

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

[To insert the firm’s letterhead]

SKG Health Technologies Co., Ltd.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SKG HEALTH TECHNOLOGIES CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of SKG Health Technologies Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024, 2025 and the five months ended 31 May 2026 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024, 2025 and 31 May 2026 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [●] to [●] 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 initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

Opinion

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

Review of interim comparative financial information

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

The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report,

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is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [3] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[●]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Five months ended 31 May	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5	1,045,822	1,044,792	1,217,540	424,908	645,683
Cost of sales		(532,086)	(534,393)	(614,795)	(209,646)	(334,721)
Gross profit		<u>513,736</u>	<u>510,399</u>	<u>602,745</u>	<u>215,262</u>	<u>310,962</u>
Other income and gains	5	49,265	51,720	57,786	23,708	28,281
Selling and marketing expenses		(215,957)	(225,614)	(288,237)	(105,330)	(152,583)
Administrative expenses		(112,695)	(101,507)	(142,770)	(48,729)	(68,379)
Research and development costs		(95,505)	(79,178)	(73,278)	(28,825)	(38,364)
Impairment losses on financial assets, net		(723)	(648)	(1,440)	(88)	(1,313)
Other expenses		(1,259)	(3,225)	(5,342)	(1,794)	(10,920)
Finance costs	7	<u>(913)</u>	<u>(2,293)</u>	<u>(2,840)</u>	<u>(1,310)</u>	<u>(1,939)</u>
PROFIT BEFORE TAX	6	135,949	149,654	146,624	52,894	65,745
Income tax expense	10	<u>(9,422)</u>	<u>(14,195)</u>	<u>(14,831)</u>	<u>(5,505)</u>	<u>(4,102)</u>
PROFIT FOR THE YEAR/PERIOD		<u>126,527</u>	<u>135,459</u>	<u>131,793</u>	<u>47,389</u>	<u>61,643</u>
Attributable to:						
Owners of the parent		126,527	135,459	131,793	47,389	61,643
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>126,527</u>	<u>135,459</u>	<u>131,793</u>	<u>47,389</u>	<u>61,643</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12					
Basic (RMB)		<u>0.35</u>	<u>0.38</u>	<u>0.37</u>	<u>0.13</u>	<u>0.17</u>
Diluted (RMB)		<u>0.35</u>	<u>0.38</u>	<u>0.37</u>	<u>0.13</u>	<u>0.17</u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
PROFIT FOR THE YEAR/PERIOD .	126,527	135,459	131,793	47,389	61,643
OTHER COMPREHENSIVE (LOSS)/INCOME					
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations, net	—	—	(165)	—	798
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	—	—	(165)	—	798
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX . .	—	—	(165)	—	798
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	126,527	135,459	131,628	47,389	62,441
Attributable to:					
Owners of the parent	126,527	135,459	131,628	47,389	62,441
Non-controlling interests	—	—	—	—	—
	126,527	135,459	131,628	47,389	62,441

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December			31 May
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . .	13	298,886	301,194	309,855	327,747
Investment properties		638	577	515	489
Right-of-use assets	14(a)	84,883	83,211	95,575	105,210
Intangible assets	15	25,396	27,204	35,424	33,108
Deferred tax assets	17	3,329	3,745	5,314	11,943
Prepayments, other receivables and other assets	18	12,946	4,591	6,827	6,341
Time deposits	22	–	142,452	146,092	–
Certificates of deposit	22	128,144	49,283	29,365	–
Restricted bank deposits	22	–	50,839	–	–
Total non-current assets		554,222	663,096	628,967	484,838
CURRENT ASSETS					
Inventories	19	70,104	60,941	87,484	97,709
Trade and bills receivables	20	45,001	43,390	86,997	106,529
Prepayments, other receivables and other assets	18	60,789	72,077	72,693	83,088
Financial assets at fair value through profit or loss	21	100,346	200,599	243,096	516,925
Time deposits	22	–	–	101,737	212,162
Certificates of deposit	22	–	132,391	21,358	51,319
Restricted bank deposits	22	76,661	40,803	123,937	35,661
Cash and cash equivalents	22	313,433	88,521	94,847	98,209
Total current assets		666,334	638,722	832,149	1,201,602
CURRENT LIABILITIES					
Trade and bills payables	23	278,595	253,203	360,407	479,552
Contract liabilities	24	8,980	22,817	18,756	13,511
Other payables and accruals . . .	25	174,026	135,144	138,405	125,830
Interest-bearing bank borrowings	26	12,663	70,042	180,061	220,061
Lease liabilities	14(b)	4,822	4,161	13,441	12,917
Tax payable		5,753	9,235	2,698	6,641
Provision	27	2,025	4,647	2,918	3,718
Total current liabilities		486,864	499,249	716,686	862,230
NET CURRENT ASSETS		179,470	139,473	115,463	339,372
TOTAL ASSETS LESS					
CURRENT LIABILITIES		733,692	802,569	744,430	824,210

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	<i>Notes</i>	31 December			31 May
		2023	2024	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		733,692	802,569	744,430	824,210
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	26	57,400	–	–	–
Lease liabilities	14(b)	985	1,229	5,397	17,076
Deferred income	28	727	640	1,187	1,145
Total non-current liabilities		59,112	1,869	6,584	18,221
Net assets		674,580	800,700	737,846	805,989
EQUITY					
Equity attributable to owners of the parent					
Share capital	29	360,000	360,000	360,000	360,000
Reserves	30	314,580	440,700	377,546	445,689
		674,580	800,700	737,546	805,689
Non-controlling interests		–	–	300	300
Total equity		674,580	800,700	737,846	805,989

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					Total equity
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000
At 1 January 2023 . . .	360,000	36,402	33,008	24,856	132,172	586,438
Profit for the year . . .	—	—	—	—	126,527	126,527
Total comprehensive income for the year	—	—	—	—	126,527	126,527
Share-based payment expenses (note 32)	—	—	(8,385)	—	—	(8,385)
Transfer from retained profits	—	—	—	11,330	(11,330)	—
Dividends declared . .	—	—	—	—	(30,000)	(30,000)
At 31 December 2023	<u>360,000</u>	<u>36,402*</u>	<u>24,623*</u>	<u>36,186*</u>	<u>217,369*</u>	<u>674,580</u>

Year ended 31 December 2024

	Attributable to owners of the parent					Total equity
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000
At 1 January 2024 . . .	360,000	36,402	24,623	36,186	217,369	674,580
Profit for the year . . .	—	—	—	—	135,459	135,459
Total comprehensive income for the year	—	—	—	—	135,459	135,459
Share-based payment expenses (note 32)	—	—	(9,491)	—	—	(9,491)
Transfer from retained profits	—	—	—	15,152	(15,152)	—
Donation from a shareholder (note 36)	—	152	—	—	—	152
At 31 December 2024	<u>360,000</u>	<u>36,554*</u>	<u>15,132*</u>	<u>51,338*</u>	<u>337,676*</u>	<u>800,700</u>

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Year ended 31 December 2025

	Attributable to owners of the parent								
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	<i>RMB'000</i> <i>(note 29)</i>	<i>RMB'000</i> <i>(note 30)</i>	<i>RMB'000</i> <i>(note 30)</i>	<i>RMB'000</i> <i>(note 30)</i>	<i>RMB'000</i> <i>(note 30)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	360,000	36,554	15,132	51,338	–	337,676	800,700	–	800,700
Profit for the year	–	–	–	–	–	131,793	131,793	–	131,793
Exchange differences on translation of foreign operations	–	–	–	–	(165)	–	(165)	–	(165)
Total comprehensive income for the year	–	–	–	–	(165)	131,793	131,628	–	131,628
Share-based payment expenses <i>(note 32)</i>	–	–	4,658	–	–	–	4,658	–	4,658
Appropriations to reserves	–	–	–	18,169	–	(18,169)	–	–	–
Changes in ownership interest without a loss of control	–	–	–	–	–	–	–	300	300
Dividends declared	–	–	–	–	–	(199,440)	(199,440)	–	(199,440)
At 31 December 2025	360,000	36,554*	19,790*	69,507*	(165)*	251,860*	737,546	300	737,846

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Five months ended 31 May 2026

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026.	360,000	36,554	19,790	69,507	(165)	251,860	737,546	300	737,846
Profit for the period.	–	–	–	–	–	61,643	61,643	–	61,643
Exchange differences on translation of foreign operations	–	–	–	–	798	–	798	–	798
Total comprehensive income for the period	–	–	–	–	798	61,643	62,441	–	62,441
Share-based payment expenses (note 32)	–	–	5,702	–	–	–	5,702	–	5,702
At 31 May 2026.	<u>360,000</u>	<u>36,554*</u>	<u>25,492*</u>	<u>69,507*</u>	<u>633*</u>	<u>313,503*</u>	<u>805,689</u>	<u>300</u>	<u>805,989</u>

* These reserve accounts comprise the consolidated reserves of RMB314,580,000, RMB440,700,000, RMB377,546,000 and RMB445,689,000 in the consolidated statements of financial position as at 31 December 2023, 2024, 2025 and 31 May 2026, respectively.

Five months ended 31 May 2025 (Unaudited)

	Attributable to owners of the parent						Total equity
	Share capital	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000
At 1 January 2025.	360,000	36,554	15,132	51,338	–	337,676	800,700
Profit for the period.	–	–	–	–	–	47,389	47,389
Total comprehensive income for the period	–	–	–	–	–	47,389	47,389
Share-based payment expenses (note 32)	–	–	2,423	–	–	–	2,423
At 31 May 2025 (Unaudited)	<u>360,000</u>	<u>36,554</u>	<u>17,555</u>	<u>51,338</u>	<u>–</u>	<u>385,065</u>	<u>850,512</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
	Notes	2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		135,949	149,654	146,624	52,894	65,745
Adjustments for:						
Finance costs	7	913	2,293	2,840	1,310	1,939
Interest income		(9,356)	(12,037)	(11,441)	(4,366)	(4,617)
Fair value (gains)/losses from financial assets at fair value through profit or loss, net . . .		(346)	(253)	(488)	(458)	4,673
Investment (income)/losses from financial assets at fair value through profit or loss		(2,069)	(2,183)	(4,130)	(1,712)	114
Loss on disposal of items of property, plant and equipment .		157	119	394	–	37
Loss on disposal of intangible assets	6	6	–	50	–	–
Gains on early termination of right-of-use assets	6	(810)	(54)	–	–	(2)
Depreciation of property, plant and equipment	6	28,728	31,282	31,743	7,871	13,039
Depreciation of investment properties		62	61	62	26	26
Depreciation of right-of-use assets	6	10,585	8,723	14,358	3,313	8,632
Amortisation of intangible assets	6	3,702	4,211	6,048	3,088	2,602
Amortisation of deferred government grants	6	(43)	(87)	(114)	(39)	(42)
Impairment/(reversal of impairment) of trade and bills receivables, net	6	26	115	1,497	(482)	1,179
Impairment/(reversal of impairment) of other receivables, net	6	697	533	(57)	570	134
Write-down of inventories to net realisable value	6	6,192	5,946	3,878	3,484	4,258
Impairment of an investment in an associate	6	1,059	–	–	–	–
Share-based payment expenses . .	32	(8,385)	(9,491)	4,547	2,423	5,707
		167,067	178,832	195,811	67,922	103,424

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<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Decrease/(increase) in inventories . . .	10,464	3,218	(21,696)	(44,487)	(14,483)
Decrease/(increase) in restricted bank deposits	6,589	(17,869)	(31,789)	(108,442)	88,125
(Increase)/decrease in trade and bills receivables	(6,743)	1,040	(38,059)	6,845	(20,711)
Increase in prepayments, other receivables and other assets	(12,069)	(8,641)	(168)	(31,867)	(8,859)
(Decrease)/increase in contract liabilities	(3,680)	13,838	(8,776)	3,964	(5,245)
Increase/(decrease) in trade and bills payables	37,004	(20,392)	90,671	115,841	110,585
Increase/(decrease) in other payables and accruals	38,552	(8,801)	(512)	(14,467)	(1,380)
Increase in deferred income	770	–	661	661	–
Cash generated from operations . . .	237,954	141,225	186,143	(4,030)	251,456
Interest received	3,957	3,513	3,595	1,527	1,161
Income tax paid	(6,408)	(14,836)	(17,918)	(21,968)	(6,877)
Net cash flows from/(used in) operating activities	235,503	129,902	171,820	(24,471)	245,740

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	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash flows from/(used in)					
operating activities	235,503	129,902	171,820	(24,471)	245,740
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	581	12,391	12,391	2,400
Additions of financial assets at fair value through profit or loss	(314,000)	(560,000)	(2,159,670)	(776,000)	(935,040)
Additions of time deposits	–	(246,574)	(132,201)	(132,201)	(64,234)
Additions to certificates of deposit .	(40,000)	(48,882)	–	–	–
Purchases of items of property, plant and equipment	(182,804)	(53,674)	(50,585)	(14,944)	(30,349)
Additions of intangible assets	(5,423)	(6,804)	(3,583)	(1,435)	(344)
Refund of bid deposit for assets purchase	–	(255)	(8,511)	(718)	(1,460)
Receipt of bid deposit for assets purchase	–	340	9,669	1,359	400
Proceeds from disposal of items of property, plant and equipment . .	–	2,373	89	–	79
Proceeds from disposal of intangible assets	544	424	–	–	–
Proceeds from maturity of financial assets at fair value through profit or loss	257,120	462,182	2,121,791	651,712	656,424
Proceeds from maturity of time deposits	–	107,414	32,839	–	100,000
Proceeds from maturity of certificates of deposit	–	–	120,391	119,982	–
Increase in restricted bank deposit .	(1,351)	(591)	(2,090)	(420)	(387)
Decrease in restricted bank deposit	27,730	3,479	1,882	208	538
Acquisition of subsidiaries 31	–	–	(837)	–	–
Net cash flows used in investing activities	(258,184)	(339,987)	(58,425)	(140,066)	(271,973)

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Notes	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM					
FINANCING ACTIVITIES					
New bank borrowings	–	164,500	280,000	145,000	120,000
Repayment of bank borrowings . . .	–	(164,500)	(170,000)	–	(80,000)
Interest paid	(2,952)	(2,477)	(2,955)	(1,352)	(1,939)
Principal portion of lease payments	(10,278)	(7,414)	(13,538)	(2,851)	(7,384)
Payments of A-share IPO listing expenses	–	(5,052)	–	–	–
Payments of [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payments of lease deposits	–	(782)	–	–	(360)
Refunds of lease deposits	5	439	267	–	265
Dividends paid	(30,000)	–	(199,440)	–	–
Disposal ownership interest of a subsidiary without a loss of control	–	–	–	–	300
Net cash flows (used in)/from financing activities	(43,225)	(15,286)	(106,874)	140,797	30,065
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year/period	378,103	313,433	88,521	88,521	94,847
Effect of foreign exchange rate changes, net	1,236	459	(195)	116	(470)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD . . .	313,433	88,521	94,847	64,897	98,209
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances 22	313,433	58,657	38,888	47,894	98,209
Non-pledged time deposits with original maturity of less than three months when acquired . . . 22	–	29,864	55,959	17,003	–
Cash and cash equivalents as stated in the statement of financial position and cash flows	313,433	88,521	94,847	64,897	98,209

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		31 December			31 May
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . .	13	19,975	20,551	18,603	17,516
Investment properties		638	577	515	489
Right-of-use assets	14(a)	4,702	3,345	5,322	13,364
Intangible assets	15	22,407	24,603	22,079	20,510
Investments in subsidiaries	16	12,009	16,334	21,446	21,802
Deferred tax assets	17	1,190	982	1,527	3,016
Prepayments, other receivables and other assets	18	4,745	749	2,073	2,127
Time deposits	22	–	142,452	146,092	–
Certificates of deposit	22	128,144	49,283	29,365	–
Restricted bank deposits	22	–	50,839	–	–
Total non-current assets		193,810	309,715	247,022	78,824
CURRENT ASSETS					
Inventories	19	–	54,027	63,732	65,633
Trade and bills receivables	20	80,823	104,546	164,935	166,680
Prepayments, other receivables and other assets	18	306,475	410,117	380,768	487,957
Financial assets at fair value through profit or loss	21	100,346	200,599	243,096	516,925
Time deposits	22	–	–	101,737	187,770
Certificates of deposit	22	–	132,391	21,358	51,319
Restricted bank deposits	22	75,457	40,697	123,597	35,557
Cash and cash equivalents	22	290,538	62,579	46,750	47,905
Total current assets		853,639	1,004,956	1,145,973	1,559,746
CURRENT LIABILITIES					
Trade and bills payables	23	246,863	226,594	287,795	470,160
Contract liabilities	24	38,604	38,879	22,898	15,785
Other payables and accruals	25	113,810	188,634	156,972	178,486
Interest-bearing bank borrowings	26	–	65,042	150,061	100,061
Lease liabilities	14(b)	4,395	3,011	4,121	3,559
Tax payable		2,467	8,683	–	6,322
Provision	27	–	872	704	850
Total current liabilities		406,139	531,715	622,551	775,223

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	<i>Notes</i>	31 December			31 May
		2023	2024	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS		447,500	473,241	523,422	784,523
TOTAL ASSETS LESS CURRENT LIABILITIES		641,310	782,956	770,444	863,347
NON-CURRENT LIABILITIES					
Lease liabilities	14(b)	984	533	1,221	10,053
Deferred income	28	727	640	554	518
Total non-current liabilities		1,711	1,173	1,775	10,571
Net assets		639,599	781,783	768,669	852,776
EQUITY					
Share capital	29	360,000	360,000	360,000	360,000
Reserves	30	279,599	421,783	408,669	492,776
Total equity		639,599	781,783	768,669	852,776

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company established in the People’s Republic of China (the “PRC”) on 1 November 2007, which was converted into a joint stock company in July 2021. The Company’s shares were delisted from the National Equities Exchange and Quotations System on 19 November 2025. The registered office address of the Company is 23AF, Building 3, China Academy of Science & Technology Development Zone, 9 Gaoxin South 3rd Road, Nanshan District, Shenzhen, Guangdong, the PRC.

In the opinion of the directors, LIU Jie, Ms Xu Siying, Shenzhen Little Swan Ballet Enterprise Management Partnership (Limited Partnership) and Future Life Investment Group Limited are considered as the controlling shareholders of the Company as of the end of the Relevant Periods.

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) were involved in the research and development (the “R&D”), design, manufacture, marketing and sale of health and wellness products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Future Sunflower Robot (Guangdong) Co., Ltd. (“未來向日葵機器人(廣東)有限公司”)*#	(a)	5 December 2019 PRC/Chinese mainland	RMB10,000,000	100%	–	Manufacture and sale of health and wellness products
Future Wear (Hainan) Technology Co., Ltd. (“未來穿戴(海南)技術有限公司”)*	(b)	14 October 2021 PRC/Chinese mainland	RMB1,000,000	100%	–	Sale of health and wellness products
Future Wearable Technology (Foshan) Co., Ltd. (“未來穿戴技術(佛山)有限公司”)*	(c)	9 August 2024 PRC/Chinese mainland	RMB5,000,000	100%	–	Manufacture and sale of health and wellness products
Wave E-commerce Co., Ltd.	(c)	14 July 2017 United States of America (the “USA”)	U.S. dollars (the “USD”) 1,000,000	100%	–	Sale of health and wellness products

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

Future Sunflower Robot (Guangdong) Co., Ltd. was formerly known as Guangdong Shiqi Manufacture Co., Ltd. (廣東詩奇製造有限公司).

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Notes:

- (a) The statutory financial statements of the entity for the years ended 31 December 2023 and 2024, prepared in accordance with Accounting Standards for Business Enterprises as issued by the Ministry of Finance (the “PRC GAAP”), were audited by Foshan Fengqin Certified Public Accountants, certified public accountants registered in the PRC.
- (b) The statutory financial statements of the entity for the year ended 31 December 2024, prepared in accordance with PRC GAAP were audited by Foshan Fengqin Certified Public Accountants, certified public accountants registered in the PRC.
- (c) As at the date of this report, no audited financial statements have been prepared for the entities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2026, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information and the Interim Comparative Financial Information.

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

Basis of consolidation

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

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements¹</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency¹</i>
IFRS 20	<i>Regulatory Assets and Regulatory Liabilities²</i>
Amendments to IAS 28	<i>Fair value option for investments in Associates and Join Ventures⁴</i>

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

² Effective for annual/reporting periods beginning on or after 1 January 2029

³ No mandatory effective date yet determined but available for adoption

⁴ Applied consistently with IFRS 18

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

2.3 MATERIAL ACCOUNTING POLICIES INFORMATION

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;

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

Property, plant and equipment and depreciation

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

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

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

Buildings	1.90% to 4.75%
Machine equipment and tooling	9.50% to 19.00%
Transportation equipment	23.75%
Other equipment	19.00% to 31.67%
Renovation assets	33.30%

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

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

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

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Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis, with depreciation periods consistent with the useful lives of the buildings and land.

Intangible assets (other than goodwill)

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

Intangible assets with definite useful lives are amortised on the straight-line basis over the following useful economic lives:

Software	Shorter of remaining service terms and estimated useful lives
Trademark	9.5 years
Customer relationship	6.5 years

Research and development costs

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

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

Leases

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

Group as a lessee

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

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(a) Right-of-use assets

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

Properties	2 to 5 years
Leasehold land	50 years

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

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Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

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

Subsequent measurement

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

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

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

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

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Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short-term deposits as defined above.

Provisions

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

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

The Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

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Income tax

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

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

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

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

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

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

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

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

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

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

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Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery and acceptance of the products as agreed in the sales contracts.

(i) Distribution model

A significant part of the Group’s products is sold under distribution model to distributors, who have discretion over both price and distribution methods for products to be sold in their designated geographical areas. Revenue is recognised at the point in time when the products are delivered and accepted by the distributors in accordance with the sales contract.

(ii) Direct sales model

The Group sells its products directly to end customers via e-commerce platforms or offline outlets. Revenue is recognised at the point in time when the goods are delivered and accepted by the end customers. The Group estimates the time of acceptance by the end customers based on the actual delivery time, the historical experience on transportation time required, and the time when online payment is completed.

During the Relevant Periods, the Group generated a small portion of revenue from the sales of ODM products and consignment sales. According to the cooperation agreement with ODM customers, the Group is responsible for the production and delivery of the ODM products to ODM customers. Revenue is recognised at a point in time when the products are delivered and accepted by the ODM customers. Consignment sales involve delivering products to consignees who act as the sales agents and revenue is recognised when the products are sold and accepted by the ultimate customers.

Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

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(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers under certain conditions as agreed in the sales contract. Rebates are settled by offsetting against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) *Product refurbishment services*

Revenue from product refurbishment services is recognised at the point in time when the services are rendered and accepted by the customers.

Revenue from other sources

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

Other income

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

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Group operates a share option scheme and a restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of restricted shares refers to the fair value of the underlying ordinary shares and the fair value of share options is determined using the Black-Scholes model and Binomial Lattice model. Further details are included in note 32 to the Historical Financial Information.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

For overseas subsidiaries, the Group pays fixed contributions into a local separate fund, which is responsible for paying pensions and other post-retirement benefits to the retired employees. The amounts based on the defined contribution plans are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period.

Termination benefits

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

Borrowing costs

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

Events after the reporting period

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

Dividends

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

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Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

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Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return and volume rebates.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group’s expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer’s historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group’s past experience regarding returns and rebate entitlements may not be representative of customers’ actual returns and rebate entitlements in the future.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bill receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

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

Leases – Estimating the incremental borrowing rate (“IBR”)

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

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

Write-down of inventories to net realisable value

Net realisable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. The carrying amount of inventories is given in note 19 to the Historical Financial Information.

Estimation of fair value of share-based award

The equity-settled share-based award were estimated based on fair value of the awards as at the date of grant using valuation model depending on the terms and conditions of the grant. This requires the Group to determine the most appropriate inputs to the valuation model and make assumptions about them. Further details are included in note 32 to the Historical Financial Information.

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4. OPERATING SEGMENT INFORMATION

The Group manages its business as a whole for the purpose of making decisions on resource allocation and performance assessment, therefore, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Chinese mainland	966,561	980,782	1,071,449	390,150	561,913
Other countries/regions . . .	79,261	64,010	146,091	34,758	83,770
Total	1,045,822	1,044,792	1,217,540	424,908	645,683

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

(b) Non-current assets

	As at 31 December			As at 31 May	
	2023	2024	2025	2026	
	RMB'000	RMB'000	RMB'000	RMB'000	
Chinese mainland	421,011	415,682	420,096	444,274	
Other countries/regions	—	—	24,239	26,151	
Total	421,011	415,682	444,335	470,425	

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Group’s revenue during the Relevant Periods and the five months ended 31 May 2025 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	171,546	146,426	135,150	53,125	*
Customer B	132,345	*	*	*	*
Customer C	*	129,994	*	*	*

* The corresponding revenue of the customers is not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue during the Relevant Periods and the five months ended 31 May 2025.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from contracts with customers	1,045,822	1,044,792	1,217,540	424,908	645,683
Total	<u>1,045,822</u>	<u>1,044,792</u>	<u>1,217,540</u>	<u>424,908</u>	<u>645,683</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Types of goods or services					
Sale of products	1,040,354	1,038,888	1,206,897	421,465	639,619
Others *	5,468	5,904	10,643	3,443	6,064
	<u>1,045,822</u>	<u>1,044,792</u>	<u>1,217,540</u>	<u>424,908</u>	<u>645,683</u>
Timing of revenue recognition					
Goods transferred at a point in time	1,041,578	1,041,167	1,212,570	423,740	643,720
Service transferred at a point in time	4,244	3,625	4,970	1,168	1,963
Total	<u>1,045,822</u>	<u>1,044,792</u>	<u>1,217,540</u>	<u>424,908</u>	<u>645,683</u>

* The amounts disclosed for revenue from product refurbishment services and sales of accessories and materials.

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:					
Sale of products	12,659	8,980	22,817	22,817	18,756
Total	<u>12,659</u>	<u>8,980</u>	<u>22,817</u>	<u>22,817</u>	<u>18,756</u>

(b) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery and acceptance of the products. Payment is generally due within 60 days from delivery for distribution model, where payment is normally settled through on-line payment platforms for direct sales model.

Rendering of services

The performance obligation for product refurbishment services is satisfied when the services are completed and accepted by the customers. Payment is generally due within 60 days from service completion.

As the contracts with customers are performed in a short period of time, which is generally less than one year, the Group has elected the practical expedient not to disclose the transaction price allocated to the remaining performance obligations.

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Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Other income					
Government grants . .	6,856	5,462	2,274	896	1,221
Value added tax refund	27,303	27,400	30,305	12,697	19,085
Bank interest income	9,356	12,037	11,441	4,366	4,617
Investment income from financial assets at fair value through profit or loss	2,069	2,183	4,130	1,712	–
Rental income	51	2,619	5,964	2,418	2,456
Compensation income	1,217	15	1,794	577	214
Others	–	613	859	392	424
Total other income . .	46,852	50,329	56,767	23,058	28,017
Gains					
Foreign exchange gains	1,062	700	–	189	–
Fair value gains on financial assets at fair value through profit or loss	346	253	488	458	–
Gains on early termination of right-of-use assets .	810	54	–	–	2
Others	195	384	531	3	262
Total gains	2,413	1,391	1,019	650	264
Total other income and gains	49,265	51,720	57,786	23,708	28,281

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6. PROFIT BEFORE TAX

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

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2023	2024	2025	2025	2026
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (Unaudited)	<i>RMB’000</i>
Cost of inventories sold* . .		529,915	531,368	611,627	208,715	333,414
Cost of services provided . .		2,171	3,025	3,168	931	1,307
Depreciation of property, plant and equipment** . . .	13	28,728	31,282	31,743	7,871	13,039
Depreciation of investment properties**		62	61	62	26	26
Depreciation of right-of-use assets**		10,585	8,723	14,358	3,313	8,632
Amortisation of intangible assets**	15	3,702	4,211	6,048	3,088	2,602
Amortisation of deferred government grants	28	(43)	(87)	(114)	(39)	(42)
Research and development costs		95,505	79,178	73,278	28,825	38,364
Lease payments not included in the measurement of lease liabilities	14	–	36	–	–	–
Direct operating expenses arising from rental-earning investment properties and property, plant and equipment, including depreciation		62	1,583	2,070	869	844
Auditor’s remuneration		400	300	200	6	168
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expenses (excluding directors’ and supervisors’ remuneration (note 8)):						
Salaries, allowances and benefits in kind		185,984	167,875	184,423	68,480	101,228
Pension scheme contributions		19,376	20,105	16,272	6,045	8,339
Share-based payment expenses		(1,741)	4,461	5,532	2,070	5,108
Total		203,619	192,441	206,227	76,595	114,675

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	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2023	2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Foreign exchange differences, net		(1,062)	(700)	1,010	(189)	4,351
Impairment of an investment in an associate***		1,059	–	–	–	–
Impairment losses on financial assets, net:						
Impairment/(reversal of impairment) of trade and bills receivables, net . .	20	26	115	1,497	(482)	1,179
Impairment/(reversal of impairment) of other receivables, net	18	697	533	(57)	570	134
Write-down of inventories to net realisable value*		6,192	5,946	3,878	3,484	4,258
Product warranty provision*		635	4,351	2,287	121	1,455
Fair value (gains)/losses on financial assets at fair value through profit or loss	5	(346)	(253)	(488)	(458)	4,673
Investment (income)/losses from financial assets at fair value through profit or loss	5	(2,069)	(2,183)	(4,130)	(1,712)	114
Loss on disposal of items of property, plant and equipment, net****		157	119	394	–	37
Loss on disposal of items of intangible assets***** . . .		6	–	50	–	–
Gains on early termination of right-of-use assets, net*****		(810)	(54)	–	–	(2)

* The amounts disclosed for cost of inventories sold include the write-down of inventories to net realisable value and product warranty provision.

** The depreciation of property, plant and equipment, investment properties and right-of-use assets, amortisation of intangible assets are included in “Cost of sales”, “Selling and distribution expenses”, “Administrative expenses”, “Research and development costs” and “Other expenses” in profit or loss.

*** It represented a full impairment provided for the investment in an associate, Future Meiye (Shenzhen) Technology Limited (the “Future Meiye”), as at 31 December 2023 and the associate was deregistered on 12 August 2024. The impairment was included in “Other expenses” in profit or loss.

**** The amounts are included in “Other income and gains” and “Other expenses” in profit or loss.

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Interest on bank loans	1,929	2,237	2,317	1,189	1,545
Interest on lease liabilities	913	219	523	121	394
Total interest expense on financial liabilities not at fair value through profit or loss	2,842	2,456	2,840	1,310	1,939
Less: Interest capitalised	(1,929)	(163)	–	–	–
Total	913	2,293	2,840	1,310	1,939

8. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration of each director, supervisor and chief executive as recorded during the Relevant Periods and the five months ended 31 May 2025, is set out below:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Fees.	240	160	160	66	66
Other emoluments:					
Salaries, allowances and benefits in kind.	11,855	8,068	6,623	3,134	1,655
Performance related bonus	5,807	5,754	3,693	3,485	2,124
Pension scheme contributions	548	379	321	142	102
Share-based payment expenses.	(6,644)	(13,952)	(985)	353	599
Subtotal	11,566	249	9,652	7,114	4,480
Total	11,806	409	9,812	7,180	4,546

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(a) Independent non-executive directors

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

	Note	Year ended 31 December			Five months ended 31 May	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Mr. YU Peiyong	(i)	80	80	80	33	34
Mr. ZHANG Yong	(ii)	80	80	75	33	–
Mr. HU Yougen	(iii)	80	–	–	–	–
Ms. YANG Min	(iv)	–	–	5	–	32
Total		240	160	160	66	66

Notes:

- (i) Mr. YU Peiyong was appointed as an independent non-executive director of the Company with effect from 26 July 2021 and was reappointed on 19 September 2024.
- (ii) Mr. ZHANG Yong was appointed as an independent non-executive director of the Company with effect from 26 July 2021 and resigned on 3 December 2025.
- (iii) Mr. HU Yougen was appointed as an independent non-executive director of the Company with effect from 26 July 2021 and resigned on 1 January 2024.
- (iv) Ms. Yang Min was appointed as an independent non-executive director of the Company with effect from 5 December 2025.

Mr. Sit Tsing Yui Robert was appointed as an independent non-executive director of the Company on 5 December 2025 with effect from the [REDACTED].

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(b) Directors, supervisors and the chief executive

Year ended 31 December 2023

	Notes	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Ms. KONG Zhen	(i)	1,989	1,400	91	–	3,480
Mr. WU Wenxin. . . .	(ii)	3,497	–	92	(4,418)	(829)
Mr. LU Shuping. . . .	(iii)	1,497	855	92	(2,267)	177
Subtotal		6,983	2,255	275	(6,685)	2,828
Supervisors:						
Mr. KUANG Yuxi. . . .	(iv)	461	219	48	10	738
Mr. XIANG Dongdong .	(v)	423	269	92	12	796
Mr. KANG Xiaohui . . .	(vi)	500	264	42	19	825
Subtotal		1,384	752	182	41	2,359
Chief executive:						
Mr. LIU Jie		3,488	2,800	91	–	6,379
Total		11,855	5,807	548	(6,644)	11,566

Year ended 31 December 2024

	Notes	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Ms. KONG Zhen	(i)	2,008	1,593	76	–	3,677
Mr. WU Wenxin. . . .	(ii)	299	–	12	(14,405)	(14,094)
Mr. LU Shuping. . . .	(iii)	1,502	930	85	199	2,716
Subtotal		3,809	2,523	173	(14,206)	(7,701)
Supervisors:						
Mr. KUANG Yuxi. . . .	(iv)	474	290	39	80	883
Mr. XIANG Dongdong .	(v)	489	291	54	85	919
Mr. KANG Xiaohui . . .	(vi)	505	278	37	89	909
Subtotal		1,468	859	130	254	2,711
Chief executive:						
Mr. LIU Jie		2,791	2,372	76	–	5,239
Total		8,068	5,754	379	(13,952)	249

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Year ended 31 December 2025

	Notes	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Ms. KONG Zhen	(i)	1,503	1,125	60	–	2,688
Mr. LU Shuping. . . .	(iii)	1,183	–	69	(1,696)	(444)
Mr. HAO Qiankun . . .	(vii)	212	36	20	421	689
Subtotal.		2,898	1,161	149	(1,275)	2,933
Non-executive director:						
Ms. SHENG Jiao	(viii)	90	39	13	36	178
Supervisors:						
Mr. KUANG Yuxi. . . .	(iv)	384	239	25	77	725
Mr. XIANG Dongdong .	(v)	402	270	29	83	784
Mr. KANG Xiaohui . . .	(vi)	383	259	25	94	761
Subtotal.		1,169	768	79	254	2,270
Chief executive:						
Mr. LIU Jie		2,466	1,725	80	–	4,271
Total		6,623	3,693	321	(985)	9,652

Five months ended 31 May 2026

	Notes	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. HAO Qiankun . . .	(vii)	551	602	34	524	1,711
Non-executive director:						
Ms. SHENG Jiao	(viii)	225	114	34	75	448
Chief executive:						
Mr. LIU Jie		879	1,408	34	–	2,321
Total		1,655	2,124	102	599	4,480

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Five months ended 31 May 2025 (Unaudited)

	Notes	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Share-based payment expenses	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Ms. KONG Zhen	(i)	833	986	33	–	1,852
Mr. LU Shuping. . . .	(iii)	626	740	34	212	1,612
Subtotal.		1,459	1,726	67	212	3,464
Supervisors:						
Mr. KUANG Yuxi. . . .	(iv)	208	156	14	43	421
Mr. XIANG Dongdong .	(v)	219	209	14	46	488
Mr. KANG Xiaohui . . .	(vi)	213	161	14	52	440
Subtotal.		640	526	42	141	1,349
Chief executive:						
Mr. LIU Jie		1,035	1,233	33	–	2,301
Total		3,134	3,485	142	353	7,114

There was no arrangement under which directors or supervisors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the five months ended 31 May 2025.

During the Relevant Periods and the five months ended 31 May 2025, certain directors were granted share options and restricted shares, in respect of their services to the Group, further details of which are set out in note 32 to the Historical Financial Information. The fair values of such awards, which have been recognised in profit or loss over the vesting periods, were determined as at the dates of grant and the amounts included in the Historical Financial Information for each of the Relevant Periods and the five months ended 31 May 2025 are included in the above directors’, supervisors’ and chief executive’s remuneration disclosures.

Notes:

- (i) Ms. KONG Zhen was appointed as an executive director of the Company with effect from 26 July 2021 to 30 September 2025.
- (ii) Mr. WU Wenxin was appointed as an executive director of the Company with effect from 26 July 2021 and resigned on 24 January 2024.
- (iii) Mr. LU Shuping was appointed as an executive director of the Company with effect from 26 July 2021 and resigned on 20 November 2025.
- (iv) Mr. KUANG Yuxi was appointed as a supervisor of the Company with effect from 26 July 2021 to 30 September 2025.
- (v) Mr. XIANG Dongdong was appointed as a supervisor of the Company with effect from 26 July 2021 to 30 September 2025.
- (vi) Mr. KANG Xiaohui was appointed as a supervisor of the Company with effect from 26 July 2021 to 30 September 2025.
- (vii) Mr. HAO Qiankun was appointed as an executive director of the Company with effect from 30 September 2025.

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(viii) Ms. SHENG Jiao was appointed as a non-executive director of the Company with effect from 4 November 2025.

The Company had dissolved the supervisory committee from 30 September 2025.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024, 2025 and the five months ended 31 May 2025 and 2026 included 3, 3, 3, 3 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 2, 2, 2, 2 and 3 highest paid employees who were neither a director nor a supervisor nor chief executive of the Group years ended 31 December 2023, 2024, 2025 and the five months ended 31 May 2025 and 2026 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits					
in kind	2,384	3,400	3,266	1,467	1,956
Performance related bonus.	1,320	2,319	2,005	1,568	2,787
Pension scheme contributions.	166	153	113	66	83
Share-based payment expenses	(71)	3,052	2,812	1,389	1,728
Total	3,799	8,924	8,196	4,490	6,554

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

	Number of employees				
	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
				(Unaudited)	
Nil to HK\$1,000,000	–	–	–	–	1
HK\$1,000,001 to HK\$1,500,000	1	–	–	1	–
HK\$1,500,001 to HK\$2,000,000	–	–	1	–	–
HK\$2,000,001 to HK\$2,500,000	–	1	–	–	1
HK\$2,500,001 to HK\$3,000,000	1	–	–	–	–
HK\$3,000,001 to HK\$4,000,000	–	–	–	1	–
HK\$4,000,001 to HK\$4,500,000	–	–	–	–	1
HK\$4,500,001 to HK\$7,000,000	–	–	–	–	–
HK\$7,000,001 to HK\$7,500,000	–	1	1	–	–
Total	2	2	2	2	3

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10. INCOME TAX

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

Hong Kong

During the Relevant Periods and the five months ended 31 May 2025, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group, **OTO Bodycare (H.K.) Limited**, which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Chinese mainland

The provision for corporate income tax in the Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in the Chinese mainland which are granted tax concessions and are taxed at preferential tax rates.

The Company was qualified as a High and New Technology Enterprise and enjoyed a preferential income tax rate of 15% during the Relevant Periods and the five months ended 31 May 2025.

Pursuant to Caishui [2022] No. 13 “Announcement on Further Implementing the Income Tax Preferential Policies for Small Meagre-profit Enterprises” (關於進一步實施小微企業所得稅優惠政策的公告) and Caishui [2023] No. 12 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses” (關於小微企業和個體工商戶所得稅優惠政策的公告), **Shenzhen Future Health Co., Ltd.** and **Future Wearable Technology (Foshan) Co., Ltd.** were qualified as small and micro-profit enterprises since 2022 and 2023, respectively. They were entitled to a preferential corporate income tax rate of 5% on taxable income up to RMB1,000,000, and 10% on the portion exceeding RMB1,000,000 but not exceeding RMB3,000,000 during the Relevant Periods and the five months ended 31 May 2025.

Pursuant to Caishui [2020] No. 31 “Announcement on the Income Tax Preferential Policies for Corporates of Hainan Free Trade Port” (關於海南自由貿易港企業所得稅優惠政策的通知) and Caishui [2025] No. 3 “Announcement on Continuing the Implementing of the Income Tax Preferential Policies for Corporates of Hainan Free Trade Port” (關於延續實施海南自由貿易港企業所得稅優惠政策的通知), **Future Wear (Hainan) Technology Co., Ltd.** was qualified as a Hainan-registered eligible company in certain industries and enjoyed a preferential income tax rate of 15% from 1 January 2022 to 31 December 2027.

During the Relevant Periods and the five months ended 31 May 2025, certain subsidiaries of the Group were qualified as small and low-profit enterprises in the Chinese mainland and enjoyed a 75% reduction on taxable income between RMB1,000,000 and RMB3,000,000, and their total taxable income was taxed at a preferential tax rate of 20%.

Other overseas regions

OTO International (Macau) Company Limited is incorporated in Macau. During the Relevant Periods and the five months ended 31 May 2025, the applicable corporate income tax rate was 12% on taxable income.

Wave E-commerce Co., Ltd., incorporated in the State of California of the United States, is subject to corporate income tax in the State of California of the United States. During the Relevant Periods and the five months ended 31 May 2025, the applicable corporate income tax rate was 8.84% on taxable income.

OTO Wellness Pte. Ltd., incorporated in Singapore, was subject to corporate income tax in Singapore. During the Relevant Periods and the five months ended 31 May 2025, the provision for corporate income tax in Singapore was based on the statutory rate of 17% of the taxable profits.

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The income tax expense of the Group for the Relevant Periods and the five months ended 31 May 2025 is analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	10,275	14,611	16,289	7,386	10,736
Deferred income tax (note 17) . . .	(853)	(416)	(1,458)	(1,881)	(6,634)
Total	9,422	14,195	14,831	5,505	4,102

A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	135,949	149,654	146,624	52,894	65,745
Tax at the preferential tax rate of 25%	33,987	37,414	36,656	13,224	16,436
Adjustments in respect of current tax of previous periods	–	(493)	–	–	–
Entities entitled to lower statutory income tax rate	(11,418)	(12,897)	(14,395)	(4,419)	(5,652)
Temporary differences and tax losses not recognised	1,560	1,438	1,640	410	873
Tax losses utilised from previous periods	(18)	–	(322)	(80)	(442)
Additional deductible research and development expenses	(13,525)	(10,418)	(9,380)	(4,003)	(4,375)
Tax concession	(23)	–	–	–	–
Effect on opening deferred tax of increase in rates	–	–	(125)	–	–
Tax losses recognised from previous periods	–	–	–	–	(3,275)
Expenses or income not subject to tax*	(1,141)	(849)	757	373	537
Tax charge at the Group’s effective tax rate	9,422	14,195	14,831	5,505	4,102

According to the Corporate Income Tax Law, the Company and its subsidiaries are entitled to an additional deduction for qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2022 to 31 December 2027.

* The reduction of income tax expenses in 2023 and 2024 was due to the reversal of share-based payment expenses as a result of the forfeiture of granted share awards.

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11. DIVIDENDS

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends declared by the Company	30,000	–	199,440	–	–

On 20 June 2023, the Company’s shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.083 for every share of the Company’s 360,000,000 shares, in an aggregate amount of RMB30,000,000 was paid in August 2023 to shareholders of the Company.

On 1 September 2025 and 30 September 2025, the Company’s shareholders approved the 2025 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.554 for every share of the Company’s 360,000,000 shares, in an aggregate amount of RMB199,440,000, was paid in September and October 2025 to shareholders of the Company.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares outstanding during the Relevant Periods and the five months ended 31 May 2025.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the outstanding share options contingently issuable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The number of the outstanding share options contingently issuable was not included in the diluted earnings per share calculation as the performance contingencies were not met as at the reporting periods.

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Earnings					
Profit attributable to ordinary equity holders of the parent	126,527	135,459	131,793	47,389	61,643
Number of shares					
	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
				(Unaudited)	
Shares					
Weighted average number of ordinary shares outstanding during the year/period, used in the basic and diluted earnings per share calculation ('000) . . .	360,000	360,000	360,000	360,000	360,000

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13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machine equipment and tooling	Transportation equipment	Other equipment	Renovation assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023							
Cost	361	46,809	1,622	22,110	17,865	98,567	187,334
Accumulated depreciation and impairment	(186)	(18,286)	(1,209)	(10,889)	(3,894)	–	(34,464)
Net carrying amount . .	<u>175</u>	<u>28,523</u>	<u>413</u>	<u>11,221</u>	<u>13,971</u>	<u>98,567</u>	<u>152,870</u>
At 1 January 2023, net of accumulated depreciation and impairment	175	28,523	413	11,221	13,971	98,567	152,870
Additions	–	14,769	–	2,377	8,864	148,898	174,908
Transfers	1,329	–	–	–	–	(1,329)	–
Depreciation provided during the year	(3)	(12,394)	(186)	(6,786)	(9,359)	–	(28,728)
Disposals	–	–	–	(164)	–	–	(164)
At 31 December 2023, net of accumulated depreciation and impairment	<u>1,501</u>	<u>30,898</u>	<u>227</u>	<u>6,648</u>	<u>13,476</u>	<u>246,136</u>	<u>298,886</u>
At 31 December 2023							
Cost	1,690	61,578	1,622	22,305	22,282	246,136	355,613
Accumulated depreciation and impairment	(189)	(30,680)	(1,395)	(15,657)	(8,806)	–	(56,727)
Net carrying amount . .	<u>1,501</u>	<u>30,898</u>	<u>227</u>	<u>6,648</u>	<u>13,476</u>	<u>246,136</u>	<u>298,886</u>

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The Group

	Buildings	Machine equipment and tooling	Transportation equipment	Other equipment	Renovation assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	1,690	61,578	1,622	22,305	22,282	246,136	355,613
Accumulated depreciation and impairment	(189)	(30,680)	(1,395)	(15,657)	(8,806)	–	(56,727)
Net carrying amount . .	<u>1,501</u>	<u>30,898</u>	<u>227</u>	<u>6,648</u>	<u>13,476</u>	<u>246,136</u>	<u>298,886</u>
At 1 January 2024, net of accumulated depreciation and impairment	1,501	30,898	227	6,648	13,476	246,136	298,886
Additions	1,616	14,519	50	5,211	10,156	4,260	35,812
Transfers	244,865	–	–	2,318	–	(247,183)	–
Depreciation provided during the year	(4,256)	(13,163)	(132)	(4,353)	(9,378)	–	(31,282)
Disposals	–	(2,110)	–	(112)	–	–	(2,222)
At 31 December 2024, net of accumulated depreciation and impairment	<u>243,726</u>	<u>30,144</u>	<u>145</u>	<u>9,712</u>	<u>14,254</u>	<u>3,213</u>	<u>301,194</u>
At 31 December 2024							
Cost	248,171	73,668	1,672	29,456	29,038	3,213	385,218
Accumulated depreciation and impairment	(4,445)	(43,524)	(1,527)	(19,744)	(14,784)	–	(84,024)
Net carrying amount . .	<u>243,726</u>	<u>30,144</u>	<u>145</u>	<u>9,712</u>	<u>14,254</u>	<u>3,213</u>	<u>301,194</u>

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The Group

	Buildings	Machine equipment and tooling	Transportation equipment	Other equipment	Renovation assets	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025							
At 1 January 2025							
Cost	248,171	73,668	1,672	29,456	29,038	3,213	385,218
Accumulated depreciation and impairment	(4,445)	(43,524)	(1,527)	(19,744)	(14,784)	–	(84,024)
Net carrying amount	<u>243,726</u>	<u>30,144</u>	<u>145</u>	<u>9,712</u>	<u>14,254</u>	<u>3,213</u>	<u>301,194</u>
At 1 January 2025, net of accumulated depreciation and impairment	243,726	30,144	145	9,712	14,254	3,213	301,194
Additions	(1,312)	16,107	53	2,155	9,527	14,327	40,857
Transfers	–	3,221	–	–	–	(3,221)	–
Depreciation provided during the year	(4,810)	(13,300)	(41)	(3,954)	(9,638)	–	(31,743)
Disposals	–	(147)	–	(306)	–	–	(453)
At 31 December 2025, net of accumulated depreciation and impairment	<u>237,604</u>	<u>36,025</u>	<u>157</u>	<u>7,607</u>	<u>14,143</u>	<u>14,319</u>	<u>309,855</u>
At 31 December 2025							
Cost	246,858	84,848	1,725	30,311	38,566	14,319	416,627
Accumulated depreciation and impairment	(9,254)	(48,823)	(1,568)	(22,704)	(24,423)	–	(106,772)
Net carrying amount	<u>237,604</u>	<u>36,025</u>	<u>157</u>	<u>7,607</u>	<u>14,143</u>	<u>14,319</u>	<u>309,855</u>

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The Group

	Buildings	Machine equipment and tooling	Transportation equipment	Other equipment	Renovation assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2026							
At 1 January 2026							
Cost	246,858	84,848	1,725	30,311	38,566	14,319	416,627
Accumulated depreciation and impairment	(9,254)	(48,823)	(1,568)	(22,704)	(24,423)	–	(106,772)
Net carrying amount	<u>237,604</u>	<u>36,025</u>	<u>157</u>	<u>7,607</u>	<u>14,143</u>	<u>14,319</u>	<u>309,855</u>
At 1 January 2026, net of accumulated depreciation and impairment	237,604	36,025	157	7,607	14,143	14,319	309,855
Additions	57	3,114	–	2,725	1,754	23,397	31,047
Depreciation provided during the period	(1,962)	(5,846)	(10)	(1,705)	(3,516)	–	(13,039)
Disposals	–	(108)	–	(8)	–	–	(116)
At 31 May 2026, net of accumulated depreciation and impairment	<u>235,699</u>	<u>33,185</u>	<u>147</u>	<u>8,619</u>	<u>12,381</u>	<u>37,716</u>	<u>327,747</u>
At 31 May 2026							
Cost	246,915	87,781	1,725	32,873	40,321	37,716	447,331
Accumulated depreciation and impairment	(11,216)	(54,596)	(1,578)	(24,254)	(27,940)	–	(119,584)
Net carrying amount	<u>235,699</u>	<u>33,185</u>	<u>147</u>	<u>8,619</u>	<u>12,381</u>	<u>37,716</u>	<u>327,747</u>

As at 31 December 2024, 2025 and 31 May 2026, the Group has certain buildings with the carrying amount of RMB82,351,000, RMB103,289,000 and RMB102,282,000 leased out under operating lease arrangements, respectively. Details of the operating lease arrangements are set out in note 14 to the Historical Financial Information.

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The Company

	Buildings	Machine equipment	Transportation equipment	Other equipment	Renovation assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023						
At 1 January 2023						
Cost	361	506	1,075	18,498	17,865	38,305
Accumulated depreciation and impairment	(186)	(213)	(711)	(9,361)	(3,894)	(14,365)
Net carrying amount	<u>175</u>	<u>293</u>	<u>364</u>	<u>9,137</u>	<u>13,971</u>	<u>23,940</u>
At 1 January 2023, net of accumulated depreciation and impairment	175	293	364	9,137	13,971	23,940
Additions	–	573	–	1,971	8,864	11,408
Depreciation provided during the year	(3)	(54)	(174)	(5,619)	(9,359)	(15,209)
Disposals	–	–	–	(164)	–	(164)
At 31 December 2023, net of accumulated depreciation and impairment	<u>172</u>	<u>812</u>	<u>190</u>	<u>5,325</u>	<u>13,476</u>	<u>19,975</u>
At 31 December 2023						
Cost	361	1,079	1,075	18,994	22,282	43,791
Accumulated depreciation and impairment	(189)	(267)	(885)	(13,669)	(8,806)	(23,816)
Net carrying amount	<u>172</u>	<u>812</u>	<u>190</u>	<u>5,325</u>	<u>13,476</u>	<u>19,975</u>

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The Company

	Buildings	Machine equipment	Transportation equipment	Other equipment	Renovation assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024						
At 1 January 2024						
Cost	361	1,079	1,075	18,994	22,282	43,791
Accumulated depreciation and impairment	(189)	(267)	(885)	(13,669)	(8,806)	(23,816)
Net carrying amount	<u>172</u>	<u>812</u>	<u>190</u>	<u>5,325</u>	<u>13,476</u>	<u>19,975</u>
At 1 January 2024, net of accumulated depreciation and impairment	172	812	190	5,325	13,476	19,975
Additions	–	1,485	–	1,275	10,156	12,916
Depreciation provided during the year	(3)	(223)	(117)	(2,587)	(9,378)	(12,308)
Disposals	–	–	–	(32)	–	(32)
At December 2024, net of accumulated depreciation and impairment	<u>169</u>	<u>2,074</u>	<u>73</u>	<u>3,981</u>	<u>14,254</u>	<u>20,551</u>
At 31 December 2024						
Cost	361	2,564	1,075	20,174	29,038	53,212
Accumulated depreciation and impairment	(192)	(490)	(1,002)	(16,193)	(14,784)	(32,661)
Net carrying amount	<u>169</u>	<u>2,074</u>	<u>73</u>	<u>3,981</u>	<u>14,254</u>	<u>20,551</u>

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The Company

	Buildings	Machine equipment	Transportation equipment	Other equipment	Renovation assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025						
At 1 January 2025						
Cost	361	2,564	1,075	20,174	29,038	53,212
Accumulated depreciation and impairment	(192)	(490)	(1,002)	(16,193)	(14,784)	(32,661)
	—					
Net carrying amount	169	2,074	73	3,981	14,254	20,551
At 1 January 2025, net of accumulated depreciation and impairment	169	2,074	73	3,981	14,254	20,551
Additions	—	51	—	970	8,954	9,975
Depreciation provided during the year	(18)	(226)	(19)	(1,456)	(9,607)	(11,326)
Disposals	—	(502)	—	(95)	—	(597)
At 31 December 2025, net of accumulated depreciation and impairment	151	1,397	54	3,400	13,601	18,603
At 31 December 2025						
Cost	361	1,867	1,075	20,325	37,992	61,620
Accumulated depreciation and impairment	(210)	(470)	(1,021)	(16,925)	(24,391)	(43,017)
Net carrying amount	151	1,397	54	3,400	13,601	18,603

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The Company

	Buildings	Machine equipment	Transportation equipment	Other equipment	Renovation assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 May 2026						
At 1 January 2026						
Cost	361	1,867	1,075	20,325	37,992	61,620
Accumulated depreciation and impairment	(210)	(470)	(1,021)	(16,925)	(24,391)	(43,017)
Net carrying amount	<u>151</u>	<u>1,397</u>	<u>54</u>	<u>3,400</u>	<u>13,601</u>	<u>18,603</u>
At 1 January 2026, net of accumulated depreciation and impairment	151	1,397	54	3,400	13,601	18,603
Additions	–	–	–	1,561	1,408	2,969
Depreciation provided during the period	(7)	(75)	–	(582)	(3,385)	(4,049)
Disposals	–	–	–	(7)	–	(7)
At 31 May 2026, net of accumulated depreciation and impairment	<u>144</u>	<u>1,322</u>	<u>54</u>	<u>4,372</u>	<u>11,624</u>	<u>17,516</u>
At 31 May 2026						
Cost	361	1,868	1,075	21,739	39,400	64,443
Accumulated depreciation and impairment	(217)	(546)	(1,021)	(17,367)	(27,776)	(46,927)
Net carrying amount	<u>144</u>	<u>1,322</u>	<u>54</u>	<u>4,372</u>	<u>11,624</u>	<u>17,516</u>

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 5 years.

(a) Right-of-use assets

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

	Properties	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	22,163	81,354	103,517
Additions	198	–	198
Lease modification	145	–	145
Depreciation charge	(9,962)	(1,654)	(11,616)
Early termination	(7,361)	–	(7,361)
At 31 December 2023	<u>5,183</u>	<u>79,700</u>	<u>84,883</u>
At 1 January 2024	5,183	79,700	84,883
Additions	4,469	–	4,469
Lease modification	2,919	–	2,919
Depreciation charge	(7,069)	(1,654)	(8,723)
Early termination	(337)	–	(337)
At 31 December 2024	<u>5,165</u>	<u>78,046</u>	<u>83,211</u>
At 1 January 2025	5,165	78,046	83,211
Additions	10,761	–	10,761
Additions as a result of acquisition of subsidiaries	16,566	–	16,566
Depreciation charge	(12,963)	(1,654)	(14,617)
Early termination	(393)	–	(393)
Exchange realignment	47	–	47
At 31 December 2025	<u>19,183</u>	<u>76,392</u>	<u>95,575</u>
At 1 January 2026	19,183	76,392	95,575
Additions	14,709	–	14,709
Lease modification	4,287	–	4,287
Depreciation charge	(8,203)	(688)	(8,891)
Early termination	(102)	–	(102)
Exchange realignment	(368)	–	(368)
At 31 May 2026	<u>29,506</u>	<u>75,704</u>	<u>105,210</u>

As at 31 December 2023 and 31 May 2026, certain of the Group’s leasehold land with a net carrying amount of RMB49,394,000 and RMB46,902,000 were pledged to secure the bank borrowings (note 26), respectively.

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(b) Lease liabilities

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

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	23,913	5,807	5,390	18,838
New leases	198	4,469	10,761	14,709
Additions as a result of acquisition of subsidiaries (note 31)	–	–	16,566	–
Lease modification	145	2,919	–	4,287
Accretion of interest recognised during the year/period	913	219	523	394
Early termination	(8,171)	(391)	(393)	(104)
Lease payments	(11,191)	(7,633)	(14,061)	(7,778)
Exchange realignment	–	–	52	(353)
Carrying amount at 31 December/ 31 May	5,807	5,390	18,838	29,993
Analysed into:				
Current portion	4,822	4,161	13,441	12,917
Non-current portion	985	1,229	5,397	17,076
Total	5,807	5,390	18,838	29,993

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gains on early termination of leases	(810)	(54)	–	–	(2)
Interest on lease liabilities	913	219	523	121	394
Depreciation charge of right-of-use assets	10,585	8,723	14,358	3,313	8,632
Expense relating to leases of short-term assets (included in administrative expenses)	–	36	–	–	–
Total amount recognised in profit or loss	10,688	8,924	14,881	3,434	9,024

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- (d) The total cash outflows for leases are disclosed in note 33(c) and note 39 to the Historical Financial Information, respectively.

The Group as a lessor

The Group leases its properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group during the Relevant Periods and the five months ended 31 May 2025 was RMB51,000, RMB2,619,000, RMB5,964,000, RMB2,456,000 and RMB2,418,000 respectively.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	12	5,804	5,769	4,769
After one year but within two years	–	5,321	3,682	2,591
After two years but within three years	–	3,208	1,964	1,765
After three years	–	4,086	2,249	1,509
Total	12	18,419	13,664	10,634

The Company as a lessee

The Company has lease contracts for various items of properties. Leases of properties generally have lease terms between 2 and 5 years.

(a) Right-of-use assets

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

Properties	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	15,001	4,702	3,345	5,322
Additions	–	2,077	6,764	5,627
Lease modification	145	2,919	–	4,287
Depreciation charge	(7,348)	(6,016)	(4,787)	(1,872)
Early termination	(3,096)	(337)	–	–
At 31 December/31 May	4,702	3,345	5,322	13,364

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(b) Lease liabilities

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

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	16,400	5,379	3,544	5,342
New leases	–	2,077	6,764	5,627
Lease modification	145	2,919	–	4,287
Accretion of interest recognised during the year/period	581	189	217	120
Early termination	(3,614)	(391)	–	–
Lease payments	(8,133)	(6,629)	(5,183)	(1,764)
Carrying amount at 31 December/ 31 May	5,379	3,544	5,342	13,612
Analysed into:				
Current portion	4,395	3,011	4,121	3,559
Non-current portion	984	533	1,221	10,053
Total	5,379	3,544	5,342	13,612

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Gains on early termination of leases	(518)	(54)	–	–	–
Interest on lease liabilities	581	189	217	99	120
Depreciation charge of right-of-use assets	7,348	6,016	4,787	2,080	1,872
Total	7,411	6,151	5,004	2,179	1,992

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15. INTANGIBLE ASSETS

The Group

	Software	Trademark	Customer relationship	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023				
At 1 January 2023				
Cost	32,539	–	–	32,539
Accumulated amortisation and impairment	(8,038)	–	–	(8,038)
Net carrying amount	<u>24,501</u>	<u>–</u>	<u>–</u>	<u>24,501</u>
At 1 January 2023, net of accumulated amortisation and impairment	24,501	–	–	24,501
Additions	5,147	–	–	5,147
Amortisation provided during the year	(3,702)	–	–	(3,702)
Disposals	(550)	–	–	(550)
At 31 December 2023, net of accumulated amortisation and impairment	<u>25,396</u>	<u>–</u>	<u>–</u>	<u>25,396</u>
At 31 December 2023				
Cost	37,134	–	–	37,134
Accumulated amortisation and impairment	(11,738)	–	–	(11,738)
Net carrying amount	<u>25,396</u>	<u>–</u>	<u>–</u>	<u>25,396</u>

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	Software	Trademark	Customer relationship	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024				
At 1 January 2024				
Cost	37,134	–	–	37,134
Accumulated amortisation and impairment	(11,738)	–	–	(11,738)
Net carrying amount	<u>25,396</u>	<u>–</u>	<u>–</u>	<u>25,396</u>
At 1 January 2024, net of accumulated amortisation and impairment	25,396	–	–	25,396
Additions	6,443	–	–	6,443
Amortisation provided during the year	(4,211)	–	–	(4,211)
Disposals	(424)	–	–	(424)
At 31 December 2024, net of accumulated amortisation and impairment	<u>27,204</u>	<u>–</u>	<u>–</u>	<u>27,204</u>
At 31 December 2024				
Cost	41,887	–	–	41,887
Accumulated amortisation and impairment	(14,683)	–	–	(14,683)
Net carrying amount	<u>27,204</u>	<u>–</u>	<u>–</u>	<u>27,204</u>

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	Software	Trademark	Customer relationship	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025				
At 1 January 2025				
Cost	41,887	–	–	41,887
Accumulated amortisation and impairment	(14,683)	–	–	(14,683)
Net carrying amount	<u>27,204</u>	<u>–</u>	<u>–</u>	<u>27,204</u>
At 1 January 2025, net of accumulated amortisation and impairment	27,204	–	–	27,204
Additions	3,583	–	–	3,583
Additions as a result of acquisition of subsidiaries (<i>note 31</i>)	–	8,016	2,719	10,735
Amortisation provided during the year	(5,417)	(422)	(209)	(6,048)
Disposals	(50)	–	–	(50)
At 31 December 2025, net of accumulated amortisation and impairment	<u>25,320</u>	<u>7,594</u>	<u>2,510</u>	<u>35,424</u>
At 31 December 2025				
Cost	45,394	8,016	2,719	56,129
Accumulated amortisation and impairment	(20,074)	(422)	(209)	(20,705)
Net carrying amount	<u>25,320</u>	<u>7,594</u>	<u>2,510</u>	<u>35,424</u>

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	Software	Trademark	Customer relationship	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 May 2026				
At 1 January 2026				
Cost	45,394	8,016	2,719	56,129
Accumulated amortisation and impairment	(20,074)	(422)	(209)	(20,705)
Net carrying amount	<u>25,320</u>	<u>7,594</u>	<u>2,510</u>	<u>35,424</u>
At 1 January 2026, net of accumulated amortisation and impairment	25,320	7,594	2,510	35,424
Additions	286	–	–	286
Amortisation provided during the period.	(2,075)	(353)	(174)	(2,602)
At 31 May 2026, net of accumulated amortisation and impairment	<u>23,531</u>	<u>7,241</u>	<u>2,336</u>	<u>33,108</u>
At 31 May 2026				
Cost	45,680	8,016	2,719	56,415
Accumulated amortisation and impairment	(22,149)	(775)	(383)	(23,307)
Net carrying amount	<u>23,531</u>	<u>7,241</u>	<u>2,336</u>	<u>33,108</u>

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The Company

Software	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January				
Cost	27,856	32,971	37,890	40,022
Accumulated amortisation and impairment	(7,309)	(10,564)	(13,287)	(17,943)
Net carrying amount	20,547	22,407	24,603	22,079
At 1 January, net of accumulated amortisation and impairment . .	20,547	22,407	24,603	22,079
Additions	5,123	6,185	2,208	286
Amortisation provided during the year/period	(3,257)	(3,989)	(4,682)	(1,855)
Disposals	(6)	–	(50)	–
At 31 December/31 May, net of accumulated amortisation and impairment	22,407	24,603	22,079	20,510
At 31 December /31 May				
Cost	32,971	37,890	40,022	40,308
Accumulated amortisation and impairment	(10,564)	(13,287)	(17,943)	(19,798)
Net carrying amount	22,407	24,603	22,079	20,510

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16. INVESTMENTS IN SUBSIDIARIES

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost				
Future Sunflower Robot (Guangdong) Co., Ltd. (“未來 向日葵機器人(廣東)有限公司”)	10,000	10,206	10,598	10,905
Shenzhen Future Health Care Co., Ltd. (“深圳未來健康醫療有限 公司”)	1,000	1,000	1,000	1,000
Future Wear (Hainan) Technology Co., Ltd. (“未來穿戴(海南)技術 有限公司”)	1,000	1,000	1,000	1,000
Beike Internet Hospital (Guangdong) Co., Ltd. (“倍科 互聯網醫院(廣東)有限公司”) .	1,000	1,000	700	700
SKG CO., LIMITED	9	9	9	9
Future Wear Health Technology (Hainan) Co., Ltd. (“未來穿戴 健康科技(海南)有限公司”) . . .	–	3,010	3,010	3,010
Future Wear Technology (Foshan) Co., Ltd. (“未來穿戴技術(佛 山)有限公司”)	–	1,009	1,029	1,078
Future Wear (Foshan) Sales Co., Ltd. (“未來穿戴(佛山)銷售有限 公司”)	–	100	100	100
Oto Health Technology (Shenzhen) Co., Ltd. (“歐拓健 康科技(深圳)有限公司”)	–	–	5,000	5,000
	13,009	17,334	22,446	22,802
Accumulated impairment	(1,000)	(1,000)	(1,000)	(1,000)
Net carrying amount	12,009	16,334	21,446	21,802

The management has performed impairment testing for investment in subsidiaries which has impairment indicators as at the end of each reporting period. The Company has recognised an impairment loss on investment in subsidiaries amounted to RMB1,000,000, RMB1,000,000, RMB1,000,000 and RMB1,000,000 as at 31 December 2023, 2024, 2025 and 31 May 2026, respectively.

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17. DEFERRED TAX

The Group

Deferred tax assets

	Provision for impairment of trade and other receivables	Provision for impairment of inventories	Provision for impairment of investments in associates and subsidiaries	Depreciation of property, plant and equipment	Tax losses	Lease liabilities	Provision for product warranties	Provision for volume rebate	Unrealised profit from intercompany transactions	Deferred government grants	Share option expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	306	73	-	1,441	-	4,338	-	112	402	-	-	6,672
Deferred tax credited/(charged) to profit or loss during the year	144	138	159	196	-	(3,424)	-	35	166	109	-	(2,477)
Gross deferred tax assets at 31 December 2023	450	211	159	1,637	-	914	-	147	568	109	-	4,195
Deferred tax (charged)/credited to profit or loss during the year	(34)	(51)	(159)	(118)	162	(291)	217	(116)	637	(13)	-	234
Gross deferred tax assets at 31 December 2024	416	160	-	1,519	162	623	217	31	1,205	96	-	4,429
Deferred tax credited/(charged) to profit or loss during the year	584	134	-	68	(499)	2,039	6	(31)	455	145	344	3,245
Deferred tax credited to capital reserve during the year	-	-	-	-	-	-	-	-	-	-	111	111
Addition as a result of acquisition of subsidiaries (note 31)	-	-	-	-	1,984	-	-	-	-	-	-	1,984
Gross deferred tax assets at 31 December 2025	1,000	294	-	1,587	1,647	2,662	223	-	1,660	241	455	9,769

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	Provision for impairment of trade and other receivables	Provision for impairment of inventories	Provision for impairment of investments in associates and subsidiaries	Depreciation of property, plant and equipment	Tax losses	Lease liabilities	Provision for product warranties	Provision for volume rebate	Unrealised profit from intercompany transactions	Deferred government grants	Share option expenses	Change in fair value of financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	1,000	294	-	1,587	1,647	2,662	223	-	1,660	241	455	-	9,769
Deferred tax (charged)/credited to profit or loss during the period	(91)	663	-	29	3,873	1,766	73	-	765	(6)	522	536	8,130
Deferred tax charged to capital reserve during the period	-	-	-	-	-	-	-	-	-	-	(5)	-	(5)
Gross deferred tax assets at 31 May 2026	909	957	-	1,616	5,520	4,428	296	-	2,425	235	972	536	17,894

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Deferred tax liabilities

	Change in fair value of financial assets at fair value through profit or loss	Right-of-use assets	Fair value adjustments arising from acquisition of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	157	4,039	–	4,196
Deferred tax credited to profit or loss during the year	(106)	(3,224)	–	(3,330)
Gross deferred tax liabilities at 31 December 2023.	51	815	–	866
Deferred tax charged/(credited) to profit or loss during the year	38	(220)	–	(182)
Gross deferred tax liabilities at 31 December 2024.	89	595	–	684
Deferred tax charged/(credited) to profit or loss during the year . .	74	2,051	(338)	1,787
Addition as a result of acquisition of subsidiaries (<i>note 31</i>)	–	–	1,984	1,984
Gross deferred tax liabilities at 31 December 2025.	163	2,646	1,646	4,455
Deferred tax (credited)/charged to profit or loss during the period .	(163)	1,744	(85)	1,496
Gross deferred tax liabilities at 31 May 2026	–	4,390	1,561	5,951

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

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	29,252	48,038	150,243	126,703
Deductible temporary differences	1,183	1,047	1,521	1,070

The Group has accumulated tax losses in the Chinese mainland of RMB3,021,000, RMB3,951,000 and RMB3,373,000, and RMB8,635,000, in aggregate as at 31 December 2023, 2024, 2025 and 31 May 2026 respectively, which available to offset against future taxable profits of the companies in which the losses were incurred within the next one to five years.

The Group also has accumulated tax losses in Hong Kong, the United States and Singapore of RMB26,231,000, RMB44,087,000 and RMB146,870,000, and RMB118,068,000, in aggregate as at 31 December 2023, 2024, 2025 and 31 May 2026, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

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Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

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

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	3,329	3,745	5,314	11,943

The Company

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

Deferred tax assets

	Provision for impairment of trade and other receivables	Provision for impairment of inventories	Provision for of investment in associates and subsidiaries	Depreciation of property, plant and equipment	Lease liabilities	Provision for product warranties	Provision for volume rebate	Deferred government grants	Share option expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	240	-	-	-	2,460	-	112	-	-	2,812
Deferred tax credited/(charged) to profit or loss during the year	122	-	309	213	(1,653)	-	35	109	-	(865)
Gross deferred tax assets at 31 December 2023	362	-	309	213	807	-	147	109	-	1,947
Deferred tax (charged)/credited to profit or loss during the year	(106)	192	(159)	(27)	(275)	131	(116)	(13)	-	(373)
Gross deferred tax assets at 31 December 2024	256	192	150	186	532	131	31	96	-	1,574
Deferred tax credited/(charged) to profit or loss during the year	260	122	-	(55)	269	(25)	(31)	(13)	295	822
Deferred tax credited to capital reserve during the year	-	-	-	-	-	-	-	-	92	92
Gross deferred tax assets at 31 December 2025	516	314	150	131	801	106	-	83	387	2,488

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	Provision for impairment of trade and other receivables	Provision for impairment of inventories	Provision for impairment of investment in associates and subsidiaries	Depreciation of property, plant and equipment	Lease liabilities	Provision for product warranties	Provision for volume rebate	Deferred government grants	Share option expenses	Change in fair value of financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	516	314	150	131	801	106	-	83	387	-	2,488
Deferred tax (charged)/credited to profit or loss during the period	(166)	346	-	(24)	1,241	21	-	(5)	570	536	2,519
Deferred tax credited to capital reserve during the period	-	-	-	-	-	-	-	-	14	-	14
Gross deferred tax assets at 31 May 2026	350	660	150	107	2,042	127	-	78	971	536	5,021

Deferred tax liabilities

	Change in fair value of financial assets at fair value through profit or loss	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	158	2,250	2,408
Deferred tax credited to profit or loss during the year	(106)	(1,545)	(1,651)
Gross deferred tax liabilities at 31 December 2023.	52	705	757
Deferred tax charged/(credited) to profit or loss during the year	38	(203)	(165)
Gross deferred tax liabilities at 31 December 2024.	90	502	592
Deferred tax charged to profit or loss during the year	73	296	369
Gross deferred tax liabilities at 31 December 2025.	163	798	961
Deferred tax (credited)/charged to profit or loss during the period	(163)	1,207	1,044
Gross deferred tax liabilities at 31 May 2026	-	2,005	2,005

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

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position	1,190	982	1,527	3,016

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment	11,208	3,496	2,966	3,871
Deposits*	1,738	1,095	3,861	2,470
Total	12,946	4,591	6,827	6,341
Current				
Prepayments	7,554	11,030	16,897	21,662
Value-added Tax (the “VAT”) recoverable	48,155	49,582	45,637	48,858
Prepaid income tax	1,316	5,023	114	194
Deposits*	1,693	3,064	6,225	7,840
Right-of-return assets	763	2,112	949	1,337
Due from a controlling shareholder (note 36).	–	–	300	–
Deferred [REDACTED] expenses . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables*	2,059	1,677	978	1,514
	61,540	72,488	73,047	83,576
Less: Impairment of other receivables**	(751)	(411)	(354)	(488)
Total	60,789	72,077	72,693	83,088

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The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment	3,008	129	294	1,879
Deposits*	1,737	620	1,779	248
Total	4,745	749	2,073	2,127
Current				
Prepayments	3,256	9,562	13,966	15,616
Value-added tax recoverable	25,970	34,845	38,125	40,836
Prepaid income tax	–	–	16	–
Deposits *	410	2,585	1,409	3,545
Due from a controlling shareholder (note 36)	–	–	300	–
Deferred [REDACTED] expenses . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables *	820	549	661	1,089
Due from subsidiaries	277,053	362,757	324,622	425,106
	307,509	410,298	381,046	488,363
Less: Impairment of other receivables**	(1,034)	(181)	(278)	(406)
Total	306,475	410,117	380,768	487,957

* Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

** As at 31 December 2023, 2024, 2025 and 31 May 2026, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss. As at 31 December 2023, the Company made a provision of RMB1,000,000 for receivables due from a subsidiary.

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

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year /period	54	751	411	354
Impairment losses/(reversal of impairment), net	697	533	(57)	134
Amount written off as uncollectible	–	(873)	–	–
At end of year/period	<u>751</u>	<u>411</u>	<u>354</u>	<u>488</u>

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	54	1,034	181	278
Impairment losses/(reversal of impairment), net	980	(609)	97	128
Amount written off as uncollectible	–	(244)	–	–
At end of year/period	<u>1,034</u>	<u>181</u>	<u>278</u>	<u>406</u>

19. INVENTORIES

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	16,710	7,924	17,288	21,085
Work in progress	1,412	1,141	818	543
Finished goods	49,794	41,302	68,176	72,027
Goods in transit	<u>2,188</u>	<u>10,574</u>	<u>1,202</u>	<u>4,054</u>
Total	<u>70,104</u>	<u>60,941</u>	<u>87,484</u>	<u>97,709</u>

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The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	–	4,955	12,755	14,784
Work in progress	–	1,134	706	339
Finished goods	–	37,656	49,237	46,457
Goods in transit	–	10,282	1,034	4,053
Total	–	54,027	63,732	65,633

20. TRADE AND BILLS RECEIVABLES

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	5,000	1,200	400	–
Trade receivables	42,107	44,411	90,297	111,362
Subtotal	47,107	45,611	90,697	111,362
Less: Impairment of trade receivables	(2,106)	(2,221)	(3,700)	(4,833)
Net carrying amount	45,001	43,390	86,997	106,529
Analysed into:				
Current portion	45,001	43,390	86,997	106,529

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The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	5,000	800	250	–
Trade receivables:				
Due from subsidiaries.	49,699	74,776	98,548	124,199
Third parties	27,499	30,495	69,297	44,408
Subtotal	82,198	106,071	168,095	168,607
Less: Impairment of trade receivables.	(1,375)	(1,525)	(3,160)	(1,927)
Net carrying amount	80,823	104,546	164,935	166,680
Analysed into:				
Current portion	80,823	104,546	164,935	166,680

The Group’s trade terms with its certain customers are on credit, and the credit period is generally within 60 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. As at 31 December 2023, 2024, 2025 and 31 May 2026, the Group had a concentration of credit risk as 64%, 55%, 55% and 51% of trade receivables were attributable to the Group’s five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on revenue recognition date and net of loss allowance, is as follows:

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	45,001	43,390	86,997	106,529

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	80,823	104,546	164,935	166,680

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

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	2,080	2,106	2,221	3,700
Impairment losses, net (<i>note 6</i>)	26	115	1,497	1,179
Amount written off as uncollectible	—	—	(18)	(46)
At end of year/period	<u>2,106</u>	<u>2,221</u>	<u>3,700</u>	<u>4,833</u>

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,548	1,375	1,525	3,160
(Reversal of impairment)/impairment losses, net	(173)	150	1,635	(1,233)
At end of year/period	<u>1,375</u>	<u>1,525</u>	<u>3,160</u>	<u>1,927</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For bills receivable, the Group assesses the expected credit loss rate to be extremely low based on historical loss rates and forward-looking macroeconomic data, and no provision is made. The Company estimated that the expected loss rate for its trade receivables due from subsidiaries was minimal.

Set out below is the information about the credit risk exposure on the Group’s trade and bills receivables:

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate	4.5%	4.9%	4.1%	4.3%
Gross carrying amount	47,107	45,611	90,697	111,362
Expected credit losses	<u>2,106</u>	<u>2,221</u>	<u>3,700</u>	<u>4,833</u>

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The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate	4.2%	4.9%	4.5%	4.3%
Gross carrying amount	32,499	31,295	69,547	44,408
Expected credit losses	1,375	1,525	3,160	1,927

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Structured deposits*	100,346	200,599	145,607	–
Wealth management products*	–	–	97,489	516,925
Total	100,346	200,599	243,096	516,925

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

22. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS, CERTIFICATES OF DEPOSIT AND TIME DEPOSITS

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	313,433	58,657	38,888	98,209
Non-pledged time deposits with original maturity of less than three months when acquired	–	29,864	55,959	–
Time deposits with maturity over three months	–	142,452	247,829	212,162
Certificates of deposit	128,144	181,674	50,723	51,319
Restricted bank deposits	76,661	91,642	123,937	35,661
Less:				
Time deposits with maturity over three months	–	(142,452)	(247,829)	(212,162)
Certificates of deposit	(128,144)	(181,674)	(50,723)	(51,319)
Restricted bank deposits	(76,661)	(91,642)	(123,937)	(35,661)
Cash and cash equivalents	313,433	88,521	94,847	98,209

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	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in				
RMB	302,521	43,697	19,238	66,450
USD	10,765	44,212	65,069	16,850
HKD	9	9	4,238	3,034
Others	138	603	6,302	11,875
Total	313,433	88,521	94,847	98,209
Time deposits	–	142,452	247,829	212,162
Analysed into:				
Current	–	–	101,737	212,162
Non-current	–	142,452	146,092	–
Denominated in				
RMB	–	142,452	247,829	147,598
USD	–	–	–	64,564
Certificates of deposit	128,144	181,674	50,723	51,319
Analysed into:				
Current	–	132,391	21,358	51,319
Non-current	128,144	49,283	29,365	–
Denominated in				
RMB	128,144	181,674	50,723	51,319
Restricted bank deposits	76,661	91,642	123,937	35,661
Analysed into:				
Current	76,661	40,803	123,937	35,661
Non-current	–	50,839	–	–
Denominated in				
RMB	76,652	91,556	123,648	35,608
USD	9	86	–	–
SGD	–	–	289	53

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short - term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short - term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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As at 31 December 2024, the Group’s time deposits carried interest at rates ranged from 1.85% to 4.51% per annum and for an original maturity of 2 to 36 months.

As at 31 December 2025, the Group’s time deposits carried interest at rates ranged from 1.70% to 3.75% per annum and for an original maturity of 1 to 36 months.

As at 31 May 2026, the Group’s time deposits carried interest at rates ranged from 2.60% to 3.60% per annum and for an original maturity of 6 to 36 months.

As at 31 December 2023, 2024, 2025 and 31 May 2026, the Group’s restricted bank deposits of RMB75,421,000, RMB81,536,000, RMB123,577,000 and RMB35,531,000 are deposited to secure issuance of bank acceptance bills, respectively.

As at 31 December 2023 and 2024, the Group’s restricted bank deposits of RMB1,230,000 and RMB10,000,000 were frozen for certain lawsuits between the Group and other third parties.

The bank deposits for issuance of bank acceptance bills are released when the bills are paid. The bank deposits for lawsuits are released when the lawsuits are settled. They are not readily available for meeting the Group’s liquidity needs.

Certificates of deposit were classified as financial assets measured at amortised cost as they are held within a business model with the objective to hold financial assets in order to collect contractual cashflows. Certificates of deposit was denominated in RMB with expected yield rates ranging from 3.00% to 3.55% per annum.

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	290,538	32,715	7,692	47,905
Non-pledged time deposits with original maturity of less than three months when acquired	–	29,864	39,058	–
Time deposits with maturity over three months	–	142,452	247,829	187,770
Certificates of deposit	128,144	181,674	50,723	51,319
Restricted bank deposits	75,457	91,536	123,597	35,557
Less:				
Time deposits with maturity over three months	–	(142,452)	(247,829)	(187,770)
Certificates of deposit	(128,144)	(181,674)	(50,723)	(51,319)
Restricted bank deposits	(75,457)	(91,536)	(123,597)	(35,557)
Cash and cash equivalents	290,538	62,579	46,750	47,905
Denominated in				
RMB	285,264	28,542	6,015	41,474
USD	5,271	34,037	40,735	6,431
Others	3	–	–	–
Total	290,538	62,579	46,750	47,905

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	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Time deposits	–	142,452	247,829	187,770
Analysed into:				
Current	–	–	101,737	187,770
Non-current	–	142,452	146,092	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Denominated in				
RMB	–	142,452	247,829	147,597
USD	–	–	–	40,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Certificates of deposit	128,144	181,674	50,723	51,319
Analysed into:				
Current	–	132,391	21,358	51,319
Non-current	128,144	49,283	29,365	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Denominated in				
RMB	128,144	181,674	50,723	51,319
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Restricted bank deposits	75,457	91,536	123,597	35,557
Analysed into:				
Current	75,457	40,697	123,597	35,557
Non-current	–	50,839	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Denominated in				
RMB	75,457	91,536	123,597	35,557
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

23. TRADE AND BILLS PAYABLES

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	50,782	69,549	80,579	74,180
Bills payable	227,813	183,654	279,828	405,372
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	278,595	253,203	360,407	479,552
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	230,213	189,998	281,255	466,557
Trade payables due to subsidiaries	15,542	33,190	–	–
Trade payables due to third parties	1,108	3,406	6,540	3,603
Total	246,863	226,594	287,795	470,160

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

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

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	276,607	251,579	359,838	478,709
Over 1 year	1,988	1,624	569	843
Total	278,595	253,203	360,407	479,552

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	245,757	225,525	287,794	470,054
Over 1 year	1,106	1,069	1	106
Total	246,863	226,594	287,795	470,160

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24. CONTRACT LIABILITIES

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term Advances received from customers</i>				
Sale of products	8,980	22,817	18,756	13,511
Analysed for reporting purposes as:				
Current liabilities	8,980	22,817	18,756	13,511
Total	8,980	22,817	18,756	13,511

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term Advances received from customers</i>				
Sale of products.	38,604	38,879	22,898	15,785
Analysed for reporting purposes as:				
Current liabilities	38,604	38,879	22,898	15,785
Total	38,604	38,879	22,898	15,785

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25. OTHER PAYABLES AND ACCRUALS

The Group

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll payable	37,677	35,469	44,060	31,765
Volume rebates payables	28,424	21,245	16,429	24,505
Deposits	14,140	15,700	13,807	12,908
VAT payable	6,225	7,167	9,542	10,232
Other tax payables	2,656	3,122	4,130	4,514
Other payables	20,653	18,011	24,420	26,782
[REDACTED] expenses payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables for property, plant and equipment	64,251	34,430	20,308	13,404
Total	174,026	135,144	138,405	125,830

Other payables are non-interest-bearing and have no fixed terms of settlement.

The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries	14,887	106,395	72,678	105,063
Payroll payable	30,840	26,194	26,103	19,738
Volume rebates payables	25,542	16,931	11,206	12,304
Deposits	4,611	5,241	3,878	3,913
VAT payable	7,716	6,808	6,052	7,162
Other tax payables	2,238	2,807	3,715	3,807
Other payables	17,078	14,124	19,763	20,857
[REDACTED] expenses payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables for property, plant and equipment	10,898	10,134	7,868	3,922
Total	113,810	188,634	156,972	178,486

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26. INTEREST-BEARING BANK BORROWINGS

The Group

	31 December 2023			31 December 2024			31 December 2025			31 May 2026		
	Effective Interest rate	Maturity		Effective Interest rate	Maturity		Effective Interest rate	Maturity		Effective Interest rate	Maturity	
			RMB'000			RMB'000			RMB'000			RMB'000
Current												
Bank loans – secured and guaranteed	-	-	-	2.30%	2025	65,042	2.21%	2026	180,061	2.21%	2026	220,061
Current portion of long-term bank loans – secured and guaranteed	2.70%	2024	12,663	-	-	-	-	-	-	-	-	-
Discounted letter of credit - guaranteed	-	-	-	1.50%	2025	5,000	-	-	-	-	-	-
Subtotal			12,663			70,042			180,061			220,061
Non-current												
Bank loans – secured and guaranteed	2.70%	2025-2027	57,400	-	-	-	-	-	-	-	-	-
Subtotal			57,400			-			-			-
Total			70,063			70,042			180,061			220,061
Dominated in RMB			70,063			70,042			180,061			220,061
Total			70,063			70,042			180,061			220,061
Analysed into:												
Bank loans repayable:												
Within one year			12,663			70,042			180,061			220,061
In the second year			16,800			-			-			-
In the third to fifth years, inclusive			40,600			-			-			-
Total			70,063			70,042			180,061			220,061

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The Company

	31 December 2023		31 December 2024		31 December 2025		31 May 2026	
	Effective Interest rate	Maturity	Effective Interest rate	Maturity	Effective Interest rate	Maturity	Effective Interest rate	Maturity
		RMB'000		RMB'000		RMB'000		RMB'000
Current								
Bank loans – secured and guaranteed	-	-	2.30%	2025	2.21%	2026	2.21%	2026
		<u>-</u>		<u>65,042</u>		<u>150,061</u>		<u>100,061</u>
Total		<u>-</u>		<u>65,042</u>		<u>150,061</u>		<u>100,061</u>
Dominated in RMB		<u>-</u>		<u>65,042</u>		<u>150,061</u>		<u>100,061</u>
Analysed into:								
Bank loans repayable:								
Within one year		<u>-</u>		<u>65,042</u>		<u>150,061</u>		<u>100,061</u>
Total		<u>-</u>		<u>65,042</u>		<u>150,061</u>		<u>100,061</u>

All bank borrowings are denominated in RMB as at 31 December 2023, 2024, 2025 and 31 May 2026.

As at 31 December 2023 and 31 May 2026, certain of the Group’s leasehold land were pledged to secure the bank borrowings of RMB70,000,000 and RMB120,000,000. (note 14).

As at 31 December 2024, 2025 and 31 May 2026, certain of the Group’s invention patent were pledged to secure the bank borrowings of RMB65,000,000, RMB100,000,000 and RMB220,000,000, respectively.

As at 31 December 2023, 2024, 2025 and 31 May 2026, certain related parties of the Group provided guarantees for the bank borrowings of the Group (note 36(d)).

The Group’s long-term bank borrowings in the amount of RMB70,000,000 was repaid in 2024 prior to maturity.

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27. PROVISION

The Group

	Sales return	Warranties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	1,103	–	1,103
Additional provision	23,028	635	23,663
Amounts utilised during the year	(22,106)	(635)	(22,741)
At 31 December 2023 and 1 January 2024	2,025	–	2,025
Additional provision	49,267	4,351	53,618
Amounts utilised during the year	(48,095)	(2,901)	(50,996)
At 31 December 2024 and 1 January 2025	3,197	1,450	4,647
Additional provision	26,513	2,287	28,800
Amounts utilised during the year	(28,277)	(2,252)	(30,529)
At 31 December 2025 and 1 January 2026	1,433	1,485	2,918
Additional provision	12,440	1,455	13,895
Amounts utilised during the period	(12,129)	(966)	(13,095)
At 31 May 2026	1,744	1,974	3,718

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The Company

	Warranties
	<i>RMB’000</i>
At 1 January 2023	–
Additional provision	635
Amounts utilised during the year	(635)
	<u>–</u>
At 31 December 2023 and 1 January 2024	<u>–</u>
	<u>–</u>
Additional provision	3,241
Amounts utilised during the year	(2,369)
	<u>872</u>
At 31 December 2024 and 1 January 2025	<u>872</u>
	<u>872</u>
Additional provision	1,095
Amounts utilised during the year	(1,263)
	<u>704</u>
At 31 December 2025 and 1 January 2026	<u>704</u>
	<u>704</u>
Additional provision	612
Amounts utilised during the period	(466)
	<u>850</u>
At 31 May 2026	<u>850</u>

28. DEFERRED INCOME

The Group

	31 December			31 May
	2023	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government grants*	727	640	1,187	1,145
	<u>727</u>	<u>640</u>	<u>1,187</u>	<u>1,145</u>
At the beginning of the year/period	–	727	640	1,187
Grants received during the year/period	770	–	661	–
Amounts released to other income during the year/period	(43)	(87)	(114)	(42)
	<u>727</u>	<u>640</u>	<u>1,187</u>	<u>1,145</u>
At the end of the year/period . . .	<u>727</u>	<u>640</u>	<u>1,187</u>	<u>1,145</u>

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The Company

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants*	727	640	554	518
At the beginning of the year/period	–	727	640	554
Grants received during the year/period	770	–	–	–
Amounts released to other income during the year/period	(43)	(87)	(86)	(36)
At the end of the year/period . . .	727	640	554	518

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant assets, when all attaching conditions and requirements are complied with.

29. SHARE CAPITAL

The Group and the Company

	31 December			31 May
	2023	2024	2025	2026
	Number of shares	Number of shares	Number of shares	Number of shares
Registered, issued and fully paid: ordinary shares	360,000,000	360,000,000	360,000,000	360,000,000

30. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods and the five months ended 31 May 2025 are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

Share-based payment reserve

The share-based payment reserve represents the share-based compensation reserve arising from equity-settled share awards, details of which are set out in note 32 to the Historical Financial Information.

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Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currencies other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Statutory surplus reserve

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

The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods and the five months ended 31 May 2025 are presented as follows:

Year ended 31 December 2023

	Share premium reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	36,402	33,008	24,856	110,420	204,686
Profit for the year	—	—	—	113,298	113,298
Total comprehensive income for the year . .	—	—	—	113,298	113,298
Share-based payment expenses	—	(8,385)	—	—	(8,385)
Appropriations to reserves	—	—	11,330	(11,330)	—
Dividends declared	—	—	—	(30,000)	(30,000)
At 31 December 2023 . .	<u>36,402</u>	<u>24,623</u>	<u>36,186</u>	<u>182,388</u>	<u>279,599</u>

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Year ended 31 December 2024

	Share premium reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	36,402	24,623	36,186	182,388	279,599
Profit for the year	—	—	—	151,523	151,523
Total comprehensive income for the year . .	—	—	—	151,523	151,523
Share-based payment expenses	—	(9,491)	—	—	(9,491)
Donation from a shareholder	152	—	—	—	152
Appropriations to reserves	—	—	15,152	(15,152)	—
At 31 December 2024 . .	<u>36,554</u>	<u>15,132</u>	<u>51,338</u>	<u>318,759</u>	<u>421,783</u>

Year ended 31 December 2025

	Share premium reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	36,554	15,132	51,338	318,759	421,783
Profit for the year	—	—	—	181,686	181,686
Total comprehensive income for the year . .	—	—	—	181,686	181,686
Share-based payment expenses	—	4,640	—	—	4,640
Appropriations to reserves	—	—	18,169	(18,169)	—
Dividends declared	—	—	—	(199,440)	(199,440)
At 31 December 2025 . .	<u>36,554</u>	<u>19,772</u>	<u>69,507</u>	<u>282,836</u>	<u>408,669</u>

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Five months ended 31 May 2026

	Share premium reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2026	36,554	19,772	69,507	282,836	408,669
Profit for the period . . .	—	—	—	78,387	78,387
Total comprehensive income for the period .	—	—	—	78,387	78,387
Share-based payment expenses	—	5,720	—	—	5,720
At 31 May 2026	<u>36,554</u>	<u>25,492</u>	<u>69,507</u>	<u>361,223</u>	<u>492,776</u>

Five months ended 31 May 2025 (Unaudited)

	Share premium reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	36,554	15,132	51,338	318,759	421,783
Profit for the period . . .	—	—	—	55,778	55,778
Total comprehensive income for the period .	—	—	—	55,778	55,778
Share-based payment expenses	—	2,423	—	—	2,423
At 31 May 2025 (Unaudited)	<u>36,554</u>	<u>17,555</u>	<u>51,338</u>	<u>374,537</u>	<u>479,984</u>

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31. BUSINESS COMBINATION

The acquisition of OTO Bodycare (H.K.) Limited, OTO International (Macau) Company Limited and OTO Wellness Pte. Ltd. (the “Portfolio of OTO”)

On 30 June 2025, SKG Co., Limited, a wholly-owned subsidiary of the Group, acquired 100% equity interests in three companies, OTO Bodycare (H.K.) Limited, OTO International (Macau) Company Limited and OTO Wellness Pte. Ltd. (collectively, the “Portfolio of OTO”), from an independent third party at a total consideration of HK\$5,000,000, based on an internal valuation of the business performed by the directors of the Group. The Portfolio of OTO is engaged in the sale of health and wellness products. The acquisition was made as part of the Group’s strategy to expand its overseas market share of health and wellness products. The purchase consideration for the acquisition was in the form of cash, with HK\$3,410,000 and US\$203,500 (in total equivalent to HK\$5,000,000, or RMB4,567,000) paid on 30 May 2025.

The fair values of the identifiable assets and liabilities of Portfolio of OTO as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Trademark	15	8,016
Customer relationship	15	2,719
Right-of-use assets	14	16,566
Deferred tax assets	17	1,984
Inventories		8,725
Trade receivables		6,850
Prepayments and other receivables		8,033
Time deposits with original maturity of over three months		298
Cash and bank balances		3,730
Trade payables		(12,928)
Contract liabilities		(4,715)
Other payables and accruals		(16,027)
Interest-bearing bank borrowings		(134)
Deferred tax liabilities	17	(1,984)
Lease liabilities	14	(16,566)
		<hr/>
Total identifiable net assets at fair value		4,567
		<hr/>
Goodwill on acquisition		–
		<hr/>
Satisfied by cash		4,567
		<hr/> <hr/>

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The Group incurred transaction costs of RMB888,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<i>RMB’000</i>
Cash consideration	(4,567)
Cash and bank balances acquired	3,730
	<hr/>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(837)
Transaction costs of the acquisition included in cash flows from operating activities	(888)
	<hr/>
Total net cash outflow	(1,725)
	<hr/> <hr/>

Since the acquisition, the Portfolio of OTO contributed RMB45,969,000 to the Group’s revenue and incurred loss of RMB9,725,000 to the consolidated loss for the year ended 31 December 2025.

Had the combination taken place as at 1 January 2025, the revenue of the Group and the profit of the Group for the year ended 31 December 2025 would have been RMB1,267,360,000 and RMB120,804,000, respectively.

32. SHARE-BASED PAYMENTS

Employee Incentive Plan and Share Option Scheme

The employee incentive plan (the “Employee Incentive Plan”) and the share option scheme (the “Share Option Scheme”) were approved and adopted by the written resolutions of all the shareholders of the Company, in order to (i) recognise and reward for the past contributions of eligible participants and (ii) retain and attract suitable personnel for further growth and development of the Group.

(a) *Employee Incentive Plan*

In order to implement the Employee Incentive Plan, Shenzhen Little Swan Lake Enterprise Management Partnership (Limited Partnership) (“Little Swan Lake”) and Shenzhen Little Swan Ballet Enterprise Management Partnership (Limited Partnership) (“Little Swan Ballet”) were established and designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platforms.

On 25 December 2020, the Company granted 1,079,300 shares of Little Swan Lake and 40,000 shares of Little Swan Ballet respectively, to a total of 25 eligible employees at a subscription price of RMB3.64 per share of the Company (indirectly holding 307,808 shares (2,014,740 shares after conversion into a joint stock company and a proportional increase in shares)) pursuant to the Employee Incentive Plan. On 25 October 2021, 550,000 shares of Little Swan Ballet were granted to one eligible employee at a subscription price of RMB4.16 per share of the Company, which were vested immediately upon grant.

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On 20 February 2024, the Company granted 6,704,800 shares of Little Swan Lake to 42 eligible employees at a subscription price of RMB1.78 per share of the Company pursuant to the Employee Incentive Plan.

On 26 August 2025, the Company granted 720,000 shares of Little Swan Lake to one eligible employee at a subscription price of RMB2.49 per share of the Company pursuant to the Employee Incentive Plan.

On 2 January 2026, the Company granted 1,206,000 shares of Little Swan Lake to 7 eligible employees at a subscription price of from RMB1.94 to RMB2.97 per share of the Company pursuant to the Employee Incentive Plan.

Except for the shares granted on 25 October 2021, the vesting of the shares granted over the share incentive platforms is subject to the IPO Condition. The IPO Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange.

(b) *Share Option Scheme*

On 16 August 2021, the Company granted 12,567,200 share options to 47 eligible employees of the Group at an exercise price of RMB1.06 per share of the Company pursuant to the Employee Option Scheme.

On 28 May 2022, the Company granted 1,800,000 share options to 42 eligible employees of the Group at an exercise price of RMB1.40 per share of the Company pursuant to the Employee Option Scheme.

On 20 February 2024, the Company granted 3,565,500 share options to 95 eligible employees of the Group at an exercise price of RMB1.78 per share of the Company pursuant to the Share Option Scheme.

On 5 December 2025, the Company granted 3,500,000 share options to 154 eligible employees of the Group at an exercise price of RMB1.98 per share of the Company pursuant to the Share Option Scheme.

The Share Option Scheme is subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service and meet certain performance requirements. The vesting of share options is also subject to the IPO Condition. The IPO Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange. Once the vesting conditions underlying the respective share options are met and the share options have been vested, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

The following table summarises the Company’s Employee Incentive Plan and Share Option Scheme activities during the Relevant Periods:

	Number of Share options	Number of Restricted shares
At 1 January 2023	10,706,123	1,524,240
Forfeited during the year	(2,671,253)	–
At 31 December 2023 and 1 January 2024	<u>8,034,870</u>	<u>1,524,240</u>
Granted during the year	3,565,500	6,704,800
Forfeited during the year	(7,716,480)	(515,620)
At 31 December 2024 and 1 January 2025	<u>3,883,890</u>	<u>7,713,420</u>

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	Number of Share options	Number of Restricted shares
Granted during the year	3,500,000	720,000
Forfeited during the year	(910,204)	(431,780)
At 31 December 2025 and 1 January 2026	<u>6,473,686</u>	<u>8,001,640</u>
Granted during the period	–	1,206,000
Forfeited during the period	(1,859,384)	(103,900)
At 31 May 2026	<u>4,614,302</u>	<u>9,103,740</u>

The fair values of the share option granted were estimated as at the grant date by using the Black-Scholes option pricing model and Binomial Lattice model, respectively. The following table lists the key inputs to the fair value model used:

	Grant date 20 February 2024	Grant date 5 December 2025
Risk-free interest rate (%)	2.1464-2.2320	1.40486-1.5342
Volatility (%)	37.4460-43.1514	42.1534-45.5044

The fair value of the restricted shares granted on 20 February 2024 were estimated as at the grant date by reference to recent transaction prices.

The fair value of the restricted shares granted on 26 August 2025 and 2 January 2026 were estimated as at the grant date by using market approach. The following table lists the key inputs to the fair value model used:

	Grant date 26 August 2025	Grant date 2 January 2026
Price-to-sales ratio	3	2.9601
Discounts for lack of marketability (%)	16	16.0000

For the year ended 31 December 2023 and 2024, as the service and/or performance conditions were not met, the granted restricted shares and share options were forfeited, resulting a reversal of share-based payment expenses of RMB8,385,000 and RMB9,491,000, respectively. For the year ended 31 December 2025 and the five months ended 31 May 2025 and 2026, the Group recognised share-based payment expenses of RMB4,547,000, RMB2,423,000 and RMB5,707,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods and the five months ended 31 May 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB343,000, RMB7,388,000, RMB10,761,000, RMB18,996,000 and RMB6,940,000, respectively, in respect of lease arrangements for factory and office premises.

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(b) Changes in liabilities arising from financing activities

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

	Interest bearing bank borrowings	Dividend Payable	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	70,173	–	23,913	94,086
New leases	–	–	198	198
Dividend declared	–	30,000	–	30,000
Lease modification	–	–	145	145
Changes from financing cash flow	(2,039)	(30,000)	(11,191)	(43,230)
Early termination	–	–	(8,171)	(8,171)
Accretion of interest	1,929	–	913	2,842
At 31 December 2023 and 1 January 2024	<u>70,063</u>	<u>–</u>	<u>5,807</u>	<u>75,870</u>
New leases	–	–	4,469	4,469
Lease modification	–	–	2,919	2,919
Changes from financing cash flow	(2,258)	–	(7,633)	(9,891)
Early termination	–	–	(391)	(391)
Accretion of interest	2,237	–	219	2,456
At 31 December 2024 and 1 January 2025	<u>70,042</u>	<u>–</u>	<u>5,390</u>	<u>75,432</u>
New leases	–	–	10,761	10,761
Dividend declared	–	199,440	–	199,440
Additions as a result of acquisition of subsidiaries	134	–	16,566	16,700
Early termination	–	–	(393)	(393)
Changes from financing cash flow	107,568	(199,440)	(14,061)	(105,933)
Accretion of interest	2,317	–	523	2,840
Exchange realignment	–	–	52	52
At 31 December 2025	<u>180,061</u>	<u>–</u>	<u>18,838</u>	<u>198,899</u>

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	Interest bearing bank borrowings	Dividend Payable	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2026	180,061	–	18,838	198,899
New leases	–	–	14,709	14,709
Early termination	–	–	(104)	(104)
Lease modification	–	–	4,287	4,287
Changes from financing cash flow	38,455	–	(7,778)	30,677
Accretion of interest	1,545	–	394	1,939
Exchange realignment	–	–	(353)	(353)
At 31 May 2026	<u>220,061</u>	<u>–</u>	<u>29,993</u>	<u>250,054</u>
At 1 January 2025	70,042	–	5,390	75,432
New leases	–	–	6,940	6,940
Early termination	–	–	–	–
Changes from financing cash flow	143,769	–	(2,972)	140,797
Accretion of interest	1,189	–	121	1,310
Exchange realignment	–	–	–	–
At 31 May 2025 (Unaudited) . . .	<u>215,000</u>	<u>–</u>	<u>9,479</u>	<u>224,479</u>

(c) **Total cash outflows for leases**

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Within operating activities .	–	36	–	–	–
Within financing activities .	<u>11,191</u>	<u>7,633</u>	<u>14,061</u>	<u>2,972</u>	<u>7,778</u>
Total	<u>11,191</u>	<u>7,669</u>	<u>14,061</u>	<u>2,972</u>	<u>7,778</u>

34. PLEDGE OF ASSETS

Details of the Group’s interest-bearing bank borrowings and bank acceptance bills, which are secured by the assets of the Group, are included in notes 14 and 22 to the Historical Financial Information.

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35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for items of property, plant and equipment . . .	55,410	11,361	98,503	70,973

36. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the Relevant Periods and the five months ended 31 May 2025.

(a) Name and relationships of the related parties:

Name	Relationships
LIU Jie, Ms Xu Siying, Little Swan Ballet, Future Life Investment Group Limited (“Future Life”)	Controlling Shareholders
Future Meiye	Associate

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

- (i) On 21 November 2025, the Company transferred 30% equity interests in Beike Internet Hospital (Guangdong) Co., Ltd. to Future Life at a consideration of RMB300,000.
- (ii) The Group received green plants donated by the chief executive Mr. LIU Jie with a value of RMB152,000 in 2024.
- (iii) Future Meiye and Future Life transferred the title of 6 patents overseas trademarks to the Group in 2023.

(c) Outstanding balances with related parties:

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Due from Future Life (note 18) .	–	–	300	–

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(d) Guarantees from related parties:

	Guarantee amount	Guarantee start date	Guarantee expiration date
	<i>RMB'000</i>		
Mr Liu Jie and Ms Xu Siying *	250,000	30 May 2025	30 May 2026
Mr Liu Jie, Ms Xu Siying and Future Life **	400,000	17 July 2025	14 July 2027
Mr Liu Jie and Guangdong Shiqi Manufacture Co., Ltd.*	300,000	9 September 2025	8 September 2027
Mr Liu Jie and Ms Xu Siying **	100,000	13 January 2025	13 January 2028
Mr Liu Jie and Guangdong Shiqi Manufacture Co., Ltd. *	450,000	30 July 2025	29 July 2027
Mr Liu Jie, Ms Xu Siying and Future Life*	250,000	17 July 2024	16 July 2025
Mr Liu Jie, Ms Xu Siying and Future Life*	100,000	20 August 2024	31 December 2030
Mr Liu Jie, Ms Xu Siying and Future Life*	50,000	1 June 2022	16 January 2025
Mr Liu Jie, Ms Xu Siying and Future Life*	200,000	1 December 2023	1 December 2024
Mr Liu Jie, Ms Xu Siying and Future Life*	40,000	22 October 2018	21 October 2023
Mr Liu Jie, Ms Xu Siying and Future Life*	10,000	1 January 2019	31 December 2028
Mr Liu Jie and Ms Xu Siying*	20,000	1 January 2019	31 December 2030
Mr Liu Jie and Ms Xu Siying*	60,000	16 September 2019	15 September 2024
Mr Liu Jie, Ms Xu Siying and Future Life*	60,000	16 September 2019	15 September 2024
Mr Liu Jie, Ms Xu Siying and Future Life*	70,000	16 March 2020	16 March 2025
Mr Liu Jie, Ms Xu Siying and Future Life *	100,000	15 September 2021	14 September 2023
Mr Liu Jie, Ms Xu Siying and Future Life*	100,000	1 October 2021	30 September 2023
Mr Liu Jie, Ms Xu Siying and Future Life*	80,000	8 April 2022	8 April 2023
Mr Liu Jie and Ms Xu Siying*	50,000	1 June 2022	1 June 2025
Mr Liu Jie and Ms Xu Siying*	100,000	17 October 2022	16 October 2023
Mr Liu Jie, Ms Xu Siying and Future Life*	100,000	18 October 2022	21 August 2023
Mr Liu Jie, Ms Xu Siying and Future Life*	100,000	2 February 2023	1 February 2025
Mr Liu Jie, Ms Xu Siying and Future Life*	600,000	27 April 2023	20 August 2024
Mr Liu Jie, Ms Xu Siying and Future Life*	50,000	17 May 2023	16 May 2024
Mr Liu Jie, Ms Xu Siying and Future Life*	80,000	26 June 2023	6 June 2024
Mr Liu Jie and Ms Xu Siying*	360,000	20 October 2022	19 October 2027

* The guarantees provided by the above related parties have been released as of 31 May 2026.

** These guarantees provided by related parties are expected to be released upon [REDACTED].

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

	Year ended 31 December			Five months ended 31 May	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Salaries and other benefits .	12,737	9,059	8,737	3,558	2,423
Performance related bonuses	6,227	6,236	4,666	3,820	3,327
Pension scheme					
contributions	636	456	506	176	137
Share-based payment					
expenses	(6,715)	(13,259)	(89)	670	600
	<u>12,885</u>	<u>2,492</u>	<u>13,820</u>	<u>8,224</u>	<u>6,487</u>

Further details of directors’, supervisors’ and the chief executive’s remuneration are included in note 8 to the Historical Financial Information.

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37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Reporting Periods were as follows:

	31 December			31 May
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	100,346	200,599	243,096	516,925
Financial assets at amortised cost:				
Trade and bills receivables	45,001	43,390	86,997	106,529
Financial assets included in prepayments, deposits, other receivables and other assets	4,738	5,425	11,010	11,336
Time deposits with original maturity of over three months	–	142,452	247,829	212,162
Restricted bank deposits	76,661	91,642	123,937	35,661
Certificates of deposit	128,144	181,674	50,723	51,319
Cash and cash equivalents	313,433	88,521	94,847	98,209
Total	567,977	553,104	615,343	515,216
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and bills payables	278,595	253,203	360,407	479,552
Financial liabilities included in other payables and accruals	99,044	68,141	64,244	54,814
Lease liabilities	5,807	5,390	18,838	29,993
Interest-bearing bank borrowings	70,063	70,042	180,061	220,061
Total	453,509	396,776	623,550	784,420

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

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

The Group invests in unlisted investments, which represent wealth management products issued by several certified financial institutions in the Chinese mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

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

Assets measured at fair value:

At 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss	–	100,346	–	100,346

At 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss	–	200,599	–	200,599

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At 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	243,096	–	243,096

At 31 May 2026

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	516,925	–	516,925

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities which arise directly from its operations.

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

Foreign currency risk

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

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

	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax
	%	RMB’000
Year ended 31 December 2023		
If the RMB weakens against the USD	5	1,193
If the RMB strengthens against the USD	(5)	(1,193)
Year ended 31 December 2024		
If the RMB weakens against the USD	5	1,585
If the RMB strengthens against the USD	(5)	(1,585)
Year ended 31 December 2025		
If the RMB weakens against the USD	5	3,156
If the RMB strengthens against the USD	(5)	(3,156)
Five months ended 31 May 2026		
If the RMB weakens against the USD	5	1,633
If the RMB strengthens against the USD	(5)	(1,633)

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. The credit risk of the Group’s other financial assets, which comprise cash and cash equivalents, pledged deposits, financial assets included in prepayments, deposits, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

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Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	42,107	42,107
Bills receivables	–	–	–	5,000	5,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,834	26	–	–	4,860
– Doubtful**	–	–	630	–	630
Certificates of deposit . . .	128,144	–	–	–	128,144
Restricted bank deposits . .	76,661	–	–	–	76,661
Cash and cash equivalents	313,433	–	–	–	313,433
Total	523,072	26	630	47,107	570,835

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At 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	44,411	44,411
Bills receivables	–	–	–	1,200	1,200
Financial assets included in prepayments, other receivables and other assets					
– Normal**	5,836	–	–	–	5,836
Time deposits with original maturity of over three months	142,452	–	–	–	142,452
Certificates of deposit . . .	181,674	–	–	–	181,674
Restricted bank deposits . .	91,642	–	–	–	91,642
Cash and cash equivalents	88,521	–	–	–	88,521
Total	510,125	–	–	45,611	555,736

At 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	90,297	90,297
Bills receivables	–	–	–	400	400
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,064	–	–	–	11,064
Time deposits with original maturity of over three months	247,829	–	–	–	247,829
Certificates of deposit . . .	50,723	–	–	–	50,723
Restricted bank deposits . .	123,937	–	–	–	123,937
Cash and cash equivalents	94,847	–	–	–	94,847
Total	528,400	–	–	90,697	619,097

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At 31 May 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	111,362	111,362
Bills receivables	–	–	–	–	–
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,824	–	–	–	11,824
Time deposits with original maturity of over three months	212,162	–	–	–	212,162
Certificates of deposit	51,319	–	–	–	51,319
Restricted bank deposits.	35,661	–	–	–	35,661
Cash and cash equivalents	98,209	–	–	–	98,209
Total.	409,175	–	–	111,362	520,537

* For trade receivables at the end of each of the Relevant Periods, the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities.

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

At 31 December 2023

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . .	278,595	–	–	278,595
Financial liabilities included in other payables and accruals . .	99,044	–	–	99,044
Lease liabilities	4,951	990	–	5,941
Interest-bearing bank borrowings	14,435	60,163	–	74,598
Total	397,025	61,153	–	458,178

At 31 December 2024

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . .	253,203	–	–	253,203
Financial liabilities included in other payables and accruals . .	68,141	–	–	68,141
Lease liabilities	4,245	1,238	–	5,483
Interest-bearing bank borrowings	71,222	–	–	71,222
Total	396,811	1,238	–	398,049

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At 31 December 2025

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . .	360,407	–	–	360,407
Financial liabilities included in other payables and accruals . .	64,244	–	–	64,244
Lease liabilities	14,467	5,530	–	19,997
Interest-bearing bank borrowings	181,659	–	–	181,659
Total	<u>620,777</u>	<u>5,530</u>	<u>–</u>	<u>626,307</u>

At 31 May 2026

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . .	479,552	–	–	479,552
Financial liabilities included in other payables and accruals . .	54,814	–	–	54,814
Lease liabilities	14,653	17,993	–	32,646
Interest-bearing bank borrowings	220,727	–	–	220,727
Total	<u>769,746</u>	<u>17,993</u>	<u>–</u>	<u>787,739</u>

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Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total interest-bearing liabilities divided by total equity. The Group’s policy is to maintain the gearing ratio at a reasonable level.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December			31 May
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing bank borrowings .	70,063	70,042	180,061	220,061
Lease liabilities	5,807	5,390	18,838	29,993
Total interest-bearing liabilities . .	75,870	75,432	198,899	250,054
Total equity	674,580	800,700	737,846	805,989
Gearing ratio.	11%	9%	27%	31%

40. EVENTS AFTER THE RELEVANT PERIODS

There are no significant subsequent events undertaken by the Company after 31 May 2026.

41. SUBSEQUENT FINANCIAL STATEMENTS

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