to receive in exchange for the services to which the asset relates less the costs that relate directly to the provision of those services and that have not been recognised as expenses.

Cash and cash equivalents

Cash and cash equivalents in the statement 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 statement 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 Shanghai Discovery Group’s cash management.

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.

When the Shanghai Discovery Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Pre-acquisition Periods 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 statements of profit or loss.

The Shanghai Discovery Group provides for warranties in relation to the provision of green manufacturing solutions and the provision to the technical support and maintenance services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Shanghai Discovery Group are initially recognised based on past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

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 each of the Pre-acquisition Periods, taking into consideration interpretations and practices prevailing in the countries in which the Shanghai Discovery Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Pre-acquisition Periods 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 and associates, 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.

APPENDIX IB**ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP**

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 and associates, 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 of the Pre-acquisition Periods 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 of the Pre-acquisition Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement 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 Shanghai Discovery Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Shanghai Discovery Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Green manufacturing solutions

The Shanghai Discovery Group provides green manufacturing solutions for customers, including the design of solutions, delivery of products and software as well as construction services. These deliverables are accounted for as a single performance obligation because the Shanghai Discovery Group provides integrated products and solutions, and revenue is recognised at the point in time when control of the asset is transferred to the customer, generally upon the final acceptance of the integrated products and solutions by the customers.

In addition, the Shanghai Discovery Group provides technical support and maintenance services to some of its customers. Revenue is recognised over time as services are rendered as the customers simultaneously receive and consume the services provided by the Shanghai Discovery Group over the period.

Revenue from other sources

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

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Other income

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

Contract assets

If the Shanghai Discovery Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

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 Shanghai Discovery Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Shanghai Discovery Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Shanghai Discovery Group operates share award and option schemes. Employees (including directors) of the Shanghai Discovery 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 with reference to the fair value of the underlying share for share awards.

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

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

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

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

Other employee benefits

Pension scheme

The employees of the Shanghai Discovery Group’s subsidiaries which operate in the Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Shanghai Discovery Group can no longer withdraw the offer of those benefits and when the Shanghai Discovery Group recognises restructuring costs involving the payment of termination benefits.

Housing fund and other social insurances

The Shanghai Discovery Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Shanghai Discovery Group makes monthly contributions to the

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

housing fund and other social insurances. The contributions are charged to the statement of profit or loss on an accrual basis. The Shanghai Discovery Group’s liability in respect of these funds is limited to the contributions payable at the end of each of the Pre-acquisition Periods.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after Pre-acquisition Periods

If the Shanghai Discovery Group receives information after the end of the Pre-acquisition Periods, but prior to the date of authorisation for issue, about conditions that existed at the end of the Pre-acquisition Periods, it will assess whether the information affects the amounts that it recognises in the Shanghai Discovery Group Historical Financial Information. The Shanghai Discovery Group will adjust the amounts recognised in the Shanghai Discovery Group Historical Financial Information to reflect any adjusting events after the end of the Pre-acquisition Periods and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the end of the Pre-acquisition Periods, the Shanghai Discovery Group will not change the amounts recognised in the Shanghai Discovery Group Historical Financial Information, 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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences 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, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in note 25 to the Shanghai Discovery Historical Financial Information.

Estimation uncertainty

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

Provision for expected credit losses (“ECL”) on trade and bills receivables and contract assets

The Shanghai Discovery Group uses a provision matrix to calculate ECLs for trade and bills receivables and contract assets. The provision rates are based on ageing for groupings of various customer that have similar loss patterns.

The provision matrix is initially based on the Shanghai Discovery Group’s historical observed default rates. The Shanghai Discovery Group calibrates 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, 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 of economic conditions. The Shanghai Discovery 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 Shanghai Discovery Group’s trade and bills receivables and contract assets is disclosed in note 14 and 16 to the Shanghai Discovery Group Historical Financial Information, respectively.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Shanghai Discovery Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of products, or from changes in the market demand for the product output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Shanghai Discovery Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimates. Useful lives and residual values are reviewed at the end of each of the Pre-acquisition Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 11 to the Shanghai Discovery Group Historical Financial Information.

Provision for inventories

The Shanghai Discovery Group periodically assesses the net realisable value of its inventories and provides for inventory impairment based on the difference between the cost of the inventories and the net realisable value. When estimating the net realisable value of inventories, management considers the purpose for which the inventories are held, as well as their future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and the write-down of inventories in the period in which the estimate changed. Further details of the inventories are set out in note 13 to the Shanghai Discovery Group Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Shanghai Discovery Group principally focuses on providing green manufacturing solutions manufacturing enterprises. Information reported to Shanghai Discovery Group’s chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of Shanghai Discovery Group as a whole as Shanghai Discovery Group’s resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

As Shanghai Discovery Group generated all of its revenue in the Chinese mainland and all the non-current assets of Shanghai Discovery Group were in the Chinese mainland during the Pre-acquisition Periods, no further geographical information is presented.

Information about major customers

During the Pre-acquisition Periods and the period from 1 January 2024 to 13 August 2024, revenue from transactions with single external customers (including entities under common control with those customers) amounting to 10% or more of the Shanghai Discovery Group’s revenues are as follows:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Customer A	959	—	—	137,460
Customer B	—	—	—	69,862
Customer C	545	11,442	737	39,312
Customer D	—	43,164	35,428	34,908
Customer E	—	228,514	131,147	26,864
Customer F	324	153,907	8,060	22,433
Customer G	167,438	2,116	504	1,704
Customer H	132,692	33,334	7,478	1,416
Customer I	120	79,756	79	—
Customer J	52,341	—	—	—

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue from contracts with customers	407,301	608,676	200,818	396,141

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods or services				
Green manufacturing solutions	407,301	608,676	200,818	396,141
Timing of revenue recognition				
Goods or services transferred at a point in time	395,826	596,339	192,955	390,246
Services transferred over time	11,475	12,337	7,863	5,895
Total	407,301	608,676	200,818	396,141

The following table shows the amounts of revenue recognised in each of the Pre-acquisition Periods and the period from 1 January 2024 to 13 August 2024 that were included in the contract liabilities at the beginning of the respective year/period:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Green manufacturing solutions	254,650	285,994	131,354	240,728

(b) Performance obligations

The performance obligation for green manufacturing solutions is satisfied upon the final acceptance of the integrated products and solutions by the customers. The performance obligation of technical support and maintenance services is recognised over time as services are rendered. Payment is generally due within 30 to 180 days upon satisfaction of the performance obligations.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amounts expected to be recognised as revenue:				
Within one year	504,967	511,916	296,093	452,408
After one year	733,966	458,779	772,991	434,789
Total	1,238,933	970,695	1,069,084	887,197

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to green manufacturing solutions, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

6. OTHER INCOME AND GAINS

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants	6,886	6,147	1,379	2,325
Bank interest income	2,058	964	626	313
Finance lease interest income	1,968	1,841	1,075	1,077
Investment income from financial assets at fair value through profit or loss	140	510	250	811
Gains on lease modification/termination	—	18	—	—
Fair value gains on financial assets at fair value through profit or loss	21	23	7	—
Others	381	282	229	14
Total	11,454	9,785	3,566	4,540

7. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		Period from 1 January to 13 August	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold and services provided*		323,127	503,566	160,793	320,854
Depreciation of property, plant and equipment	11	2,057	2,368	1,399	1,432
Depreciation of right-of-use assets	12(a)	1,660	1,799	974	950
Amortisation of other intangible assets		211	240	148	136
Lease payments not included in the measurement of lease liabilities	12(c)	430	138	95	71
Auditor’s remuneration		481	1,225	586	250
Employee benefit expenses:					
Wages and salaries		43,102	47,287	24,132	30,033
Pension scheme contributions		7,711	9,722	4,603	6,088
Social welfare benefits		10,357	11,312	5,263	7,187
Termination benefits		558	636	583	348
Equity-settled share-based payments expense		250	978	146	—
Total		61,978	69,935	34,727	43,656
Impairment losses/(reversal impairment losses) on financial assets, net:					
Trade and bills receivables	14	5,233	996	3,687	6,831
Contract assets	16	263	355	(186)	735
Financial assets included in prepayments, other receivables and other assets	15	(16)	22	88	35
Lease receivables	12(d)	(53)	44	24	—
Total		5,427	1,417	3,613	7,601
Impairment losses of other assets		—	77	77	—
Write-down of inventories to net realisable value		8,814	53	26	—
Total		8,814	130	103	—
Product warranty provision:					
Additional provision		4,847	10,182	6,374	7,997
Amounts utilised during the year/period		(3,277)	(6,470)	(3,953)	(5,273)
Total		1,570	3,712	2,421	2,724

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

* Cost of inventories sold and services provided include write-down of inventories to net realisable value and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on put option liabilities	12,244	12,278	7,581	6,001
Interest on bank borrowings	1,212	2,034	1,013	1,613
Interest on lease liabilities	187	152	85	57
Total	13,643	14,464	8,679	7,671

9. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the entities which operate in the Chinese mainland are subject to corporate income tax (“CIT”) at a rate of 25% on the taxable income. During the Pre-acquisition Periods, Shanghai Discovery was entitled to a preferential tax rate of 15% because it was regarded as “High and New Technology Enterprise”. In addition, subsidiaries of the Shanghai Discovery Group operating in the Chinese mainland were entitled to effective preferential tax rates of 5% because they were regarded as “small-scaled minimal profit enterprises” with taxable income not exceeding RMB3,000,000.

An analysis of income tax expense is as follows:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current — Chinese mainland income tax	13,289	—	—	—
Deferred	(15,096)	3,383	(1,740)	2,368
Total	(1,807)	3,383	(1,740)	2,368

A reconciliation of the income tax (credit)/expense applicable to (loss)/profit before tax using the statutory tax rate for Shanghai Discovery and its subsidiaries to the income tax expense at the effective tax rate is as follows:

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss)/profit before tax	(7,650)	23,594	(10,516)	18,826
Tax at the statutory tax rate of Chinese mainland	(1,913)	5,899	(2,629)	4,707
Lower tax rates enacted by local authorities	1,266	(1,896)	1,294	(1,678)
Income not subject to tax	(105)	(330)	(204)	(98)
Expenses not deductible for tax	3,370	3,068	1,756	1,346
Tax losses and deductible temporary differences not recognised	198	319	97	102
Additional deductible allowance for research and development expenses	(4,623)	(3,677)	(2,054)	(2,011)
Tax charge/(credit) at the Shanghai Discovery Group’s effective rate	(1,807)	3,383	(1,740)	2,368

10. DIVIDEND

On 28 December 2023, Shanghai Discovery declared dividends of RMB20,000,000 to its then shareholders, which were paid in 2024.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

11. PROPERTY, PLANT AND EQUIPMENT

Shanghai Discovery Group

	Leasehold improvements RMB'000	Tools, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress for finance lease investment RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	3,078	1,659	2,829	—	7,566
Accumulated depreciation	(2,254)	(772)	(1,232)	—	(4,258)
Net carrying amount	824	887	1,597	—	3,308
At 1 January 2023, net of accumulated depreciation	824	887	1,597	—	3,308
Additions	2,449	455	412	6,253	9,569
Depreciation provided during the year	(1,009)	(486)	(562)	—	(2,057)
Disposals	—	(1)	—	—	(1)
At 31 December 2023, net of accumulated depreciation	2,264	855	1,447	6,253	10,819
At 31 December 2023:					
Cost	5,527	2,113	3,241	6,253	17,134
Accumulated depreciation	(3,263)	(1,258)	(1,794)	—	(6,315)
Net carrying amount	2,264	855	1,447	6,253	10,819
31 December 2024					
At 1 January 2024:					
Cost	5,527	2,113	3,241	6,253	17,134
Accumulated depreciation and impairment	(3,263)	(1,258)	(1,794)	—	(6,315)
Net carrying amount	2,264	855	1,447	6,253	10,819
At 1 January 2024, net of accumulated depreciation	2,264	855	1,447	6,253	10,819
Additions	1,135	312	559	4,406	6,412
Depreciation provided during the year	(1,247)	(471)	(650)	—	(2,368)
Disposals	—	—	(41)	(9,512)	(9,553)
At 31 December 2024, net of accumulated depreciation	2,152	696	1,315	1,147	5,310
At 31 December 2024:					
Cost	6,662	2,425	2,986	1,147	13,220
Accumulated depreciation and impairment	(4,510)	(1,729)	(1,671)	—	(7,910)
Net carrying amount	2,152	696	1,315	1,147	5,310

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

	Leasehold improvements	Tools, furniture and fixtures	Motor vehicles	Construction in progress for finance lease investment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
13 August 2025					
At 1 January 2025					
Cost	6,662	2,425	2,986	1,147	13,220
Accumulated depreciation	(4,510)	(1,729)	(1,671)	—	(7,910)
Net carrying amount	<u>2,152</u>	<u>696</u>	<u>1,315</u>	<u>1,147</u>	<u>5,310</u>
At 1 January 2025, net of accumulated depreciation	2,152	696	1,315	1,147	5,310
Additions	—	62	253	17,254	17,569
Depreciation provided during the period	(752)	(233)	(447)	—	(1,432)
Disposals	—	—	—	(2,427)	(2,427)
At 13 August 2025, net of accumulated depreciation	<u>1,400</u>	<u>525</u>	<u>1,121</u>	<u>15,974</u>	<u>19,020</u>
At 13 August 2025					
Cost	6,662	2,487	3,239	15,974	28,362
Accumulated depreciation	(5,262)	(1,962)	(2,118)	—	(9,342)
Net carrying amount	<u>1,400</u>	<u>525</u>	<u>1,121</u>	<u>15,974</u>	<u>19,020</u>
Shanghai Discovery					
	Leasehold improvements	Tools, furniture and fixtures	Motor vehicles	Construction in progress for finance lease investment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023					
At 1 January 2023:					
Cost	3,049	1,604	2,530	—	7,183
Accumulated depreciation	(2,254)	(724)	(1,167)	—	(4,145)
Net carrying amount	<u>795</u>	<u>880</u>	<u>1,363</u>	<u>—</u>	<u>3,038</u>
At 1 January 2023, net of accumulated depreciation	795	880	1,363	—	3,038
Additions	2,448	442	412	6,253	9,555
Depreciation provided during the year	(1,009)	(504)	(455)	—	(1,968)
Disposals	—	(1)	—	—	(1)
At 31 December 2023, net of accumulated depreciation	<u>2,234</u>	<u>817</u>	<u>1,320</u>	<u>6,253</u>	<u>10,624</u>
At 31 December 2023:					
Cost	5,497	2,043	2,942	6,253	16,735
Accumulated depreciation	(3,263)	(1,226)	(1,622)	—	(6,111)
Net carrying amount	<u>2,234</u>	<u>817</u>	<u>1,320</u>	<u>6,253</u>	<u>10,624</u>

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

	Leasehold improvements	Tools, furniture and fixtures	Motor vehicles	Construction in progress for finance lease investment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024					
At 1 January 2024:					
Cost	5,497	2,043	2,942	6,253	16,735
Accumulated depreciation	(3,263)	(1,226)	(1,622)	—	(6,111)
Net carrying amount	<u>2,234</u>	<u>817</u>	<u>1,320</u>	<u>6,253</u>	<u>10,624</u>
At 1 January 2024, net of accumulated depreciation	2,234	817	1,320	6,253	10,624
Additions	1,135	313	559	4,279	6,286
Depreciation provided during the year	(1,217)	(452)	(579)	—	(2,248)
Disposals	—	—	(41)	(9,512)	(9,553)
At 31 December 2024, net of accumulated depreciation	<u>2,152</u>	<u>678</u>	<u>1,259</u>	<u>1,020</u>	<u>5,109</u>
At 31 December 2024:					
Cost	6,632	2,356	2,687	1,020	12,695
Accumulated depreciation	(4,480)	(1,678)	(1,428)	—	(7,586)
Net carrying amount	<u>2,152</u>	<u>678</u>	<u>1,259</u>	<u>1,020</u>	<u>5,109</u>
13 August 2025					
At 1 January 2025					
Cost	6,632	2,356	2,687	1,020	12,695
Accumulated depreciation	(4,480)	(1,678)	(1,428)	—	(7,586)
Net carrying amount	<u>2,152</u>	<u>678</u>	<u>1,259</u>	<u>1,020</u>	<u>5,109</u>
At 1 January 2025, net of accumulated depreciation	2,152	678	1,259	1,020	5,109
Additions	—	50	—	16,655	16,705
Depreciation provided during the period	(752)	(226)	(376)	—	(1,354)
Transfers	—	—	—	(2,427)	(2,427)
At 13 August 2025, net of accumulated depreciation	<u>1,400</u>	<u>502</u>	<u>883</u>	<u>15,248</u>	<u>18,033</u>
At 13 August 2025:					
Cost	6,632	2,406	2,687	15,248	26,973
Accumulated depreciation	(5,232)	(1,904)	(1,804)	—	(8,940)
Net carrying amount	<u>1,400</u>	<u>502</u>	<u>883</u>	<u>15,248</u>	<u>18,033</u>

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

12. LEASES

The Shanghai Discovery Group and Shanghai Discovery as a lessee

The Shanghai Discovery Group has lease contracts for certain buildings used in its operations, which generally have lease terms between 2 and 10 years and lease terms are negotiated on an individual basis and contain different payment terms and conditions. Generally, the Shanghai Discovery Group is restricted from assigning and subleasing the leased assets outside the Shanghai Discovery Group.

(a) *Right-of-use assets*

The carrying amounts of the right-of-use assets and the movements during each of the Pre-acquisition Periods are as follows:

Shanghai Discovery Group

	Buildings <i>RMB'000</i>
As at 1 January 2023	4,931
Additions	67
Depreciation charge	<u>(1,660)</u>
As at 31 December 2023 and 1 January 2024	3,338
Additions	1,790
Depreciation charge	(1,799)
Lease modification/termination	<u>(240)</u>
As at 31 December 2024 and 1 January 2025	3,089
Depreciation charge	(950)
Lease modification/termination	<u>(192)</u>
As at 13 August 2025	<u><u>1,947</u></u>

Shanghai Discovery

	Buildings <i>RMB'000</i>
As at 1 January 2023	4,471
Additions	67
Depreciation charge	<u>(1,540)</u>
As at 31 December 2023 and 1 January 2024	2,998
Additions	1,790
Depreciation charge	<u>(1,699)</u>
As at 31 December 2024 and 1 January 2025	3,089
Depreciation charge	(950)
Lease modification/termination	<u>(192)</u>
As at 13 August 2025	<u><u>1,947</u></u>

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during each of the Pre-acquisition Periods are as follows:

Shanghai Discovery Group

	Year ended 31 December		Period from 1 January to 13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period	5,233	3,548	3,313
New leases	67	1,790	—
Accretion of interest recognised during the year/period	187	152	57
Payments	(1,939)	(1,919)	(1,349)
Lease modification/termination	—	(258)	(192)
Carrying amount at the end of year/period	3,548	3,313	1,829
Analysed into:			
Current portion			
Within one year	1,609	2,021	702
Non-current portion			
Repayable in the second year	1,693	341	349
Repayable in the third to fifth years, inclusive	246	752	778
Repayable beyond five years	—	199	—
Subtotal	1,939	1,292	1,127
Total	3,548	3,313	1,829

Shanghai Discovery

	Year ended 31 December		Period from 1 January to 13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period	4,873	3,302	3,313
New leases	67	1,790	—
Accretion of interest recognised during the year/period	167	152	57
Payments	(1,805)	(1,931)	(1,349)
Lease modification/termination	—	—	(192)
Carrying amount at the end of year/period	3,302	3,313	1,829
Analysed into:			
Current portion			
Within one year	1,609	2,021	702
Non-current portion			
Repayable in the second year	1,693	341	349
Repayable in the third to fifth years, inclusive	—	752	778
Repayable beyond five years	—	199	—
Subtotal	1,693	1,292	1,127
Total	3,302	3,313	1,829

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

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

Shanghai Discovery Group

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities	187	152	85	57
Depreciation charge of right-of-use assets	1,660	1,799	974	950
Expense relating to short-term leases	430	138	95	71
Gains on lease modification/termination	—	18	—	—
Total amount recognised in profit or loss	2,277	2,107	1,154	1,078

Shanghai Discovery

	Year ended 31 December		Period from 1 January to 13 August	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities	167	152	85	57
Depreciation charge of right-of-use assets	1,540	1,699	857	950
Expense relating to short-term leases	430	138	95	71
Total amount recognised in profit or loss	2,137	1,989	1,037	1,078

(d) The total cash outflow for leases is disclosed in note 28(c) to the Shanghai Discovery Group Historical Financial Information.

The Shanghai Discovery Group and Shanghai Discovery as a lessor

Under energy management contract model, Shanghai Discovery Group deployed certain of its plant and machinery at customers’ sites and is compensated based on the energy savings achieved, which are accounted for as finance leases. Details of finance lease interest income recognised by the Shanghai Discovery Group during the Pre-acquisition Periods and the period from 1 January 2024 to 13 August 2024 are included in note 6 to the Shanghai Discovery Group Historical Financial Information.

During each of the Pre-acquisition Periods, the Shanghai Discovery Group’s finance lease receivables were secured and interest-bearing at rates ranging from 3.65% to 6.60%. Details of lease receivables as well as the reconciliation between the gross investment in finance leases and the present value of minimum lease payments receivable under such leases as at 31 December 2023 and 2024 and 13 August 2025 are as follows:

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gross investment in finance leases	43,690	47,404	47,838
Less: unearned finance income	(8,046)	(7,326)	(7,818)
Gross lease receivables	35,644	40,078	40,020
Less: accumulated allowance for impairment	(356)	(400)	(400)
Net lease receivables	35,288	39,678	39,620
Analysed into:			
Current portion	4,515	5,891	6,582
Non-current portion	30,773	33,787	33,038

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

The analyses of the Shanghai Discovery Group’s gross investment in finance leases by relevant maturity groupings as at 31 December 2023 and 2024 and 13 August 2025 are as follows:

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross investment in finance leases			
Within 1 year	5,981	7,688	9,605
After 1 year but within 2 years	5,737	9,481	8,785
After 2 years but within 3 years	7,525	7,863	6,515
After 3 years but within 4 years	5,907	5,372	5,186
After 4 years but within 5 years	3,416	3,963	2,553
Over 5 years	15,124	13,037	15,194
Total	43,690	47,404	47,838

13. INVENTORIES

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contract fulfilment costs	942,294	767,913	550,903

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contract fulfilment costs	941,257	767,913	549,820

14. TRADE AND BILLS RECEIVABLES

Shanghai Discovery Group and Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	128,968	160,530	245,746
Impairment	(15,709)	(16,867)	(23,804)
Trade receivables, net	113,259	143,663	221,942
Bills receivable	1,792	9,292	2,800
Impairment	(90)	(102)	(8)
Bill receivable, net	1,702	9,190	2,792
Long-term receivables	6,012	1,536	—
Impairment	(217)	(43)	—
Long-term receivables, net	5,795	1,493	—
Trade and bills receivables	120,756	154,346	224,734
Portion classified as non-current			
Long-term receivables	1,481	—	—
Total non-current portion	1,481	—	—
Total current portion	119,275	154,346	224,734

The Shanghai Discovery Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods are generally 30 to 180 days. Shanghai Discovery Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Shanghai Discovery Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

An ageing analysis of the trade receivables of the Shanghai Discovery Group as at the end of each of the Pre-acquisition Periods, based on the final acceptance date and net of loss allowance, is as follows:

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 12 months	93,356	122,840	160,875
13 to 24 months	5,879	18,999	56,005
25 to 36 months	14,024	1,824	5,062
Total	113,259	143,663	221,942

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

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year/period	10,449	15,709	16,867
Impairment losses recognised, net	5,260	1,158	6,937
At end of the year/period	15,709	16,867	23,804

The increase in the loss allowance during Pre-acquisition Periods the was mainly due to the increase in trade receivables with ageing for over 12 months.

An impairment analysis is performed at the end of each of the Pre-acquisition Periods using a provision matrix to measure expected credit losses. The provision rates are based on the ageing 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 Pre-acquisition Periods about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2023

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	RMB'000	RMB'000
Provision on a collective basis:				
Within 12 months	3.61%	96,850	3,494	93,356
13 to 24 months	18.48%	7,212	1,333	5,879
25 to 36 months	36.16%	21,968	7,944	14,024
Over 36 months	100.00%	2,938	2,938	—
Total		128,968	15,709	113,259

As at 31 December 2024

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	RMB'000	RMB'000
Provision on a collective basis:				
Within 12 months	2.78%	126,347	3,507	122,840
13 to 24 months	12.41%	21,691	2,692	18,999
25 to 36 months	54.31%	3,992	2,168	1,824
Over 36 months	100.00%	8,500	8,500	—
Total		160,530	16,867	143,663

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

As at 13 August 2025

	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>	Net carrying amount <i>RMB'000</i>
Provision on a collective basis:				
Within 12 months	3.49%	166,684	5,809	160,875
13 to 24 months	11.74%	63,457	7,452	56,005
25 to 36 months	45.86%	9,349	4,287	5,062
Over 36 months	100.00%	6,256	6,256	—
Total		245,746	23,804	221,942

Set out below is the information about the credit risk exposure on the Shanghai Discovery Group’s long-term receivables using a provision matrix:

	31 December 2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	13 August 2025 <i>RMB'000</i>
Expected credit loss rate	3.61%	2.78%	—
Gross carrying amount	6,012	1,536	—
Expected credit losses	217	43	—

As at 31 December 2023 and 2024 and 13 August 2025, the Shanghai Discovery Group endorsed certain bills receivable in the Chinese mainland (the “Endorsed Bills”) with carrying amounts of nil, RMB7,290,000 and RMB2,800,000, respectively, 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 Shanghai Discovery 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 Shanghai Discovery 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.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Shanghai Discovery Group

	31 December 2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	13 August 2025 <i>RMB'000</i>
Current:			
Prepayments	6,151	12,747	20,290
Value-added tax recoverable and prepaid taxes	11,390	440	867
Deposits	3,201	1,977	3,475
Other receivables	5,525	3,207	17,528
	26,267	18,371	42,160
Impairment allowance	(2,419)	(2,441)	(2,476)
Total — current	23,848	15,930	39,684
Non-current:			
Other assets	1,843	1,843	1,843
Impairment allowance	—	(77)	(77)
Total — non-current	1,843	1,766	1,766
Total	25,691	17,696	41,450

The Shanghai Discovery Group applies an expected credit loss model to evaluate the credit losses for financial assets included in prepayments, other receivables and other assets. The Shanghai Discovery Group’s movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	31 December 2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	13 August 2025 <i>RMB'000</i>
At beginning of year/period	2,435	2,419	2,441
Impairment losses/(reversal impairment losses) recognised, net (note 7)	(16)	22	35
At end of year/period	2,419	2,441	2,476

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
Current:			
Prepayments	6,030	12,352	20,202
Value-added tax recoverable and prepaid taxes	11,342	405	546
Deposits	3,201	1,951	3,449
Other receivables	5,526	3,208	17,826
	26,099	17,916	42,023
Impairment allowance	(2,419)	(2,441)	(2,476)
Total — current	23,680	15,475	39,547
Non-current:			
Other assets	1,843	1,843	1,843
Impairment allowance	—	(77)	(77)
Total — non-current	1,843	1,766	1,766
Total	25,523	17,241	41,313

Shanghai Discovery’s movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year/period	2,435	2,419	2,441
(Reversal of impairment losses)/impairment losses recognised, net	(16)	22	35
At end of year/period	2,419	2,441	2,476

16. CONTRACT ASSETS

Shanghai Discovery Group

	1 January	31 December		13 August
	2023	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Contract assets arising from				
Retention monies	32,034	39,317	63,877	72,005
Impairment	(1,156)	(1,419)	(1,774)	(2,509)
Net carrying amount	30,878	37,898	62,103	69,496

Shanghai Discovery

	1 January	31 December		13 August
	2023	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Contract assets arising from				
Retention monies	32,034	39,214	63,774	71,901
Impairment	(1,156)	(1,418)	(1,773)	(2,507)
Net carrying amount	30,878	37,796	62,001	69,394

Contract assets are initially recognised for revenue earned from green manufacturing solutions as the receipt of consideration is conditional on successful completion of warranty conditions. Included in contract assets are retention receivables. Upon completion of warranty conditions and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The Shanghai Discovery Group’s trading terms and credit policy with customers are disclosed in note 14 to the Shanghai Discovery Group Historical Financial Information.

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

The expected timing of recovery or settlement for contract assets as at end of each of the Pre-acquisition Periods is as follows:

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	12,907	19,329	26,759
After one year	24,991	42,774	42,737
Total contract assets	37,898	62,103	69,496

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	12,805	19,227	26,657
After one year	24,991	42,774	42,737
Total contract assets	37,796	62,001	69,394

The movements in the loss allowance for impairment of contract assets are as follows:

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,156	1,419	1,774
Impairment losses recognised, net (note 7)	263	355	735
At end of year/period	1,419	1,774	2,509

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,156	1,418	1,773
Impairment losses recognised, net	262	355	734
At end of year/period	1,418	1,773	2,507

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the ageing of trade receivables 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 reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Shanghai Discovery Group’s and Shanghai Discovery’s contract assets using a provision matrix:

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
Expected credit loss rate	3.61%	2.78%	3.49%
Gross carrying amount (RMB'000)	39,317	63,877	72,005
Expected credit losses (RMB'000)	1,419	1,774	2,509

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
Expected credit loss rate	3.61%	2.78%	3.49%
Gross carrying amount (RMB’000)	39,214	63,774	71,901
Expected credit losses (RMB’000)	1,418	1,773	2,507

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Shanghai Discovery Group and Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Structured deposits	40,021	80,023	—

The structured deposits were issued by banks in the Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

18. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Shanghai Discovery Group and Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bank acceptance bills	8,612	4,736	—

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and bank balances	118,226	104,935	63,316
Less: Pledged deposits	8,679	12,679	15,623
Cash and cash equivalents	109,547	92,256	47,693

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and bank balances	113,746	102,324	61,929
Less: Pledged deposits	8,679	12,679	15,623
Cash and cash equivalents	105,067	89,645	46,306

The cash and cash equivalents of the Shanghai Discovery Group and Shanghai Discovery are denominated in RMB. The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Shanghai Discovery 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 and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2023 and 2024 and 13 August 2025, pledged deposits of the Shanghai Discovery Group and Shanghai Discovery amounting to RMB5,949,000, RMB10,237,000 and RMB12,711,000, respectively, was restricted by banks as collateral for the issuance of bank acceptance notes.

As at 31 December 2023 and 2024 and 13 August 2025, pledged deposits of the Shanghai Discovery Group and Shanghai Discovery amounting to RMB2,730,000, RMB2,442,000 and RMB2,912,000, respectively, was restricted by banks as a letter of credit granted to major suppliers.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

20. TRADE AND BILLS PAYABLES

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	212,680	153,768	92,899
Bills payable	67,647	42,693	38,084
Total	280,327	196,461	130,983

An ageing analysis of the trade and bills payables as at the end of each of the Pre-acquisition Periods, based on the invoice date and/or acceptance date, is as follows:

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 12 months	171,837	79,784	26,576
13 to 24 months	23,522	53,339	27,518
25 to 36 months	13,187	11,100	27,069
Over 36 months	4,134	9,545	11,736
Total	212,680	153,768	92,899

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	212,444	153,667	92,846
Bills payable	67,647	42,693	38,084
Total	280,091	196,360	130,930

An ageing analysis of the trade and bills payables as at the end of each of the Pre-acquisition Periods, based on the date of goods or service received, is as follows:

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 12 months	171,601	79,683	26,572
13 to 24 months	23,522	53,339	27,469
25 to 36 months	13,187	11,100	27,069
Over 36 months	4,134	9,545	11,736
Total	212,444	153,667	92,846

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days.

21. OTHER PAYABLES AND ACCRUALS

Shanghai Discovery Group

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	11,759	8,284	6,243
Other tax payables	44,435	30,262	25,574
Deposits received	3,954	2,827	1,408
Accrued expenses and other payables	6,584	7,111	11,942
Dividend payables	20,000	—	—
Put option liabilities (note (a))	198,942	211,220	85,773
Total	285,674	259,704	130,940

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Shanghai Discovery

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	10,958	7,626	6,240
Other tax payables	44,233	30,160	25,533
Deposits received	3,954	2,827	1,408
Accrued expenses and other payables	6,539	7,049	11,869
Dividend payables	20,000	—	—
Put option liabilities (<i>note (a)</i>)	198,942	211,220	85,773
Total	284,626	258,882	130,823

- (a) In year 2017, 2021, and 2022, Shanghai Discovery entered into several investment agreements with independent investors and issued an aggregate of 12,709,281 shares to those investors, which carry special rights of redemption at the holder’s option. According to the aforementioned agreements, the redemption rights would be executed at a price based on an agreed amount once triggered, the put option liability was measured at amortised cost.

Except for the put option liabilities, all financial liabilities above are unsecured, non-interest-bearing and repayable on demand.

22. CONTRACT LIABILITIES

Shanghai Discovery Group

	1 January	31 December		13 August
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Green manufacturing solutions	517,738	759,382	699,710	606,751

Shanghai Discovery

	1 January	31 December		13 August
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Green manufacturing solutions	517,738	759,382	699,415	606,456

The increase/decrease in contract liabilities during the Pre-acquisition Periods was mainly due to the increase/decrease in short-term advances received from customers in relation to green manufacturing solutions at the end of each of the Pre-acquisition Periods.

23. INTEREST-BEARING BANK BORROWINGS

Shanghai Discovery Group and Shanghai Discovery

	31 December 2023			31 December 2024			13 August 2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans — unsecured	2.80 – 2.90	2024	27,639	2.60 – 2.68	2024 – 2025	55,044	2.20 – 2.60	2025 – 2026	80,302
Current portion of long-term bank loans — unsecured	3.05	2024	7,100	2.68 – 3.05	2025	8,680	2.60 – 2.68	2026	26,908
			34,739			63,724			107,210
Non-current									
Bank loans — unsecured	3.05	2025	4,711	2.68	2026	23,857	2.60	2026	3,536
Total			39,450			87,581			110,746

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank borrowings repayable:			
Within one year	34,739	63,724	107,210
In the second year	4,711	23,857	3,536
Total	39,450	87,581	110,746
Bank borrowings denominated in the following currencies:			
RMB	39,450	87,581	110,746
Bank borrowings by type of interest rate:			
Fixed interest rate	39,450	87,581	110,746

24. PROVISION

Shanghai Discovery Group and Shanghai Discovery

The movement of provisions for product warranties is as follows:

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year/period	6,661	8,231	11,943
Additional provision	4,847	10,182	7,997
Amounts utilised during the year/period	(3,277)	(6,470)	(5,273)
At the end of year/period	8,231	11,943	14,667
Portion classified as current liabilities	5,314	7,522	9,265
Non-current portion	2,917	4,421	5,402

The Shanghai Discovery Group provides warranties to its customers in relation to certain green manufacturing solutions for general repairs of defects occurring during the warranty period. The amount of the provision for warranties is estimated based on past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

25. DEFERRED TAX

Shanghai Discovery Group and Shanghai Discovery

The movements in deferred tax liabilities and assets during the Pre-acquisition Periods are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Deferred revenue	Lease liabilities	Impairment of assets	Depreciation of finance lease assets	Provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	—	15,032	731	3,752	5,382	999	—	25,896
Deferred tax (charged)/ credited to profit or loss during the year	—	13,141	(236)	2,137	(1,104)	236	—	14,174
Gross deferred tax assets at 31 December 2023	—	28,173	495	5,889	4,278	1,235	—	40,070
At 1 January 2024	—	28,173	495	5,889	4,278	1,235	—	40,070
Deferred tax (charged)/ credited to profit or loss during the year	980	(2,733)	2	(2,253)	563	556	305	(2,580)
Gross deferred tax assets at 31 December 2024	980	25,440	497	3,636	4,841	1,791	305	37,490
At 1 January 2025	980	25,440	497	3,636	4,841	1,791	305	37,490
Deferred tax (charged)/ credited to profit or loss during the period	3,148	(6,453)	(223)	1,140	(216)	421	(305)	(2,488)
Gross deferred tax assets at 13 August 2025	4,128	18,987	274	4,776	4,625	2,212	—	35,002

Deferred tax liabilities

	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit or loss	Lease receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	671	—	6,230	6,901
Deferred tax charged/(credited) to profit or loss during the year	(221)	3	(704)	(922)
Gross deferred tax liabilities at 31 December 2023	450	3	5,526	5,979
At 1 January 2024	450	3	5,526	5,979
Deferred tax charged/(credited) to profit or loss during the year	13	—	790	803
Gross deferred tax liabilities at 31 December 2024	463	3	6,316	6,782
At 1 January 2025	463	3	6,316	6,782
Deferred tax charged/(credited) to profit or loss during the period	(171)	(3)	54	(120)
Gross deferred tax liabilities at 13 August 2025	292	—	6,370	6,662

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

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

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	34,091	30,708	28,340
Deferred tax assets have not been recognised in respect of the following items:			
	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses not recognised	6,372	12,659	14,706
Deductible temporary differences	247	1	1
Total	6,619	12,660	14,707

Tax losses of RMB6,372,000, RMB12,659,000 and RMB14,706,000 for the years ended 31 December 2023 and 2024 and the period from 1 January 2025 to 13 August 2025, respectively, arising in the Chinese mainland will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Issued and fully paid	57,709	57,709	57,709

27. RESERVES

Shanghai Discovery Group

The amounts of the Shanghai Discovery Group’s reserves and the movements therein for the Pre-acquisition Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Shanghai Discovery Group represents amount due to conversion to a joint stock company, eliminating the portion which was converted into share capital, as well as the reserves resulting from equity transactions with its then shareholders.

(b) Share-based payment reserve

The share-based payment reserve of the Shanghai Discovery Group is attributable to the fair value of share options and share awards granted to the Shanghai Discovery Group’s employees, less the corresponding grant price.

(c) Statutory surplus reserve

In accordance with the Company Law of the PRC, companies registered 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 their registered capital. The statutory surplus reserve may be used to offset accumulated losses or be converted to increase the registered capital of such companies subject to approval from the relevant PRC authorities, provided that the balance after such conversion is not less than 25% of the registered capital. The statutory surplus reserve is not available for dividend distribution to shareholders of such companies.

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

The amounts of the Shanghai Discovery’s reserves and the movements therein for the Pre-acquisition Periods are presented as follows:

Shanghai Discovery

	Capital reserve RMB’000	Share- based payment reserve RMB’000	Statutory surplus reserve RMB’000	Accumulated losses RMB’000	Total RMB’000
At 1 January 2023	(4,805)	23	3,829	(40,312)	(41,265)
Total comprehensive loss for the year	—	—	—	(840)	(840)
Equity-settled share-based payment arrangements	—	250	—	—	250
Dividends declared	—	—	—	(20,000)	(20,000)
At 31 December 2023 and 1 January 2024	(4,805)	273	3,829	(61,152)	(61,855)
	Capital reserve RMB’000	Share- based payment reserve RMB’000	Statutory surplus reserve RMB’000	Accumulated losses RMB’000	Total RMB’000
At 31 December 2023 and 1 January 2024	(4,805)	273	3,829	(61,152)	(61,855)
Total comprehensive income for the year	—	—	—	24,852	24,852
Equity-settled share-based payment arrangements	—	978	—	—	978
At 31 December 2024 and 1 January 2025	(4,805)	1,251	3,829	(36,300)	(36,025)
	Capital reserve RMB’000	Share- based payment reserve RMB’000	Statutory surplus reserve RMB’000	Accumulated losses RMB’000	Total RMB’000
At 31 December 2024 and 1 January 2025	(4,805)	1,251	3,829	(36,300)	(36,025)
Total comprehensive income for the period	—	—	—	18,503	18,503
Capital contribution from shareholders	12,961	—	—	—	12,961
At 13 August 2025	8,156	1,251	3,829	(17,797)	(4,561)

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Pre-acquisition Periods, the Shanghai Discovery Group had non-cash additions to right-of-use assets and lease liabilities of RMB67,000, RMB1,790,000 and nil, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2023

	Interest- bearing bank borrowings RMB’000	Lease liabilities RMB’000	Dividends payable RMB’000	Put option liabilities RMB’000	Total RMB’000
At 1 January 2023	44,080	5,233	—	186,698	236,011
Changes from financing cash flows	(5,842)	(1,939)	—	—	(7,781)
New leases	—	67	—	—	67
Dividends declared	—	—	20,000	—	20,000
Interest expense	1,212	187	—	12,244	13,643
At 31 December 2023	39,450	3,548	20,000	198,942	261,940

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Year ended 31 December 2024

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Put option liabilities RMB'000	Total RMB'000
At 1 January 2024	39,450	3,548	20,000	198,942	261,940
Changes from financing cash flows	46,097	(1,919)	(20,000)	—	24,178
New leases	—	1,790	—	—	1,790
Interest expense	2,034	152	—	12,278	14,464
Lease modification/termination	—	(258)	—	—	(258)
At 31 December 2024	87,581	3,313	—	211,220	302,114

Period from 1 January 2024 to 13 August 2024 (unaudited)

	Interest-bearing bank borrowings RMB'000 (unaudited)	Lease liabilities RMB'000 (unaudited)	Dividends payable RMB'000 (unaudited)	Put option liabilities RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2024	39,450	3,548	20,000	198,942	261,940
Changes from financing cash flows	56,262	(1,134)	(20,000)	—	35,128
New leases	—	1,790	—	—	1,790
Interest expense	1,013	85	—	7,581	8,679
At 13 August 2024	96,725	4,289	—	206,523	307,537

Period from 1 January 2025 to 13 August 2025

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Put option liabilities RMB'000	Total RMB'000
At 1 January 2025	87,581	3,313	211,220	302,114
Changes from financing cash flows	21,552	(1,349)	(131,448)	(111,245)
Interest expense	1,613	57	6,001	7,671
Lease modification/termination	—	(192)	—	(192)
At 13 August 2025	110,746	1,829	85,773	198,348

(c) Total cash outflow for leases

	Year ended 31 December		Period from 1 January to 13 August	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Within operating activities	430	138	95	71
Within financing activities	1,939	1,919	1,134	1,349
Total	2,369	2,057	1,229	1,420

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

29. RELATED PARTY TRANSACTIONS

(a) Names of related parties and relationships with the Shanghai Discovery Group

Name	Relationship
Fujian Yuanzhi Environmental Protection Technology Co., Ltd. 福建遠致環保科技有限公司 (“Yuanzhi”)	Entity controlled by a person that has significant influence over Shanghai Discovery Group
Fujian Yuanqing New Material Technology Co., Ltd 福建遠青新材料科技有限公司 (“Yuanqing”)	Entity controlled by a person that has significant influence over Shanghai Discovery Group
Fujian Xi-Fu Environmental Technology Ltd 福建璽富新材料有限公司 (“Xifu”)	Entity controlled by a person that has significant influence over Shanghai Discovery Group

(b) In addition to the transactions detailed elsewhere in the Shanghai Discovery Group Historical Financial Information, the Shanghai Discovery Group had the following transactions with related parties during the Pre-acquisition Periods:

	Period from 1 January 2025 to 13 August 2025 RMB’000
Related party transactions	
Entity controlled by a person that has significant influence over Shanghai Discovery Group:	
Sales of goods and rendering of services	21,035
Purchase of goods	7,879

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Outstanding balances with related parties

	31 December 2023 RMB’000	2024 RMB’000	13 August 2025 RMB’000
Outstanding balances with related parties			
Trade nature			
Trade and bills receivables			
Entity controlled by a person that has significant influence over Shanghai Discovery Group	—	—	22,536
Less: Impairment allowance	—	—	(787)
	—	—	21,749
Prepayments, other receivables and other assets			
Entity controlled by a person that has significant influence over Shanghai Discovery Group	—	3,334	—
Trade and bills payables			
Entity controlled by a person that has significant influence over Shanghai Discovery Group	—	60	154
Contract liabilities			
Entity controlled by a person that has significant influence over Shanghai Discovery Group	—	852	—

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2023 and 2024 and 13 August 2025 were as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss-mandatorily designated as such <i>RMB'000</i>	Financial assets at fair value through other comprehensive income-equity investments <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Financial investments				
Trade and bills receivables	—	—	120,756	120,756
Financial assets included in prepayments, other receivables and other assets	—	—	6,307	6,307
Financial assets at fair value through profit or loss	40,021	—	—	40,021
Receivables at fair value through other comprehensive income	—	8,612	—	8,612
Pledged deposits	—	—	8,679	8,679
Cash and cash equivalents	—	—	109,547	109,547
Lease receivables	—	—	35,288	35,288
Total	40,021	8,612	280,577	329,210

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	280,327
Financial liabilities included in other payables and accruals	229,480
Interest-bearing bank borrowings	39,450
Lease liabilities	3,548
Total	552,805

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss-mandatorily designated as such <i>RMB'000</i>	Financial assets at fair value through other comprehensive income-equity investments <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Financial investments				
Trade and bills receivables	—	—	154,346	154,346
Financial assets included in prepayments, other receivables and other assets	—	—	2,743	2,743
Financial assets at fair value through profit or loss	80,023	—	—	80,023
Receivables at fair value through other comprehensive income	—	4,736	—	4,736
Pledged deposits	—	—	12,679	12,679
Cash and cash equivalents	—	—	92,256	92,256
Lease receivables	—	—	39,678	39,678
Total	80,023	4,736	301,702	386,461

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Financial liabilities

	Financial liabilities at amortised cost RMB’000
Trade and bills payables	196,461
Financial liabilities included in other payables and accruals	221,158
Interest-bearing bank borrowings	87,581
Lease liabilities	3,313
Total	508,513

As at 13 August 2025

Financial assets

	Financial assets at amortised cost RMB’000
Financial investments	
Trade and bills receivables	224,734
Financial assets included in prepayments, other receivables and other assets	18,527
Pledged deposits	15,623
Cash and cash equivalents	47,693
Lease receivables	39,620
Total	346,197

Financial liabilities

	Financial liabilities at amortised cost RMB’000
Trade and bills payables	130,983
Financial liabilities included in other payables and accruals	99,123
Interest-bearing bank borrowings	110,746
Lease liabilities	1,829
Total	342,681

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts			Fair values		
	31 December	13 August		31 December	13 August	
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets						
Receivables at fair value through other comprehensive income	8,612	4,736	—	8,612	4,736	—
Financial assets at fair value through profit or loss (note 17)	40,021	80,023	—	40,021	80,023	—
Trade and bills receivables, non-current portion	1,481	—	—	1,482	—	—
Lease receivables	35,288	39,678	39,620	35,741	39,666	38,733
Total	85,402	124,437	39,620	85,856	124,425	38,733
Financial liabilities						
Interest-bearing bank borrowings, non-current portion	4,711	23,857	3,536	4,772	27,544	3,562

APPENDIX IB

ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

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

The Shanghai Discovery 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. At the end of each of the Pre-acquisition Periods, 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 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 structured deposits included in financial assets at fair value through profit or loss and the fair values of bank acceptance bills included in receivables at fair value through other comprehensive income has been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the non-current portion of interest-bearing bank borrowings, non current portion of trade and bills receivables and lease receivables 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 Shanghai Discovery Group’s own non-performance risk for interest-bearing bank borrowings as at the end of each of the Pre-acquisition Periods were assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

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
Receivables at fair value through other comprehensive income	—	8,612	—	8,612
Financial assets at fair value through profit or loss	—	40,021	—	40,021
Total	—	48,633	—	48,633

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
Receivables at fair value through other comprehensive income	—	4,736	—	4,736
Financial assets at fair value through profit or loss	—	80,023	—	80,023
Total	—	84,759	—	84,759

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

Assets for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables, non-current portion	—	1,482	—	1,482
Lease receivables	—	35,741	—	35,741
Total	—	37,223	—	37,223

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease receivables	—	39,666	—	39,666

As at 13 August 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease receivables	—	38,733	—	38,733

Liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings, non-current portion	—	4,772	—	4,772

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings, non-current portion	—	27,544	—	27,544

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

As at 13 August 2025

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
Interest-bearing bank borrowings, non-current portion	—	3,562	—	3,562

During the Pre-acquisition 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from Shanghai Discovery Group’s financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Shanghai Discovery Group trades only with recognised and creditworthy third parties. It is the Shanghai Discovery 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 Shanghai Discovery Group’s exposure to bad debts is not significant. The credit risk of the Shanghai Discovery Group’s other financial assets, which comprise cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets and lease receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Shanghai Discovery Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December 2023 and 2024 and 13 August 2025.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	Stage 1 RMB’000	RMB’000	RMB’000
Trade and bills receivables*	—	136,772	136,772
Financial assets included in prepayments, other receivables and other assets			
— Normal**	8,726	—	8,726
Pledged deposits	8,679	—	8,679
Cash and cash equivalents	109,547	—	109,547
Contract assets*	—	39,317	39,317
Lease receivables	—	35,644	35,644
Total	126,952	211,733	338,685

As at 31 December 2024

	12-month ECLs	Lifetime ECLs Simplified approach	Total
	Stage 1 RMB’000	RMB’000	RMB’000
Trade and bills receivables*	—	171,358	171,358
Financial assets included in prepayments, other receivables and other assets			
— Normal**	5,184	—	5,184
Pledged deposits	12,679	—	12,679
Cash and cash equivalents	92,256	—	92,256
Contract assets*	—	63,877	63,877
Lease receivables	—	40,078	40,078
Total	110,119	275,313	385,432

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

As at 13 August 2025

	<u>12-month ECLs</u>	<u>Lifetime ECLs</u>	
	<u>Stage 1</u>	<u>Simplified</u>	<u>Total</u>
	<u>RMB’000</u>	<u>approach</u>	<u>RMB’000</u>
Trade and bills receivables*	—	248,546	248,546
Financial assets included in prepayments, other receivables and other assets			
— Normal**	21,003	—	21,003
Pledged deposits	15,623	—	15,623
Cash and cash equivalents	47,693	—	47,693
Contract assets*	—	72,005	72,005
Lease receivables	—	40,020	40,020
Total	<u>84,319</u>	<u>360,571</u>	<u>444,890</u>

* For trade and bills receivables and contract assets to which the Shanghai Discovery Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 14 and note 16 to the Shanghai Discovery Group Historical Financial Information.

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

Further quantitative data in respect of the Shanghai Discovery Group’s exposure to credit risk arising from trade and bills receivables and the financial assets included in prepayments, other receivables and other assets are disclosed in notes 14 and 15 to the Shanghai Discovery Group Historical Financial Information.

Since the Shanghai Discovery Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of each of the Pre-acquisition Periods, the Shanghai Discovery Group had certain concentrations of credit risk and the following table summarises the Shanghai Discovery Group’s largest debtor and top five debtors as the percentage of the Shanghai Discovery Group’s total accounts receivable balances:

	<u>31 December</u>	<u>13 August</u>
	<u>2023</u>	<u>2024</u>
Largest customer	21%	31%
Five largest customers	71%	65%

Liquidity risk

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

The maturity profile of the Shanghai Discovery Group’s financial liabilities as at the end of each of the Pre-acquisition Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	<u>On demand</u>	<u>Less than</u>	<u>1 to 5 years</u>	<u>Total</u>
	<u>RMB’000</u>	<u>1 year</u>	<u>RMB’000</u>	<u>RMB’000</u>
Financial liabilities included in other payables and accruals	229,480	—	—	229,480
Interest-bearing bank borrowings	—	35,662	4,707	40,369
Trade and bills payables	—	280,327	—	280,327
Lease liabilities	—	1,846	4,185	6,031
Total	<u>229,480</u>	<u>317,835</u>	<u>8,892</u>	<u>556,207</u>

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX IB ACCOUNTANTS’ REPORT OF SHANGHAI DISCOVERY GROUP

As at 31 December 2024

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	221,158	—	—	221,158
Interest-bearing bank borrowings	—	65,142	24,106	89,248
Trade and bills payables	—	196,461	—	196,461
Lease liabilities	—	2,759	1,426	4,185
Total	221,158	264,362	25,532	511,052

As at 13 August 2025

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	99,123	—	—	99,123
Interest-bearing bank borrowings	—	108,489	3,595	112,084
Trade and bills payables	—	130,983	—	130,983
Lease liabilities	—	1,384	1,158	2,542
Total	99,123	240,856	4,753	344,732

Capital management

The primary objectives of the Shanghai Discovery Group’s capital management are to safeguard the Shanghai Discovery 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 Shanghai Discovery 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 Shanghai Discovery Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Shanghai Discovery 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 Pre-acquisition Periods.

The Shanghai Discovery Group monitors capital using the gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. At the end of each of the Pre-acquisition Periods, the gearing ratios were as follows:

	31 December		13 August
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills payables	280,327	196,461	130,983
Financial liabilities included in other payables and accruals	229,480	221,158	99,123
Interest-bearing bank borrowings	39,450	87,581	110,746
Lease liabilities	3,548	3,313	1,829
Less: Cash and cash equivalents	109,547	92,256	47,693
Net debt	443,258	416,257	294,988
Total (deficits)/equity	(8,859)	12,330	43,279
Capital and net debt	434,399	428,587	338,267
Gearing ratio	102%	97%	87%

33. EVENTS AFTER THE PRE-ACQUISITION PERIODS

No significant subsequent events have occurred in the Shanghai Discovery after the Pre-acquisition Periods that require additional disclosure or adjustments.