

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-62, received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING XSKY TECHNOLOGY CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Beijing XSKY Technology Co., Ltd. (北京星辰天合科技股份有限公司, formerly known as XSKY (Beijing) Data Technology Co., Ltd. or 星辰天合(北京)數據科技有限公司, the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-62, which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025 and June 30, 2026, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and June 30, 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2025 and six months ended June 30, 2026 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-62 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●], 2026 (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

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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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at December 31, 2023, 2024 and 2025 and June 30, 2026, of the Company’s financial position as at December 31, 2023, 2024 and 2025 and June 30, 2026 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2025 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with 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

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come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to Note 16 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the year ended December 31,			For the six months ended June 30,	
		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>	
Revenue	6	166,841	172,484	267,013	99,529	185,760
Cost of sales		(74,434)	(62,630)	(96,590)	(29,732)	(89,446)
Gross profit		92,407	109,854	170,423	69,797	96,314
Other income	7	17,200	12,661	17,332	6,057	7,238
Impairment losses reversed/(recognized) under expected credit loss model	8	528	359	(887)	(1,008)	609
Other gains and losses, net	9	(30)	(51)	347	34	286
Selling and marketing expenses		(124,107)	(86,526)	(73,645)	(36,170)	(36,852)
Research and development expenses		(110,012)	(87,959)	(77,186)	(38,010)	(41,426)
Administrative expenses . . .		(56,185)	(32,140)	(24,937)	(11,041)	(13,468)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	10	(471)	(377)	(210)	(120)	(154)
(Loss)/profit before tax . .		(180,670)	(84,179)	7,137	(10,461)	307
Income tax expense	11	—	—	—	—	—
(Loss)/profit and total comprehensive (expense)/income for the year/period	12	(180,670)	(84,179)	7,137	(10,461)	307
(Loss)/profit per share (RMB)						
Basic and diluted	15	[(0.48)]	[(0.23)]	[0.02]	[(0.03)]	[0.00]

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,			As at June 30,
		2023	2024	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets					
Property, plant and equipment	17	24,506	15,581	9,040	8,568
Right-of-use assets	18	9,994	4,962	4,032	2,691
Intangible assets	19	1,155	763	617	546
Term deposits	25	81,107	121,682	40,947	41,700
Prepayments, deposits and other receivables	23	1,008	919	227	3,598
		<u>117,770</u>	<u>143,907</u>	<u>54,863</u>	<u>57,103</u>
Current Assets					
Inventories	21	32,255	22,873	24,113	55,087
Trade and notes receivables	22	54,667	32,704	88,619	123,465
Contract assets	6	139	59	645	435
Prepayments, deposits and other receivables	23	12,130	18,670	13,366	25,072
Financial assets at fair value through profit or loss ("FVTPL")	24	–	50,075	–	–
Term deposits	25	128,176	40,273	82,768	32,323
Restricted bank deposits	25	–	623	–	472
Cash and cash equivalents	25	165,370	114,629	47,263	26,335
		<u>392,737</u>	<u>279,906</u>	<u>256,774</u>	<u>263,189</u>
Current Liabilities					
Trade and other payables	26	45,428	45,139	64,136	41,648
Contract liabilities	6	30,400	32,967	26,316	26,967
Lease liabilities	27	4,628	3,538	2,294	1,618
Borrowings	28	–	–	–	28,019
		<u>80,456</u>	<u>81,644</u>	<u>92,746</u>	<u>98,252</u>
Net Current Assets		<u>312,281</u>	<u>198,262</u>	<u>164,028</u>	<u>164,937</u>
Total Assets less Current Liabilities		<u>430,051</u>	<u>342,169</u>	<u>218,891</u>	<u>222,040</u>
Non-current Liabilities					
Contract liabilities	6	22,081	22,494	24,451	27,646
Lease liabilities	27	5,366	1,250	1,153	800
		<u>27,447</u>	<u>23,744</u>	<u>25,604</u>	<u>28,446</u>
Net Assets		<u>402,604</u>	<u>318,425</u>	<u>193,287</u>	<u>193,594</u>
Capital and Reserves					
Share capital	29	366,400	366,400	354,194	354,194
Reserves		329,081	329,081	209,012	209,012
Accumulated losses		(292,877)	(377,056)	(369,919)	(369,612)
Total Equity		<u>402,604</u>	<u>318,425</u>	<u>193,287</u>	<u>193,594</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at June 30,
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	17	24,506	15,581	9,040	8,568
Right-of-use assets	18	9,994	4,962	4,032	2,691
Intangible assets	19	1,155	763	617	546
Investments in subsidiaries	38	—	—	—	—
Term deposits	25	81,107	91,042	20,471	41,700
Prepayments, deposits and other receivables	23	1,008	919	227	3,598
		<u>117,770</u>	<u>113,267</u>	<u>34,387</u>	<u>57,103</u>
Current Assets					
Inventories	21	32,255	22,873	24,113	55,087
Trade and notes receivables	22	54,667	32,704	88,619	123,465
Contract assets	6	139	59	645	435
Prepayments, deposits and other receivables	23	12,088	18,627	13,342	25,022
Financial assets at FVTPL	24	—	50,075	—	—
Amounts due from subsidiaries		8,183	69,770	79,910	33,655
Term deposits	25	128,176	20,273	51,218	32,323
Restricted bank deposits	25	—	623	—	472
Cash and cash equivalents	25	164,953	114,018	46,602	25,942
		<u>400,461</u>	<u>329,022</u>	<u>304,449</u>	<u>296,401</u>
Current Liabilities					
Trade and other payables	26	43,951	43,570	62,316	40,021
Contract liabilities	6	30,400	32,967	26,316	26,967
Lease liabilities	27	4,628	3,538	2,294	1,618
Borrowings	28	—	—	—	28,019
		<u>78,979</u>	<u>80,075</u>	<u>90,926</u>	<u>96,625</u>
Net Current Assets		<u>321,482</u>	<u>248,947</u>	<u>213,523</u>	<u>199,776</u>
Total Assets less Current Liabilities					
		<u>439,252</u>	<u>362,214</u>	<u>247,910</u>	<u>256,879</u>
Non-current Liabilities					
Contract liabilities	6	22,081	22,494	24,451	27,646
Lease liabilities	27	5,366	1,250	1,153	800
		<u>27,447</u>	<u>23,744</u>	<u>25,604</u>	<u>28,446</u>
Net Assets		<u>411,805</u>	<u>338,470</u>	<u>222,306</u>	<u>228,433</u>
Capital and Reserves					
Share capital	29	366,400	366,400	354,194	354,194
Reserves		329,081	329,081	209,012	209,012
Accumulated losses		(283,676)	(357,011)	(340,900)	(334,773)
Total Equity		<u>411,805</u>	<u>338,470</u>	<u>222,306</u>	<u>228,433</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory surplus reserve	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	366,400	329,081	–	–	(112,207)	583,274
Loss and total comprehensive expense for the year	–	–	–	–	(180,670)	(180,670)
Recognition of equity-settled share-based payments expense (Note 30)	–	–	–	–	–	–
At December 31, 2023	366,400	329,081	–	–	(292,877)	402,604
Loss and total comprehensive expense for the year	–	–	–	–	(84,179)	(84,179)
Recognition of equity-settled share-based payments expense (Note 30)	–	–	–	–	–	–
At December 31, 2024	366,400	329,081	–	–	(377,056)	318,425
Targeted Capital Repurchase (Note 29)	(25,046)	(107,229)	–	–	–	(132,275)
Targeted Capitalization of Capital Reserve (Note 29)	12,840	(12,840)	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	7,137	7,137
Recognition of equity-settled share-based payments expense (Note 30)	–	–	–	–	–	–
At December 31, 2025	354,194	209,012	–	–	(369,919)	193,287
Profit and total comprehensive income for the period	–	–	–	–	307	307
Recognition of equity-settled share-based payments expense (Note 30)	–	–	–	–	–	–
At June 30, 2026	354,194	209,012	–	–	(369,612)	193,594
At January 1, 2025	366,400	329,081	–	–	(377,056)	318,425
Loss and total comprehensive expense for the period	–	–	–	–	(10,461)	(10,461)
Recognition of equity-settled share-based payments expense (Note 30)	–	–	–	–	–	–
At June 30, 2025 (unaudited) . . .	366,400	329,081	–	–	(387,517)	307,964

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,			For the six months ended June 30,	
	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>				
Operating activities					
(Loss)/profit before tax	(180,670)	(84,179)	7,137	(10,461)	307
Adjustments for:					
Finance costs	471	377	210	120	154
Interest income	(5,314)	(3,825)	(4,950)	(2,617)	(1,775)
Depreciation of property, plant and equipment	11,842	12,332	8,737	4,646	3,485
Depreciation of right-of-use assets	4,805	4,632	4,206	2,088	2,119
Amortization of intangible assets	691	481	146	73	71
Impairment losses (reversed) recognized under expected credit loss model	(528)	(359)	887	1,008	(609)
Impairment loss on inventories	1,702	180	16	145	1
Gain on disposal of property, plant and equipment	(79)	(197)	(252)	(23)	(234)
Loss on disposal of right-of-use assets	—	189	—	—	—
Net foreign exchange gains	(3)	—	—	—	—
Operating cash flows before movements in working capital	<u>(167,083)</u>	<u>(70,369)</u>	<u>16,137</u>	<u>(5,021)</u>	<u>3,519</u>
Decrease/(increase) in inventories	9,041	9,202	(1,256)	(2,583)	(30,975)
Decrease/(increase) in trade and notes receivables	32,114	22,586	(56,847)	(26,229)	(34,199)
Decrease/(increase) in contract assets	107	81	(602)	(543)	218
(Increase)/decrease in prepayments, deposits and other receivables	(1,839)	(2,834)	2,889	3,117	(12,657)
(Increase)/decrease in restricted bank deposits	—	(623)	623	623	(472)
(Decrease)/increase in trade and other payables	(33,491)	(289)	18,299	3,030	(22,768)
Increase/(decrease) in contract liabilities	8,590	2,980	(4,694)	(3,367)	3,846
Cash used in operations	<u>(152,561)</u>	<u>(39,266)</u>	<u>(25,451)</u>	<u>(30,973)</u>	<u>(93,488)</u>
Income taxes (paid) refunded	—	—	(8)	—	8
Net cash used in operating activities	<u>(152,561)</u>	<u>(39,266)</u>	<u>(25,459)</u>	<u>(30,973)</u>	<u>(93,480)</u>

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	For the year ended December 31,			For the six months ended June 30,	
	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>	
Investing activities					
Interest received	4,819	3,378	3,265	1,583	467
Withdrawal of term deposits	12,300	127,700	81,000	–	51,000
Proceeds from disposal of property, plant and equipment .	167	335	590	47	241
Proceeds from disposal of financial assets at FVTPL . . .	–	–	50,000	50,000	–
Purchases of financial assets at FVTPL	–	(50,000)	–	–	–
Placement of term deposits	(101,000)	(80,000)	(41,000)	–	–
Purchases of property, plant and equipment	(11,859)	(3,545)	(2,534)	(1,525)	(3,020)
Payments for right-for-use assets	(428)	(23)	(236)	(236)	(106)
Purchases of other intangible assets	(450)	(89)	–	–	–
Net cash (used in)/generated from investing activities	<u>(96,451)</u>	<u>(2,244)</u>	<u>91,085</u>	<u>49,869</u>	<u>48,582</u>
Financing activities					
Payments of share issue cost . . .	–	–	(126)	–	(2,194)
Proceeds from borrowings	–	–	–	–	28,000
Repayments of lease liabilities . .	(4,702)	(4,854)	(4,381)	(2,026)	(1,701)
Interest paid for borrowings	–	–	–	–	(75)
Interest paid for lease liabilities .	(471)	(377)	(210)	(120)	(60)
Deposits paid for targeted Capital Repurchase (<i>Note 29</i>)	–	(4,000)	–	–	–
Received of deposits paid for targeted Capital Repurchase (<i>Note 29</i>)	–	–	4,000	–	–
Payments of targeted Capital Repurchase (<i>Note 29</i>)	–	–	(132,275)	–	–
Net cash (used in)/generated from financing activities	<u>(5,173)</u>	<u>(9,231)</u>	<u>(132,992)</u>	<u>(2,146)</u>	<u>23,970</u>
Net (decrease)/increase in cash and cash equivalents	<u>(254,185)</u>	<u>(50,741)</u>	<u>(67,366)</u>	<u>16,750</u>	<u>(20,928)</u>
Cash and cash equivalents at beginning of the year/period . .	419,552	165,370	114,629	114,629	47,263
Effect of foreign exchange rate changes	3	–	–	–	–
Cash and cash equivalents at end of the year/period	<u>165,370</u>	<u>114,629</u>	<u>47,263</u>	<u>131,379</u>	<u>26,335</u>

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NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Beijing XSKY Technology Co., Ltd.* (北京星辰天合科技股份有限公司, formerly known as XSKY (Beijing) Data Technology Co., Ltd.* (星辰天合(北京)數據科技有限公司), the “Company”), was established as a limited liability company in the People’s Republic of China (“PRC”) on May 13, 2015. The Company was converted into a joint stock company with limited liability under the Company Law of the PRC on December 21, 2021, while its name changed to Beijing XSKY Technology Co., Ltd.* (“北京星辰天合科技股份有限公司”). The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Document.

The Company and its subsidiaries (collectively the “Group”) are primarily engaged in providing artificial intelligence (“AI”) storage solutions in the PRC. Details of the subsidiaries are disclosed in Note 37.

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

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

The statutory financial statements of the Company for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in PRC. The statutory financial statements of the Company for the year ended December 31, 2023 were audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)) and the statutory financial statements of the Company for the year ended December 31, 2024 and 2025 were audited by Beijing Zhuodixin Certified Public Accountants GP* (北京卓迪信會計師事務所(普通合夥)).

3. ADOPTION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

At the date of this report, the following amendments to IFRS Accounting Standards have been issued which are not yet effective:

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

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

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

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

* English name for identification purpose only

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IFRS 18 Presentation and Disclosure in Financial Statements

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

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. Additional disclosures required for the Group’s MPMs will be disclosed in a separate note to the consolidated financial statements.

Except for IFRS 18, the directors of the Company (the “Directors”) anticipate that the application of the above new and amendments to IFRS Accounting Standards will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less accumulated impairment losses, if any.

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Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Information about the Group’s accounting policies relating to each category of revenue is provided in Note 6.

Leases

The Group assesses whether a contract is or contains a lease, at inception of a contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain properties and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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Foreign currencies

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

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

Government grants

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

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

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognized as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

Equity-settled share-based payment transactions

Share options/restricted share units (the “RSUs”) granted to employees

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

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

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to accumulated losses.

When RSUs granted are vested, the amount previously recognized in share-based payments reserve will be transferred to capital reserve. When restricted shares are forfeited after the vesting date, the amount previously recognized in share-based payments reserve will be transferred to accumulated losses.

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

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

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

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognized immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

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

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

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- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

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

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

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- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

(i) Amortized cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

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

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

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

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

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on trade receivables and contract assets are assessed individually for those relating to customers with significant doubt on collection of receivables and collectively using a provision matrix with appropriate groupings for others with similar credit risk characteristics.

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

(i) Significant increase in credit risk

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade and notes receivables and contract assets are considered on a collective basis taking into consideration debtors’ aging and relevant credit information such as forward looking macroeconomic information.

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For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and notes receivables, contract assets, deposits and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

Provision of ECL for trade receivables was estimated based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables that are credit-impaired (if any) are assessed for ECL individually. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL on the Group’s trade receivables are disclosed in Note 34.

6. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue from contracts with customers

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Types of goods or service					
Sales of goods	137,754	138,050	228,931	81,396	165,367
Services	29,087	34,434	38,082	18,133	20,393
Total	<u>166,841</u>	<u>172,484</u>	<u>267,013</u>	<u>99,529</u>	<u>185,760</u>
Timing of revenue recognition					
A point in time	137,754	138,050	228,931	81,396	165,367
Over time	29,087	34,434	38,082	18,133	20,393
Total	<u>166,841</u>	<u>172,484</u>	<u>267,013</u>	<u>99,529</u>	<u>185,760</u>

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

The Group derives revenue from sales of goods and the related services.

(i) *Sales of goods*

The Company provides AI storage solutions products including storage software and turnkey appliances in different forms, such as servers and other devices. The storage software or turnkey appliances are sold separately or bundled with related services. In the sales of turnkey appliances, the hardware and embedded software are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customers. Accordingly, the sales of turnkey appliances is accounted for as a single performance obligation.

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Revenue is recognized at a point in time when storage software or turnkey appliances is delivered to the customer or the customer’s designated place, inspected and accepted by the customer. Payment of the transaction price is generally due within 5-180 days from the delivery.

Warranties associated with the turnkey appliances cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

(ii) Services

The Company also provides AI storage services in the form of software maintenance and upgrade services for a specific period (normally 1-3 years after the customer’s acceptance) separately or alongside with the sales of software or turnkey appliances. The maintenance and upgrade services are considered to be distinct services as it is also regularly supplied by the Group to customers on a stand-alone basis and therefore are accounted for as a separate performance obligation. The transaction price is allocated between sales of products and the maintenance and upgrade services on a relative stand-alone selling price basis. Revenue from provision of maintenance and upgrade services is recognized over time. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service. The Group does not consider the advance payments from customers contain a significant financing component.

(c) Segment information

For the purpose of resource allocation and performance assessment, the Group’s chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

During the Track Record Period, substantially all of the Group’s revenue was generated from the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

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

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Customer A	28,576	36,671	45,684	14,931	41,057
Customer B	24,014	17,486	N/A	N/A	N/A
Customer C	N/A	N/A	N/A	10,428	19,701

(d) Contract assets and contract liabilities

The contract assets primarily represent the Group’s right to consideration for work completed and not billed because the rights are conditioned on the Group’s future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The contract liabilities mainly arise from the advanced payments made by the customers while the underlying services are not yet provided by the Group.

The Group and the Company

As at January 1, 2023, December 31, 2023, 2024 and 2025 and June 30, 2026, the contract assets amounted to RMB248,000, RMB139,000, RMB59,000, RMB645,000 and RMB435,000.

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As at January 1, 2023, December 31, 2023, 2024 and 2025 and June 30, 2026, the contract liabilities amounted to RMB43,891,000, RMB52,481,000, RMB55,461,000, RMB50,767,000 and RMB54,613,000. The contract liabilities mainly relate to the software maintenance and upgrade services which are accounted for as a separate performance obligation of which the revenue will be recognized during the service period. The Group typically receives the transaction price, including the transaction price allocated to the separate performance obligations, within the credit period after the delivery of goods. The Directors expect that the contract liabilities as of June 30, 2026 will be recognized as revenue within the service period.

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	52,481	55,461	50,767	54,613
Analyzed for reporting purposes as:				
Current	30,400	32,967	26,316	26,967
Non-Current	22,081	22,494	24,451	27,646
Total	<u>52,481</u>	<u>55,461</u>	<u>50,767</u>	<u>54,613</u>

The following table shows the amount of the revenue recognized in the year relates to the previous year’s carried-forward contract liabilities.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognized that was included in the contract liabilities at the beginning of the year	20,019	29,419	31,551	20,941	12,715

7. OTHER INCOME

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Value-added tax refund (Note)	10,163	8,676	10,061	3,395	5,448
Interest income from bank and other deposits	5,314	3,825	4,950	2,617	1,775
Government grants	1,723	160	2,321	45	15
	<u>17,200</u>	<u>12,661</u>	<u>17,332</u>	<u>6,057</u>	<u>7,238</u>

Note: The Company is engaged in the business of sales of self-developed software. Under the current PRC tax regulation, the Company is entitled to a refund of value-added tax paid for sales of self-developed software in the PRC.

8. IMPAIRMENT LOSSES REVERSED/(RECOGNIZED) UNDER EXPECTED CREDIT LOSS MODEL

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Impairment losses reversed/(recognized), net:					
– Trade receivables and contract assets	544	624	(948)	(1,032)	654
– Other receivables	(16)	(265)	61	24	(45)
Total	<u>528</u>	<u>359</u>	<u>(887)</u>	<u>(1,008)</u>	<u>609</u>

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9. OTHER GAINS AND LOSSES, NET

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gain on disposal of property, plant and equipment, net	79	197	252	23	234
Loss on disposal of right-of-use assets, net	—	(189)	—	—	—
Net foreign exchange gains	3	—	—	—	—
Others	(112)	(59)	95	11	52
Total	<u>(30)</u>	<u>(51)</u>	<u>347</u>	<u>34</u>	<u>286</u>

10. FINANCE COSTS

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on lease liabilities	471	377	210	120	60
Interest on borrowings	—	—	—	—	94
Total	<u>471</u>	<u>377</u>	<u>210</u>	<u>120</u>	<u>154</u>

11. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the Track Record Period.

Certain subsidiaries are qualified as small low-profit enterprises in the PRC. From January 1, 2023 to December 31, 2027, the annual taxable income of a small low-profit enterprise is subject to a preferential income tax rate of 5%.

The Company is entitled to a preferential income tax rate of 15% for the year ended December 31, 2023, 2024 and 2025 and six months ended June 30, 2026, as the Company was qualified as a High-New Technology Enterprises (the “HNTE”). The HNTE qualification was approved and valid for 3 years from October 18, 2022 to October 17, 2025. These qualifications are subject to review by the relevant tax authorities in the PRC for every three years. The HNTE qualification has been renewed and valid through October 27, 2028. The unutilized tax losses incurred by the qualified HNTE can be utilized in 10 years from the year of loss.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year (“Super Deduction”). Such claim has been further increased to 200% since October 1, 2022.

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

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/profit before tax	<u>(180,670)</u>	<u>(84,179)</u>	<u>7,137</u>	<u>(10,461)</u>	<u>307</u>
Tax at PRC statutory income tax rate of 25%	(45,168)	(21,045)	1,784	(2,615)	77
Tax effect of expenses not deductible for tax purposes	1,306	938	526	261	329
Tax effect of tax losses not recognized	67,295	40,250	13,721	10,413	7,985
Tax effect of deductible temporary differences not recognized	431	111	226	209	41
Utilization of deductible temporary differences previously not recognized	(218)	(629)	(379)	(240)	(166)
Tax effect of Super Deduction	<u>(23,646)</u>	<u>(19,625)</u>	<u>(15,878)</u>	<u>(8,028)</u>	<u>(8,266)</u>

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	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Income tax expense for the year/period	—	—	—	—	—
	==	==	==	==	==

12. (LOSS)/PROFIT FOR THE YEAR/PERIOD

The Group’s (loss)/profit for the year/period has been arrived at after charging:

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation of property, plant and equipment	11,842	12,332	8,737	4,646	3,485
Depreciation of right-of-use assets	4,805	4,632	4,206	2,088	2,119
Amortization of intangible assets	691	481	146	73	71
Total depreciation and amortization	17,338	17,445	13,089	6,807	5,675
Auditor’s remuneration	738	509	45	45	79
Employee benefit expenses (including directors’, chief executives’ and supervisors’ emoluments as set out in Note 13)					
– Salaries, bonuses and other allowance	170,595	130,205	114,882	56,930	60,078
– Share-based payments expenses (Note 30).	—	—	—	—	—
– Retirement benefits scheme contributions	18,300	14,229	13,554	6,814	6,667
– Welfare, medical and other employee benefits	35,229	20,022	15,675	7,211	7,916
Total staff costs	224,124	164,456	144,111	70,955	74,661
[REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Provision for impairment of inventories, net of reversal	1,702	180	16	145	1
	=====	=====	=====	=====	=====

13. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

Details of the emoluments paid or payable by the entities comprising the Group to the directors, chief executive officer and supervisors of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors and supervisors of the Company) during the Track Record Period are as follows:

	For the year ended December 31, 2023				
	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Executive directors: (note i)					
Mr. XU Xin (Chief executive officer)	771	—	63	—	834
Mr. WANG Haomai	758	—	63	—	821
Mr. ZHANG Xuming	1,442	412	46	—	1,900
Ms. FANG Fei	1,553	114	63	—	1,730
Mr. ZHAI Jing	722	898	63	—	1,683
Mr. ZHAO Zeyu	1,062	200	63	—	1,325
Sub-total	6,308	1,624	361	—	8,293
	=====	=====	=====	=====	=====

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For the year ended December 31, 2023

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Non-executive directors: (note ii)					
Mr. DENG Feng	—	—	—	—	—
Mr. LIN Lu	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors: (note iii)					
Ms. WANG Huanxin	150	—	—	—	150
Ms. SHI Dandan	150	—	—	—	150
Mr. ZHOU Zhengchun	150	—	—	—	150
Sub-total	450	—	—	—	450
Supervisors: (note iv)					
Ms. HAN Qi	359	12	52	—	423
Ms. REN Jun	304	10	42	—	356
Mr. LU Jiafu	970	208	63	—	1,241
Mr. WANG Feng	769	191	63	—	1,023
Sub-total	2,402	421	220	—	3,043
Total	9,160	2,045	581	—	11,786

For the year ended December 31, 2024

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Executive directors: (note i)					
Mr. XU Xin (Chief executive officer)	833	—	66	—	899
Mr. WANG Haomai	821	—	66	—	887
Mr. ZHANG Xuming	1,441	563	50	—	2,054
Ms. FANG Fei	1,565	55	66	—	1,686
Mr. ZHAI Jing	725	144	66	—	935
Mr. ZHAO Zeyu	1,132	—	61	—	1,193
Sub-total	6,517	762	375	—	7,654
Non-executive directors: (note ii)					
Mr. DENG Feng	—	—	—	—	—
Mr. LIN Lu	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors: (note iii)					
Ms. WANG Huanxin	60	—	—	—	60
Ms. SHI Dandan	60	—	—	—	60
Mr. ZHOU Zhengchun	5	—	—	—	5
Sub-total	125	—	—	—	125
Supervisors: (note iv)					
Ms. HAN Qi	363	15	53	—	431
Ms. REN Jun	307	10	43	—	360
Mr. LU Jiafu	977	98	66	—	1,141
Mr. WANG Feng	579	224	49	—	852
Sub-total	2,226	347	211	—	2,784
Total	8,868	1,109	586	—	10,563

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For the year ended December 31, 2025

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Executive directors: (note i)					
Mr. XU Xin (Chief executive officer)	834	660	68	–	1,562
Mr. WANG Haomai	822	660	68	–	1,550
Mr. ZHANG Xuming	1,441	625	57	–	2,123
Ms. FANG Fei	1,566	300	68	–	1,934
Mr. ZHAI Jing	60	–	6	–	66
Sub-total	4,723	2,245	267	–	7,235
Non-executive directors: (note ii)					
Mr. LIN Lu	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors: (note iii)					
Ms. WANG Huanxin	60	–	–	–	60
Ms. SHI Dandan	60	–	–	–	60
Mr. ZHOU Zhengchun	–	–	–	–	–
Sub-total	120	–	–	–	120
Supervisors: (note iv)					
Ms. HAN Qi	387	28	52	–	467
Ms. REN Jun	307	12	45	–	364
Mr. LU Jiafu	978	139	68	–	1,185
Sub-total	1,672	179	165	–	2,016
Total	6,515	2,424	432	–	9,371

For the six months ended June 30, 2025 (unaudited)

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Executive directors: (note i)					
Mr. XU Xin (Chief executive officer)	404	13	34	–	451
Mr. WANG Haomai	398	13	34	–	445
Mr. ZHANG Xuming	489	231	29	–	749
Ms. FANG Fei	758	25	34	–	817
Mr. ZHAI Jing	60	–	6	–	66
Sub-total	2,109	282	137	–	2,528

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For the six months ended June 30, 2025 (unaudited)

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Non-executive directors: (note ii)					
Mr. LIN Lu	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors: (note iii)					
Ms. WANG Huanxin	30	—	—	—	30
Ms. SHI Dandan	30	—	—	—	30
Mr. ZHOU Zhengchun	—	—	—	—	—
Sub-total	60	—	—	—	60
Supervisors: (note iv)					
Ms. HAN Qi	188	6	26	—	220
Ms. REN Jun	150	4	22	—	176
Mr. LU Jiafu	411	78	34	—	523
Sub-total	749	88	82	—	919
Total	2,918	370	219	—	3,507

For the six months ended June 30, 2026

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Executive directors: (note i)					
Mr. XU Xin (Chief executive officer)	391	26	34	—	451
Mr. WANG Haomai	386	25	34	—	445
Mr. ZHANG Xuming	425	298	28	—	751
Ms. FANG Fei	733	63	34	—	830
Sub-total	1,935	412	130	—	2,477
Non-executive directors: (note ii)					
Mr. LIN Lu	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors: (note iii)					
Ms. WANG Huanxin	25	—	—	—	25
Ms. SHI Dandan	25	—	—	—	25
Mr. LEUNG Wai Yip	10	—	—	—	10
Ms. LU Jingxiao	10	—	—	—	10
Mr. WONG Sincere	30	—	—	—	30
Sub-total	100	—	—	—	100

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For the six months ended June 30, 2026

	Salaries, allowance, welfare and other benefits	Performance based bonuses	Retirement benefits scheme	Share-based payments expenses	Total
	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (Note 30)	RMB'000
Supervisors: (note iv)					
Ms. HAN Qi	182	11	26	–	219
Ms. REN Jun	145	9	22	–	176
Mr. LU Jiafu	333	156	34	–	523
Sub-total	660	176	82	–	918
Total	2,695	588	212	–	3,495

Notes:

- i. Mr. XU Xin, founder of the Company, was appointed as chief executive officer and executive director of the Company on May 13, 2015.

Mr. WANG Haomai was appointed as executive director of the Company on December 13, 2021. Mr. XU Xin and Mr. WANG Haomai are collectively referred to as the “Founder Group”.

Mr. ZHANG Xuming was appointed as executive director of the Company on January 7, 2025.

Ms. FANG Fei was appointed as executive director of Company on January 6, 2026.

Mr. ZHAI Jing was appointed as executive director of the Company on December 13, 2021 and resigned on January 31, 2025.

Mr. ZHAO Zeyu has been appointed as executive director of the Company on December 13, 2021 and resigned on November 29, 2024.

- ii. Mr. DENG Feng was appointed as non-executive director of the Company on December 13, 2021, and resigned in December 2024.

Mr. LIN Lu was appointed as non-executive director of the Company on January 7, 2025.

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iii. Ms. WANG Huanxin was appointed as independent non-executive director of the Company on December 13, 2021.

Ms. SHI Dandan was appointed as independent non-executive director of the Company on December 13, 2021.

Mr. ZHOU Zhengchun was appointed as independent non-executive director of the Company on December 13, 2021 and resigned on November 30, 2025.

Mr. WONG Sincere was appointed as independent non-executive director of the Company on January 6, 2026.

Mr. LEUNG Wai Yip was appointed as independent non-executive director of the Company on May 9, 2026.

Ms. LU Jingxiao was appointed as independent non-executive director of the Company on May 9, 2026.

iv. Ms. HAN Qi was appointed as supervisor of the Company on December 13, 2021 and resigned on January 6, 2026.

Ms. REN Jun was appointed as supervisor of the Company on December 13, 2021 and resigned on January 6, 2026.

Mr. LU Jiafu was appointed as supervisor of the Company on January 7, 2025 and resigned on January 6, 2026.

Mr. WANG Feng was appointed as supervisor of the Company on December 13, 2021 and resigned on September 30, 2024.

The emoluments of executive directors and supervisors shown above were mainly for their services in connection with the management of affairs of the Company and the Group. Performance-based bonuses are determined based on the Group’s performance and performance of the relevant individuals within the Group. Non-executive directors’ emoluments shown above were borne by the shareholders of the Company. The independent non-executive directors’ emoluments shown above were mainly for their services as the directors.

During the Track Record Period, certain directors and supervisors were granted shares in respect of their services to the Group, and the details are set out in Note 30 to the Historical Financial Information.

There was no arrangement under which a director, supervisor or chief executive of the Company waived or agreed to waive any remuneration during the Track Record Period.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included 3, 2, 4, 3 and 2 directors and/or supervisors for the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, and the details of whose remuneration are set out in Note 13 above. Details of the remuneration for the remaining 2, 3, 1, 2 and 3 individuals who are not a director, chief executive officer or supervisor of the Company were as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowance, welfare and other benefits	1,866	2,882	991	1,056	1,697
Performance-based bonuses	842	1,064	342	—	—
Share-based payment expense (Note 30).	—	—	—	—	—
Retirement benefits scheme	126	163	57	63	103
	<u>2,834</u>	<u>4,109</u>	<u>1,390</u>	<u>1,119</u>	<u>1,800</u>

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The emoluments of the five highest paid employees who are not the directors, chief executive or supervisors of the Company are within the following bands:

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
				(Unaudited)	
Nil to HK\$1,000,000	–	–	–	2	3
HK\$1,000,001 to HK\$1,500,000 . .	1	1	1	–	–
HK\$1,500,001 to HK\$2,000,000 . .	1	2	–	–	–
Total	2	3	1	2	3
	=	=	=	=	=

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

During the Track Record Period, certain non-director, non-chief executive and non-supervisor highest paid employees were granted share-based payments in respect of their services to the Group, and the details are set out in Note 30.

15. (LOSS)/PROFIT PER SHARE

The calculation of the basic and diluted (loss)/profit per share attributable to the owners of the Company is based on the following data:

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Loss)/profit for the year/period attributable to the owners of the Company for the purpose of basic and diluted (loss)/profit per share	(180,670)	(84,179)	7,137	(10,461)	307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Number of shares

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
				(Unaudited)	
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/profit per share	373,507,662	373,507,662	368,772,983	373,507,662	348,461,897
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/profit per share has been determined on the assumption that the Capitalization of Capital Reserve (as defined in (Note 29)) had been effective since January 1, 2023. The unvested restricted shares granted to Founder Group in 2025 (as disclosed in Note 30) have been excluded from the computation of diluted earnings per share for the year ended December 31, 2025 and the six months ended June 30, 2026.

There were no potential dilutive ordinary shares in issue for the Track Report Period.

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16. DIVIDENDS

No dividend was declared or paid by the Company and its subsidiaries in respect of the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Machinery, equipment and vehicles	Office equipment, electronic equipment and others	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2023	1,484	37,859	7,864	47,207
Additions	—	11,703	156	11,859
Disposals	(4)	(2,315)	—	(2,319)
At December 31, 2023	1,480	47,247	8,020	56,747
Additions	—	3,545	—	3,545
Disposals	(349)	(976)	—	(1,325)
At December 31, 2024	1,131	49,816	8,020	58,967
Additions	—	2,534	—	2,534
Disposals	—	(6,402)	—	(6,402)
At December 31, 2025	1,131	45,948	8,020	55,099
Additions	—	3,020	—	3,020
Disposals	(3)	(137)	—	(140)
At June 30, 2026	1,128	48,831	8,020	57,979
DEPRECIATION				
At January 1, 2023	718	20,342	1,570	22,630
Charge for the year	232	9,749	1,861	11,842
Eliminated on disposals	(4)	(2,227)	—	(2,231)
At December 31, 2023	946	27,864	3,431	32,241
Charge for the year	173	10,400	1,759	12,332
Eliminated on disposals	(274)	(913)	—	(1,187)
At December 31, 2024	845	37,351	5,190	43,386
Charge for the year	145	6,833	1,759	8,737
Eliminated on disposals	—	(6,064)	—	(6,064)
At December 31, 2025	990	38,120	6,949	46,059
Charge for the period	69	2,536	880	3,485
Eliminated on disposals	(3)	(130)	—	(133)
At June 30, 2026	1,056	40,526	7,829	49,411
CARRYING AMOUNT				
At December 31, 2023	534	19,383	4,589	24,506
At December 31, 2024	286	12,465	2,830	15,581
At December 31, 2025	141	7,828	1,071	9,040
At June 30, 2026	72	8,305	191	8,568

The above items of property, plant and equipment, after taking into account the residual value, are depreciated on a straight-line basis at the following rates per annum:

Machinery, equipment and vehicles	19.00%-31.67%
Office equipment, electronic equipment and others	19.00%-31.67%
Leasehold improvement	Over the relevant lease terms or 25.00%-33.33%, whichever is lower

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18. RIGHT-OF-USE ASSETS

The Group and the Company

	Leased offices
	<i>RMB'000</i>
COST	
At January 1, 2023	17,978
Additions	3,737
At December 31, 2023	21,715
Additions	1,675
Rent concessions	(239)
Lease terminations	(8,095)
At December 31, 2024	15,056
Additions	3,276
Lease terminations	(427)
At December 31, 2025	17,905
Additions	778
Lease terminations	(1,107)
At June 30, 2026	17,576
DEPRECIATION	
At January 1, 2023	6,916
Charged for the year	4,805
At December 31, 2023	11,721
Charged for the year	4,632
Eliminated on lease terminations	(6,259)
At December 31, 2024	10,094
Charged for the year	4,206
Eliminated on lease terminations	(427)
At December 31, 2025	13,873
Charged for the period	2,119
Eliminated on lease terminations	(1,107)
At June 30, 2026	14,885
CARRYING AMOUNT	
At December 31, 2023	9,994
At December 31, 2024	4,962
At December 31, 2025	4,032
At June 30, 2026	2,691

	For the year ended December 31,			For the six months ended June 30,	
	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>	
Expense relating to short-term leases	929	717	220	157	65
Total cash outflow for leases	6,530	5,971	5,047	2,539	1,932

For the Track Record Period, the Group and the Company leased various offices for its operations. Lease contracts were entered into for fixed term of 2 to 4 years. Lease terms were negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company applied the definition of a contract and determined the period for which the contract was enforceable.

The Group and the Company regularly entered into short-term leases for certain leased offices. As at December 31, 2023, 2024 and 2025 and June 30, 2026, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense was disclosed above.

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19. INTANGIBLE ASSETS

The Group and the Company

	Software
	<i>RMB'000</i>
COST	
At January 1, 2023	3,234
Additions	450
At December 31, 2023	3,684
Additions	89
At December 31, 2024	3,773
Additions	—
At December 31, 2025	3,773
Additions	—
At June 30, 2026	3,773
AMORTIZATION	
At January 1, 2023	1,838
Charge for the year	691
At December 31, 2023	2,529
Charge for the year	481
At December 31, 2024	3,010
Charge for the year	146
At December 31, 2025	3,156
Charge for the period	71
At June 30, 2026	3,227
CARRYING AMOUNT	
At December 31, 2023	1,155
At December 31, 2024	763
At December 31, 2025	617
At June 30, 2026	546

The above intangible assets have finite useful lives and are amortized on a straight-line basis over 3-10 years.

20. DEFERRED TAX ASSETS/LIABILITIES

The Group

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

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	1,499	718	517	363
Deferred tax liabilities	(1,499)	(718)	(517)	(363)
	—	—	—	—

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

	Right-of-use assets	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	(1,659)	1,659	—
Credit (charge) to profit or loss	160	(160)	—
At December 31, 2023	(1,499)	1,499	—
Credit (charge) to profit or loss	781	(781)	—
At December 31, 2024	(718)	718	—
Credit (charge) to profit or loss	201	(201)	—
At December 31, 2025	(517)	517	—
Credit (charge) to profit or loss	154	(154)	—
At June 30, 2026	(363)	363	—

At the end of each reporting period, the Group has following unused tax losses and deductible temporary differences:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses	712,840	873,839	924,592	956,528
Deductible temporary differences	7,796	5,725	5,113	4,614

No deferred tax asset has been recognized in respect of these tax losses and deductible temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2025	4,129	4,129	—	—
2026	1,138	1,138	1,138	1,138
2027	3,674	3,674	3,674	3,674
2028	22,181	22,181	22,181	22,181
2029	15,169	15,169	15,169	15,169
2030	35,529	35,529	35,529	35,529
2031	143,796	143,796	143,796	143,796
2032	218,047	218,047	218,047	218,047
2033	269,177	269,177	269,177	269,177
2034	—	160,999	160,999	160,999
2035	—	—	54,882	54,882
2036	—	—	—	31,936
	712,840	873,839	924,592	956,528

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The Company

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

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,499	718	517	363
Deferred tax liabilities	(1,499)	(718)	(517)	(363)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	Right-of-use assets	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	(1,659)	1,659	—
Credit (charge) to profit or loss	160	(160)	—
At December 31, 2023	(1,499)	1,499	—
Credit (charge) to profit or loss	781	(781)	—
At December 31, 2024	(718)	718	—
Credit (charge) to profit or loss	201	(201)	—
At December 31, 2025	(517)	517	—
Credit (charge) to profit or loss	154	(154)	—
At June 30, 2026	(363)	363	—

At the end of each reporting period, the Company has following unused tax losses and deductible temporary differences:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	703,706	854,015	895,805	922,122
Deductible temporary differences	<u>7,813</u>	<u>5,761</u>	<u>5,314</u>	<u>4,815</u>

No deferred tax asset has been recognized in respect of these tax losses and deductible temporary differences due to the unpredictability of future profit streams.

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The unused tax losses will be carried forward and expire in years as follows:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
2025	4,129	4,129	–	–
2026	1,138	1,138	1,138	1,138
2027	3,674	3,674	3,674	3,674
2028	22,181	22,181	22,181	22,181
2029	15,169	15,169	15,169	15,169
2030	35,529	35,529	35,529	35,529
2031	143,796	143,796	143,796	143,796
2032	218,047	218,047	218,047	218,047
2033	260,043	260,043	260,043	260,043
2034	–	150,309	150,309	150,309
2035	–	–	45,919	45,919
2036	–	–	–	26,317
	<u>703,706</u>	<u>854,015</u>	<u>895,805</u>	<u>922,122</u>

21. INVENTORIES

The Group and the Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	20,249	3,788	6,208	49,909
Finished goods	1,643	468	812	1,644
Goods in transit	10,363	18,617	17,093	3,534
Total	<u>32,255</u>	<u>22,873</u>	<u>24,113</u>	<u>55,087</u>

22. TRADE AND NOTES RECEIVABLES

The Group and the Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	56,248	36,706	90,520	126,164
Notes receivables	3,669	625	3,658	2,213
Less: Allowance for credit losses . .	(5,250)	(4,627)	(5,559)	(4,912)
Total	<u>54,667</u>	<u>32,704</u>	<u>88,619</u>	<u>123,465</u>

As at January 1, 2023, carrying amount of trade receivables from contracts with customers amounted to RMB84,599,000.

The Group and the Company primarily allow a credit period up to 60 days, except for certain credit worthy customers, where the credit periods are extended to a longer period.

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The following is an aged analysis of trade receivables based on dates of receiving customer confirmation for delivery or rendering of services at the end of each reporting period.

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	35,526	28,003	82,035	114,718
1-2 years	14,029	1,547	3,534	8,149
2-3 years	2,390	3,239	1,236	1,283
3-4 years	2,029	406	2,041	597
4-5 years	39	1,727	405	718
Over 5 years	2,235	1,784	1,269	699
Total	<u>56,248</u>	<u>36,706</u>	<u>90,520</u>	<u>126,164</u>

The Group held notes received for future settlement of trade receivables. All notes received by the Group are with a maturity period of less than one year.

As of December 31, 2023, 2024 and 2025 and June 30, 2026, included in the Group’s trade receivable balances are debtors with an aggregate carrying amount of RMB35,863,000, RMB20,775,000, RMB46,100,000 and RMB31,155,000 respectively which are past due as at the reporting date. Out of the past due balances, RMB22,641,000, RMB12,382,000, RMB30,593,000 and RMB19,011,000 has been past due 90 days or more. Those past due are not considered as in default as there has not been a significant change in credit quality and the amounts are considered recoverable.

Details of impairment assessment of trade and notes receivables during the Track Record Period are set out in Note 34.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	3,303	10,381	10,731	15,788
Deposits for targeted Capital Repurchase (<i>Note</i>)	–	4,000	–	–
Less: allowance for credit losses	(40)	(305)	(244)	(289)
Sub-total	<u>3,263</u>	<u>14,076</u>	<u>10,487</u>	<u>15,499</u>
Prepayment to suppliers and prepaid expenses	2,478	1,902	2,274	9,873
Deferred issue costs	–	–	824	3,298
Prepaid other tax expenses	7,397	3,611	–	–
Prepaid income tax expense	–	–	8	–
Total	<u>13,138</u>	<u>19,589</u>	<u>13,593</u>	<u>28,670</u>
Analyzed for reporting purposes as:				
Non-current assets	1,008	919	227	3,598
Current assets	12,130	18,670	13,366	25,072
Total	<u>13,138</u>	<u>19,589</u>	<u>13,593</u>	<u>28,670</u>

Note: The balance as at December 31, 2024 represents the deposits paid for the targeted Capital Repurchase transaction as disclosed in Note 29. The deposits have been received subsequently when the transaction was completed.

Details of impairment assessment of other receivables during the Track Record Period are set out in Note 34.

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The Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	3,303	10,381	10,719	15,756
Deposits for targeted Capital Repurchase	–	4,000	–	–
Less: allowance for credit losses . . .	(40)	(305)	(244)	(289)
Sub-total	<u>3,263</u>	<u>14,076</u>	<u>10,475</u>	<u>15,467</u>
Prepayment to suppliers and prepaid expenses	2,436	1,859	2,262	9,855
Deferred issue costs	–	–	824	3,298
Prepaid other tax expenses	7,397	3,611	–	–
Prepaid income tax expense	–	–	8	–
Total	<u><u>13,096</u></u>	<u><u>19,546</u></u>	<u><u>13,569</u></u>	<u><u>28,620</u></u>
Analyzed for reporting purposes as:				
Non-current assets	1,008	919	227	3,598
Current assets	<u>12,088</u>	<u>18,627</u>	<u>13,342</u>	<u>25,022</u>
Total	<u><u>13,096</u></u>	<u><u>19,546</u></u>	<u><u>13,569</u></u>	<u><u>28,620</u></u>

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in structured deposits . .	–	50,075	–	–
	=	<u>=</u>	=	=

The principal and return of the structured deposits are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the structured deposits issued by banks are measured at FVTPL. The structured deposits were redeemed in January 2025.

The fair value of structured deposits placed with licensed banks is determined using valuation model for which not all inputs are observable and is within Level 2 of the fair value hierarchy (Note 34). Expected rate of return ranges from 1.30% to 1.95%.

25. CASH AND CASH EQUIVALENTS/TERM DEPOSITS/RESTRICTED BANK DEPOSITS

The Group and the Company

Bank balances and cash of the Group and the Company comprise cash and bank balances that bear interest at prevailing market rates ranging from 0.05% to 0.25% per annum.

Restricted bank deposits represent deposits pledged to banks to secure note payables of the Group. At December 31, 2024 and June 30, 2026, deposits amounting to RMB623,000 and RMB472,000, respectively, have been pledged to secure note payables and are therefore classified as current assets. Restricted bank deposits carried interests at market rate of 0.10% and 0.05% per annum at December 31, 2024 and June 30, 2026, respectively.

The term deposits of the Group and the Company represent bank deposits with original maturities of 2 to 3 years and carry interest rates ranging from 2.15% to 2.90% per annum.

Details of impairment assessment of bank balances, restricted bank deposits and term deposits are set out in Note 34.

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26. TRADE AND OTHER PAYABLES

The Group

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	15,070	15,711	26,127	9,642
Notes payables	–	1,246	–	945
Salaries, welfare and bonus payable	21,638	21,092	25,018	17,871
Other tax payables	2,590	2,116	5,301	4,009
Other payables	6,130	4,974	7,690	9,181
	<u>45,428</u>	<u>45,139</u>	<u>64,136</u>	<u>41,648</u>

An aged analysis of the Group’s trade payables presented based on the invoice date or date of receipt of goods as at the end of each reporting period is as follows:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	13,871	14,820	25,351	9,594
1-2 years	1,199	891	776	48
	<u>15,070</u>	<u>15,711</u>	<u>26,127</u>	<u>9,642</u>

The Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	15,070	15,711	26,123	9,642
Notes payables	–	1,246	–	945
Salaries, welfare and bonus payable	20,267	19,648	23,306	16,398
Other tax payables	2,484	1,991	5,197	3,856
Other payables	6,130	4,974	7,690	9,180
	<u>43,951</u>	<u>43,570</u>	<u>62,316</u>	<u>40,021</u>

An aged analysis of the Company’s trade payables presented based on the invoice date or date of receipt of goods as at the end of each reporting period is as follows:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	13,871	14,820	25,347	9,594
1-2 years	1,199	891	776	48
	<u>15,070</u>	<u>15,711</u>	<u>26,123</u>	<u>9,642</u>

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27. LEASE LIABILITIES

The Group and the Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	4,628	3,538	2,294	1,618
Within a period of more than one year but not exceeding two years	4,357	1,125	1,071	800
Within a period of more than two years but not exceeding five years	<u>1,009</u>	<u>125</u>	<u>82</u>	<u>–</u>
	<u>9,994</u>	<u>4,788</u>	<u>3,447</u>	<u>2,418</u>
Analyzed as:				
Amounts due for settlement within one year shown under current liabilities	<u>4,628</u>	<u>3,538</u>	<u>2,294</u>	<u>1,618</u>
Amounts due for settlement after one year shown under non-current liabilities	<u>5,366</u>	<u>1,250</u>	<u>1,153</u>	<u>800</u>

The incremental borrowing rates applied to lease liabilities for the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 ranged from 3.85% to 4.70%, from 3.39% to 4.70%, from 3.39% to 4.70% and from 3.13% to 4.70%, respectively.

28. BORROWINGS

The Group and the Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings – secured and unguaranteed (<i>Note i</i>)	–	–	–	18,013
Bank borrowings – unsecured and unguaranteed (<i>Note ii</i>)	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,006</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,019</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- i. The borrowings are within one year shown under current liabilities, bearing fixed interest of 2.85% per annum, and are secured by the pledge of a patent held by the Company.
- ii. The borrowings are within one year shown under current liabilities, bearing fixed interest of 2.45% per annum, and are unsecured and unguaranteed.

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29. SHARE CAPITAL

The Group and the Company

	Number of shares	Share capital
	'000	RMB'000
Shares of RMB1 each		
Issued and fully paid:		
As at January 1, 2023, December 31, 2023 and 2024		
Ordinary shares	122,851	122,851
Ordinary shares with preferential rights	243,549	243,549
	<u>366,400</u>	<u>366,400</u>
Targeted Capital Repurchase		
– Ordinary shares	(12,840)	(12,840)
– Ordinary shares with preferential rights	(12,206)	(12,206)
Targeted Capitalization of Capital Reserve		
– Ordinary shares	5,732	5,732
– Ordinary shares with preferential rights	7,108	7,108
As at December 31, 2025 and June 30, 2026		
Ordinary shares	115,743	115,743
Ordinary shares with preferential rights	238,451	238,451
	<u>354,194</u>	<u>354,194</u>

XSKY Cooperation (the “Cayman Company”), a limited liability company incorporated under the laws of the Cayman Islands on September 18, 2015, was historically the holding company of the Group.

Since the date of incorporation, the Cayman Company has completed five rounds of financings by issuing preferred shares to investors (the “Series A”, “Series B”, “Series C”, “Series D”, “Series D+”).

In February 2021, in anticipation of potential domestic financings, the Company decided to conduct a series of recapitalization to re-integrate businesses into the Company (previously the variable interest entity controlled by the Cayman Company through contractual arrangements) and terminate the contractual arrangements (the “Restructuring”). On February 8, 2021, pursuant to a restructuring agreement entered into by Cayman Company, the Company and shareholders of Cayman Company, the Company acquired 100% of the equity interests in SKYTRON (Beijing) Technology Co., Ltd. (the wholly owned subsidiary of Cayman Company through an intermediate holding company in Hong Kong, the “WFOE”) and the shareholding interests of investors of Cayman Company were mirrored to the Company.

Upon the completion of the Restructuring in April 2021, the Company became the holding company of the Group. Subsequently, the Cayman Company and WFOE were deregistered. All the ordinary shares with preferential rights issued by the Company remain the same as the preferred shares issued by Cayman Company.

As part of the Restructuring, and pursuant to subscription agreements entered into on September 1, 2021, (1) Series E investors purchased 47% of the shares held by the Cayman Company investors (the “Equity Purchase by Series E”) and (2) Series E investors subscribed the shares with preferential rights issued by the Company (the “Series E”).

Subsequently, pursuant to the shares purchase agreement dated September 30, 2021, the Company completed the Series F financing (the “Series F”).

In anticipation of potential domestic listing, pursuant to the shareholders’ resolutions and a promoters’ agreement dated December 13, 2021, entered into by all existing shareholders, on December 22, 2021, the Company was converted from a limited liability company to a joint stock company with limited liability (the “Conversion”). Upon completion of the Conversion, the total issued share capital of the Company was 7,712,671 shares. Then the shares were further increased to 360,000,000 through capitalization of the capital reserve (including 122,851,000 ordinary shares and 237,149,000 ordinary shares with preferential rights) with a nominal value of RMB1.00 each, which were subscribed by then existing shareholders in proportion to their respective interests in the Company before the Conversion.

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Pursuant to the shares purchase agreement dated December 26, 2022, the Company completed the Series F+ financing (the “Series F+”).

Pursuant to an agreement of targeted capital reduction and capitalization of capital reserve entered into by the Company and all shareholders on August 12, 2025, the Company agreed to repurchase 25,045,765 shares held by certain shareholders, including Suzhou Jichuang Xinyuan Venture Capital Partnership (Limited Partnership) (蘇州極創欣源創業投資合夥企業(有限合夥)) (“Jichuang Xinyuan”) and Chongqing Jichuang Fengyuan Private Equity Investment Fund Partnership (Limited Partnership) (重慶極創豐源私募股權投資基金合夥企業(有限合夥)) (“Jichuang Fengyuan”), who are related parties of the Company, at a total consideration of RMB132,275,000 (the “Capital Repurchase”) determined based on the original issue prices of those shares. The Capital Repurchase was completed as of December 31, 2025. The Company also agreed to issue 12,839,941 ordinary shares to certain shareholders through the capital reserve (the “Capitalization of Capital Reserve”) upon the completion of the Capital Repurchase, including 5,732,279 ordinary shares to founder Mr. XU Xin and chief technology officer Mr. WANG Haomai which are treated as share-based payments with the details disclosed in Note 30. As of December 31, 2025, the Company has completed the business registration of change of share capital and the total share capital of the Company has then been changed to 354,194,176 shares.

Ordinary Shares with Preferential Rights

Details of ordinary shares with preferential rights issued by the Company as of December 31, 2023, 2024 and 2025 and June 30, 2026 are set out below.

	Date of agreement	Share capital as of December 31, 2023 and 2024	Share capital as of December 31, 2025 and June 30, 2026
		RMB'000	RMB'000
Series A	December 9, 2015	13,896	13,896
Series B	May 18, 2016	20,844	20,844
Series C	May 10, 2017	21,745	21,745
Series D	April 27, 2018	22,097	22,097
Series D+	June 29, 2020	27,659	28,663
Equity Purchase by			
Series E	September 1, 2021	71,493	74,088
Series E	September 1, 2021	25,620	22,645
Series F	September 30, 2021	33,795	30,918
Series F+	December 26, 2022	6,400	3,555
		<u>243,549</u>	<u>238,451</u>

Key terms of preferential rights associated with the ordinary shares

(a) Redemption right

For Series A to Series F financings, the investors have the right to require the Company to redeem their investments for cash upon certain events, including (i) a non-completion of a Qualified [REDACTED] of the Company by June 30, 2024 (except where such failure is waived in writing by all shareholders with preferential rights unanimously); or (ii) the Company or the founders materially breach any representations, warranties, covenants or obligations under the transaction documents, which has caused a material adverse effect to the Company. For Series F+, the obligation to the redemption right is borne by the founders.

The redemption price (as proportionally adjusted for share splits, share dividends, recapitalizations and the like) shall be as follows:

- (i) For Series D, Series D+, Series E, Series F and Series F+: 130% of issue price and all declared but unpaid dividends thereon, or pro rata for a partial year;
- (ii) For Series C: 140% of the issue price and all declared but unpaid dividends thereon, or pro rata for a partial year;
- (iii) For Series B: 150% issue price and all declared but unpaid dividends thereon, or pro rata for a partial year;

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- (iv) For Series A: the issue price and all declared but unpaid dividends thereon, or pro rata for a partial year, plus a 15% rate of internal return for each year such Series A shares were outstanding measured from December 9, 2015 through the date of redemption.

(b) Liquidation preference

In the event of a legal liquidation (refers to the liquidation, dissolution or winding up of the Company) or a deemed liquidation (refers to the change of control of the Company or the sale of all or substantially all properties of the Company), after paying the liquidation expenses, employee salaries, social insurance, statutory severance payments, unpaid taxes, and all creditors’ claims and claims that may be preferred by applicable law, each holder of the shares with preferential rights shall be entitled to receive the amount equal to the higher of (1) the original issue price for Series F+, Series F, Series E, Series D+, Series D and Series C investors, 120% of the original issue price for Series B investors and 150% of the original issue price for Series A investors and plus all dividends declared and unpaid with respect thereto, and (2) the distributable liquidation property can be distributed according to the equity proportion at that time, and in the priority order of Series F+, Series F, Series E, Series D+, Series D, Series C, Series B to Series A.

(c) Anti-dilution right

If the Company issues additional shares or increases its registered capital for a consideration of price per share less than the price paid by the shareholders with preferential rights, the subscription price per unit invested by the anti-dilution right holder in the Company will be adjusted, so that the equity proportion held by the shareholders with preferential rights can reach that can be subscribed according to the adjusted subscription price per unit.

Termination of the Company’s obligation to redemption right

On December 13, 2021, the Company and all investors at that time entered into a preferential rights termination agreement, pursuant to which the obligation to the redemption right shall be transferred from the Company to the founders effective on October 31, 2021.

On August 12, 2025, the Company and all investors entered into a supplemental agreement, pursuant to which the aforementioned date of the non-completion of a Qualified [REDACTED] has been extended to December 31, 2026.

On January 23, 2026, the Company and all investors entered into another supplemental agreement, pursuant to which the redemption rights and liquidation preference right shall be terminated on the date immediately before the date of the submission of the [REDACTED] to the Stock Exchange and be reinstated and restated (i.e. redemption rights against the Founder Group and liquidation preference right against the Company) in the events including i) the Company’s withdrawal of its [REDACTED] to the Stock Exchange or the China Securities Regulatory Commission (“CSRC”), or ii) the rejection, return and/or termination of the [REDACTED], or iii) non-completion of the [REDACTED] within 15 months from the date of submission of the [REDACTED] (or within 18 months if the Company obtains CSRC filing notice within 15 months from the first submission of the [REDACTED]) and the anti-dilution right shall be terminated on the date of completion of [REDACTED].

Presentation and classification of ordinary shares with preferential rights

Before the termination of the Company’s obligation to the redemption rights effective on October 31, 2021, the redemption rights granted to the investors constitute as the Company’s obligations to repurchase its own equity instruments for cash. These obligations were recognized as financial liabilities. Upon the termination of the Company’s obligation to the redemption rights, the financial liabilities were reclassified and presented within equity.

The anti-dilution right is accounted for as a derivative financial instrument measured at FVTPL. Its fair value was considered insignificant.

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30. SHARE-BASED PAYMENT TRANSACTIONS

The Group and the Company

Cayman Stock Option Plan

The Cayman Company’s employee stock option plan was adopted pursuant to a resolution passed by the board and shareholders meeting of the Cayman Company on March 7, 2016 and was subsequently amended and restated pursuant to a resolution passed by the board and shareholders meeting on October 16, 2017 (the “Cayman Stock Option Plan”) for the purpose of employee incentives. According to the resolutions, the Cayman Company reserved 16.96% of registered capital of the Cayman Company, representing the maximum number of shares of 21,200,000 at that time, that may be issued under the plan. Subsequently on October 30, 2018 and June 29, 2020, the maximum number of shares may be issued was approved by the board and shareholders meeting to be expanded to 35,529,246 shares in total.

The stock options shall be subject to a vesting schedule of 4 years with 25% of the options vesting on the first anniversary of the vesting commencement date and the remaining 75% of the options vesting in 36 equal monthly installments from the first anniversary of the vesting commencement date. The contractual life of the stock options is 10 years. 13,000,000, 1,865,000 and 2,930,000 options have been granted on August 1, 2016, October 16, 2017 and October 30, 2018, respectively. The Cayman Stock Option Plan was subsequently terminated and replaced by the PRC Shareholding Scheme as disclosed below.

Fair value of stock options granted

The Company applied the binomial option pricing model in determining the fair value of the stock options.

PRC Shareholding Scheme

As part of the Restructuring, pursuant to a resolution passed by the shareholders meeting of the Company on March 3, 2021, 7 limited partnerships (the “Shareholding Platforms”) have been established (1) to replace the Cayman Stock Option Plan and transfer the grantees to 3 of the Shareholding Platforms, (2) for the shareholding of the founders on one of the Shareholding Platforms and (3) to grant new RSUs to eligible employees through the other 3 Shareholding Platforms (the “PRC Shareholding Scheme”). The Shareholding Platforms subscribed to the newly issued paid in capital (representing 37,216,378 ordinary shares of the Company upon the Conversion) of the Company at a total consideration of RMB26,278,000, representing 26,278,000 share units of the Shareholding Platforms.

Replacement of the Cayman Stock Option Plan

Considering the options and RSUs under both plans have been granted to same participants with same quantity, the fair value of the RSUs granted under the PRC Shareholding Scheme is broadly consistent with the fair value of the stock options granted under the Cayman Stock Option Plan. Accordingly, the Cayman Stock Option Plan was replaced as a result of the adoption of the PRC Shareholding Scheme. As the modification of vesting conditions under the PRC Shareholding Scheme is not beneficial to the grantees, the modified vesting conditions are not taken into account and the Company continued to recognize the services received over the original vesting period under the Cayman Stock Option plan. As at December 31, 2022, share-based payment expenses in relation to Cayman Stock Option Plan had been fully recognized.

RSUs granted to founders

The RSUs granted to the founders under the PRC Shareholding Scheme shall be vested immediately on the grant date or on the date of completion of [REDACTED]. The Company had recognized the expense for those immediately vested RSUs on the grant date.

RSUs granted to others

The RSUs granted to other key management and employees shall be subject to different vesting schedules (the “[REDACTED]-based Vesting Period”) as of the end of the Track Record Period.

- (1) 100% of the RSUs will be vested immediately on the date of completion of [REDACTED];
- (2) 100% of the RSUs will be vested on the third anniversary of the date of completion of [REDACTED];
or
- (3) 50%, 25% and 25% of the RSUs will be vested on the first, second and third anniversary of the date of completion of [REDACTED].

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The grantees may be repaid with original subscription price plus fixed premium if the employment of the grantees were terminated within the [REDACTED]-based Vesting Period. After taking into account the best estimation of the [REDACTED], the management determined the share-based payment expenses in relation to the RSUs granted to other key management and employees should be recognized when the successful [REDACTED] is probable and amortized during the [REDACTED]-based Vesting Period. No share-based payment expenses in respect of the RSUs have been recognized during the Track Record Period as the successful [REDACTED] has not been determined to be probable during the Track Record Period.

Modification of PRC Shareholding Scheme

Pursuant to a resolution passed by the shareholders meeting of the Company on March 2, 2026, the PRC Shareholding Scheme was further amended and the amended vesting schedule of the RSUs granted to others is as follows.

- (1) 100% of the RSUs will be vested immediately on the date of completion of [REDACTED]; or
- (2) 100% of the RSUs will be vested on the first anniversary of the date of completion of [REDACTED].

The modification is beneficial to employees, therefore, the Company will take the modified vesting conditions into account when determining the share-based payments expenses to be recognized.

Movement of RSUs

The movements of RSUs granted to the directors, supervisors and employees of the Group and the Company during the year ended December 31, 2023 are as follows.

Type of RSU holders	Date of grant	Subscription price	Outstanding at January 1, 2023	Granted during the year	Forfeited during the year	Outstanding at December 31, 2023
			'000	'000	'000	'000
Executive directors:						
Mr. ZHANG Xuming	March, 2021	RMB1	1,920	–	–	1,920
Mr. ZHAO Zeyu	March, 2021	RMB1	28	–	–	28
Ms. FANG Fei	November, 2021	RMB1	186	–	–	186
	March, 2022	RMB1	147	–	–	147
	May, 2022	RMB1	112	–	–	112
			<u>2,393</u>	<u>–</u>	<u>–</u>	<u>2,393</u>
Supervisors:						
Mr. LU Jiafu	March, 2021	RMB1	768	–	–	768
Ms. HAN Qi	March, 2021	RMB1	160	–	–	160
Mr. WANG Feng	December, 2021	RMB1	160	–	–	160
	September, 2022	RMB1	185	–	–	185
	December, 2022	RMB1	16	–	–	16
	May, 2023	RMB1	–	32	–	32
Ms. REN Jun	March, 2021	RMB1	58	–	–	58
			<u>1,347</u>	<u>32</u>	<u>–</u>	<u>1,379</u>
Employees:						
	March, 2021	RMB1	20,053	–	(4,029)	16,024
	July, 2021	RMB1	503	–	(119)	384
	November, 2021	RMB1	80	–	–	80
	December, 2021	RMB1	–	–	–	–
	March, 2022	RMB1	240	–	–	240
	April, 2022	RMB1	352	–	(192)	160
	May, 2022	RMB1	380	–	(348)	32
	September, 2022	RMB1	528	–	–	528
	December, 2022	RMB1	160	–	–	160
	May, 2023	RMB1	–	547	–	547
	September, 2023	RMB1	–	208	–	208
			<u>22,296</u>	<u>755</u>	<u>(4,688)</u>	<u>18,363</u>
			<u>26,036</u>	<u>787</u>	<u>(4,688)</u>	<u>22,135</u>

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The movements of RSUs granted to the directors, supervisors and employees of the Group and the Company during the year ended December 31, 2024 are as follows:

Type of RSU holders	Date of grant	Subscription price	Outstanding at January 1, 2024	Granted during the year	Forfeited during the year	Outstanding at December 31, 2024
			'000	'000	'000	'000
Executive directors:						
Mr. XU Xin	December, 2024	RMB1	–	28	–	28
Mr. ZHANG Xuming . .	March, 2021	RMB1	1,920	–	–	1,920
Mr. ZHAO Zeyu	March, 2021	RMB1	28	–	(28)	–
Ms. FANG Fei	November, 2021	RMB1	186	–	–	186
	March, 2022	RMB1	147	–	–	147
	May, 2022	RMB1	112	–	–	112
			<u>2,393</u>	<u>28</u>	<u>(28)</u>	<u>2,393</u>
Supervisors:						
Mr. LU Jiafu	March, 2021	RMB1	768	–	–	768
Ms. HAN Qi	March, 2021	RMB1	160	–	–	160
Mr. WANG Feng	December, 2021	RMB1	160	–	(160)	–
	September, 2022	RMB1	185	–	(185)	–
	December, 2022	RMB1	16	–	(16)	–
	May, 2023	RMB1	32	–	(32)	–
Ms. REN Jun	March, 2021	RMB1	58	–	–	58
			<u>1,379</u>	<u>–</u>	<u>(393)</u>	<u>986</u>
Employees:						
	March, 2021	RMB1	16,024	–	(3,066)	12,958
	July, 2021	RMB1	384	–	(144)	240
	November, 2021	RMB1	80	–	–	80
	December, 2021	RMB1	–	–	–	–
	March, 2022	RMB1	240	–	–	240
	April, 2022	RMB1	160	–	–	160
	May, 2022	RMB1	32	–	–	32
	September, 2022	RMB1	528	–	(96)	432
	December, 2022	RMB1	160	–	(160)	–
	May, 2023	RMB1	547	–	–	547
	September, 2023	RMB1	208	–	–	208
	May, 2024	RMB1	–	282	(122)	160
			<u>18,363</u>	<u>282</u>	<u>(3,588)</u>	<u>15,057</u>
			<u>22,135</u>	<u>310</u>	<u>(4,009)</u>	<u>18,436</u>

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The movements of RSUs granted to the directors, supervisors and employees of the Group and the Company during the year ended December 31, 2025 are as follows:

Type of RSU holders	Date of grant	Subscription price	Outstanding at January 1, 2025	Granted during the year	Forfeited during the year	Outstanding at December 31, 2025
			'000	'000	'000	'000
Executive directors:						
Mr. XU Xin	December, 2024	RMB1	28	–	–	28
Mr. ZHANG Xuming	March, 2021	RMB1	1,920	–	–	1,920
Ms. FANG Fei	November, 2021	RMB1	186	–	–	186
	March, 2022	RMB1	147	–	–	147
	May, 2022	RMB1	112	–	–	112
			<u>2,393</u>	–	–	<u>2,393</u>
Supervisors:						
Mr. LU Jiafu	March, 2021	RMB1	768	–	–	768
Ms. HAN Qi	March, 2021	RMB1	160	–	–	160
Ms. REN Jun	March, 2021	RMB1	58	–	–	58
			<u>986</u>	–	–	<u>986</u>
Employees:						
	March, 2021	RMB1	12,958	–	(1,351)	11,607
	July, 2021	RMB1	240	–	–	240
	November, 2021	RMB1	80	–	–	80
	March, 2022	RMB1	240	–	–	240
	April, 2022	RMB1	160	–	–	160
	May, 2022	RMB1	32	–	–	32
	September, 2022	RMB1	432	–	–	432
	May, 2023	RMB1	547	–	–	547
	September, 2023	RMB1	208	–	–	208
	May, 2024	RMB1	160	–	–	160
			<u>15,057</u>	–	(1,351)	<u>13,706</u>
			<u>18,436</u>	–	(1,351)	<u>17,085</u>

The movements of RSUs granted to the directors, supervisors and employees of the Group and the Company during the six months ended June 30, 2026 are as follows:

Type of RSU holders	Date of grant	Subscription price	Outstanding at January 1, 2026	Granted during the period	Forfeited during the period	Outstanding at June 30, 2026
			'000	'000	'000	'000
Executive directors:						
Mr. XU Xin	December, 2024	RMB1	28	–	–	28
Mr. ZHANG Xuming	March, 2021	RMB1	1,920	–	–	1,920
Ms. FANG Fei	November, 2021	RMB1	186	–	–	186
	March, 2022	RMB1	147	–	–	147
	May, 2022	RMB1	112	–	–	112
			<u>2,393</u>	–	–	<u>2,393</u>
Supervisors:						
Mr. LU Jiafu	March, 2021	RMB1	768	–	–	768
Ms. HAN Qi	March, 2021	RMB1	160	–	–	160
Ms. REN Jun	March, 2021	RMB1	58	–	–	58
			<u>986</u>	–	–	<u>986</u>

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Type of RSU holders	Date of grant	Subscription price	Outstanding at January 1, 2026	Granted during the period	Forfeited during the period	Outstanding at June 30, 2026
			'000	'000	'000	'000
Employees:						
	March, 2021	RMB1	11,607	–	(19)	11,588
	July, 2021	RMB1	240	–	–	240
	November, 2021	RMB1	80	–	–	80
	March, 2022	RMB1	240	–	–	240
	April, 2022	RMB1	160	–	–	160
	May, 2022	RMB1	32	–	–	32
	September, 2022	RMB1	432	–	–	432
	May, 2023	RMB1	547	–	–	547
	September, 2023	RMB1	208	–	–	208
	May, 2024	RMB1	160	–	–	160
			<u>13,706</u>	–	(19)	<u>13,687</u>
			<u>17,085</u>	–	(19)	<u>17,066</u>
				=	=	

Restricted shares granted to Founder Group

Pursuant to the Capitalization of Capital Reserve transaction as disclosed in Note 29, the Company issued 5,732,279 ordinary shares to founder Mr. XU Xin and chief technology officer Mr. WANG Haomai to recognize and reward their contribution to the growth and development of the Group. The grant date was October 29, 2025 when the terms of the vesting conditions were mutually agreed. Those restricted shares will be fully vested on the date of completion of [REDACTED].

Fair value of RSUs and restricted shares granted

Back-solve method was used to determine the underlying equity fair value of the Company and binomial option pricing model was used to determine the fair value of the RSUs granted. The fair value of shares at grant date was valued by directors of the Company with assistance of an independent qualified professional valuer, Shanghai Orient Appraisal Co., LTD, whose address is 5th Floor, Building 11, No. 6055 Jinhai Road, Fengxian District, Shanghai, PRC. The inputs into the binomial option pricing model were as follows:

Grant date	Year ended December 31,			
	2021	2022	2023	2024
	(Note)			
Fair value of underlying ordinary shares				
(RMB per share)	318.09-342.75	7.07-7.37	8.27-8.27	7.94-8.10
Exercise price (RMB)	1.00-71.23	0.61-1.53	0.61-1.53	0.02-1.53
Risk-free interest rate	2.78%-3.05%	2.69%-2.88%	2.37%-2.58%	1.42%-2.13%
Expected volatility	44.70%-55.06%	49.81%-54.60%	58.67%-59.43%	57.53%-59.02%
Dividend yield	0-0	0-0	0-0	0-0
Exercise multiples	1.0-2.8	2.2-2.8	2.2-2.8	2.2-2.8
Life of options (years)	3.75-8.42	5.09-7.67	4.50-6.50	3.59-5.59
Fair value of RSU (RMB per RSU)	263.00-342.75	5.85-6.85	6.99-7.74	6.57-8.07

Note: Fair value of RSU for the year ended December 31, 2021 was based on the number of ordinary shares before the Company’s Conversion in December 2021. After taking into account the Conversion, the range of fair value per RSU would be RMB6.81 to RMB7.34.

The grant date fair value of the restricted shares granted to Founder Group is RMB8.74 per share which was determined by reference to the fair value of the ordinary shares of the Company which was determined using the discounted cash flow method and equity allocation model.

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31. RETIREMENT BENEFITS SCHEME

The PRC employees of the Group are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Company and its PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The amounts of contributions made by the Group in respect of such retirement benefit schemes are disclosed in Note 12.

During the Track Record Period, the Group had no forfeited contributions under the above retirement benefits scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at December 31, 2023, 2024 and 2025 and June 30 2026 under such scheme which may be used by the Group to reduce the contribution payable in future years.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Lease liabilities	Accrued [REDACTED] (included in other payables)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	—	11,387	—	11,387
Additions	—	3,309	—	3,309
Finance costs (Note 10)	—	471	—	471
Financing cash flows	—	(5,173)	—	(5,173)
At December 31, 2023	—	9,994	—	9,994
Additions	—	1,652	—	1,652
Finance costs (Note 10)	—	377	—	377
Rent concessions	—	(239)	—	(239)
Lease termination	—	(1,765)	—	(1,765)
Financing cash flows	—	(5,231)	—	(5,231)
At December 31, 2024	—	4,788	—	4,788
Share issue costs recognized	—	—	824	824
Additions	—	3,040	—	3,040
Finance costs (Note 10)	—	210	—	210
Financing cash flows	—	(4,591)	(126)	(4,717)
At December 31, 2025	—	3,447	698	4,145
Share issue costs recognized	—	—	2,474	2,474
Additions	—	672	—	672
Finance costs (Note 10)	94	60	—	154
Financing cash flows	27,925	(1,761)	(2,194)	23,970
At June 30, 2026	28,019	2,418	978	31,415
At January 1, 2025	—	4,788	—	4,788
Share issue costs recognized	—	—	—	—
Additions	—	3,040	—	3,040
Finance costs (Note 10)	—	120	—	120
Financing cash flows	—	(2,146)	—	(2,146)
At June 30, 2025 (unaudited)	—	5,802	—	5,802

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33. COMMITMENTS

As at December 31, 2023, 2024 and 2025 and June 30, 2026, the Group had the following commitments:

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment	–	785	125	–
	=	=	=	=

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of the financial instruments

The Group

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Financial assets at amortized cost . .	432,583	323,987	270,084	239,794
Financial assets at FVTPL	–	50,075	–	–
	=	=	=	=
Financial liabilities:				
Financial liabilities at amortized cost	45,428	45,139	64,136	69,667
Lease liabilities	9,994	4,788	3,447	2,418
	=	=	=	=

The Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Financial assets at amortized cost . .	440,349	342,506	297,295	273,024
Financial assets at FVTPL	–	50,075	–	–
	=	=	=	=
Financial liabilities:				
Financial liabilities at amortized cost	43,951	43,570	62,316	68,040
Lease liabilities	9,994	4,788	3,447	2,418
	=	=	=	=

Financial risk management objectives and policies

The Group and the Company’s major financial instruments include trade and notes receivables, deposits and other receivables, amounts due from subsidiaries, term deposits, restricted bank deposits, cash and cash equivalents, financial assets at FVTPL, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (that is, interest rate risk, credit risk and liquidity risk). The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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Market risk

Interest rate risk

The Group’s and the Company’s fair value interest rate risk relates primarily to term deposits, borrowings and lease liabilities. The Group and the Company are also exposed to cash flow interest rate risk in relation to bank balances. The Group’s and the Company’s cash flow interest rate risk are mainly concentrated on the fluctuation of interest rates on bank balances. The Group and the Company manage interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The Directors will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. Bank balances, borrowings and lease liabilities are excluded from sensitivity analysis as the Directors consider that the exposure of interest rate risk arising from bank balances, borrowings and lease liabilities are insignificant.

Credit risk

The Group’s and Company’s exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is primarily attributable to trade and notes receivables, contract assets, amounts due from subsidiaries, deposits and other receivables, term deposits, restricted bank deposits and cash and cash equivalents.

The Group and the Company performed impairment assessment for financial assets and other items under ECL model. Information about the Group’s and the Company’s credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below:

The ECL on amounts due from subsidiaries are assessed individually based on the probability of defaults of amounts due from subsidiaries, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. During the Track Record Period, the Company assessed the ECL on amounts due from subsidiaries is insignificant and thus no loss allowance is recognized.

The Group’s and the Company’s term deposits, restricted bank deposits, cash and cash equivalents and notes receivables are deposited with banks or online payment platforms with high credit ratings and the Group have limited exposure to any single financial institution or counterparty.

The Group and the Company have concentration of credit risk on trade receivables. As of December 31, 2023, 2024 and 2025 and June 30, 2026, 27.06%, 10.51%, 9.34% and 3.60% of the total trade receivables were due from the Group’s largest customer, and 54.32%, 40.48% and 31.22% and 39.82% of the total trade receivables were due from the Group’s top five customers, respectively.

In order to minimize the credit risk, the Directors have delegated a team responsible for determination of credit limits and credit approvals, other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and summarize the credit-impaired information for further impairment assessment.

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

Internal credit rating	Description	Trade receivables/ Contract assets	Other financial assets subject to ECL assessment
Low risk . . .	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful . . .	There have been significant increases in credit risk since initial recognition through information developed internally or from external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

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Internal credit rating	Description	Trade receivables/ Contract assets	Other financial assets subject to ECL assessment
Write-off . . .	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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

The Group

	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
			As at December 31,			As at June 30,
			2023	2024	2025	2026
			RMB’000	RMB’000	RMB’000	RMB’000
Contract assets (Note 6)	Low risk (note i)	Lifetime ECL (provision matrix)	141	60	662	443
Financial assets at amortized cost						
Trade receivables (Note 22)	Low risk (note i)	Lifetime ECL (provision matrix)	56,248	36,706	90,520	126,164
Notes receivables (Note 22)	Low risk	12m ECL	3,669	625	3,658	2,213
Deposits and other receivables (Note 23)	Low risk	12m ECL	3,303	14,381	10,731	15,788
Term deposits (Note 25)	Low risk	12m ECL	209,283	161,955	123,715	74,023
Restricted bank deposits (Note 25)	Low risk	12m ECL	–	623	–	472
Cash and cash equivalents (Note 25)	Low risk	12m ECL	165,370	114,629	47,263	26,335
			=====	=====	=====	=====

The Company

	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
			As at December 31,			As at June 30,
			2023	2024	2025	2026
			RMB’000	RMB’000	RMB’000	RMB’000
Contract assets (Note 6)	Low risk (note i)	Lifetime ECL (provision matrix)	141	60	662	443
Financial assets at amortized cost						
Trade receivables (Note 22)	Low risk (note i)	Lifetime ECL (provision matrix)	56,248	36,706	90,520	126,164
Notes receivables (Note 22)	Low risk	12m ECL	3,669	625	3,658	2,213
Deposits and other receivables (Note 23)	Low risk	12m ECL	3,303	14,381	10,719	15,756
Amounts due from subsidiaries	Low risk	12m ECL	8,200	69,806	80,111	33,725
Term deposits (Note 25)	Low risk	12m ECL	209,283	111,315	71,689	74,023
Restricted bank deposits (Note 25)	Low risk	12m ECL	–	623	–	472
Cash and cash equivalents (Note 25)	Low risk	12m ECL	164,953	114,018	46,602	25,942
			=====	=====	=====	=====

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Note:

- i. For trade receivables and contract assets, the Group and the Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables relating to customers with significant doubt on collection of receivables that are assessed individually, the Group and the Company determine the ECL on these items on a collective basis, grouped by debtors’ aging.

As part of the Group’s and the Company’s credit risk management, the Group and the Company use debtors’ aging to assess the impairment because the debtors consist of customers with common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed on a collective basis by using provision matrix. In addition, as at December 31, 2023, 2024, 2025 and June 30, 2026, no debtors were assessed individually.

Ageing	At December 31, 2023			At December 31, 2024			At December 31, 2025			At June 30, 2026		
	Loss rate	Gross carrying amount	Loss allowance	Loss rate	Gross carrying amount	Loss allowance	Loss rate	Gross carrying amount	Loss allowance	Loss rate	Gross carrying amount	Loss allowance
		RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000		RMB’000	RMB’000
Within 1 year	1.79%	35,667	639	1.44%	28,063	405	2.59%	82,697	2,144	1.99%	115,161	2,292
1-2 years	7.17%	14,029	1,006	6.58%	1,546	102	9.84%	3,534	348	8.69%	8,149	708
2-3 years	25.55%	2,389	610	20.62%	3,238	668	23.43%	1,236	290	22.27%	1,283	286
3-4 years	35.63%	2,030	723	40.09%	407	163	57.85%	2,041	1,181	56.49%	597	337
4-5 years	98.82%	39	39	87.19%	1,728	1,506	84.74%	405	344	83.66%	718	600
Over 5 years	100.00%	2,235	2,235	100.00%	1,784	1,784	100.00%	1,269	1,269	100.00%	699	699
		<u>56,389</u>	<u>5,252</u>		<u>36,766</u>	<u>4,628</u>		<u>91,182</u>	<u>5,576</u>		<u>126,607</u>	<u>4,922</u>

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

The following table shows the movement in lifetime ECL of the Group and the Company that has been recognized for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB’000	RMB’000	RMB’000
At January 1, 2023	5,796	—	5,796
Impairment losses reversed	(544)	—	(544)
At December 31, 2023	5,252	—	5,252
Impairment losses reversed	(624)	—	(624)
At December 31, 2024	4,628	—	4,628
Impairment losses recognized	948	—	948
At December 31, 2025	5,576	—	5,576
Impairment losses reversed	(654)	—	(654)
At June 30, 2026	4,922	—	4,922
At January 1, 2025	4,628	—	4,628
Impairment losses recognized	1,032	—	1,032
At June 30, 2025 (<i>unaudited</i>)	<u>5,660</u>	<u>—</u>	<u>5,660</u>

The Directors believe that there is no significant increase in credit risk of these amounts of deposits and other receivables since initial recognition and the Group and the Company provided loss allowance based on 12m ECL. For the years ended December 31, 2023, 2024 and 2025 and six months ended June 30, 2026, the Group and the Company assessed the ECL for other receivables and deposits are insignificant.

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Liquidity risk

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

Taking into account the financial resources available to the Group and the Company, including cash and cash equivalents and new financing, the Directors believe that the Group and the Company will have sufficient financial resources to satisfy its future working capital in the next twelve months from the date of the report.

The following tables detail the Group’s and the Company’s remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

The Group

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2023						
Financial liabilities						
Trade and other payables	–	45,428	–	–	45,428	45,428
Subtotal		45,428	–	–	45,428	45,428
Lease liabilities	3.85%-4.70%	4,988	4,522	1,024	10,534	9,994
Total		50,416	4,522	1,024	55,962	55,422

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2024						
Financial liabilities						
Trade and other payables	–	45,139	–	–	45,139	45,139
Subtotal		45,139	–	–	45,139	45,139
Lease liabilities	3.39%-4.70%	3,663	1,143	127	4,933	4,788
Total		48,802	1,143	127	50,072	49,927

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2025						
Financial liabilities						
Trade and other payables	–	64,136	–	–	64,136	64,136
Subtotal		64,136	–	–	64,136	64,136
Lease liabilities	3.39%-4.70%	2,371	1,093	82	3,546	3,447
Total		66,507	1,093	82	67,682	67,583

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	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2026						
Financial liabilities						
Borrowings	2.45%-2.85%	28,480	—	—	28,480	28,019
Trade and other payables	—	41,648	—	—	41,648	41,648
Subtotal		70,128	—	—	70,128	69,667
Lease liabilities	3.13%-4.70%	1,674	809	—	2,483	2,418
Total		71,802	809	—	72,611	72,085

The Company

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Financial liabilities						
Trade and other payables	—	43,951	—	—	43,951	43,951
Subtotal		43,951	—	—	43,951	43,951
Lease liabilities	3.85%-4.70%	4,988	4,522	1,024	10,534	9,994
Total		48,939	4,522	1,024	54,485	53,945

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024						
Financial liabilities						
Trade and other payables	—	43,570	—	—	43,570	43,570
Subtotal		43,570	—	—	43,570	43,570
Lease liabilities	3.39%-4.70%	3,663	1,143	127	4,933	4,788
Total		47,233	1,143	127	48,503	48,358

	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025						
Financial liabilities						
Trade and other payables	—	62,316	—	—	62,316	62,316
Subtotal		62,316	—	—	62,316	62,316
Lease liabilities	3.39%-4.70%	2,371	1,093	82	3,546	3,447
Total		64,687	1,093	82	65,862	65,763

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	Weighted average interest rate	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2026						
Financial liabilities						
Borrowings	2.45%-2.85%	28,480	–	–	28,480	28,019
Trade and other payables	–	40,021	–	–	40,021	40,021
Subtotal		68,501	–	–	68,501	68,040
Lease liabilities	3.13%-4.70%	1,674	809	–	2,483	2,418
Total		70,175	809	–	70,984	70,458

Determination of fair value and fair value hierarchy

IFRS 13 *Fair Value Measurement* defines fair value as 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. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

IFRS 13 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 establishes three levels of inputs that may be used to measure fair value.

The level of fair value measurement is determined by the lowest level input that is significant in the overall measurement. As such, the significance of the input should be considered from an overall perspective in the measurement of fair value.

The following table gives information about how the fair values of the Group’s financial assets are determined (in particular, the valuation techniques and inputs used). The determination of the fair value for shares with preferred rights is set out in Note 29.

Financial asset	Fair value as at December 31,				June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)
	2023	2024	2025	2026			
	RMB'000	RMB'000	RMB'000	RMB'000			
Financial assets at FVTPL	–	50,075	–	–	Level 2	Redemption value quoted by financial institutions	

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each year end of Track Record Period. During the Track Record Period, there were no transfers among different levels of fair values measurement.

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

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

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35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities disclosed in Note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, accumulated losses and other reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as raising of borrowings.

36. RELATED PARTY DISCLOSURES

During the Track Record Period, the Group and the Company have the following transactions and balances with related parties:

(A) Related party balances

The Company

Amounts due from related parties:

Name of related party	Nature of transaction	As at December 31,			As at June 30,
		2023	2024	2025	2026
		RMB’000	RMB’000	RMB’000	RMB’000
Subsidiaries of the Company	Non-trade (Note)	8,183	69,770	79,910	33,655
		<u>8,183</u>	<u>69,770</u>	<u>79,910</u>	<u>33,655</u>

Note: The balance as at January 1, 2023 was nil. The balances are unsecured, interest-free and repayable on demand. Its maximum amounts outstanding during the years ended December 31, 2023, 2024 and 2025 and six months ended June 30, 2026 are RMB8,201,000, RMB125,682,000, RMB80,111,000 and RMB33,725,000, respectively.

(B) Remuneration of key management personnel of the Group

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Salaries and other allowances . . .	10,019	9,683	7,382	3,720	3,674
Performance-based bonuses	2,096	1,194	2,724	—	13
Share-based payment expense (Note 30)	—	—	—	—	—
Retirement benefits scheme	645	655	500	252	248
	<u>12,760</u>	<u>11,532</u>	<u>10,606</u>	<u>3,972</u>	<u>3,935</u>

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37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

During the Track Record Period and as at the date of this report, the Company has direct or indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held by the Company as at				Date of the report	Principal activities
			December 31, 2023	December 31, 2024	December 31, 2025	June 30, 2026		
Xiamen Xingchen Tianhe Technology Co., Ltd.* 廈門星辰天合科技有限公司	The PRC November 24, 2022	RMB nil/1,000,000.00	100%	100%	100%	100%	100%	Research and development of AI storage solutions
Wuhan Xingchen Tianhe Technology Co., Ltd.* 武漢星辰天合科技有限公司	The PRC November 23, 2022	RMB nil/1,000,000.00	100%	100%	100%	100%	100%	Research and development of AI storage solutions

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date. None of the subsidiaries had any debt securities outstanding as at December 31, 2023, 2024 and 2025 and June 30, 2026 or at any time during the Track Record Period.

No audited financial statements were prepared for these subsidiaries for the Track Record Period as there are no statutory audit requirements.

* *English name for identification purpose only*

38. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments	—	—	—	—
	—	—	—	—

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any. For the years ended December 31, 2023, 2024 and 2025 and six months ended June 30, 2026, the balance of cost of investments amounted to nil, nil, nil and nil respectively, as no investment has been contributed during the Track Record Period.

39. RESERVES OF THE COMPANY

	Capital reserve	Statutory surplus reserve	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	329,081	—	—	(112,207)	216,874
Loss and total comprehensive expense for the year	—	—	—	(171,469)	(171,469)
At December 31, 2023	329,081	—	—	(283,676)	45,405
Loss and total comprehensive expense for the year	—	—	—	(73,335)	(73,335)
At December 31, 2024	329,081	—	—	(357,011)	(27,930)
Targeted Capital Repurchase (Note 29)	(107,229)	—	—	—	(107,229)

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	Capital reserve	Statutory surplus reserve	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Targeted Capitalization of Capital Reserve (Note 29)	(12,840)	-	-	-	(12,840)
Profit and total comprehensive income for the year	-	-	-	16,111	16,111
Recognition of equity-settled share-based payments expense (Note 30)	-	-	-	-	-
At December 31, 2025	209,012	-	-	(340,900)	(131,888)
Profit and total comprehensive income for the period	-	-	-	6,127	6,127
At June 30, 2026	209,012	-	-	(334,773)	(125,761)
At January 1, 2025	329,081	-	-	(357,011)	(27,930)
Loss and total comprehensive expense for the period	-	-	-	(6,256)	(6,256)
At June 30, 2025 (unaudited)	329,081	-	-	(363,267)	(34,186)

40. SUBSEQUENT EVENTS

[Except for the event disclosed as following, there are no significant events and transactions that took place subsequent to June 30, 2026.]

Pursuant to a resolution passed by the shareholders meeting of the Company on August 20, 2026, the Company adopted a share option scheme to grant new share options to eligible employees (the “Share Option Scheme”). The maximum number of shares to be granted under the Share Option Scheme shall not exceed 17,709,709 options (representing the right to subscribe 17,709,709 shares of the Company). The vesting of the options is subject to the achievement of certain service conditions and market performance targets and the exercise price will be RMB1.00 per option.

On August 26, 2026, 13,282,282, 2,550,198 and 1,877,229 options under the Share Option Scheme were granted to directors Mr. XU Xin, Mr. ZHANG, Xuming and Ms. FANG Fei, respectively. The expense of the options will be recognized from the grant date and amortized during estimated vesting period.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2026.