

APPENDIX I

ACCOUNTANTS’ REPORT

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



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 杭州雲動智能汽車技術股份有限公司 HANGZHOU YODOSMART AUTOMOTIVE TECHNOLOGY CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

INTRODUCTION

We report on the historical financial information of 杭州雲動智能汽車技術股份有限公司 Hangzhou Yodosmart Automotive Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and May 31, 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2023, 2024 and 2025 and the five months ended May 31, 2026 (the “**Track Record Period**”), and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “**Document**”) in connection with the [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2023, 2024 and 2025 and May 31, 2026, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended May 31, 2025, and other explanatory information (the “**Stub Period Corresponding Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as issued by the HKICPA. A review consists of making enquiries, 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 Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to Note 28(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi (“RMB”))

		Years ended December 31,			Five months ended	
	Notes	2023	2024	2025	May 31,	2026
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	4	205,794	398,202	449,286	130,821	179,313
Cost of sales		(157,436)	(289,253)	(331,019)	(103,198)	(137,076)
Gross profit		48,358	108,949	118,267	27,623	42,237
Other income	5(a)	3,416	10,545	5,684	1,956	223
Other net (losses)/gains	5(b)	(116)	(141)	61	(98)	(121)
Selling and marketing expenses		(5,086)	(5,901)	(7,750)	(2,838)	(3,095)
Administrative expenses		(10,636)	(14,915)	(28,047)	(8,404)	(19,883)
Research and development costs		(30,185)	(32,475)	(31,284)	(13,378)	(14,861)
(Expected credit losses)/Reversal of expected credit losses on trade receivables and contract assets		(2,749)	(10,549)	142	161	(119)
Profit from operations		3,002	55,513	57,073	5,022	4,381
Finance costs	6(a)	(1,428)	(2,393)	(1,766)	(1,024)	(791)
Changes in the carrying amount of redemption liabilities	24	(4,549)	(9,339)	(10,550)	(5,941)	(88)
(Loss)/Profit before taxation		(2,975)	43,781	44,757	(1,943)	3,502
Income tax credit/(expense)	7	13,910	(3,636)	(5,183)	1,309	882
Profit/(Loss) and total comprehensive income for the year/period		10,935	40,145	39,574	(634)	4,384
Earnings/(Loss) per share						
Basic and diluted (RMB)	10	0.23	0.82	0.79	(0.01)	0.09

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		As at December 31,			As at
	Notes	2023	2024	2025	May 31,
		RMB'000	RMB'000	RMB'000	2026
					RMB'000
Non-current assets					
Property, plant and equipment	11	15,217	21,462	28,062	38,126
Right-of-use assets	12	7,338	5,548	4,413	3,566
Intangible assets	13	565	347	1,338	1,268
Deferred tax assets	25(a)	15,705	12,069	6,898	7,780
Prepayments	17	–	–	1,810	16,470
		<u>38,825</u>	<u>39,426</u>	<u>42,521</u>	<u>67,210</u>
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Current assets					
Financial assets measured at fair value through profit and loss (“FVPL”)	15	335	269	397	303
Inventories	16	40,474	71,222	68,935	105,714
Contract assets	21(a)	66,520	101,812	93,581	95,513
Trade and other receivables	17	131,609	156,489	91,332	61,147
Financial assets measured at fair value through other comprehensive income (“FVOCI”)	18	2,800	19	45,508	31,520
Restricted bank deposits	19	9,130	34,244	7,800	12,486
Cash and cash equivalents	19	<u>1,794</u>	<u>3,223</u>	<u>11,192</u>	<u>56,893</u>
		<u>252,662</u>	<u>367,278</u>	<u>318,745</u>	<u>363,576</u>
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APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(Expressed in RMB)

		As at December 31,			As at
	Notes	2023	2024	2025	May 31,
		RMB'000	RMB'000	RMB'000	2026
					RMB'000
Current liabilities					
Trade and other payables	20	168,106	242,133	176,244	186,637
Contract liabilities	21(b)	807	268	1,153	50,029
Bank loans	22	45,473	38,053	20,015	25,051
Lease liabilities	23	1,721	1,799	2,093	2,127
Redemption liabilities	24	58,722	68,061	78,611	–
Provisions	26	1,859	1,634	3,534	4,283
		<u>276,688</u>	<u>351,948</u>	<u>281,650</u>	<u>268,127</u>
Net current (liabilities)/assets		<u>(24,026)</u>	<u>15,330</u>	<u>37,095</u>	<u>95,449</u>
Total assets less current liabilities		<u>14,799</u>	<u>54,756</u>	<u>79,616</u>	<u>162,659</u>
Non-current liability					
Lease liabilities	23	<u>5,335</u>	<u>3,536</u>	<u>2,184</u>	<u>1,193</u>
		<u>5,335</u>	<u>3,536</u>	<u>2,184</u>	<u>1,193</u>
NET ASSETS		<u>9,464</u>	<u>51,220</u>	<u>77,432</u>	<u>161,466</u>
CAPITAL AND RESERVES	28				
Paid-in/Share capital		13,995	14,589	50,000	50,000
Reserves		<u>(4,531)</u>	<u>36,631</u>	<u>27,432</u>	<u>111,466</u>
TOTAL EQUITY		<u>9,464</u>	<u>51,220</u>	<u>77,432</u>	<u>161,466</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		As at December 31,			As at
	Notes	2023	2024	2025	May 31,
		RMB'000	RMB'000	RMB'000	2026
					RMB'000
Non-current assets					
Property, plant and equipment	11	3,689	2,505	1,819	3,976
Right-of-use assets	12	3,630	2,695	2,416	1,926
Intangible assets		130	65	1,210	1,204
Investment in subsidiaries	14	20,000	20,000	27,700	28,000
Deferred tax assets	25(a)	13,890	8,959	5,376	5,830
Prepayments	17	—	—	20	16,470
		<u>41,339</u>	<u>34,224</u>	<u>38,541</u>	<u>57,406</u>
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Current assets					
Financial assets measured at					
FVPL	15	335	269	397	303
Inventories	16	25,582	38,533	40,390	57,002
Contract assets	21(a)	66,520	101,812	93,581	95,513
Trade and other receivables	17	105,675	128,804	87,796	41,846
Financial assets measured at					
FVOCI	18	2,800	—	44,241	31,293
Restricted bank deposits	19	9,130	16,306	7,800	12,486
Cash and cash equivalents	19	<u>432</u>	<u>3,009</u>	<u>10,603</u>	<u>55,091</u>
		<u>210,474</u>	<u>288,733</u>	<u>284,808</u>	<u>293,534</u>
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APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY(CONTINUED)

(Expressed in RMB)

		As at December 31,			As at
	Notes	2023	2024	2025	May 31,
		RMB'000	RMB'000	RMB'000	2026
					RMB'000
Current liabilities					
Trade and other payables	20	128,916	158,946	144,277	113,738
Contract liabilities	21(b)	807	268	1,153	50,029
Bank loans	22	45,473	38,053	20,015	20,042
Lease liabilities	23	899	940	1,194	1,211
Redemption liabilities	24	58,722	68,061	78,611	–
Provisions	26	1,859	1,634	3,534	4,283
		<u>236,676</u>	<u>267,902</u>	<u>248,784</u>	<u>189,303</u>
Net current (liabilities)/assets		<u>(26,202)</u>	<u>20,831</u>	<u>36,024</u>	<u>104,231</u>
Total assets less current liabilities		<u>15,137</u>	<u>55,055</u>	<u>74,565</u>	<u>161,637</u>
Non-current liability					
Lease liabilities	23	<u>2,636</u>	<u>1,697</u>	<u>1,243</u>	<u>720</u>
		<u>2,636</u>	<u>1,697</u>	<u>1,243</u>	<u>720</u>
NET ASSETS		<u>12,501</u>	<u>53,358</u>	<u>73,322</u>	<u>160,917</u>
CAPITAL AND RESERVES	28				
Paid-in/Share capital		13,995	14,589	50,000	50,000
Reserves		<u>(1,494)</u>	<u>38,769</u>	<u>23,322</u>	<u>110,917</u>
TOTAL EQUITY		<u>12,501</u>	<u>53,358</u>	<u>73,322</u>	<u>160,917</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Notes	Attributable to equity shareholders of the Company					Total (deficit)/ equity RMB'000
		Paid-in capital RMB'000 (Note 28(c))	Capital reserve RMB'000 (Note 28(d)(i))	Share-based payment reserve RMB'000 (Note 28(d)(ii))	People's Republic of China statutory reserve RMB'000 (Note 28(d)(iii))	(Accumulated losses)/ retained profits RMB'000	
Balance at January 1, 2023		13,995	16,842	2,008	–	(34,696)	(1,851)
Changes in equity for 2023							
Profit and total comprehensive income for the year		–	–	–	–	10,935	10,935
Equity-settled share-based transactions	27	–	–	380	–	–	380
Balance at December 31, 2023 and January 1, 2024		13,995	16,842	2,388	–	(23,761)	9,464
Changes in equity for 2024							
Profit and total comprehensive income for the year		–	–	–	–	40,145	40,145
Appropriation of statutory reserve	28(d)	–	–	–	1,852	(1,852)	–
Capital contribution from shareholders	28(c)	594	–	–	–	–	594
Equity-settled share-based transactions	27	–	–	1,017	–	–	1,017
Balance at December 31, 2024		14,589	16,842	3,405	1,852	14,532	51,220

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

		Attributable to equity shareholders of the Company					
		Paid-in/ Share capital RMB'000 (Note 28(c))	Capital reserve RMB'000 (Note 28(d)(i))	Share-based payment reserve RMB'000 (Note 28(d)(ii))	People's Republic of China (“PRC”) statutory reserve RMB'000 (Note 28(d)(iii))	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
Notes							
Balance at January 1, 2025		14,589	16,842	3,405	1,852	14,532	51,220
Changes in equity for 2025:							
Profit and total comprehensive income for the year		–	–	–	–	39,574	39,574
Appropriation of statutory reserve	28(d)	–	–	–	3,333	(3,333)	–
Conversion to a joint stock limited liability company	28(c)(ii)	35,411	18,906	–	(4,877)	(49,440)	–
Dividends declared in respect of the previous year	28(b)	–	–	–	–	(15,000)	(15,000)
Equity-settled share-based transactions	27	–	–	1,638	–	–	1,638
Balance at December 31, 2025 and January 1, 2026		50,000	35,748	5,043	308	(13,667)	77,432
Changes in equity for the five months ended May 31, 2026							
Profit and total comprehensive income for the period		–	–	–	–	4,384	4,384
Discharge of redemption liabilities upon termination of redemption rights granted	24	–	78,699	–	–	–	78,699
Equity settled share-based transactions	27	–	–	951	–	–	951
Balance at May 31, 2026		50,000	114,447	5,994	308	(9,283)	161,466

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

		Attributable to equity shareholders of the Company					
			Share-based				
Notes	Paid-in/ Share capital RMB'000 (Note 28(c))	Capital reserve RMB'000 (Note 28(d)(i))	payment reserve RMB'000 (Note 28(d)(ii))	PRC statutory reserve RMB'000 (Note 28(d)(iii))	Retained profits RMB'000	Total equity RMB'000	
(Unaudited)							
Balance at January 1, 2025	14,589	16,842	3,405	1,852	14,532	51,220	
Changes in equity for the five months ended May 31, 2025							
Loss and total comprehensive income for the period	–	–	–	–	(634)	(634)	
Equity settled share-based transactions	27	–	680	–	–	680	
Balance at May 31, 2025	14,589	16,842	4,085	1,852	13,898	51,266	

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

		Years ended December 31,			Five months ended	
		2023	2024	2025	2025	2026
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Operating activities						
Cash (used in)/generated from operations	19(b)	(39,421)	23,412	47,586	4,359	88,483
Income tax paid		—	(38)	—	—	—
Net cash (used in)/generated from operating activities		(39,421)	23,374	47,586	4,359	88,483
Investing activities						
Payment for purchase of property, plant and equipment and intangible assets		(4,622)	(11,755)	(17,073)	(2,599)	(28,688)
Proceeds from disposal of property, plant and equipment		—	1	—	—	—
Payments for purchase of financial assets measured at FVPL		(15,800)	—	(15,000)	—	—
Proceeds from disposal of financial assets measured at FVPL		25,701	—	15,010	—	—
Net cash generated from/(used in) investing activities		5,279	(11,754)	(17,063)	(2,599)	(28,688)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Expressed in RMB)

		Years ended December 31,			Five months ended	
		2023	2024	2025	2025	2026
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Financing activities						
Proceeds from bank loans	19(c)	76,351	59,581	53,992	33,992	25,000
Repayments of bank loans	19(c)	(38,700)	(67,024)	(72,000)	(30,596)	(20,000)
Capital contribution from shareholders	28(c)	–	594	–	–	–
Payments of capital element of lease liabilities	19(c)	(1,560)	(1,721)	(1,879)	(723)	(934)
Payments of interest element of lease liabilities	19(c)	(337)	(282)	(208)	(90)	(67)
Payments of interest of bank loans	19(c)	(742)	(1,339)	(1,029)	(594)	(294)
Payments of [REDACTED] expenses		–	–	(1,430)	(24)	(2,799)
Dividends paid		–	–	–	–	(15,000)
Net cash generated from/(used in) financing activities		<u>35,012</u>	<u>(10,191)</u>	<u>(22,554)</u>	<u>1,965</u>	<u>(14,094)</u>
Net increase in cash and cash equivalents		870	1,429	7,969	3,725	45,701
Cash and cash equivalents at January 1,		<u>924</u>	<u>1,794</u>	<u>3,223</u>	<u>3,223</u>	<u>11,192</u>
Cash and cash equivalents at December 31/May 31	19(a)	<u>1,794</u>	<u>3,223</u>	<u>11,192</u>	<u>6,948</u>	<u>56,893</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Hangzhou Yodosmart Automotive Technology Co., Ltd. (the “**Company**”) (杭州雲動智能汽車技術股份有限公司) was incorporated and registered in the People’s Republic of China (the “**PRC**”) as a limited liability company in 2016 and was converted into a joint stock limited liability company on December 29, 2025.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the research, development, manufacturing and sales of automotive components, such as internet connection parts (“**T-Box**”) and domain controllers and provision of related services.

The financial statements of the Company for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Zhongshen zhonghuan Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合夥)), Zhonghui Certified Public Accountants LLP (中匯會計師事務所(特殊普通合夥)) and Lixin Zhonglian Certified Public Accountants LLP (立信中聯會計師事務所(特殊普通合夥)), respectively.

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

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 32.

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

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

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets are stated at their fair value as explained in the accounting policies set out below:

- Financial assets measured at fair value through profit and loss (“**FVPL**”) (see Note 2(d)); and
- Non-equity investments measured at fair value through other comprehensive income (“**FVOCI**”) (recycling) (see Note 2(d)).

(b) Use of estimates and judgements

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

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

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

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

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

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

(d) Other investments in securities

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

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Equity investments*

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

(e) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(i)(ii)).

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

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

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

The estimated useful lives for the Track Record Period are as follows:

– Machinery and equipment	2–10 years
– Office equipment and furniture	3 years
– Leasehold improvement	Shorter of useful lives or lease term

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

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses. Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(f) **Intangible assets (other than goodwill)**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

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

The estimated useful lives for the Track Record Period are as follows:

– Software	1–3 years
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The useful life of software was assessed based on the expected service life during which relevant software performs its desired functionality.

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

APPENDIX I

ACCOUNTANTS’ REPORT

(g) Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(i)(ii)).

(h) Leased assets

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

As a lessee

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

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

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

The Group recognizes a loss allowance for expected credit losses (“ECLs”) on:

- financial assets measured at amortized cost (including cash and cash equivalents, restricted bank deposits and trade and other receivables);
- contract assets (see Note 2(k)); and
- non-equity investments measured at FVOCI (recycling).

Measurement of ECLs

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

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

- fixed-rate financial assets, trade receivables and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

APPENDIX I

ACCOUNTANTS’ REPORT

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

Credit-impaired financial assets

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGUs”).

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized in cost of sales in the period in which the related revenue is recognized.

The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(k) Contract assets and contract liabilities

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

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

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

(l) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(i)(i)).

(n) Trade and other payables

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

APPENDIX I

ACCOUNTANTS’ REPORT

(o) **Redemption liabilities**

Certain investors were granted with the right to require the Group to redeem their paid-in capital for cash upon occurrence of certain events which are not all within the control of the Group. A contract that contains an obligation to purchase the Group’s equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. At initial recognition, such financial liabilities are recognized initially at the present value of the redemption amount, which represents the settlement that would be triggered by the event with the highest amount expected to be paid to the investors upon redemption, and are reclassified from equity. Subsequently, the redemption liabilities are measured at amortized cost with changes in the carrying amount recognized in profit or loss.

Redemption liabilities are classified as non-current liabilities or current liabilities depending on whether the investors can demand the Company to redeem the investment for cash at least 12 months after the end of the reporting period or not.

The Group derecognizes the financial liability when, and only when, the Group’s obligations are discharged, cancelled or have expired. Upon a termination of the redemption obligation, the carrying amount of the financial instruments derecognized would be credited into the equity.

(p) **Interest-bearing borrowings**

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

(q) **Employee benefits**

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

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

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

(ii) *Equity-settled share-based payments*

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the black-scholes model. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognized in the share-based payment reserve until either the restricted share units (“RSUs”) are vested or the RSUs forfeit.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve).

Modifications of an equity-settled share-based payment arrangement are accounted for only if they are beneficial to the employee. If the Group modifies the terms or conditions of the RSUs granted in a manner that reduces the fair value of the RSUs granted, or is not otherwise beneficial to the employee, the Group continues to recognize the services received measured at the grant date fair value of the RSUs granted, unless those RSUs do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.

(iii) *Termination benefits*

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

APPENDIX I

ACCOUNTANTS’ REPORT

(r) Income tax

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

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

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

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

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

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

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

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

(s) Provisions and contingent liabilities

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

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

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract (see Note 2(i)(ii)).

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

(t) Revenue and other income

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

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

(i) Revenue from contracts with customers

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes and is after deduction of any trade discounts.

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

(a) Sales of products

Revenue is recognized when the Group transfers the control over internet connection parts for automobiles to customers (i.e. goods accepted by customers).

(b) Research and development services

The Group provides research and development services related software and hardware development services to its customers. Revenue is recognized when control over the agreed deliverables has been transferred to the customer. The customers cannot receive and consume the benefits simultaneously from the Group until the agreed deliverables accepted by the customer. The agreed deliverables generally has no alternative use for the Group due to contractual restrictions. Therefore, revenue is recognized at a point in time when the agreed deliverables is passed to the customer.

(ii) Revenue from other sources and other income

(a) Interest income

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

(b) Government grants

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

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

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

APPENDIX I

ACCOUNTANTS’ REPORT

(u) Translation of foreign currencies

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

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

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

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

(v) Borrowing costs

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

(w) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

APPENDIX I

ACCOUNTANTS’ REPORT

- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

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

(x) Segment reporting

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

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

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 27 and 29(d) contain information about the assumptions and their risk factors relating to fair value of equity-settled share-based transactions and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses, tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in the future years.

(ii) Net realizable value of inventories

As described in Note 2(j), net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at each reporting date to ensure inventory is shown at the lower of cost and net realizable value.

(iii) Credit losses of trade receivables and contract assets

The Group’s management determines the loss allowance for expected credit losses on trade and other receivables and contract asset based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group’s management reassesses the loss allowance at each reporting period end.

APPENDIX I

ACCOUNTANTS’ REPORT

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the research and development, manufacturing and sales of automotive components, such as T-Box and domain controllers and provision of related services.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from contracts with customers within the scope of IFRS 15 Recognized at a point in time					
Disaggregated by major products or service lines					
– Product	204,711	384,501	435,688	128,061	172,916
– Technical services	1,083	13,701	13,598	2,760	6,397
Total	205,794	398,202	449,286	130,821	179,313

(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue during the Track Record Period is set out below:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	149,332	361,677	384,377	117,945	138,765
Customer B	24,224	*	*	*	*
Customer C	*	*	*	*	20,863

* Represents that the amount of aggregate revenue from such customer is less than 10% of the total revenue for respective year/period.

Note: The customers as shown above are at their group level which aggregates the customer’s headquarters, provincial, municipal and specialized subsidiaries which enter into contracts with the Group individually.

(iii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

During the Track Record Period, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for products such that the above information does not include information about revenue that the group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Segment reporting

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group’s chief operating decision maker is the chief executive officer of the Group who reviews the Group’s consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

As substantially all of the Group’s operations and assets are in the PRC, no geographic information is presented.

5. OTHER INCOME AND OTHER NET (LOSSES)/GAINS

(a) Other income

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Government grants (i)	2,983	10,365	5,414	1,707	98
Interest income	297	59	215	206	4
Other	136	121	55	43	121
	<u>3,416</u>	<u>10,545</u>	<u>5,684</u>	<u>1,956</u>	<u>223</u>

(i) The Group received unconditional government grants from various local government authorities in the Chinese Mainland, as rewards of the Group’s contribution to technology innovation and regional economic development.

(b) Other net (losses)/gains

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Net realized and unrealized (losses)/gains on financial assets measured at FVPL	(115)	(66)	138	(37)	(95)
Losses on disposal of property, plant and equipment	(1)	(75)	(77)	(61)	(26)
	<u>(116)</u>	<u>(141)</u>	<u>61</u>	<u>(98)</u>	<u>(121)</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Interest on bank loans	1,091	2,111	1,558	934	724
Interest on lease liabilities	337	282	208	90	67
	<u>1,428</u>	<u>2,393</u>	<u>1,766</u>	<u>1,024</u>	<u>791</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Staff costs

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages and other benefits	34,481	50,236	59,192	23,527	30,066
Contributions to defined contribution retirement plan (i)	1,313	2,056	2,720	1,089	1,663
Equity-settled share-based payment expenses (<i>Note 27</i>)	380	1,017	1,638	680	951
	<u>36,174</u>	<u>53,309</u>	<u>63,550</u>	<u>25,296</u>	<u>32,680</u>

Note:

- (i) The employees of the Company and its subsidiaries participate in defined contribution retirement plans managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees’ salaries as required by the local municipal governments.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

		Years ended December 31,			Five months ended May 31,	
		2023	2024	2025	2025	2026
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cost of inventories (i)	16(b)	156,302	284,662	326,707	102,144	134,694
Depreciation charge						
– property, plant and equipment		3,935	5,434	7,188	2,895	3,686
– right-of-use assets		1,695	1,790	1,945	775	824
Amortization cost of intangible assets	13	118	218	464	132	311
Research and development costs (ii)		30,185	32,475	31,284	13,378	14,861
Expense relating to leases of low-value assets and short-term leases	12	18	51	566	15	217
[REDACTED] expenses		–	–	6,046	142	7,718

- (i) Cost of inventories includes staff costs, depreciation and amortization expenses, the amounts of which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

- (ii) During the Track Record Period, research and development costs include staff costs, depreciation expenses, and amortization expenses of RMB24,114,000, RMB26,159,000, RMB28,309,000, RMB11,808,000 (unaudited) and RMB12,392,000 respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b).

APPENDIX I

ACCOUNTANTS’ REPORT

7. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax:					
Provision for the year/period	–	–	12	–	–
Deferred tax					
Origination and reversal of temporary differences	(13,910)	3,636	5,171	(1,309)	(882)
	<u>(13,910)</u>	<u>3,636</u>	<u>5,183</u>	<u>(1,309)</u>	<u>(882)</u>

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

Pursuant to the Corporate Income Tax Law of Chinese Mainland (the “CIT”), the Company’s Chinese Mainland subsidiaries are subject to the CIT at a rate of 25% unless otherwise specified.

Pursuant to the CIT and its relevant regulations, entities that qualified as a high technology enterprise (“HNTe”) are entitled to a preferential income tax rate of 15%. The Company obtained its certificate of HNTe on November 30, 2018 and renewed on December 16, 2021 and December 6, 2024, with a validity period of three years. The Company is entitled to a preferential income tax rate of 15% during the Track Record Period.

Zhejiang Yodosmart Technology Co., Ltd., the wholly-owned subsidiary, obtained its certificate of HNTe on December 19, 2025 and entitled to a preferential income tax rate of 15% from 2025 to 2027.

Anhui Yodosmart Manufacturing Co., Ltd. and Shenzhen Yodosmart Information Technology Co., Ltd. fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in Chinese Mainland, and were entitled to a preferential income tax rate of 5% on taxable income within RMB3,000,000 during the Track Record Period.

For the Hong Kong subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Hong Kong subsidiary was calculated at the same basis in the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/Profit before taxation	(2,975)	43,781	44,757	(1,943)	3,502
Notional tax on (loss)/profit before taxation calculated at the rates applicable to (loss)/profit in the jurisdiction concerned	(744)	10,945	11,190	(486)	876
Tax effect of preferential tax rate	1	(4,367)	(3,382)	20	11
Tax effect of non-deductible expenses	752	1,520	1,775	868	107
Recognize the effect of temporary differences and tax losses for which deferred tax asset was not recognized in previous years/period	(9,724)	–	–	–	–
Tax effect of additional deduction on research and development costs (i)	(4,195)	(4,462)	(4,400)	(1,711)	(1,876)
Actual tax (credit)/expense	(13,910)	3,636	5,183	(1,309)	(882)

- (i) According to Announcement [2023] No. 7 of the Ministry of Finance and the State Taxation Administration, the enterprises entitled to the current additional tax deduction ratio of 100% for qualified research and development costs during the period from January 1, 2023.

8. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

- (a) Directors’ and supervisors’ emoluments are as follows:

For the year ended December 31, 2023

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub total	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Note iv)	
Chairman and director							
Mr. Li Wei	–	544	200	26	770	–	770
Directors							
Mr. Lu Chaohong	–	544	300	26	870	–	870
Mr. Gong Jun	–	–	–	–	–	–	–
Supervisor							
Ms. Chen Xi	–	299	80	17	396	113	509
Total	–	1,387	580	69	2,036	113	2,149

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended December 31, 2024

	Directors’ fees <i>RMB’000</i>	Salaries, allowances and benefits in kind <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	Retirement scheme contributions <i>RMB’000</i>	Sub total <i>RMB’000</i>	Equity-settled share-based payments <i>RMB’000</i> <i>(Note iv)</i>	Total <i>RMB’000</i>
Chairman and director							
Mr. Li Wei	–	544	200	27	771	–	771
Directors							
Mr. Lu Chaohong	–	544	300	27	871	–	871
Ms. Chen Xi (appointed on November 13, 2024) (i)	–	25	6	2	33	9	42
Mr. Gong Jun (resigned on November 13, 2024) (ii)	–	–	–	–	–	–	–
Supervisors							
Ms. Chen Xi (resigned on November 13, 2024) (i)	–	274	60	16	350	103	453
Ms. Song Lili (appointed on November 13, 2024) (iii)	–	54	12	2	68	9	77
Total	–	1,441	578	74	2,093	121	2,214

For the year ended December 31, 2025

	Directors’ fees <i>RMB’000</i>	Salaries, allowances and benefits in kind <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i>	Retirement scheme contributions <i>RMB’000</i>	Sub total <i>RMB’000</i>	Equity-settled share-based payments <i>RMB’000</i> <i>(Note iv)</i>	Total <i>RMB’000</i>
Chairman and director							
Mr. Li Wei	–	547	36	36	619	–	619
Directors							
Mr. Lu Chaohong	–	547	36	36	619	–	619
Ms. Chen Xi	–	302	22	26	350	113	463
Supervisors							
Ms. Song Lili	–	484	40	26	550	68	618
Total	–	1,880	134	124	2,138	181	2,319

APPENDIX I

ACCOUNTANTS’ REPORT

For the five months ended May 31, 2025 (unaudited)

	Directors’ fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Discretionary bonuses RMB’000	Retirement scheme contributions RMB’000	Sub total RMB’000	Equity-settled share-based payments RMB’000 (Note iv)	Total RMB’000
Chairman and director							
Mr. Li Wei	–	228	15	15	258	–	258
Directors							
Mr. Lu Chaohong	–	228	15	15	258	–	258
Ms. Chen Xi	–	126	9	11	146	47	193
Supervisors							
Ms. Song Lili	–	185	17	11	213	28	241
Total	<u>–</u>	<u>767</u>	<u>56</u>	<u>52</u>	<u>875</u>	<u>75</u>	<u>950</u>

For the five months ended May 31, 2026

	Directors’ fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Discretionary bonuses RMB’000	Retirement scheme contributions RMB’000	Sub total RMB’000	Equity-settled share-based payments RMB’000 (Note iv)	Total RMB’000
Chairman and director							
Mr. Li Wei	–	231	164	21	416	–	416
Directors							
Mr. Lu Chaohong	–	281	264	21	566	–	566
Ms. Chen Xi	–	142	44	21	207	47	254
Supervisors							
Ms. Song Lili	–	224	80	21	325	28	353
Ms. Su Siyi (appointed on December 29, 2025) (iv)	–	110	23	15	148	15	163
Mr. Yao Minjie (appointed on December 29, 2025) (v)	–	147	31	21	199	9	208
Total	<u>–</u>	<u>1,135</u>	<u>606</u>	<u>120</u>	<u>1,861</u>	<u>99</u>	<u>1,960</u>

Notes:

- (i) Ms. Chen Xi resigned as a supervisor and was appointed as a director of the Company on November 13, 2024.
- (ii) Mr. Gong Jun resigned as a director of the Company on November 13, 2024.
- (iii) Ms. Song Lili was the software engineer of the Group and supervisor of the Group (appointed on November 13, 2024) during the Track Record Period. The emoluments disclosed above include those services rendered by her as software engineer and supervisor.
- (iv) Ms. Su Siyi was the assistant to chairman of the Group and supervisor of the Group (appointed on December 29, 2025) during the Track Record Period. The emoluments disclosed above include those services rendered by her as assistant to chairman and supervisor.
- (v) Mr. Yao Minjie was the software engineer of the Group and supervisor of the Group (appointed on December 29, 2025) during the Track Record Period. The emoluments disclosed above include those services rendered by her as software engineer and supervisor.
- (vi) These represent the estimated value of RSUs granted to the directors under the Company’s employee incentive scheme. The value of these RSUs is measured according to the Group’s accounting policies for share-based payment transactions as set out in Note 2(q) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of equity-settled share-based payments, including the principal terms and number of RSUs granted, are disclosed in Note 27.

APPENDIX I

ACCOUNTANTS’ REPORT

- (vii) During the Track Record Period, no amounts were paid or payable by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Track Record Period.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors/supervisors and other employees included in the five highest paid individuals during the Track Record Period are set forth below:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> (unaudited)	<i>Number of individuals</i>
Directors/supervisors	2	2	2	2	3
Other employees	3	3	3	3	2
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

The emoluments of directors/supervisors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid non-director/supervisor individuals, are as follows:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Salaries and other emoluments	1,411	1,516	1,557	660	538
Discretionary bonuses	440	558	130	54	300
Retirement scheme contributions	43	36	57	24	41
Equity-settled share-based payments	228	287	487	203	157
	<u>2,122</u>	<u>2,397</u>	<u>2,231</u>	<u>941</u>	<u>1,036</u>

The emoluments of the remaining highest paid non-director/supervisor individuals are within the following bands:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> (unaudited)	<i>Number of individuals</i>
HKD nil to HKD1,000,000	3	1	3	3	2
HKD1,000,001 to HKD1,500,000	–	2	–	–	–

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director/supervisor highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

As described in Note 28(c), the Company was converted into a joint stock company with limited liability and 50,000,000 shares at RMB1.00 each were issued on December 29, 2025. For the purpose of computing basic and diluted earnings/(loss) per share, the weighted average number of ordinary shares deemed to be in issue before the Company’s conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since January 1, 2023, at the exchange ratio established in the conversion on December 29, 2025.

(i) *Profit/(Loss) attributable to ordinary equity shareholders of the Company*

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit/(Loss) for the year/period attributable to all equity shareholders of the Company	10,935	40,145	39,574	(634)	4,384
Allocation of profit/(loss) for the year/period attributable to equity shareholders with redemption rights (<i>Note 24</i>)	(2,712)	(9,697)	(9,415)	151	(62)
Profit/(Loss) for the year/period attributable to ordinary equity shareholders of the Company	<u>8,223</u>	<u>30,448</u>	<u>30,159</u>	<u>(483)</u>	<u>4,322</u>

(ii) *Weighted average number of ordinary shares deemed to be in issue/in issue*

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
				(unaudited)	
Ordinary shares deemed to be in issue/in issue at the beginning of the year/period	47,965	47,965	50,000	50,000	50,000
Effect of deemed issue of shares	–	1,273	–	–	–
Effect of ordinary shares with redemption rights (<i>Note 24</i>)	(11,894)	(11,894)	(11,894))	(11,894)	(709)
Weighted average number of ordinary shares deemed to be in issue/in issue at the end of the year/period	<u>36,071</u>	<u>37,344</u>	<u>38,106</u>	<u>38,106</u>	<u>49,291</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Diluted earnings/(loss) per share

Ordinary shares with redemption rights (Note 24) were not included in the calculation of diluted earnings/(loss) per share because their inclusion would have been anti-dilutive. The Company does not have other potential ordinary shares and therefore the amounts of diluted earnings/(loss) per share were the same as basic earnings/(loss) per share.

11. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery and equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At January 1, 2023	13,252	1,965	72	2,450	17,739
Additions	2,812	589	137	538	4,076
Disposals	–	(16)	–	–	(16)
Transferred from construction in progress	80	110	(190)	–	–
At December 31, 2023 and January 1, 2024	16,144	2,648	19	2,988	21,799
Additions	8,722	958	1,326	745	11,751
Disposals	(112)	(57)	–	–	(169)
Transferred from construction in progress	140	289	(429)	–	–
At December 31, 2024 and January 1, 2025	24,894	3,838	916	3,733	33,381
Additions	6,901	904	5,925	78	13,808
Disposals	(30)	(7)	–	–	(37)
Transferred from construction in progress	1,006	52	(1,058)	–	–
At December 31, 2025 and January 1, 2026	32,771	4,787	5,783	3,811	47,152
Additions	2,614	1,014	10,097	62	13,787
Disposals	(69)	(14)	–	–	(83)
Transferred from construction in progress	1,995	8	(7,212)	5,209	–
At May 31, 2026	37,311	5,795	8,668	9,082	60,856

APPENDIX I

ACCOUNTANTS’ REPORT

	Machinery and equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Accumulated depreciation:					
At January 1, 2023	(1,752)	(839)	–	(71)	(2,662)
Charge for the year	(2,768)	(389)	–	(778)	(3,935)
Written back on disposals	–	15	–	–	15
At December 31, 2023 and January 1, 2024	(4,520)	(1,213)	–	(849)	(6,582)
Charge for the year	(3,751)	(660)	–	(1,023)	(5,434)
Written back on disposals	43	54	–	–	97
At December 31, 2024 and January 1, 2025	(8,228)	(1,819)	–	(1,872)	(11,919)
Charge for the year	(5,030)	(957)	–	(1,201)	(7,188)
Written back on disposals	11	6	–	–	17
At December 31, 2025 and January 1, 2026	(13,247)	(2,770)	–	(3,073)	(19,090)
Charge for the period	(2,363)	(431)	–	(892)	(3,686)
Written back on disposals	45	1	–	–	46
At May 31, 2026	(15,565)	(3,200)	–	(3,965)	(22,730)
Net book value:					
At December 31, 2023	11,624	1,435	19	2,139	15,217
At December 31, 2024	16,666	2,019	916	1,861	21,462
At December 31, 2025	19,524	2,017	5,783	738	28,062
At May 31, 2026	21,746	2,595	8,668	5,117	38,126

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Machinery and equipment RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:					
At January 1, 2023	4,917	1,750	6	150	6,823
Additions	816	288	8	29	1,141
Disposals	—	(16)	—	—	(16)
At December 31, 2023 and January 1, 2024	5,733	2,022	14	179	7,948
Additions	44	454	70	—	568
Disposals	—	(57)	—	—	(57)
At December 31, 2024 and January 1, 2025	5,777	2,419	84	179	8,459
Additions	213	405	806	78	1,502
Disposals	—	(5)	(530)	—	(535)
At December 31, 2025 and January 1, 2026	5,990	2,819	360	257	9,426
Additions	280	472	1,724	19	2,495
Disposals	(6)	—	—	—	(6)
At May 31, 2026	6,264	3,291	2,084	276	11,915
Accumulated depreciation:					
At January 1, 2023	(1,610)	(833)	—	(68)	(2,511)
Charge for the year	(1,411)	(300)	—	(52)	(1,763)
Written back on disposals	—	15	—	—	15
At December 31, 2023 and January 1, 2024	(3,021)	(1,118)	—	(120)	(4,259)
Charge for the year	(1,315)	(392)	—	(42)	(1,749)
Written back on disposals	—	54	—	—	54
At December 31, 2024 and January 1, 2025	(4,336)	(1,456)	—	(162)	(5,954)
Charge for the year	(1,228)	(394)	—	(35)	(1,657)
Written back on disposals	—	4	—	—	4
At December 31, 2025 and January 1, 2026	(5,564)	(1,846)	—	(197)	(7,607)
Charge for the period	(162)	(158)	—	(17)	(337)
Written back on disposals	5	—	—	—	5
At May 31, 2026	(5,721)	(2,004)	—	(214)	(7,939)
Net book value:					
At December 31, 2023	2,712	904	14	59	3,689
At December 31, 2024	1,441	963	84	17	2,505
At December 31, 2025	426	973	360	60	1,819
At May 31, 2026	543	1,287	2,084	62	3,976

APPENDIX I

ACCOUNTANTS’ REPORT

12. RIGHT-OF-USE ASSETS

The Group

	Plant and buildings <i>RMB'000</i>
Cost:	
At January 1, 2023	8,851
Additions	956
	<hr/>
At December 31, 2023 and January 1, 2024	9,807
Additions	–
	<hr/>
At December 31, 2024 and January 1, 2025	9,807
Additions	1,364
Disposals	(960)
	<hr/>
At December 31, 2025 and January 1, 2026	10,211
Lease modification	(23)
	<hr/>
At May 31, 2026	10,188
	<hr style="border-top: 1px dashed;"/>
Accumulated depreciation:	
At January 1, 2023	(774)
Charge for the year	(1,695)
	<hr/>
At December 31, 2023 and January 1, 2024	(2,469)
Charge for the year	(1,790)
	<hr/>
At December 31, 2024 and January 1, 2025	(4,259)
Charge for the year	(1,945)
Written back on disposals	406
	<hr/>
At December 31, 2025 and January 1, 2026	(5,798)
Charge for the period	(824)
	<hr/>
At May 31, 2026	(6,622)
	<hr style="border-top: 1px dashed;"/>
Net book value:	
At December 31, 2023	7,338
	<hr style="border-top: 3px double black;"/>
At December 31, 2024	5,548
	<hr style="border-top: 3px double black;"/>
At December 31, 2025	4,413
	<hr style="border-top: 3px double black;"/>
At May 31, 2026	3,566
	<hr style="border-top: 3px double black;"/>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Plant and buildings RMB'000

Cost:

At January 1, 2023

3,717

Additions

956

At December 31, 2023 and January 1, 2024 and December 31, 2024 and January 1, 2025

4,673

Additions

1,364

Disposals

(960)

At December 31, 2025 and January 1, 2026

5,077

Lease modification

(23)

At May 31, 2026

5,054

Accumulated depreciation:

At January 1, 2023

(204)

Charge for the year

(839)

At December 31, 2023 and January 1, 2024

(1,043)

Charge for the year

(935)

At December 31, 2024 and January 1, 2025

(1,978)

Charge for the year

(1,089)

Written back on disposals

406

At December 31, 2025 and January 1, 2026

(2,661)

Charge for the period

(467)

At May 31, 2026

(3,128)

Net book value:

At December 31, 2023

3,630

At December 31, 2024

2,695

At December 31, 2025

2,416

At May 31, 2026

1,926

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation charge of right-of-use assets by class of underlying asset:					
– Plant and buildings (i)	1,695	1,790	1,945	775	824
Interest on lease liabilities					
(Note 6(a))	337	282	208	90	67
Expense relating to leases of low-value assets and short-term leases					
(Note 6(c))	18	51	566	15	217

Note:

- (i) The Group has leased plant and buildings through tenancy agreements. The leases typically run for an initial period of two to six years. None of the leases includes variable lease payments.

The total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 19(d) and Note 23, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

13. INTANGIBLE ASSETS

The Group

	Software <i>RMB'000</i>
Cost:	
At January 1, 2023	525
Additions	546
	<hr/>
At December 31, 2023 and January 1, 2024	1,071
Disposal	(310)
	<hr/>
At December 31, 2024 and January 1, 2025	761
Additions	1,455
	<hr/>
At December 31, 2025 and January 1, 2026	2,216
Additions	241
	<hr/>
At May 31, 2026	2,457
	<hr style="border-top: 1px dashed;"/>
Accumulated depreciation:	
At January 1, 2023	(388)
Charge for the year	(118)
	<hr/>
At December 31, 2023 and January 1, 2024	(506)
Charge for the year	(218)
Disposal	310
	<hr/>
At December 31, 2024 and January 1, 2025	(414)
Charge for the year	(464)
	<hr/>
At December 31, 2025 and January 1, 2026	(878)
Charge for the period	(311)
	<hr/>
At May 31, 2026	(1,189)
	<hr style="border-top: 1px dashed;"/>
Net book value:	
At December 31, 2023	565
	<hr style="border-top: 3px double black;"/>
At December 31, 2024	347
	<hr style="border-top: 3px double black;"/>
At December 31, 2025	1,338
	<hr style="border-top: 3px double black;"/>
At May 31, 2026	1,268
	<hr style="border-top: 3px double black;"/>

The amortization charge during the Track Record Period is included in cost of sales, administrative expenses, and research and development costs in the consolidated statements of profit or loss and other comprehensive income.

14. INVESTMENT IN SUBSIDIARIES

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	20,000	20,000	27,700	28,000
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

APPENDIX I

ACCOUNTANTS’ REPORT

At the end of each reporting period during the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

				Effective interest held by the Group						
Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Particulars of registered and paid-up capital	As at December 31			As at	At the	Name of auditor	Principal activities
				2023	2024	2025	May 31, 2026	date of this report		
Zhejiang Yodosmart Technology Co., Ltd. * (浙江雲動智能科技有限公司)*	The PRC/ May 20, 2022	The PRC	RMB20,000,000/ RMB20,000,000	100%	100%	100%	100%	100%	2023: Zhongshen zhonghuan Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合夥)) 2024: Zhonghui Certified Public Accountants LLP (中匯會計師事務所(特殊普通合夥)) 2025: Note (i)	Manufacturing and sales of products
Anhui Yodosmart Manufacturing Co., Ltd. (安徽雲動智能製造有限公司), formerly known as Hangzhou Yodo Zhilian Software Technology Co., Ltd. (杭州雲動智聯軟件技術有限公司) and Wuhu Yodo Zhilian Software Technology Co., Ltd. * (蕪湖雲動智聯軟件技術有限公司)	The PRC/ June 24, 2020	The PRC	RMB20,000,000/ RMB8,000,000	100%	100%	100%	100%	100%	Note (ii)	Manufacturing
Shenzhen Yodosmart Information Technology Co., Ltd. * (深圳雲動信息技術有限公司)	The PRC/ March 25, 2026	The PRC	RMB10,000,000/ RMB2,300,000	-	-	-	100%	100%	Note (iii)	Technology service
Yodosmart HK Limited (雲動智能(香港)有限公司)	The HK/ April 21, 2026	The HK	HK4,700,000/-	-	-	-	100%	100%	Note(iii)	Sales of automotive electronics Trade
Yodosmart (Malaysia) SDN.BHD.	The Malaysia/ June 19, 2026	The Malaysia	RM1,000/-	-	-	-	-	100%	Note(iii)	Manufacturing and sales of products

Notes:

- (i) No audited financial statements have been prepared for Zhejiang Yodosmart Information Technology Co., Ltd. for the year ended December 31, 2025.
- (ii) No audited financial statements have been prepared for Anhui Yodosmart Manufacturing Co., Ltd. for the years ended December 31, 2023, 2024 and 2025.
- (iii) No audited financial statements have been prepared for Shenzhen Yodosmart Information Technology Co., Ltd., Yodosmart HK Limited and Yodosmart (Malaysia) SDN.BHD. for the years ended December 31, 2023, 2024 and 2025, since they were incorporated in 2026.
- * These entities are limited liability companies established in the PRC. The English name of the subsidiaries incorporated in the Chinese Mainland is translated from their registered Chinese name for identification purpose only.

All companies now comprising the Group have adopted December 31 as their financial year end date.

APPENDIX I

ACCOUNTANTS’ REPORT

15. FINANCIAL ASSETS MEASURED AT FVPL

The Group and the Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Listed equity securities	335	269	397	303

The analysis on the fair value measurement of the above financial assets is disclosed in Note 29(d).

16. INVENTORIES

(a) Inventories in the statements of financial position comprise

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	20,617	35,544	37,315	58,030
Semi-finished products	1,300	12,089	3,743	6,757
Finished products	18,557	23,589	27,877	40,927
	40,474	71,222	68,935	105,714

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	6,181	6,893	9,751	13,389
Semi-finished products	844	8,051	2,762	2,686
Finished products	18,557	23,589	27,877	40,927
	25,582	38,533	40,390	57,002

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

The Group

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	155,445	284,728	326,638	102,199	135,146
Write-down/(Reversal of write-down) of inventories	857	(66)	69	(55)	(452)
	156,302	284,662	326,707	102,144	134,694

APPENDIX I

ACCOUNTANTS’ REPORT

17. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,		As at May 31,	
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	61,172	136,155	81,427	42,028
Less: loss allowance of trade receivables	(2,168)	(11,610)	(11,905)	(11,821)
Bills receivable, carried at amortized cost	68,392	29,056	11,444	6,461
	<u>127,396</u>	<u>153,601</u>	<u>80,966</u>	<u>36,668</u>
Trade and bills receivables measured at amortized cost	127,396	153,601	80,966	36,668
Advances to staff	85	310	564	2,178
Deposits	507	600	1,585	698
	<u>127,988</u>	<u>154,511</u>	<u>83,115</u>	<u>39,544</u>
Financial assets measured at amortized cost	127,988	154,511	83,115	39,544
Value-added tax recoverable	1,923	–	2,046	1,449
Prepayments	1,698	1,978	7,981	36,624
	<u>131,609</u>	<u>156,489</u>	<u>93,142</u>	<u>77,617</u>
Less: Amounts included under “non-current assets”				
Prepayments				
– Prepayments for property, plant and equipment	–	–	(1,810)	–
– Prepayments for acquisition of land use right	–	–	–	(16,470)
	<u>131,609</u>	<u>156,489</u>	<u>91,332</u>	<u>61,147</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		As at May 31,	
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	60,116	136,041	80,526	38,678
Less: lose allowance of trade receivables	(2,168)	(11,610)	(11,905)	(11,821)
Bills receivable, carried at amortized cost	45,568	1,840	11,444	6,689
Trade and bills receivables measured at amortized cost	103,516	126,271	80,065	33,546
Advances to staff	84	310	314	2,122
Deposits	407	500	1,406	805
Financial assets measured at amortized cost	104,007	127,081	81,785	36,473
Value-added tax recoverable	142	–	–	–
Prepayments	1,526	1,723	6,031	21,843
	105,675	128,804	87,816	58,316
Less: Amounts included under “non-current assets”				
Prepayments				
– Prepayments for property, plant and equipment	–	–	(20)	–
– Prepayments for acquisition of land use right	–	–	–	(16,470)
	105,675	128,804	87,796	41,846

All of the current trade and other receivables are expected to be recovered within one year.

Aging analysis

As at the end of each reporting period, the aging analysis of trade and bills receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

The Group

	As at December 31,		As at May 31,	
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	127,396	153,601	80,947	36,660
After 1 year but within 2 years	–	–	19	8
	127,396	153,601	80,966	36,668

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	103,516	126,271	80,046	33,538
After 1 year but within 2 years	—	—	19	8
	<u>103,516</u>	<u>126,271</u>	<u>80,065</u>	<u>33,546</u>

Further details on the Group’s credit policy and credit risk arising from trade receivables and bills receivable are set out in Note 29(a).

18. FINANCIAL ASSETS MEASURED AT FVOCI

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bank acceptance notes receivable, carried at FVOCI	<u>2,800</u>	<u>19</u>	<u>45,508</u>	<u>31,520</u>

The business model of bank acceptance notes management is for the purpose of collecting contractual cashflow and for sales. Therefore, as at December 31, 2023, 2024 and 2025 and May 31, 2026, the Group classified bank acceptance notes receivable of RMB2,800,000, RMB19,000 and RMB45,508,000 and RMB31,520,000 as bank acceptance notes receivable carried at fair value with changes in fair value recognized in other comprehensive income.

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bank acceptance notes receivable, carried at FVOCI	<u>2,800</u>	<u>—</u>	<u>44,241</u>	<u>31,293</u>

19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	10,906	37,451	18,941	69,304
Cash balances at other financial institution	18	16	51	75
Less: Restricted bank deposits (i)	<u>(9,130)</u>	<u>(34,244)</u>	<u>(7,800)</u>	<u>(12,486)</u>
Cash and cash equivalents	<u>1,794</u>	<u>3,223</u>	<u>11,192</u>	<u>56,893</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		As at May 31,	
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	9,552	19,315	18,398	67,566
Cash balances at other financial institution	10	–	5	11
Less: Restricted bank deposits (i)	(9,130)	(16,306)	(7,800)	(12,486)
Cash and cash equivalents	432	3,009	10,603	55,091

(i) As at December 31, 2023, 2024 and 2025, and May 31, 2026, all bank deposit of the Group and the Company was restricted as guarantee deposits for issuance of bank acceptance note.

(b) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations

		Years ended December 31,			Five months ended May 31,	
	Notes	2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
(Loss)/Profit before taxation		(2,975)	43,781	44,757	(1,943)	3,502
Adjustments for:						
Depreciation of property, plant and equipment	11	3,935	5,434	7,188	2,895	3,686
Amortization of intangible assets	13	118	218	464	132	311
Depreciation of right-of-use assets	12	1,695	1,790	1,945	775	824
Equity-settled share-based payments expenses	27	380	1,017	1,638	680	951
Interest on lease liabilities	6(a)	337	282	208	90	67
Interest on bank loans		752	1,363	999	642	330
Changes in the carrying amount of redemption liabilities	24	4,549	9,339	10,550	5,941	88
Net realized and unrealized losses/(gains) on financial assets measured at FVPL	5(b)	115	66	(138)	37	95
Losses on disposal of property, plant and equipment	5(b)	1	75	77	61	26
Expected credit losses/(Reversal of expected credit losses)		2,749	10,549	(142)	(161)	119
Write-down/(Reversal of write-down) of inventories	16(b)	857	(66)	69	(55)	(452)
Changes in working capital:						
(Increase)/Decrease in inventories		(4,334)	(30,682)	2,217	13,922	(36,327)
(Increase)/Decrease in trade and other receivables		(53,971)	(36,218)	30,138	90,403	57,747
(Increase)/Decrease in contract assets		(47,444)	(36,399)	8,668	17,987	(2,135)
Increase/(Decrease) in trade and other payables		50,492	78,740	(90,281)	(135,689)	14,712
Increase/(Decrease) in contract liabilities		461	(539)	885	428	48,876
Increase/(Decrease) in provisions		287	(225)	1,900	353	749
Decrease/(Increase) in restricted cash		2,575	(25,113)	26,444	7,861	(4,686)
Cash (used in)/generated from operations		(39,421)	23,412	47,586	4,359	88,483

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans <i>RMB’000</i> <i>(Note 22)</i>	Lease liabilities <i>RMB’000</i> <i>(Note 23)</i>	Redemption liabilities <i>RMB’000</i> <i>(Note 24)</i>	Total <i>RMB’000</i>
At January 1, 2023	7,811	7,660	54,173	69,644
Changes from financing cash flows:				
Proceeds from bank loans	76,351	–	–	76,351
Repayment of bank loans	(38,700)	–	–	(38,700)
Interests paid	(742)	–	–	(742)
Payment of capital element of lease liabilities	–	(1,560)	–	(1,560)
Payment of interest element of lease liabilities	–	(337)	–	(337)
Total changes from financing cash flows	36,909	(1,897)	–	35,012
Other changes:				
Changes in the carrying amount of redemption liabilities <i>(Note 24)</i>	–	–	4,549	4,549
Interest expenses	753	337	–	1,090
Increase in lease liabilities from entering into new leases during the year <i>(Note 12)</i>	–	956	–	956
At December 31, 2023	45,473	7,056	58,722	111,251

APPENDIX I

ACCOUNTANTS’ REPORT

	Bank loans <i>RMB'000</i> <i>(Note 22)</i>	Lease liabilities <i>RMB'000</i> <i>(Note 23)</i>	Redemption liabilities <i>RMB'000</i> <i>(Note 24)</i>	Total <i>RMB'000</i>
At December 31, 2023 and January 1, 2024	45,473	7,056	58,722	111,251
Changes from financing cash flows:				
Proceeds from bank loans	59,581	–	–	59,581
Repayment of bank loans	(67,024)	–	–	(67,024)
Interests paid	(1,339)	–	–	(1,339)
Payment of capital element of lease liabilities	–	(1,721)	–	(1,721)
Payment of interest element of lease liabilities	–	(282)	–	(282)
Total changes from financing cash flows	(8,782)	(2,003)	–	(10,785)
Other changes:				
Changes in the carrying amount of redemption liabilities <i>(Note 24)</i>	–	–	9,339	9,339
Interest expenses	1,362	282	–	1,644
At December 31, 2024 and January 1, 2025	38,053	5,335	68,061	111,449
Changes from financing cash flows:				
Proceeds from bank loans	53,992	–	–	53,992
Repayment of bank loans	(72,000)	–	–	(72,000)
Interests paid	(1,029)	–	–	(1,029)
Payment of capital element of lease liabilities	–	(1,879)	–	(1,879)
Payment of interest element of lease liabilities	–	(208)	–	(208)
Total changes from financing cash flows	(19,037)	(2,087)	–	(21,124)
Other changes:				
Changes in the carrying amount of redemption liabilities <i>(Note 24)</i>	–	–	10,550	10,550
Interest expenses	999	208	–	1,207
Increase in lease liabilities from entering into new leases during the year	–	821	–	821
At December 31, 2025	20,015	4,277	78,611	102,903

APPENDIX I

ACCOUNTANTS’ REPORT

	Bank loans RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Redemption liabilities RMB'000 (Note 24)	Total RMB'000
At December 31, 2025 and January 1, 2026	20,015	4,277	78,611	102,903
Changes from financing cash flows:				
Proceeds from bank loans	25,000	–	–	25,000
Repayment of bank loans	(20,000)	–	–	(20,000)
Interests paid	(294)	–	–	(294)
Payment of capital element of lease liabilities	–	(934)	–	(934)
Payment of interest element of lease liabilities	–	(67)	–	(67)
Total changes from financing cash flows	4,706	(1,001)	–	3,705
Other changes:				
Changes in the carrying amount of redemption liabilities (Note 24)	–	–	88	88
Discharge of redemption liabilities upon termination of redemption rights granted	–	–	(78,699)	(78,699)
Interest expenses	330	67	–	397
Lease modification	–	(23)	–	(23)
At May 31, 2026	25,051	3,320	–	28,371
(unaudited)				
	Bank loans RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Redemption liabilities RMB'000 (Note 24)	Total RMB'000
At December 31, 2024 and January 1, 2025	38,053	5,335	68,061	111,449
Changes from financing cash flows:				
Proceeds from bank loans	33,992	–	–	33,992
Repayment of bank loans	(30,596)	–	–	(30,596)
Interests paid	(594)	–	–	(594)
Payment of capital element of lease liabilities	–	(723)	–	(723)
Payment of interest element of lease liabilities	–	(90)	–	(90)
Total changes from financing cash flows	2,802	(813)	–	1,989
Other changes:				
Changes in the carrying amount of redemption liabilities (Note 24)	–	–	5,941	5,941
Interest expenses	643	89	–	732
Net increase in lease liabilities from entering into new leases during the period	–	821	–	821
At May 31, 2025	41,498	5,432	74,002	120,932

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Total cash outflow for leases

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

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Within operating cash flows	14	74	683	–	185
Within financing cash flows	1,897	2,003	2,087	813	1,001
	<u>1,911</u>	<u>2,077</u>	<u>2,770</u>	<u>813</u>	<u>1,186</u>

20. TRADE AND OTHER PAYABLES

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties	121,024	177,523	124,047	118,062
Bills payable	34,875	49,906	26,000	50,637
	<u>155,899</u>	<u>227,429</u>	<u>150,047</u>	<u>168,699</u>
Trade and bills payable				
	155,899	227,429	150,047	168,699
Other payables	2,223	379	315	319
Dividends declared in respect of the previous year	–	–	15,000	–
	<u>–</u>	<u>–</u>	<u>15,000</u>	<u>–</u>
Financial liabilities measured at amortized cost	158,122	227,808	165,362	169,018
Accrued payroll and other benefits	7,354	9,591	8,261	6,524
Other tax payables	2,630	4,734	2,621	11,095
	<u>168,106</u>	<u>242,133</u>	<u>176,244</u>	<u>186,637</u>

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

As of the end of each reporting period, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on the transaction date, is as follows:

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	155,806	227,387	149,816	168,562
After 1 year but within 2 years	93	42	231	137
	<u>155,899</u>	<u>227,429</u>	<u>150,047</u>	<u>168,699</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties	38,279	25,689	22,391	14,708
– Subsidiaries	40,282	88,146	63,058	34,084
Bills payable	39,475	32,859	34,769	50,864
Trade and bills payable	118,036	146,694	120,218	99,656
Other payables	2,215	352	232	107
Dividends declared in respect of the previous year	–	–	15,000	–
Financial liabilities measured at amortized cost	120,251	147,046	135,450	99,763
Accrued payroll and other benefits	6,061	7,314	6,306	3,770
Other tax payables	2,604	4,586	2,521	10,205
	128,916	158,946	144,277	113,738

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand. All trade and other payables are expected to be settled within one year or are repayable on demand.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract Assets

The Group and the Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets				
Completed and unbilled contract (i)	67,347	103,746	95,078	97,213
Less: loss allowance	(827)	(1,934)	(1,497)	(1,700)
Net carrying amount	66,520	101,812	93,581	95,513

- (i) The Group frequently adjusts its product prices to customers based on pricing strategy, which are subject to negotiation and confirmation by the customers. Consequently, contract assets are recognized for revenue from sales of goods. Once the final price is confirmed with the customer, the contract asset is reclassified to a receivable, as the Group then has an unconditional right to a fixed amount of consideration, with only the passage of time required before payment is due.

APPENDIX I

ACCOUNTANTS’ REPORT

Loss allowance

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period	(78)	(827)	(1,934)	(1,497)
(Expected credit losses recognized)/Reversal of expected credit losses	(749)	(1,107)	437	(203)
At the end of year/period	(827)	(1,934)	(1,497)	(1,700)

Further details on the Group’s credit policy and credit risk arising from contract assets are set out in Note 29(a).

(b) **Contract liabilities**

The Group and the Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	807	268	1,153	50,029

Movement in contract liabilities

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	346	807	268	1,153
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(346)	(729)	–	(972)
Net increase in contract liabilities as a result of advance from customers	807	190	885	49,848
At the end of the year/period	807	268	1,153	50,029

All of the contract liabilities are expected to be recognized as income within one year.

APPENDIX I

ACCOUNTANTS’ REPORT

22. BANK LOANS

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank loans – secured (i)	24,670	–	–	–
Bank loans – guaranteed (ii)	20,803	23,037	–	–
Bank loans – unsecured	–	15,016	20,015	25,051
	<u>45,473</u>	<u>38,053</u>	<u>20,015</u>	<u>25,051</u>
Total – current	<u>45,473</u>	<u>38,053</u>	<u>20,015</u>	<u>25,051</u>

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank loans – secured (i)	24,670	–	–	–
Bank loans – guaranteed (ii)	20,803	23,037	–	–
Bank loans – unsecured	–	15,016	20,015	20,042
	<u>45,473</u>	<u>38,053</u>	<u>20,015</u>	<u>20,042</u>
Total – current	<u>45,473</u>	<u>38,053</u>	<u>20,015</u>	<u>20,042</u>

As at December 31, 2023, 2024 and 2025, and May 31, 2026, the annual interest rates of bank loans range from 3.50% to 3.66%, 3.12% to 3.45%, and 2.21% to 2.70%, and 2.21% to 2.70%, respectively.

- (i) As at December 31, 2023, bank loans of RMB24,670,000 were secured by discounted bills with recourse.
- (ii) At the end of each reporting period, Mr. Li Wei, the ultimate controlling shareholder of the Group, and his spouse Ms. Chen Xuexin provided guarantees to secure for the Group’s banking facilities, the amounts are as follows:

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees provided by:				
Mr. Li Wei and Ms. Chen Xuexin	50,000	50,000	50,000	–

- (a) *The analysis of the repayment schedule of bank loans is as follows:*

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	<u>45,473</u>	<u>38,053</u>	<u>20,015</u>	<u>25,051</u>

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	<u>45,473</u>	<u>38,053</u>	<u>20,015</u>	<u>20,042</u>

APPENDIX I

ACCOUNTANTS’ REPORT

23. LEASE LIABILITIES

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

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,721	1,799	2,093	2,127
After 1 year but within 2 years	1,799	1,881	1,768	922
After 2 years but within 5 years	3,536	1,655	416	271
	5,335	3,536	2,184	1,193
	7,056	5,335	4,277	3,320

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	899	940	1,194	1,211
After 1 year but within 2 years	940	982	827	449
After 2 years but within 5 years	1,696	715	416	271
	2,636	1,697	1,243	720
	3,535	2,637	2,437	1,931

24. REDEMPTION LIABILITIES

In 2016, the Company entered into investment agreements with an investor (the “**Series 2016 Investor**”), pursuant to which the Series 2016 Investor agreed to subscribe 2,000,000 paid-in capital of the Company at a consideration of RMB7,000,000 (referred as “**Series 2016 Financing**”).

In 2017, the Company entered into investment agreements with an investor (the “**Series 2017 Investor**”), pursuant to which the Series 2017 Investor agreed to subscribe 1,118,000 paid-in capital of the Company at a consideration of RMB11,180,000 (referred as “**Series 2017 Financing**”), and is entitled to the anti-dilution rights.

In 2021, the Company entered into investment agreements with several investors (the “**Series 2021 Investors**”), pursuant to which the Series 2021 Investors agreed to subscribe 1,842,900 paid-in capital of the Company at a consideration of RMB20,000,000 (referred as “**Series 2021 Financing**”), and are entitled to the redemption rights and anti-dilution rights.

In 2022, the Company entered into investment agreements with several investors (the “**Series 2022 Investors**”), pursuant to which the Series 2022 Investors agreed to subscribe 1,627,400 paid-in capital of the Company at a consideration of RMB30,135,000 (referred as “**Series 2022 Financing**”), and are entitled to the redemption rights, liquidation preference and anti-dilution rights.

APPENDIX I

ACCOUNTANTS’ REPORT

During the period from October 2025 to November 2025, one of the Series 2021 Investors – Wuxi Hikvision Huihai Industrial Investment Partnership (Limited Partnership) (“**Hikvision Huihai**”), the Series 2022 Investors and certain new investors (the “**Series 2025 Investors**”) entered into several share transfer agreements, under which Hikvision Huihai transferred 921,440 paid-in capital of the Company at a consideration of RMB21,159,000 to the Series 2025 Investors, and the Series 2022 Investors transferred 1,627,400 paid-in capital of the Company at a consideration of RMB37,370,000 to the Series 2025 Investors. The abovementioned considerations were fully settled on December 12, 2025. The Series 2025 Investors are entitled to the redemption rights, liquidation preference and anti-dilution rights.

The Series 2016, Series 2017, Series 2021, Series 2022 and Series 2025 investors (collectively refer to the “[REDACTED] Investors”), and the investors are entitled to the same voting rights and dividend rights as the founding shareholders of the Company. The key special rights attributable to the investors are summarized as follows:

Redemption Right

Shares issued by the Company for the Series 2021 Investors and Series 2025 Investors shall be redeemable by the Company and/or the founding shareholders of the Company upon the occurrence of certain events, with the main conditions being:

- (i) a qualified [REDACTED] does not occur by December 31, 2026;
- (ii) the investor has not withdrawn its investment upon the investor’s own liquidation or dissolution;
- (iii) material breach of the transaction documents by the Group or its founding shareholders; and
- (iv) the Group receiving the redemption requests from any other investors with redemption rights.

The redemption price of the shares issued in the investments shall equal to the highest of:

- (i) the aggregate of the original issue price for the respective series plus an amount accruing daily at 6% of the original issue price per annum minus all paid dividends;
- (ii) the pro-rata amount of the net assets of the Company corresponding to the proportion of shares redeemed, based on the latest audited consolidated financial statements; and
- (iii) the fair market value of the shares of relevant series on the date of redemption.

Liquidation Preference

In the event of any liquidation including dissolution, bankruptcy, winding up of the Company or other deemed liquidation event (such as the event that results in a change in controlling shareholder of the Company or a transfer of all or substantially all assets or businesses of the Company, etc), the Series 2025 Investors are entitled to receive, prior to and in preference to any distribution of any of the assets or surplus funds of the Company to other shareholders an amount equals to the higher of (i) and (ii) below.

- (i) the aggregate of the original issue price for the respective series plus an amount accruing daily at 6% of the original issue price per annum minus all paid dividends; and
- (ii) the pro-rata amount of the net assets of the Company corresponding to the proportion of shares redeemed, based on the latest audited consolidated financial statements.

Anti-dilution right

If the Company increases its share capital at a price lower than the price paid by the investors on a per share capital basis prior to a qualified [REDACTED], the Series 2017 Investors, Series 2021 Investors and Series 2025 Investors have a right to require the Company and/or the founding shareholders of the Company to transfer for nil consideration to the investors, so that the total amount paid by the investors divided by the total amount of share capital obtained is equal to the price per share capital in the new issuance.

APPENDIX I

ACCOUNTANTS’ REPORT

Presentation and classification

The Company recognized the financial instruments issued to investors as financial liabilities, because not all triggering events mentioned in the key terms above are within the control of the Company and these financial instruments did not meet the definition of equity for the Company. The financial liabilities are measured at the highest amount expected to be paid to the investors upon redemption. These financial liabilities were subsequently measured at amortized cost. Any changes in the carrying amount of the financial liabilities were recorded in “Changes in the carrying amount of redemption liabilities”.

The movements of the redemption liabilities during the Track Record Period are set out as below:

The Group and the Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	54,173	58,722	68,061	78,611
Changes in the carrying amount of redemption liabilities	4,549	9,339	10,550	88
Discharge of redemption liabilities upon termination of redemption rights granted (Note)	—	—	—	(78,699)
At the end of the year/period	<u>58,722</u>	<u>68,061</u>	<u>78,611</u>	<u>—</u>

Note: On January 9, 2026, pursuant to the special rights termination agreement signed by the Company, founding shareholders, Hangzhou Yunhui Investment Management Partnership Enterprise (Limited Partnership) and the [REDACTED] Investors, the [REDACTED] Investors’ redemption rights were terminated, and there are no circumstances under which the redemption rights previously granted by the Company will be reinstated. In the termination agreement, the parties agreed to terminate the redemption rights and deem them a void ab initio, thereby restore the positions of the Company and the [REDACTED] Investors as if the provisions regarding the redemption rights had never been agreed upon. However, the Company recognized and measured the redemption liabilities due to the [REDACTED] Investors prior to the termination agreement as it did not have unconditional right to avoid the redemption obligations upon triggering events. Immediately upon the termination, the redemption liability was derecognized and the carrying amount of RMB78,699,000 was reclassified to equity on January 9, 2026.

When determining the highest redemption amount, the fair market value of the shares of the relevant series was valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer.

In connection with the [REDACTED] investments, certain [REDACTED] Investors had been granted certain customary special rights, such as liquidation preference and redemption right, against the founding shareholders.

The directors of the Company have confirmed that (i) the Company does not have any obligation to fulfil the above mentioned special rights granted by the founding shareholders; and (ii) the Company has not provided any guarantee for the abovementioned special rights granted by the founding shareholders in the event of a default by the founding shareholders. Accordingly, no financial liability has been recorded in the Historical Financial Information with respect to these special rights granted to the [REDACTED] Investors by the founding shareholders.

APPENDIX I

ACCOUNTANTS’ REPORT

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) **Deferred tax assets and liabilities recognized:**

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

The components of deferred tax assets/ (liabilities) recognized in the consolidated statement of financial position and the movements during the year/period are as follows:

The Group

	Right-of-use RMB'000	Lease Liabilities RMB'000	Credit loss allowance RMB'000	Inventory provisions RMB'000	Accruals and provisions RMB'000	Fair value change of financial assets measured at FVPL RMB'000	Unrealized inter-group profit RMB'000	Tax losses RMB'000	Total RMB'000
At January 1, 2023	(527)	503	40	257	537	35	–	950	1,795
(Charged)/credited to profit or loss	(946)	907	409	132	100	22	68	13,218	13,910
At December 31, 2023 and January 1, 2024	(1,473)	1,410	449	389	637	57	68	14,168	15,705
Credited/(charged) to profit or loss	356	(339)	1,583	(6)	120	10	76	(5,436)	(3,636)
At December 31, 2024 and January 1, 2025	(1,117)	1,071	2,032	383	757	67	144	8,732	12,069
Credited/(charged) to profit or loss	455	(429)	(22)	3	531	(19)	209	(5,899)	(5,171)
At December 31, 2025 and January 1, 2026	(662)	642	2,010	386	1,288	48	353	2,833	6,898
Credited/(charged) to profit or loss	127	(144)	18	(68)	255	14	(516)	1,196	882
At May 31, 2026	(535)	498	2,028	318	1,543	62	(163)	4,029	7,780

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Right-of-use RMB'000	Lease Liabilities RMB'000	Credit loss allowance RMB'000	Inventory provisions RMB'000	Accruals and provisions RMB'000	Fair value change of financial assets measured at FVPL RMB'000	Tax losses RMB'000	Total RMB'000
At January 1, 2023	(527)	503	40	257	537	35	950	1,795
(Charged)/credited to profit or loss	(18)	27	409	123	100	22	11,432	12,095
At December 31, 2023 and January 1, 2024	(545)	530	449	380	637	57	12,382	13,890
Credited/(charged) to profit or loss	141	(134)	1,583	(16)	120	10	(6,635)	(4,931)
At December 31, 2024 and January 1, 2025	(404)	396	2,032	364	757	67	5,747	8,959
Credited/(charged) to profit or loss	42	(30)	(22)	1	531	(19)	(4,086)	(3,583)
At December 31, 2025 and January 1, 2026	(362)	366	2,010	365	1,288	48	1,661	5,376
Credited /(charged) to profit or loss	74	(76)	18	(50)	255	14	219	454
At May 31, 2026	(288)	290	2,028	315	1,543	62	1,880	5,830

(ii) *Reconciliation to the consolidated statement of financial position*

The Group

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets in the consolidated statement of financial position	15,705	12,069	6,898	7,780

The Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets in the consolidated statement of financial position	13,890	8,959	5,376	5,830

APPENDIX I

ACCOUNTANTS’ REPORT

26. PROVISIONS

The Group and the Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Warranties	1,859	1,634	3,534	4,283

The movements of provisions during the Track Record Period were as follows:

The Group and the Company

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,572	1,859	1,634	3,534
Additional provisions made	1,722	3,151	4,473	1,639
Provisions utilized during the year/period	(1,435)	(3,376)	(2,573)	(890)
At the end of the year/period	1,859	1,634	3,534	4,283

Under the terms of the Group’s sales agreements, the Group offers warranties for its products. Provision is therefore made based on the estimate of the expected claim, which takes into account the Group’s recent claim experience, under these agreements in respect of sales prior to the end of each reporting period.

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted the “2016 Employee Incentive Scheme – RSUs” and the “2024 Employee Incentive Scheme – RSUs”. The purpose of the employee incentive schemes is to attract and retain the talents and to provide incentives that align the interests of shareholders, the Group and employees, for long-term development of the Group. The share-based awards granted pursuant to the employee incentive schemes are governed by the contractual terms of the awards.

The table below sets forth share-based payments expenses for RSUs during the Track Record Period:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
2016 Employee Incentive Scheme – RSUs	380	563	312	234	219
2024 Employee Incentive Scheme – RSUs	–	454	1,326	446	732
	380	1,017	1,638	680	951

The underlying shares under these two employee incentive schemes are held by employee incentive platform. The controlling shareholder contributed his own shares of the Company to the employee incentive platform and was the general partner of the employee incentive platform. The Group has the following share-based payment arrangements:

(a) 2016 Employee Incentive Scheme – RSUs

The qualified participants of the 2016 Employee Incentive Scheme – RSUs are entitled to purchase RSUs at a purchase price of RMB0.29 per share*, while they are required to satisfy vesting period until 3 years after the completion of a qualified [REDACTED] for the entitlements of RSUs.

On September 11, 2024 (“modification date”), the Company modified the terms of the 2016 Employee Incentive Scheme that the qualified participants are required to satisfy a vesting period being the longer of 5 years after the modification date or the date when a qualified [REDACTED] is completed for the entitlements of RSUs.

APPENDIX I

ACCOUNTANTS’ REPORT

For existing holders under 2016 Employee Incentive Scheme – RSUs, the modified vesting period was longer than the vesting period of the original employee incentive scheme. The modification was not beneficial to the employees, and the Group continued to recognize the services received measured at the grant date fair value of the 2016 Employee Incentive Scheme – RSUs.

- (i) Movement of RSUs* granted under 2016 Employee Incentive Scheme – RSUs during the Track Record Period are as follows:

	Years ended December 31,		2025	Five months ended May 31, 2026
	2023	2024		
At the Beginning of the year/period	6,135	5,587	5,587	5,457
Forfeited	(548)	–	(130)	–
At the end of the year/period	<u>5,587</u>	<u>5,587</u>	<u>5,457</u>	<u>5,457</u>

- (ii) Fair value of RSUs granted under 2016 Employee Incentive Scheme – RSUs

The fair value of each awarded RSU has been determined with reference to recent market transactions

(b) 2024 Employee Incentive Scheme – RSUs

The qualified participants of the 2024 Employee Incentive Scheme – RSUs are entitled to purchase RSUs at a purchase price of RMB0.29 per share*, while they are required to satisfy vesting period the longer of 5 years after the grant day or the date when a qualified [REDACTED] is completed for the entitlements of RSUs.

- (i) Movement of RSUs* granted under 2024 Employee Incentive Scheme – RSUs during the Track Record Period are as follows:

	Years ended December 31,		Five months ended May 31, 2026
	2024	2025	
At the Beginning of the year/period	–	1,714	2,022
Granted	1,714	685	–
Forfeited	–	(377)	–
At the end of the year/period	<u>1,714</u>	<u>2,022</u>	<u>2,022</u>

- (ii) Fair value of RSUs granted under 2024 Employee Incentive Scheme – RSUs

The Group has used the black-scholes method of the market approach to determine the underlying equity fair value of the Company and to determine the fair value of the RSUs granted as at the respective grant date. Key assumptions determined by the Group in relation to the RSUs granted as at August 31, 2024 and June 9, 2025 and September 24, 2025 are set as below:

	As at August 31, 2024	As at June 9, 2025	As at September 24, 2025
Risk-free interest rate	1.49%	1.36%	1.41%
Volatility	51.00%	56.00%	55.00%
Dividend yield	0.00%	0.00%	0.00%
Fair value of the ordinary share* on the grant date (RMB)	RMB4.27	RMB5.57	RMB5.59

The directors estimated the risk-free interest rate based on the government yield. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time. Dividend yield is based on management estimation at the grant date.

* The number of shares, purchase price per share, fair value of per ordinary share, fair value of each RSUs before the Company’s conversion into a joint stock Company were adjusted for the exchange ratio established in the conversion on December 29, 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

28. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

		Paid-in/Share capital RMB’000 (Note 28(c))	Capital reserve RMB’000 (Note 28(d)(i))	Share-based payment reserve RMB’000 (Note 28(d)(ii))	PRC statutory reserve RMB’000 (Note 28(d)(iii))	(Accumulated losses)/ retained profits RMB’000	Total (deficit)/ equity RMB’000
Balance at January 1, 2023		13,995	16,842	2,008	–	(33,264)	(419)
Changes in equity for 2023							
Profit for the year		–	–	–	–	12,540	12,540
Equity-settled share-based transactions	27	–	–	380	–	–	380
Balance at December 31, 2023 and January 1, 2024		13,995	16,842	2,388	–	(20,724)	12,501
Changes in equity for 2024							
Profit for the year		–	–	–	–	39,246	39,246
Appropriation of statutory reserve	28(d)	–	–	–	1,852	(1,852)	–
Capital contribution from shareholders	28(c)	594	–	–	–	–	594
Equity-settled share-based transactions	27	–	–	1,017	–	–	1,017
Balance at December 31, 2024 and January 1, 2025		14,589	16,842	3,405	1,852	16,670	53,358
Changes in equity for 2025							
Profit for the year		–	–	–	–	33,326	33,326
Appropriation of statutory reserve	28(d)	–	–	–	3,333	(3,333)	–
Conversion to a joint stock limited liability company	28(c)(ii)	35,411	18,906	–	(4,877)	(49,440)	–
Dividends declared in respect of the previous year	28(b)	–	–	–	–	(15,000)	(15,000)
Equity-settled share-based transactions	27	–	–	1,638	–	–	1,638

APPENDIX I

ACCOUNTANTS’ REPORT

					(Accumulated losses)/	Total	
	Notes	Paid-in/Share capital	Capital reserve	Share-based payment reserve	PRC statutory reserve	retained profits	(deficit)/ equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 28(c))	(Note 28(d)(i))	(Note 28(d)(ii))	(Note 28(d)(iii))		
Balance at December 31, 2025 and January 1, 2026		50,000	35,748	5,043	308	(17,777)	73,322
Changes in equity for five months ended May 31, 2026							
Profit for the period		—	—	—	—	7,945	7,945
Discharge of redemption liabilities upon termination of redemption rights granted	24	—	78,699	—	—	—	78,699
Equity-settled share-based transactions	27	—	—	951	—	—	951
Balance at May 31, 2026		50,000	114,447	5,994	308	(9,832)	160,917
Balance at December 31, 2024 and January 1, 2025		14,589	16,842	3,405	1,852	16,670	53,358
(Unaudited) Changes in equity for five months ended May 31, 2025							
Profit for the period		—	—	—	—	255	255
Equity-settled share-based transactions	27	—	—	680	—	—	680
Balance at May 31, 2025		14,589	16,842	4,085	1,852	16,925	54,293

(b) Dividends

On December 30, 2025, a dividend in respect of RMB0.30 per share, in an aggregate RMB15,000,000, was approved and declared, and paid in January 2026. No other dividends were paid or declared during the Track Record Period.

(c) Paid-in/Share capital

(i) Paid-in capital

	Paid-in Capital RMB’000
Balance at January 1, 2023 and December 31, 2023	13,995
Capital contribution from shareholder (a)	594
Balance at December 31, 2024 and January 1, 2025	14,589
Conversion into a joint stock limited liability company (Note 28(c)(ii))	(14,589)
Balance at December 31, 2025 and January 1, 2026 and May 31, 2026	—

APPENDIX I

ACCOUNTANTS’ REPORT

- (a) On May 16, 2024, Mr. Lu Chaohong, the shareholder of the Company, completed the capital contribution of RMB594,000 in cash to the Company.

(ii) *Share capital*

	Numbers of ordinary shares ’000	Share Capital RMB’000
Balance at December 31, 2024 and January 1, 2025	–	–
Conversion into a joint stock limited liability company (a)	50,000	50,000
Balance at December 31, 2025 and January 1, 2026 and May 31, 2026	<u>50,000</u>	<u>50,000</u>

- (a) Pursuant to the shareholders resolutions and the promoters’ agreement dated December 26, 2025, the shareholders of the Company agreed to convert the Company into a joint stock company with limited liability. The net assets of the Company as of the conversion base date, including paid-in capital and reserves, were converted into 50 million ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the capital reserve. Upon the completion of registration with the Administration of Market Regulation of Hangzhou City on December 29, 2025, the Company was converted into a joint stock company with limited liability under PRC Company Law.

(d) **Nature and purpose of reserves**

(i) *Capital reserve*

The capital reserve comprises: (i) the differences between the net considerations received and the nominal amount of paid-in capital issued by the Company; (ii) the differences between the net assets received and the total amount of the par value of shares issued in relation to the conversion into a joint stock limited liability company; and (iii) the amounts in relation to the recognition/derecognition of the redemption liabilities as set out in Note 24.

(ii) *Share-based payment reserve*

The share-based payment reserve represents the portion of the grant date fair value of RSUs granted to the directors, supervisors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii).

(iii) *PRC statutory reserve*

According to the PRC Company Law, the Company’s PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders. Statutory reserve fund can be used to cover previous years’ losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. The statutory reserves in the consolidated statements of changes in equity represent the Company’s statutory reserves.

APPENDIX I

ACCOUNTANTS’ REPORT

(e) Capital management

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

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group’s business.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade receivables and contract asset. The Group’s exposure to credit risk arising from cash and cash equivalents, restricted bank deposits, bills receivable and financial assets at FVOCI is limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers having low credit risk.

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

Trade receivables and contract assets

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

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2023, 2024 and 2025, and May 31, 2026, 67.52%, 88.62% and 66.25%, and 58.97% of the total trade receivables and contract assets was due from the Group’s largest customer respectively, and 95.79%, 95.85% and 82.48%, and 89.88% of the total trade receivables and contract assets, respectively, was due from the Group’s five largest customers.

At December 31, 2023, 2024 and 2025, and May 31, 2026, the Group’s trade receivables and contract assets of RMB1,985,000, RMB12,048,000 and RMB12,048,000, and RMB12,048,000 respectively, were individually determined to be fully impaired due to the customers’ financial difficulties. For the provision matrix method, as the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on aging information is not further distinguished between the Group’s different customer bases.

APPENDIX I

ACCOUNTANTS’ REPORT

The following tables provides information about the Group’s exposure to credit risk and ECLs for trade receivables and contract assets by using a provision matrix:

As at December 31, 2023			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	0.59%	126,273	751
1 year to 2 years	99.23%	261	259
		<u>126,534</u>	<u>1,010</u>

As at December 31, 2024			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	0.64%	227,809	1,453
1 year to 2 years	94.42%	20	19
2 years to 3 years	100.00%	24	24
		<u>227,853</u>	<u>1,496</u>

As at December 31, 2025			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	0.40%	163,688	652
1 year to 2 years	91.02%	747	680
2 years to 3 years	100.00%	22	22
		<u>164,457</u>	<u>1,354</u>

As at May 31, 2026			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	0.53%	126,344	674
1 year to 2 years	90.77%	542	492
2 years to 3 years	100.00%	307	307
		<u>127,193</u>	<u>1,473</u>

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

APPENDIX I

ACCOUNTANTS’ REPORT

Movement in the loss allowance account in respect of trade receivables and contract assets during the Track Record Period is as follows:

	Years ended December 31,			Five months ended May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	270	2,995	13,544	13,402
Amounts written off	(24)	–	–	–
Expected credit losses provided/(reversed)	2,749	10,549	(142)	119
At the end of the year/period	2,995	13,544	13,402	13,521

(b) Liquidity risk

The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

As at December 31, 2023				
Contractual undiscounted cash outflow				
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	46,016	–	46,016	45,473
Trade and other payables	158,122	–	158,122	158,122
Lease liabilities	2,003	2,003	7,704	7,056
Redemption liabilities	58,722	–	58,722	58,722
	264,863	2,003	270,564	269,373

As at December 31, 2024				
Contractual undiscounted cash outflow				
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	38,803	–	38,803	38,053
Trade and other payables	227,808	–	227,808	227,808
Lease liabilities	2,003	2,003	5,701	5,335
Redemption liabilities	68,061	–	68,061	68,061
	336,675	2,003	340,373	339,257

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2025					
Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	20,389	–	–	20,389	20,015
Trade and other payables	165,362	–	–	165,362	165,362
Lease liabilities	2,230	1,823	426	4,479	4,277
Redemption liabilities	78,611	–	–	78,611	78,611
	<u>266,592</u>	<u>1,823</u>	<u>426</u>	<u>268,841</u>	<u>268,265</u>
As at May 31, 2026					
Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	25,124	–	–	25,124	25,051
Trade and other payables	169,018	–	–	169,018	169,018
Lease liabilities	2,227	948	277	3,452	3,320
	<u>196,369</u>	<u>948</u>	<u>277</u>	<u>197,594</u>	<u>197,389</u>

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group’s interest rate risk arises primarily from cash and cash equivalents, restricted bank deposits, bank loans and lease liabilities. The Group’s interest-bearing financial instruments at variable rates at the end of the reporting period are cash and cash equivalents and restricted bank deposits, and the change of market interest rate does not expose the Group to significant interest rate risk. Overall, the Group’s exposure to interest rate risk is not significant.

(d) **Fair value measurement**

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

Fair value hierarchy

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

	Fair value at December 31, 2023 RMB'000	Fair value measurements as at December 31, 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
Assets:				
FVPL – Listed equity securities	335	335	–	–
FVOCI – Bank acceptance notes receivable	2,800	–	2,800	–
	<u>3,135</u>	<u>335</u>	<u>2,800</u>	<u>–</u>
	Fair value at December 31, 2024 RMB'000	Fair value measurements as at December 31, 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
Assets:				
FVPL – Listed equity securities	269	269	–	–
FVOCI – Bank acceptance notes receivable	19	–	19	–
	<u>288</u>	<u>269</u>	<u>19</u>	<u>–</u>
	Fair value at December 31, 2025 RMB'000	Fair value measurements as at December 31, 2025 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
Assets:				
FVPL – Listed equity securities	397	397	–	–
FVOCI – Bank acceptance notes receivable	45,508	–	45,508	–
	<u>45,905</u>	<u>397</u>	<u>45,508</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Fair value at May 31, 2026 RMB'000	Fair value measurements as at May 31, 2026 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
Assets:				
FVPL – Listed equity securities	303	303	–	–
FVOCI – Bank acceptance notes receivable	31,520	–	31,520	–
	<u>31,823</u>	<u>303</u>	<u>31,520</u>	<u>–</u>

During each of the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

The fair value of listed equity securities is based on their latest available bid price in the market at the measurement date.

For bank acceptance notes receivable that are measured at FVOCI in Level 2, the fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group’s financial instruments carried at amortized cost were not materially different from their fair values as at December 31, 2023, 2024 and 2025, and May 31, 2026.

30. COMMITMENTS

Capital commitments of the Group outstanding at December 31, 2023, 2024 and 2025, and May 31, 2026 not provided for in the financial statements were as follows:

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for acquisition of property, plant and equipment, intangible assets and other long-term assets	–	–	9,500	7,650

31. MATERIAL RELATED PARTY TRANSACTIONS

(a) **Names and relationships of the related parties that had material transactions with the Group during the Track Record Period**

Name of party	Relationship with the Group
Mr. Li Wei	Ultimate controlling shareholder
Ms. Chen Xuexin	The spouse of Mr. Li Wei
Mr. Lu Chaohong	Directors, General manager
Ms. Chen Xi	Directors
Mr. Gong Jun	Directors

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Salaries and other emoluments	3,016	3,079	3,587	1,490	1,494
Discretionary bonuses	1,045	1,165	296	124	871
Retirement scheme contributions	120	129	215	90	144
Equity-settled share-based payments	385	493	753	279	204
	<u>4,566</u>	<u>4,866</u>	<u>4,851</u>	<u>1,983</u>	<u>2,713</u>

Total remuneration is included in “staff costs” (see Note 6(b)).

(c) Other transactions with related parties

	Years ended December 31,			As at May 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Guarantees issued by the ultimate controlling shareholder				
– Mr. Li Wei and Ms. Chen Xuexin				
(Note 22(ii))	50,000	50,000	50,000	–

(d) Balance with related parties

As at December 31, 2023 and 2024 and 2025, and May 31, 2026, the Group had the following balance with related parties:

	As at December 31,			As at May 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
None-trade in nature				
Other payables	<u>27</u>	<u>25</u>	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 18, Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IAS 21, Translation to a hyperinflationary presentation currency	January 1, 2027
IFRS 20 Regulatory Assets and Regulatory Liabilities	January 1, 2029
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information of the Group, except for the following.

IFRS 18, Presentation and disclosure in financial statements

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

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

The Group does not plan to early adopt IFRS 18 and based on the initial assessment result it concluded that adoption of IFRS 18 would not significantly affect the financial position and performance of the Group.

33. SUBSEQUENT EVENTS

There were no material subsequent events after 31 May, 2026 up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

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