



**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE
DIRECTORS OF RONGTA TECHNOLOGY (XIAMEN) GROUP CO., LTD. (容大合眾(廈
門)科技集團股份公司) AND YUE XIU CAPITAL LIMITED**

Introduction

We report on the historical financial information of Rongta Technology (Xiamen) Group Co., Ltd. (容大合眾(廈門)科技集團股份公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-85, which comprises the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 (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-85 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 May 2025 (the "Prospectus") in connection with the initial listing of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of 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 determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 accountant considers 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, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2022, 2023 and 2024 and the consolidated financial position of the Group as at 31 December 2022, 2023 and 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.



羅兵咸永道

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 37 to the Historical Financial Information which contains information about the dividends paid by Rongta Technology (Xiamen) Group Co., Ltd. (容大合眾(廈門)科技集團股份公司) in respect of the Track Record Period.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
30 May 2025

I 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 accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2022	2023	2024
	Note	RMB'000	RMB'000	RMB'000
Revenue	5	393,273	348,749	350,062
Cost of sales	6	<u>(303,412)</u>	<u>(263,285)</u>	<u>(250,697)</u>
Gross profit		89,861	85,464	99,365
Selling and marketing expenses	6	(24,789)	(22,531)	(25,013)
General and administrative expenses	6	(25,567)	(31,130)	(30,505)
Research and development expenses	16	(12,964)	(8,783)	(15,353)
Reversal of/(provision for) impairment losses on financial assets		6	(165)	173
Other income	8	12,858	10,404	16,883
Other gains/(losses) – net	9	<u>4,374</u>	<u>(2,260)</u>	<u>1,193</u>
Operating profit		43,779	30,999	46,743
Finance income	10	430	818	971
Finance costs	10	<u>(1,831)</u>	<u>(2,263)</u>	<u>(2,829)</u>
Finance costs – net		<u>(1,401)</u>	<u>(1,445)</u>	<u>(1,858)</u>
Profit before income tax		42,378	29,554	44,885
Income tax expense	11	<u>(4,931)</u>	<u>(1,951)</u>	<u>(3,538)</u>
Profit and total comprehensive income for the year, all attributable to owners of the Company		<u><u>37,447</u></u>	<u><u>27,603</u></u>	<u><u>41,347</u></u>
Earnings per share attributable to the owners of the Company				
Basic and diluted earnings per share (in RMB per share)	12	<u><u>0.47</u></u>	<u><u>0.35</u></u>	<u><u>0.54</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2022	2023	2024
	Note	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	85,465	84,283	84,444
Right-of-use assets	14	5,108	4,690	4,682
Investment properties	15	41,957	40,955	39,953
Intangible assets	16	12,823	19,761	23,021
Deferred tax assets	31	2,240	2,818	1,520
Other non-current assets	17	1,574	–	2,634
		<u>149,167</u>	<u>152,507</u>	<u>156,254</u>
Current assets				
Inventories	18	90,001	87,187	64,446
Trade and note receivables	19	24,306	60,181	66,166
Prepayments and other receivables	20	15,773	22,068	20,231
Amounts due from related parties	33(c)	39,036	32,492	–
Financial assets at fair value through profit or loss	22	56,542	11,504	22,422
Restricted cash	23	6,787	2,304	–
Cash and cash equivalents	23	23,427	15,141	7,609
		<u>255,872</u>	<u>230,877</u>	<u>180,874</u>
Net current assets		<u>76,014</u>	<u>79,477</u>	<u>35,692</u>
Total assets		<u><u>405,039</u></u>	<u><u>383,384</u></u>	<u><u>337,128</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	24	32,733	80,000	76,333
Reserves	26	88,346	45,149	20,044
Retained earnings		<u>54,024</u>	<u>57,557</u>	<u>63,686</u>
Total equity		<u><u>175,103</u></u>	<u><u>182,706</u></u>	<u><u>160,063</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at 31 December		
		2022	2023	2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	29	49,977	49,278	31,379
Lease liabilities	14	94	–	65
Deferred tax liabilities	31	7	–	439
		<u>50,078</u>	<u>49,278</u>	<u>31,883</u>
Current liabilities				
Trade payables	27	46,038	68,098	43,811
Accruals and other payables	28	43,108	20,866	23,802
Borrowings	29	60,224	37,483	57,942
Contract liabilities	5	14,945	10,307	7,715
Lease liabilities	14	325	96	126
Financial liabilities at fair value through profit or loss	22	–	2,114	–
Current income tax liabilities		4,218	1,436	786
Provision	30	11,000	11,000	11,000
		<u>179,858</u>	<u>151,400</u>	<u>145,182</u>
Total liabilities		<u>229,936</u>	<u>200,678</u>	<u>177,065</u>
Total equity and liabilities		<u>405,039</u>	<u>383,384</u>	<u>337,128</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

As at 31 December				
		2022	2023	2024
	Note	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	85,412	84,248	84,369
Right-of-use assets	14	4,832	4,593	4,682
Investment properties	15	41,957	40,955	39,953
Investment in subsidiaries	39	8,270	8,270	8,270
Intangible assets	16	12,823	19,761	23,021
Deferred tax assets	31	1,672	757	–
Other non-current assets	17	1,572	–	2,634
		<u>156,538</u>	<u>158,584</u>	<u>162,929</u>
Current assets				
Inventories	18	81,155	79,349	61,035
Trade and note receivables	19	41,533	84,482	70,803
Prepayments and other receivables	20	6,165	13,946	12,381
Amounts due from related parties	33(c)	39,036	32,492	–
Financial assets at fair value through profit or loss	22	53,751	11,504	8,451
Cash and cash equivalents	23	19,759	8,164	4,939
		<u>241,399</u>	<u>229,937</u>	<u>157,609</u>
Net current assets		<u>75,478</u>	<u>92,281</u>	<u>43,727</u>
Total assets		<u><u>397,937</u></u>	<u><u>388,521</u></u>	<u><u>320,538</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	24	32,733	80,000	76,333
Reserves	26	87,632	44,435	19,330
Retained earnings		<u>61,674</u>	<u>77,152</u>	<u>79,110</u>
Total equity		<u><u>182,039</u></u>	<u><u>201,587</u></u>	<u><u>174,773</u></u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

		As at 31 December		
		2022	2023	2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	29	49,977	49,278	31,379
Lease liabilities	14	–	–	65
Deferred tax liabilities	31	–	–	439
		<u>49,977</u>	<u>49,278</u>	<u>31,883</u>
Current liabilities				
Trade payables	27	46,027	68,865	44,290
Accruals and other payables	28	40,756	18,292	20,627
Borrowings	29	60,224	37,483	35,942
Contract liabilities	5	3,552	580	1,111
Lease liabilities	14	144	–	126
Current tax liabilities		4,218	1,436	786
Provision	30	11,000	11,000	11,000
		<u>165,921</u>	<u>137,656</u>	<u>113,882</u>
Total liabilities		<u><u>215,898</u></u>	<u><u>186,934</u></u>	<u><u>145,765</u></u>
Total equity and liabilities		<u><u>397,937</u></u>	<u><u>388,521</u></u>	<u><u>320,538</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Equity attributable to owners of the Company			
		Share capital	Reserves	Retained earnings	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2022		32,733	76,297	40,468	149,498
Comprehensive income:					
Profit for the year		<u>–</u>	<u>–</u>	<u>37,447</u>	<u>37,447</u>
Total comprehensive income		<u>–</u>	<u>–</u>	<u>37,447</u>	<u>37,447</u>
Transactions with owners:					
Appropriation to statutory reserve	26	–	3,891	(3,891)	–
Share-based compensation	25	–	8,158	–	8,158
Dividends distribution	37	<u>–</u>	<u>–</u>	<u>(20,000)</u>	<u>(20,000)</u>
Total transactions with owners		<u>–</u>	<u>12,049</u>	<u>(23,891)</u>	<u>(11,842)</u>
Balance at 31 December 2022 and 1 January 2023		<u>32,733</u>	<u>88,346</u>	<u>54,024</u>	<u>175,103</u>
Comprehensive income:					
Profit for the year		<u>–</u>	<u>–</u>	<u>27,603</u>	<u>27,603</u>
Total comprehensive income		<u>–</u>	<u>–</u>	<u>27,603</u>	<u>27,603</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	<i>Note</i>	Equity attributable to owners of the Company			
		Share capital	Reserves	Retained earnings	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transactions with owners:					
Appropriation to statutory reserve	26	–	4,070	(4,070)	–
Dividends distribution	37	–	–	(20,000)	(20,000)
Conversion of capital reserves into share capital	24	47,267	(47,267)	–	–
Total transactions with owners		<u>47,267</u>	<u>(43,197)</u>	<u>(24,070)</u>	<u>(20,000)</u>
Balance at 31 December 2023 and 1 January 2024		<u>80,000</u>	<u>45,149</u>	<u>57,557</u>	<u>182,706</u>
Comprehensive income:					
Profit for the year		–	–	41,347	41,347
Total comprehensive income		–	–	41,347	41,347
Transactions with owners:					
Appropriation to statutory reserve	26	–	3,718	(3,718)	–
Dividends distribution	37	–	–	(31,500)	(31,500)
Repurchase of ordinary shares	24	(3,667)	(28,823)	–	(32,490)
Total transactions with owners		<u>(3,667)</u>	<u>(25,105)</u>	<u>(35,218)</u>	<u>(63,990)</u>
Balance at 31 December 2024		<u>76,333</u>	<u>20,044</u>	<u>63,686</u>	<u>160,063</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities				
Cash generated from operations	32(a)	63,838	29,674	56,151
Interest received		40	164	930
Income tax paid		(3,442)	(5,317)	(2,451)
		<u>60,436</u>	<u>24,521</u>	<u>54,630</u>
Net cash generated from operating activities		<u>60,436</u>	<u>24,521</u>	<u>54,630</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(37,952)	(14,894)	(8,114)
Purchase of intangible assets		(7,746)	(10,834)	(8,503)
Purchase of financial assets at fair value through profit or loss	22	(564,752)	(311,120)	(270,945)
Proceeds from disposals of financial assets at fair value through profit or loss	22	556,453	354,719	257,075
Payments for deposits for foreign currency forward contracts	23	(12,526)	(2,054)	(392)
Proceeds from deposits for foreign currency forward contracts	23	5,739	6,537	2,696
(Loans to)/collection from related parties	33(b)	(38,640)	7,219	43
Proceeds from disposals of property, plant and equipment	32(b)	<u>126</u>	<u>9</u>	<u>7</u>
Net cash (used in)/generated from investing activities		<u>(99,298)</u>	<u>29,582</u>	<u>(28,133)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		Year ended 31 December		
		2022	2023	2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities				
Proceeds from borrowings	32(d)	69,099	42,354	86,580
Repayment of borrowings		(16,615)	(65,432)	(84,020)
Payment of interests on bank borrowings	32(d)	(1,977)	(2,622)	(2,813)
Principal elements of lease payments	32(d)	(611)	(326)	(253)
Dividends paid to the Company's shareholders	37	(5,000)	(35,000)	(31,500)
Listing expenses		—	(1,719)	(2,291)
		<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities		<u>44,896</u>	<u>(62,745)</u>	<u>(34,297)</u>
Net increase/(decrease) in cash and cash equivalents				
		6,034	(8,642)	(7,800)
Cash and cash equivalents at beginning of year		15,995	23,427	15,141
Effects of exchange rate changes on cash and cash equivalents		<u>1,398</u>	<u>356</u>	<u>268</u>
Cash and cash equivalents at end of year	23	<u><u>23,427</u></u>	<u><u>15,141</u></u>	<u><u>7,609</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

Rongta Technology (Xiamen) Group Co., Ltd. (容大合眾(廈門)科技集團股份公司) (the “Company”) was incorporated as a limited liability company in Xiamen city, Fujian province of the People’s Republic of China (the “PRC”) on 20 December 2010. The address of its registered office and headquarters of the Company is No 88 South Tonghui Road, Xiamen, Fujian Province, the PRC.

On 28 October 2019, the Company completed the conversion from a limited liability company into a joint stock company with limited liability in the PRC and changed its name from Xiamen Rongda Hezhong Electronic Technology Co., Ltd. (廈門容大合眾電子科技有限公司) to Rongta Technology (Xiamen) Group Co., Ltd. (容大合眾(廈門)科技集團股份公司). The directors of the Company regard Xiamen Rongxin Investment Co., Ltd. (“Xiamen Rongxin”), which is owned as to 99% by Mr. Xu Kaiming and 1% by Mr. Xu Kaihe, as the ultimate holding company, and Mr. Xu Kaiming as the ultimate controlling shareholder, of the Company.

The Company and its subsidiaries (together, the “Group”) are principally engaged in manufacturing and selling of Automatic Identification and Data Capture (AIDC) devices including speciality printers, scales, point of sale (“POS”) terminals and personal digital assistants (“PDAs”) equipment and provision of related solutions (the “Listing Business”) in the PRC.

The financial statements are presented in Renminbi (“RMB”) unless otherwise stated.

2 BASIS OF PREPARATION

2.1 (i) Compliance with International Financial Reporting Standards

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

(ii) Accounting policies

The accounting policies applied in the preparation of the Historical financial information have been consistently applied to all the years presented, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 40 to this Historical Financial Information.

2.2 Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.3 Accounting policies

(a) *New standards, amendments to standards and interpretations*

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Group and consistently applied throughout the Track Record Period.

(b) *New and amended standards and interpretations not yet effective and not been early adopted by the Group*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the financial years during the Track Record Period and have not been early adopted by the Group. These new standards and interpretations are:

Standards and interpretations		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and measurement of financial instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective, except as described below.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the consolidated financial statements of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group primarily conducts its operations in the PRC with majority of activities settled in RMB. The Group also sells to customers in various overseas countries, and is exposed to foreign exchange risk, primarily the US dollar.

The Group manages its foreign exchange risk by closely monitoring the movement of foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group enters into foreign currency forward contracts to mitigate the foreign exchange risk arising from sales receivables denominated in USD (Note 3.3).

The Group's exposure to foreign currency risk at the end of the reporting period during the Track Record Period, expressed in RMB, was as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Assets denominated in USD:			
Trade receivables	11,988	15,666	21,530
Cash and cash equivalents	2,259	5,195	688
	<u>14,247</u>	<u>20,861</u>	<u>22,218</u>
Contracted amount of foreign currency forward contracts	<u>49,449</u>	<u>64,447</u>	<u>–</u>

The aggregate net foreign exchange gains recognised in profit or loss during the Track Record Period were:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Net foreign exchange gains included in other gains	<u>3,331</u>	<u>947</u>	<u>2,133</u>

The sensitivity analysis is set out below. As shown in the table above, the Group is primarily exposed to changes in RMB/USD exchange rates. The sensitivity of profit or loss to changes in exchange rates arises mainly from USD denominated trade receivables, cash and cash equivalents and foreign currency forward contracts. Below is the impact to the Group's pre-tax profit during the Track Record Period had USD strengthened/weakened by 10% against RMB with all other variables held constant:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impact to post-tax profit, increase/(decrease):			
USD/RMB exchange rate – increase			
10%	6,372	8,534	2,222
USD/RMB exchange rate – decrease			
10%	(6,372)	(8,534)	(2,222)

(ii) *Cash flow and fair value interest rate risk*

The Group's interest bearing assets included cash and cash equivalents, restricted cash (Note 23) and financial assets at fair value through profit or loss (FVPL) (Note 22) and amounts due from related parties (Note 33(c)). Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly and the interest on amounts due from related parties are at fixed interest rate.

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2022, 2023 and 2024, all of the Group's borrowings were at fixed interest rates. The Group does not use any financial instrument to hedge its exposure to interest rate risk.

(b) *Credit risk*

The Group is exposed to credit risk in relation to (i) cash and cash equivalents and restricted cash, (ii) trade receivables and notes receivables, and (iii) other financial assets at amortised cost including amounts due from related parties and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. These assessment of credit loss of these three types of financial assets are subject to the expected credit loss model.

(i) *Credit risk of cash and cash equivalents and restricted cash*

To manage credit risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because the counterparties have strong capacity to meet their contractual cash flow obligations in the near term. The expected credit loss is close to zero.

(ii) *Credit risk of trade and notes receivables*

To manage credit risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and ageing to measure the expected credit losses. Trade and note receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group is engaged in manufacturing and selling of speciality printers, scales, POS terminals and PDAs equipment and provision of related solutions. The credit terms grant to sales to customers in the PRC are generally within 30 to 120 days from the invoice date.

Notes receivables are received for sales to customers in the PRC and most of the notes receivables of the Group are bank acceptance notes that with good credit rating. Therefore, the credit risk of notes receivables is regarded as minimal.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The Group calculates the expected loss rates of trade receivables based on the probability of default and the loss given default with reference to payment profiles of sales over a period of 24 months before the balance sheet date and the corresponding historical credit losses experienced within the reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

When considering forward-looking information, the Group takes different economic scenarios into consideration. The Group sells to customers in the PRC and overseas countries worldwide. The Group has identified the Gross Domestic Product (“GDP”), Consumer Price Index (“CPI”) and Producer Price Index (“PPI”) of the PRC that majority of the Group’s customers are located to be the most relevant factors to determine the forward-looking information, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and would recognised impairment losses.

The expected credit loss allowance of trade and note receivables as at 31 December 2022, 2023 and 2024 based on due dates are determined as follows:

	Current <i>RMB'000</i>	Within 6 months <i>RMB'000</i>	Between 6 and 12 months <i>RMB'000</i>	Over 1 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022					
Gross carrying amount of trade and note receivables	18,328	5,482	854	136	24,800
Expected loss rate	0.02%	2.94%	32.08%	40.44%	1.99%
Total loss allowance	(4)	(161)	(274)	(55)	(494)
As at 31 December 2023					
Gross carrying amount of trade and note receivables	46,000	13,769	420	652	60,841
Expected loss rate	0.01%	1.40%	42.14%	43.87%	1.08%
Total loss allowance	(4)	(193)	(177)	(286)	(660)
As at 31 December 2024					
Gross carrying amount of trade and note receivables	57,590	7,545	1,306	137	66,578
Expected loss rate	0.02%	0.68%	20.83%	56.20%	0.62%
Total loss allowance	(12)	(51)	(272)	(77)	(412)

Movements on the Group's allowance of impairment for trade receivables are as follows:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January	551	494	660
(Decrease)/increase in loss allowance	(6)	165	(181)
Write-off in loss allowance	(51)	1	(67)
Balance as at 31 December	494	660	412

(iii) *Other financial assets at amortised cost*

To manage credit risk arising from other financial assets at amortised cost, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The Group's other financial assets at amortised cost included other receivables (Note 20) and amounts due from related parties (Note 33(c)). The amounts due from related parties were amounts due from Mr. Xu Kaiming, the ultimate controlling shareholder of the Company, and a company owned by him. The credit loss is expected to be zero. The amounts due from related parties had been fully offset against payables to the ultimate controlling shareholder in March 2024 (Note 33(c)).

For other receivables, to assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with that as at the date of initial recognition. The probability of default upon initial recognition of an asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period is assessed with reference to the below factors:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter parties' ability to meet its obligation;
- actual or expected significant changes in the operating results of the counter parties;
- significant changes in the expected performance and behaviour of the counter parties, including changes in the payment status of the counter parties.

As at 31 December 2022, 2023 and 2024, management assessed the credit risk of other receivables and provided for a loss allowance for expected credit loss of RMB85,000, RMB84,000 and RMB92,000, respectively, under the 12 months expected losses method.

Movements on the Group's allowance for impairment loss of other receivables are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Balance as at 1 January	34	85	84
Increase/(decrease) in loss allowance	51	(1)	8
Balance as at 31 December	<u>85</u>	<u>84</u>	<u>92</u>

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 31 December 2022					
Trade payables (<i>Note 27</i>)	46,038	–	–	–	46,038
Accruals and other payables (excluding staff salaries and welfare payables and value added tax and other taxes payables) (<i>Note 28</i>)	32,796	–	–	–	32,796
Borrowings (<i>Note 29</i>)	60,224	7,139	21,419	21,419	110,201
Interest on borrowings	2,584	1,383	946	302	5,215
Lease liabilities (<i>Note 14</i>)	327	96	–	–	423
	<u>141,969</u>	<u>8,618</u>	<u>22,365</u>	<u>21,721</u>	<u>194,673</u>
As at 31 December 2023					
Trade payables (<i>Note 27</i>)	68,098	–	–	–	68,098
Accruals and other payables (excluding staff salaries and welfare payables and value added tax and other taxes payables) (<i>Note 28</i>)	6,736	–	–	–	6,736
Borrowings (<i>Note 29</i>)	37,483	27,859	21,419	–	86,761
Interest on borrowings	1,970	759	201	–	2,930
Lease liabilities (<i>Note 14</i>)	96	–	–	–	96
	<u>114,383</u>	<u>28,618</u>	<u>21,620</u>	<u>–</u>	<u>164,621</u>
As at 31 December 2024					
Trade payables (<i>Note 27</i>)	43,811	–	–	–	43,811
Accruals and other payables (excluding staff salaries and welfare payables and value added tax and other taxes payables) (<i>Note 28</i>)	7,254	–	–	–	7,254
Borrowings (<i>Note 29</i>)	57,942	31,379	–	–	89,321
Interest on borrowings	1,704	230	–	–	1,934
Lease liabilities (<i>Note 14</i>)	131	66	–	–	197
	<u>110,842</u>	<u>31,675</u>	<u>–</u>	<u>–</u>	<u>142,517</u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalent and restricted cash.

The net debt to equity ratios during the Track Record Period were as follow:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Borrowings (Note 29)	110,201	86,761	89,321
Lease liabilities (Note 14)	419	96	191
Less: Cash and cash equivalent and restricted cash (Note 23)	(30,214)	(17,445)	(7,609)
Net debt	80,406	69,412	81,903
Total equity	175,103	182,706	160,063
Net debt to equity ratio	46%	38%	51%

The increase and decrease in gearing ratio from 31 December 2022 to 31 December 2024 were resulted from the increase and decrease in borrowings and equity.

3.3 Fair value estimation

(a) Fair value measurements by level of the following fair value measurement hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the Historical Financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets that were measured at fair value as at 31 December 2022, 2023 and 2024:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Level 3			
Assets:			
Financial assets at FVPL			
– Wealth management products	55,031	11,504	22,422
– Foreign currency forward contracts	1,511	–	–
	<u>56,542</u>	<u>11,504</u>	<u>22,422</u>
Liabilities:			
Financial liabilities at FVPL			
– Foreign currency forward contracts	–	(2,114)	–
	<u>–</u>	<u>(2,114)</u>	<u>–</u>

The Group's financial assets at FVPL as at 31 December 2022, 2023 and 2024 were wealth management products acquired from banks.

The carrying values of the Group's financial assets and financial liabilities at amortised cost (Note 19, 20, 27 and 28), approximated their fair value as at 31 December 2022, 2023 and 2024 due to their short term maturities.

(b) Valuation techniques used to determine fair values

The fair values of wealth management products were estimated by using a discounted cash flow approach using the expected return based on management judgement and estimates.

The fair value of foreign currency forward contracts in Level 3 financial liabilities at FVPL was estimated by using quoted price provided by banks.

There were no changes in valuation techniques during the Track Record Period.

The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

	Fair values			Unobservable inputs	Range of inputs			Relationships of unobservable inputs to fair values
	As at 31 December				As at 31 December			
	2022	2023	2024		2022	2023	2024	
	RMB'000	RMB'000	RMB'000		%	%	%	
Financial assets at FVPL								
– Wealth management products	55,031	11,504	22,422	Expected rate of return	1.75–2.14	2.61–2.93	2.23–2.67	The higher the expected rate of return, the higher the fair value

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to price risk of FVPL at the end of each reporting period. If prices of the respective instruments held by the Group had been 10% higher/lower as at 31 December 2022, 2023 and 2024 with all other variable held constant, the Group's pre-tax profit would have been approximately RMB4,726,000, RMB5,654,000 and RMB4,885,000 higher/lower as a result of gains/losses on financial instruments classified as FVPL.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives and residual values of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and investment properties. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and investment properties of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values. Periodic reviews could result in a change in useful lives and residual values and therefore, changes in depreciation expenses in the future periods.

(b) Impairment of non-financial assets

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

(c) Provision for impairment of inventories

The Group's management reviews the condition of inventories at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the future sales projection, latest market prices and current market conditions. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(d) Provision for impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. The impairment provisions for trade receivables are based on assumptions about risk default and the expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income. Details of the assessment of loss allowance for trade receivables during the Track Record Period are disclosed in Note 3.1(b) and the carrying amounts of the Group's trade receivables are disclosed in Note 19.

(e) Income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences, impairment loss and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will affect the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed. Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

(f) Estimation of provision for potential litigation claim

The Group considered the current process of the legal cases and the legal opinion of lawyers and exercises considerable judgement in measuring and recognising provisions and contingent liabilities related to potential or outstanding legal claims. Judgement is necessary in assessing the likelihood that a liability will arise, and to quantify the possible range of the final settlement. Provisions are recognised when the Group has a present obligation, the loss is considered probable and can be reliably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of inhouse or external legal counsels.

(g) Capitalisation and expensing of internal development expenditures

The Group capitalises expenditures incurred on projects relating to development of products as intangible assets when the recognition criteria are met. Significant judgement is involved in assessing whether the criteria set out in the accounting standards required for capitalisation of such expenditures have been met, including the technical feasibility, the likelihood of future economic benefits to the Group, and whether the expenditures attributing to the assets during development can be reliably measured. Notwithstanding that the Group has used all available information to make this estimation and judgement, inherent uncertainty exists and the capitalised expenditures may have to be expensed if there are significant changes from previous estimates.

5 REVENUE AND SEGMENTS INFORMATION

(a) Description of segments and principal activities

During the Track Record Period, the Group is principally engaged in manufacturing and selling of speciality printers, scales, POS terminals and PDA equipment and provision of related solutions in the PRC.

The chief operating decision-maker of the Company has been identified as the chairman and executive directors of the Company. The decision-maker reviews the operating results of the business as one operating segment to make strategic decisions and decisions about resources to be allocated. Revenue and profit before income tax are the measures reported to the chairman and executive directors for the purpose of resources allocation and performance assessment.

All of the Group's business and operations are conducted in the PRC with sales made to customers in the PRC and overseas countries. The Group's non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

(b) Breakdown of revenue

The breakdown of revenue by product and services and timing of revenue recognition are set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Printing equipment	304,408	261,082	243,373
Scales	35,761	47,250	53,087
POS terminals and PDA	23,583	16,497	33,564
Accessories and other purchased products	25,591	15,333	17,849
Others	3,930	8,587	2,189
	<u>393,273</u>	<u>348,749</u>	<u>350,062</u>
Timing of revenue recognition:			
Point in time	<u>393,273</u>	<u>348,749</u>	<u>350,062</u>

The breakdown of revenue by regions based on the location of the customers is set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The PRC	214,756	190,054	185,272
Overseas countries	178,517	158,695	164,790
	<u>393,273</u>	<u>348,749</u>	<u>350,062</u>

(c) Information about major customers

For the Track Record Period, revenue derived from customers who individually accounted for more than 10% of the Group's total revenue is set out below:

	Year ended 31 December		
	2022	2023	2024
Customer 1	<u>22.88%</u>	<u>17.95%</u>	<u>11.78%</u>

(d) **Contract liabilities**

The Group

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<u>14,945</u>	<u>10,307</u>	<u>7,715</u>

The contract liabilities of the Group recognised are related to the non-refundable advance payments from customers of the Group. A contract liability is the Group's obligation to a customer for which the Group has received consideration from the customer. A contract liability is recognised when the customer pays consideration but before the Group delivers goods to the customer.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the period, recognised in each reporting period during the Track Record Period related to carried-forward contract liabilities:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>22,063</u>	<u>14,945</u>	<u>10,307</u>

The Company

The Company recognised the following revenue-related contract liabilities:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<u>3,552</u>	<u>580</u>	<u>1,111</u>

(e) **Unsatisfied performance obligations**

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

(f) Revenue recognition accounting policies

(i) Sales of products

Revenue from sales of printers, scales, POS terminals and PDA equipment, accessories and purchased products is recognised when control of the products has been transferred to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products according to contract or terms of sales. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales of products is based on the price specified in the sales contracts and is shown net of value-added tax and after eliminating sales within the Group. No element of financing is deemed present as the sales are made with a credit term.

The Group provides distributors with sales rebate, and the relevant revenue is recognised based on contract consideration net of the rebate amount estimated.

A receivable is recognised when the control of products is transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The periods and terms of product quality warranty are provided in according with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

(ii) Others

Others mainly include development and certification services and others. These services are usually completed within a short period of time, the revenue generated from the services mentioned above is recognised upon completion of the services.

(iii) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

6 EXPENSES BY NATURE

The detailed analysis of expenses by nature of cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses is as follow:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	249,595	207,481	202,118
Changes in inventories of finished goods and work in progress	1,702	10,288	11,029
Employee benefit expenses (<i>Note 7</i>)	80,139	69,559	76,886
Consulting and professional fee	5,422	6,112	3,651
Depreciation of property, plant and equipment (<i>Note 13</i>)	3,592	3,892	4,258
Depreciation of right-of-use assets (<i>Note 14</i>)	717	418	375
Amortisation of intangible assets (<i>Note 16</i>)	2,336	3,896	5,243
Advertising and other marketing expenses	4,208	5,542	6,660
Outsourcing cost	4,099	1,658	1,207
Other taxes and levies	2,568	3,502	3,636
Short-term lease rental expenses	1,083	72	53
Provision for/(reversal of) impairment of inventories	5,534	925	(3,296)
Auditor's remuneration	12	—	—
Listing expenses	—	8,605	8,293
Other expenses	13,471	14,507	9,911
Total expenses incurred	374,478	336,457	330,024
Less: development expenditures capitalised in intangible assets (<i>Note 16</i>)	(7,746)	(10,728)	(8,456)
Total expenses charged to profit or loss	366,732	325,729	321,568

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	61,935	59,336	63,357
Pension costs – defined contribution plans (<i>b</i>)	3,552	3,648	4,417
Housing funds, medical insurances and other social insurances (<i>c</i>)	2,775	3,851	3,855
Other employment benefits	3,719	2,724	5,257
Share-based compensation (<i>Note 25</i>)	8,158	—	—
Total staff compensation expense	80,139	69,559	76,886

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Pension obligations

The Group participates in defined contribution pension plans organised by the governments in the PRC. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022, 2023 and 2024 included 4, 3 and 3 directors and supervisors, respectively, whose emoluments are reflected in the analysis presented in Note 34. The emoluments payable to the remaining 1, 2 and 2 highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	288	1,098	465
Pension costs – defined contribution plans	38	74	16
Housing fund, medical insurance and other social benefits	39	68	83
Share-based compensation	66	–	–
	<u>431</u>	<u>1,240</u>	<u>564</u>

The number of highest paid non-director individuals whose remuneration for the Track Record Period fell within the following bands are as follows:

	Year ended 31 December		
	2022	2023	2024
Salary band			
Within HKD1,000,000	1	2	2
	<u> </u>	<u> </u>	<u> </u>

8 OTHER INCOME

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Government grants (a)	11,224	6,681	13,485
Rental income	2,474	5,345	5,223
Rental cost	(840)	(1,622)	(1,825)
	<u> </u>	<u> </u>	<u> </u>
	12,858	10,404	16,883
	<u> </u>	<u> </u>	<u> </u>

- (a) Government grants recognised during the years ended 31 December 2022, 2023 and 2024 were mainly incentives and subsidies received from government authorities by the Group's subsidiaries for the subsidiaries' contributions to the local employment market, improvement in production efficiency and others.

9 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Exchange gain – net	3,331	947	2,133
Gain from changes in fair values of wealth management products	476	347	469
Gain/(loss) from changes in fair values of foreign currency forward contracts	511	(3,900)	(1,307)
Net loss on disposals of property, plant and equipment	(98)	–	(84)
Others	154	346	(18)
	<u> </u>	<u> </u>	<u> </u>
	4,374	(2,260)	1,193
	<u> </u>	<u> </u>	<u> </u>

10 FINANCE INCOME AND COSTS – NET

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Finance income			
– Interest income on bank deposits	34	143	930
– Interest income on amounts due from related parties (<i>Note 33(b)</i>)	396	675	41
	<u>430</u>	<u>818</u>	<u>971</u>
Finance costs			
– Interest expenses on bank borrowings	(2,033)	(2,259)	(2,813)
– Interest expenses on lease liabilities	(25)	(4)	(16)
	<u>(2,058)</u>	<u>(2,263)</u>	<u>(2,829)</u>
Amounts capitalised in qualifying assets of construction in progress	227	–	–
	<u>(1,831)</u>	<u>(2,263)</u>	<u>(2,829)</u>
Finance costs – net	<u>(1,401)</u>	<u>(1,445)</u>	<u>(1,858)</u>

11 INCOME TAX EXPENSE

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Current income tax expense			
– PRC income tax	4,584	2,536	1,801
Deferred income tax (credit)/expense (<i>Note 31</i>)	347	(585)	1,737
	<u>4,931</u>	<u>1,951</u>	<u>3,538</u>

The Group's principal applicable income tax and tax rates are as follows:

PRC corporate income tax ("CIT")

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The CIT rate of the Company in the PRC is 15% and the CIT rate of its subsidiaries in the PRC is 20% during the Track Record Period.

In 2020, the Company was granted the status of High-technology Enterprise by the local tax bureau in Xiamen, and has been entitled to high-technology enterprises' favourable income tax rate of 15% since then. The validity of the qualification was 3 years. The Company maintained the qualification through renewal in 2023 which will be in effect for years 2024 to 2026. Therefore, the Company's applicable tax rate during the Track Record Period was 15%.

The subsidiaries of the Company in the PRC are all qualified as "Small and Low-profit Enterprise ("SLE")" and are entitled to preferential income tax treatment during the Track Record Period. Pursuant to the 'Notice of Preferential Tax Reduction and Exemption Policies for Small Scale VAT Taxpayer' (Cai Shui [2019] 13, Cai Shui [2022] 13 and Cai Shui [2023] 6) issued by the State Administration of Taxation of the PRC, the income tax of a SLE company's annual taxable income would be calculated as: (i) for the first portion of taxable income up to RMB1 million, 25% of it is subject to income tax and at a preferential rate of 20%, (ii) for the portion of taxable income more than RMB1 million but not more than RMB3 million, 50% of it is subject to income tax and at a rate of 20%. This preferential tax treatment has been applicable throughout the Track Record Period.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profit of the Group as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before income tax	42,378	29,554	44,885
Tax calculated at the applicable statutory tax rate of 25%	10,594	7,388	11,221
Adjustment for tax effect of:			
– Preferential income tax rate impact	(4,109)	(2,480)	(4,458)
– Preferential additional deduction for research and development expenditure	(2,906)	(3,021)	(3,066)
– Expense not deductible for income tax purposes	1,289	27	39
– Unutilised tax losses and temporary difference for which no deferred tax asset has been recognised	63	37	76
– Adjustments for current income tax of prior periods	–	–	(274)
Income tax expense	4,931	1,951	3,538

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of shares during the Track Record Period.

The Company did not have any potential ordinary shares outstanding during the Track Record Period. Diluted earnings per share is equal to basic earnings per share.

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

	Year ended 31 December		
	2022	2023	2024
Profit attributable to owners of the Company (RMB'000)	37,447	27,603	41,347
Weighted average number of ordinary shares in issue (thousand)	80,000	80,000	77,250
Basic and diluted earnings per share (RMB)	0.47	0.35	0.54

Upon approval at the meeting of the Board of Directors held on 15 June 2023, the Company increased its registered capital by RMB47,267,200 by way of conversion of the capital reserve of the Company for the same amount. After the conversion, the Company's issued share capital was adjusted to RMB80,000,000, and the total number of shares reached 80,000,000. The conversion of capital reserve to issued share capital is taken to be effective from 1 January 2022 for the purpose of calculating earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery and equipment RMB'000	Office furniture and fixtures RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	–	3,905	348	202	92,146	96,601
Additions	–	1,387	1,174	113	29,390	32,064
Transferred from construction in progress	80,928	699	525	–	(82,152)	–
Disposals	–	(185)	(38)	(1)	–	(224)
Transferred to investment properties (Note 15)	–	–	–	–	(39,384)	(39,384)
Depreciation charge (Note 6)	(1,259)	(1,927)	(339)	(67)	–	(3,592)
Closing net book amount	79,669	3,879	1,670	247	–	85,465
At 31 December 2022						
Cost	80,928	19,815	3,186	1,181	–	105,110
Accumulated depreciation	(1,259)	(15,936)	(1,516)	(934)	–	(19,645)
Net book amount	79,669	3,879	1,670	247	–	85,465

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2023						
Opening net book amount	79,669	3,879	1,670	247	–	85,465
Additions	215	1,975	174	355	–	2,719
Disposals	–	(6)	(3)	–	–	(9)
Depreciation charge (<i>Note 6</i>)	(1,927)	(1,368)	(450)	(147)	–	(3,892)
Closing net book amount	77,957	4,480	1,391	455	–	84,283
At 31 December 2023						
Cost	81,144	21,286	3,320	1,536	–	107,286
Accumulated depreciation	(3,187)	(16,806)	(1,929)	(1,081)	–	(23,003)
Net book amount	77,957	4,480	1,391	455	–	84,283
Year ended 31 December 2024						
Opening net book amount	77,957	4,480	1,391	455	–	84,283
Additions	–	3,946	491	–	73	4,510
Disposals	–	(89)	(2)	–	–	(91)
Depreciation charge (<i>Note 6</i>)	(1,932)	(1,620)	(542)	(150)	(14)	(4,258)
Closing net book amount	76,025	6,717	1,338	305	59	84,444
At 31 December 2024						
Cost	81,144	25,274	3,717	1,536	73	111,744
Accumulated depreciation	(5,119)	(18,557)	(2,379)	(1,231)	(14)	(27,300)
Net book amount	76,025	6,717	1,338	305	59	84,444

(a) The Group's depreciation of property, plant and equipment was charged to the following financial statement line items in the consolidated statements of comprehensive income during the Track Record Period:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	2,215	1,899	2,203
General and administrative expenses	1,011	1,426	1,510
Selling and marketing expenses	124	164	175
Research and development expenses	242	403	370
	3,592	3,892	4,258

(b) The construction in progress during the year ended 31 December 2022 represented the construction of the Group's headquarters at No. 88 Tonghui Road, Xiamen, Fujian Province of the PRC. There are three blocks of buildings of which one block is used as the Group's office and research and development centre, one block is used as the Group's production factory and warehouse and certain area of it is leased out, and the remaining block is fully leased out. The leased out block and areas are accounted for as investment properties (Note 15) of the Group. The construction of the buildings was completed in year 2022 and the construction in progress was transferred to buildings under property, plant and equipment and investment properties accordingly.

(c) *Assets pledged*

As at 31 December 2022, 2023 and 2024, the buildings of the Group were pledged to secure certain bank borrowings of the Group (Note 29).

(d) *Accounting policies of property, plant and equipment*

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives as follows:

Buildings	40 years
Machinery and equipment	3–10 years
Office furniture and fixtures	3–5 years
Vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4(b)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss (Note 9).

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for intended use.

The Company

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2022						
Opening net book amount	–	3,905	303	202	92,146	96,556
Additions	–	1,387	1,147	113	29,390	32,037
Transferred from construction in progress	80,928	699	525	–	(82,152)	–
Disposals	–	(185)	(37)	(1)	–	(223)
Transferred to investment properties (<i>Note 15</i>)	–	–	–	–	(39,384)	(39,384)
Depreciation charge	(1,259)	(1,927)	(321)	(67)	–	(3,574)
Closing net book amount	79,669	3,879	1,617	247	–	85,412
At 31 December 2022						
Cost	80,928	19,815	3,032	1,181	–	104,956
Accumulated depreciation	(1,259)	(15,936)	(1,415)	(934)	–	(19,544)
Net book amount	79,669	3,879	1,617	247	–	85,412
Year ended 31 December 2023						
Opening net book amount	79,669	3,879	1,616	247	–	85,411
Additions	216	1,975	173	355	–	2,719
Disposals	–	(6)	(2)	–	–	(8)
Depreciation charge	(1,928)	(1,368)	(431)	(147)	–	(3,874)
Closing net book amount	77,957	4,480	1,356	455	–	84,248
At 31 December 2023						
Cost	81,144	21,285	3,166	1,536	–	107,131
Accumulated depreciation	(3,187)	(16,805)	(1,810)	(1,081)	–	(22,883)
Net book amount	77,957	4,480	1,356	455	–	84,248

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2024						
Opening net book amount	77,957	4,480	1,356	455	–	84,248
Additions	–	3,946	434	–	73	4,453
Disposals	–	(89)	(1)	–	–	(90)
Depreciation charge	(1,933)	(1,620)	(526)	(150)	(14)	(4,242)
Closing net book amount	76,024	6,717	1,263	305	59	84,369
At 31 December 2024						
Reclassification						
Cost	81,144	25,274	3,511	1,536	73	111,538
Accumulated depreciation	(5,120)	(18,557)	(2,248)	(1,231)	(14)	(27,169)
Net book amount	76,024	6,717	1,263	305	59	84,369

As at 31 December 2022, 2023 and 2024, the Company's buildings were pledged to secure certain bank borrowings of the Company (Note 29).

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group

(a) Amounts recognised in the consolidated statements of financial position

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets			
– Land use rights	4,679	4,581	4,483
– Leased properties	429	109	199
Total right-of-use assets	5,108	4,690	4,682
Lease liabilities			
– Current	325	96	126
– Non-current	94	–	65
Total lease liabilities	419	96	191

Movements in right-of-use assets in the Track Record Period are analysed as follows:

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
Year ended 31 December 2022			
Opening net book amount	8,043	592	8,635
Additions	–	439	439
Transferred to investment properties (<i>Note 15</i>)	(3,249)	–	(3,249)
Depreciation charge (<i>Note 6</i>)	(115)	(602)	(717)
Closing net book amount	4,679	429	5,108
Year ended 31 December 2023			
Opening net book amount	4,679	429	5,108
Depreciation charge (<i>Note 6</i>)	(98)	(320)	(418)
Closing net book amount	4,581	109	4,690
Year ended 31 December 2024			
Opening net book amount	4,581	109	4,690
Additions	–	851	851
Termination	–	(484)	(484)
Depreciation charge (<i>Note 6</i>)	(98)	(277)	(375)
Closing net book amount	4,483	199	4,682

The Company

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Right-of-use assets			
– Land use rights	4,679	4,581	4,483
– Buildings	153	12	199
Total right-of-use assets	4,832	4,593	4,682
Lease liabilities			
– Current	144	–	126
– Non-current	–	–	65
Total lease liabilities	144	–	191

Movements in right-of-use assets during the Track Record Period are analysed as follows:

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
Year ended 31 December 2022			
Opening net book amount	8,043	–	8,043
Additions	–	282	282
Transferred to investment properties	(3,249)	–	(3,249)
Depreciation charge	(115)	(129)	(244)
Closing net book amount	4,679	153	4,832
Year ended 31 December 2023			
Opening net book amount	4,679	153	4,832
Depreciation charge	(98)	(141)	(239)
Closing net book amount	4,581	12	4,593
Year ended 31 December 2024			
Opening net book amount	4,581	12	4,593
Additions	–	492	492
Disposals	–	(183)	(183)
Depreciation charge	(98)	(122)	(220)
Closing net book amount	4,483	199	4,682

(a) The Group's leasing activities

Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group's land use rights refer to the land on which the Group's headquarters at No. 88 Tonghui Road, Xiamen, Fujian Province of the PRC is situated. The land use rights have a lease period of 50 years. The premiums paid for such rights are recorded as right-of-use assets, and are amortised over the lease periods of 50 years using the straight-line method.

Lease of properties

The Group leases office premises for its research and development function in Wuhan as lessee. Rental contracts of properties are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Details of the accounting policies on leases are set out in Note 40.6.

(b) Asset pledged

As at 31 December 2022, 2023 and 2024, the Group's land use rights included in right-of-use assets with carrying amount of RMB4,679,000, RMB4,581,000 and RMB4,483,000, respectively, were pledged to secure certain bank borrowings of the Group (Note 29).

In addition, due to a litigation case where the Group was the defendant, the Group's land use rights were seized for three years starting from 11 February 2022.

15 INVESTMENT PROPERTIES

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At 1 January	–	41,957	40,955
Transfer from construction in progress (Note 13) and right-of-use assets (Note 14)	42,633	–	–
Depreciation (Note 6)	(676)	(1,002)	(1,002)
At 31 December	41,957	40,955	39,953
Cost as at 31 December	42,633	42,633	42,633
Accumulated depreciation	(676)	(1,678)	(2,680)
At 31 December	41,957	40,955	39,953

- (a) The investment properties consist one block of building and certain floor area of another building at the Group's headquarters that are held for leasing. The construction of the buildings was completed in 2022 and the relevant costs were transferred from land use right under right-of-use assets and construction in progress under property, plant and equipment to investment properties accordingly.
- (b) The Group has engaged an independent professional valuer to determine the fair value of the investment properties. The valuation of the investment properties as at 31 December 2024 was RMB50,297,000. The directors of the Company have assessed and estimated the fair value of the investment properties as at 31 December 2023 and 31 December 2024 to be the same as the valuation amount as at 31 December 2022 given that there was no major change in market value of the industrial properties in Xiamen during the years.
- (c) *Amounts recognised in profit or loss for investment properties*

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other income – rental income	2,474	5,345	5,223
Other costs – depreciation of investment properties	(676)	(1,002)	(1,002)
Other costs – direct operating expenses from properties that generated rental income	(164)	(620)	(823)

(d) Assets pledged

As at 31 December 2022, 2023 and 2024, the Group's investment properties were pledged to secure certain bank borrowings of the Group (Note 29).

(e) Depreciation method

The Group depreciates investment properties with a limited useful life using the straight-line method over the following periods:

Buildings	40 years
Land-use rights	50 years

16 INTANGIBLE ASSETS

The Group and the Company

	Development expenditures <i>RMB'000</i>	Computer software <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022			
Opening net book amount	7,021	392	7,413
Additions	7,746	–	7,746
Amortisation charge (<i>Note 6</i>)	(2,006)	(330)	(2,336)
Closing net book amount	<u>12,761</u>	<u>62</u>	<u>12,823</u>
Year ended 31 December 2023			
Opening net book amount	12,761	62	12,823
Additions	10,728	106	10,834
Amortisation charge (<i>Note 6</i>)	(3,872)	(24)	(3,896)
Closing net book amount	<u>19,617</u>	<u>144</u>	<u>19,761</u>
Year ended 31 December 2024			
Opening net book amount	19,617	144	19,761
Additions	8,456	47	8,503
Amortisation charge (<i>Note 6</i>)	(5,198)	(45)	(5,243)
Closing net book amount	<u>22,875</u>	<u>146</u>	<u>23,021</u>

- (a) The Group's amortisation of intangible assets was charged to the following financial line items in the following categories in the consolidated statements of comprehensive income during the Track Record Period:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of sales – development expenditures	2,006	3,872	5,198
Administrative expenses – computer software	330	24	45
	<u>2,336</u>	<u>3,896</u>	<u>5,243</u>

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Development expenditures	3–5 years
Computer software	5–10 years

(b) Accounting policy for research and development expenditures

Research expenditures are charged to the consolidated statements of comprehensive income as expenses in the period the expenditure is incurred. Development expenditures are recognised as assets if they can be clearly assigned to a newly developed product or process and all the following can be demonstrated:

- The technical feasibility to complete the development project so that it will be available for use or sale;
- The intention to complete the development project to use it;
- The ability to use the output of the development project;
- The manner-in-which the development project will generate probable future economic benefits to the Group;
- The availability of adequate technical, financial, and other resources to complete the development project and use or sell the intangible asset; and
- The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset relating to development expenditures is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use or sale. The costs capitalised in intangible assets include employee costs, costs of raw materials, depreciations and other expenses incurred in the creation of the asset. Development expenditures not satisfying the above criteria are recognised in the consolidated statements of profit or loss as incurred.

Capitalised development expenditures are amortised using a straight-line method over the expected useful lives ranging between 3 to 5 years.

The Group incurred the following expenditures in research and development activities:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Research and development expenses incurred:			
Employee benefits	15,974	17,986	19,809
Cost of raw materials	2,082	830	1,089
Depreciation	391	556	507
Others	3,610	1,491	2,404
	<u>22,057</u>	<u>20,863</u>	<u>23,809</u>
Less: Development expenditures capitalised as intangible assets	<u>(7,746)</u>	<u>(10,728)</u>	<u>(8,456)</u>
Amount charged to profit or loss	14,311	10,135	15,353
Add: amortisation of development expenditures capitalised as intangible assets	<u>2,006</u>	<u>3,872</u>	<u>5,198</u>
Total research and development related expenditures charged to profit or loss	<u><u>16,317</u></u>	<u><u>14,007</u></u>	<u><u>20,551</u></u>

The total research and development related expenditures charged to profit or loss are included in the following categories in the consolidated statements of comprehensive income during the years ended 31 December 2022, 2023 and 2024:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	3,353	5,224	5,198
Research and development expenses	<u>12,964</u>	<u>8,783</u>	<u>15,353</u>
	<u><u>16,317</u></u>	<u><u>14,007</u></u>	<u><u>20,551</u></u>

(c) **Impairment test for intangible assets not yet available for use**

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Intangible assets not yet available for use – development expenditures	<u>4,463</u>	<u>8,154</u>	<u>4,107</u>

Intangible assets not yet available for use are derived from the capitalised development expenditures incurred in research and development projects that have not yet been completed. The Company has carried out an impairment review of the carrying amounts of intangible assets not yet available for use as at 31 December 2022, 2023 and 2024 and no provision for impairment has been made.

The recoverable amounts of the intangible assets not yet available for use are determined based on value in use calculations. The calculation of the recoverable amounts of the intangible assets not yet available for use uses cash flow projections based on the financial estimates on each intangible asset not yet available for use, defined as separate cash-generating unit (“CGU”) made by management of the Company, with reference to the timing of commercial operation of the products and the prevailing market conditions. The recoverable amounts of each intangible asset not yet available for use based on the estimated value-in-use calculations was higher than the respective carrying amount at 31 December 2022, 2023 and 2024. Accordingly, no provision for impairment loss for intangible assets not yet available for use is considered necessary.

The following table sets forth key assumptions on which management has based its cash flow projections to undertake impairment testing of respective intangible assets not yet available for use as at 31 December 2022, 2023 and 2024:

	As at 31 December		
	2022	2023	2024
Revenue growth rate	0%–14.60%	0%–18.92%	13.10%–13.62%
Pre-tax discount rate	14.60%	14.00%	14.00%

Management has determined the values assigned to each of the above key assumptions as follows:

Revenue growth rate: based on past performance and management’s expectations of market development;

Pre-tax discount rate: reflect specific risks relating to the operation of the business in the PRC.

Based on the result of the impairment testing, the proportion of the estimated recoverable amount of the intangible assets not yet available for use exceeded its carrying amount (“the headroom”) to its carrying amount was as follows:

	Year ended 31 December		
	2022	2023	2024
Headroom	41.97%–783.36%	35.46%–234.70%	40.28%–578.94%

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amounts of the intangible assets not yet available for use to exceed its recoverable amount.

The management of the Company concluded that no provision for impairment on the intangible assets not yet available for use has to be recognised as at 31 December 2022, 2023 and 2024.

17 OTHER NON-CURRENT ASSETS

The Group’s and the Company’s other non-current assets represented prepayments for the purchase of property, plant and equipment. The prepayments would be transferred to the relevant assets when the assets were received.

18 INVENTORIES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	52,402	60,734	44,431
Work-in-progress	1,563	93	779
Finished goods	48,624	39,806	28,091
Less: provision for impairment of inventories	(12,588)	(13,446)	(8,855)
	<u>90,001</u>	<u>87,187</u>	<u>64,446</u>

During the Track Record Period, the cost of inventories recognised as an expense and included in “cost of sales” amounted to RMB251,297,000, RMB217,769,000 and RMB218,932,000 for the years ended 2022, 2023 and 2024 respectively.

Provision is made for slow moving and obsolete inventories, including where the net realisable value is lower than its carrying value, and is recorded in cost of sales in the consolidated statements of comprehensive income. The net provision/(reversal) of impairment for inventories as recognised for the Track Record Period amounted to approximately RMB5,534,000, RMB925,000, and RMB(3,296,000), respectively.

Accounting policies of inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as cost of sales in the period in which the reversal occurs.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	52,402	60,734	44,431
Work-in-progress	1,563	93	779
Finished goods	39,778	31,968	24,680
Less: provision for impairment of inventories	(12,588)	(13,446)	(8,855)
	<u>81,155</u>	<u>79,349</u>	<u>61,035</u>

19 TRADE AND NOTE RECEIVABLES

The Group

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Notes receivable	2,005	2,908	937
Trade receivables			
– Third parties	22,795	57,933	65,641
	<u>24,800</u>	<u>60,841</u>	<u>66,578</u>
Less: provision for impairment	(494)	(660)	(412)
	<u>24,306</u>	<u>60,181</u>	<u>66,166</u>

As at 31 December 2022, 2023 and 2024, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Within 180 days	21,805	56,861	64,198
181–360 days	854	420	1,306
Over 360 days	136	652	137
	<u>22,795</u>	<u>57,933</u>	<u>65,641</u>

For trade receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records, past experience, as well as forward looking information.

The Group applies the simplified approach to provide for expected credit loss, which was a lifetime expected loss allowance for all trade receivables as prescribed by IFRS 9. Details of the assessment of expected loss rates of the Group's trade receivables are set out in Note 3.1 (b)(ii).

The carrying value of trade and notes receivables approximated their fair values as at the balance sheet dates due to their short term nature and were dominated in RMB.

The Company

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivable	2,005	2,908	–
Trade receivables			
– From subsidiaries	27,805	49,638	38,077
– Third parties	11,976	32,086	32,751
	<u>41,786</u>	<u>84,632</u>	<u>70,828</u>
Less: provision for impairment	<u>(253)</u>	<u>(150)</u>	<u>(25)</u>
	<u><u>41,533</u></u>	<u><u>84,482</u></u>	<u><u>70,803</u></u>

As at years ended 31 December 2022, 2023 and 2024, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	39,105	81,414	70,828
181–360 days	676	–	–
Over 360 days	–	310	–
	<u>39,781</u>	<u>81,724</u>	<u>70,828</u>

The carrying amounts of trade and notes receivables approximated their fair values as at the balance sheet dates due to their short term nature and were denominated in RMB.

20 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for purchase of raw materials	1,378	4,006	1,938
Prepayments for expenses	1,837	239	1,593
Prepayments for listing expenses	–	2,678	5,342
Value added tax recoverable	8,778	11,468	7,771
Other receivables – refundable deposits receivable	887	1,064	621
Others	2,978	2,697	3,058
Less: provision for impairment	(85)	(84)	(92)
	<u>15,773</u>	<u>22,068</u>	<u>20,231</u>

The carrying amounts of other receivables approximated their fair values as at the balance sheet dates and were denominated in RMB.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for purchase of raw materials	1,378	4,006	1,938
Prepayments for expenses	1,308	32	686
Prepayments for listing expenses	–	2,678	5,342
Value added tax recoverable	–	4,341	1,342
Other receivables – refundable deposits receivable	761	890	430
Other current assets – amounts due from subsidiaries	139	–	–
Others	2,644	2,070	2,708
Less: provision for impairment	(65)	(71)	(65)
	<u>6,165</u>	<u>13,946</u>	<u>12,381</u>

The carrying amounts of other receivables approximated their fair values as at the balance sheet dates and were denominated in RMB.

21 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost			
Trade receivables (<i>Note 19</i>)	24,306	60,181	66,166
Other receivables (excluding value added tax recoverable) (<i>Note 20</i>)	3,780	3,677	3,587
Amounts due from related parties (<i>Note 33(c)</i>)	39,036	32,492	–
Restricted cash (<i>Note 23</i>)	6,787	2,304	–
Cash and cash equivalents (<i>Note 23</i>)	23,427	15,141	7,609
	<u>97,336</u>	<u>113,795</u>	<u>77,362</u>
Financial assets at fair value through profit or loss	<u>56,542</u>	<u>11,504</u>	<u>22,422</u>
	<u>153,878</u>	<u>125,299</u>	<u>99,784</u>
Financial liabilities at amortised cost			
Trade payables (<i>Note 27</i>)	46,038	68,098	43,811
Accruals and other payables (excluding staff salaries and welfare payables, value added tax and others) (<i>Note 28</i>)	32,796	6,736	7,254
Borrowings (<i>Note 29</i>)	110,201	86,761	89,321
Lease liabilities (<i>Note 14</i>)	419	96	191
	<u>189,454</u>	<u>161,691</u>	<u>140,577</u>
Financial liabilities at fair value through profit or loss (<i>Note 22</i>)	<u>–</u>	<u>2,114</u>	<u>–</u>
	<u>189,454</u>	<u>163,805</u>	<u>140,577</u>

22 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

The Group's financial assets and financial liabilities at FVPL included the following:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets at FVPL:			
Investments in wealth management products issued by banks	55,031	11,504	22,422
Foreign currency forward contracts	1,511	—	—
	<u>56,542</u>	<u>11,504</u>	<u>22,422</u>
Financial liabilities at FVPL:			
Foreign currency forward contracts	—	(2,114)	—
	<u>—</u>	<u>(2,114)</u>	<u>—</u>

The movements for investments in wealth management products in the Group's financial assets at FVPL are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Opening balance	47,256	55,031	11,504
Additions	564,752	311,120	270,945
Disposals	(557,453)	(354,994)	(260,496)
Gains on financial assets at FVPL	476	347	469
	<u>55,031</u>	<u>11,504</u>	<u>22,422</u>
Closing balance	<u>55,031</u>	<u>11,504</u>	<u>22,422</u>

The Group bought certain wealth management products from banks. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they have been designated as financial assets at FVPL.

The Group enters into foreign currency forward contracts to hedge the Group's exposure to foreign exchange risk, mainly the USD denominated trade receivables and cash and cash equivalent.

The gain or loss on financial assets and liabilities at FVPL are set out in Note 9 above.

The Company

The Company's financial assets measured at FVPL included the following:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Investments in wealth management products issued by banks	53,751	11,504	8,451

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents			
Cash on hand and at banks	23,039	14,601	6,954
Other cash and cash equivalents	388	540	655
	23,427	15,141	7,609
Restricted cash			
Cash at banks	6,787	2,304	—

As at 31 December 2022, 2023 and 2024, bank deposits of RMB6,787,000 and RMB2,304,000 and RMB nil respectively were restricted and held in designated bank accounts as deposits for foreign currency forward contracts.

Cash and cash equivalents and restricted cash were denominated in the following currencies:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
RMB	27,417	11,940	6,880
USD	2,259	5,195	688
Others	538	310	41
	30,214	17,445	7,609

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	19,759	8,164	4,939

Cash and cash equivalents were denominated in:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	19,697	8,139	4,913
USD	62	25	26
	<u>19,759</u>	<u>8,164</u>	<u>4,939</u>

24 SHARE CAPITAL

The Group and the Company

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid	<u>32,733</u>	<u>80,000</u>	<u>76,333</u>

A summary of movements in the Company's paid-in capital/share capital is as follows:

	Number of shares	Paid-in capital/ share capital <i>RMB'000</i>
As at 1 January 2022 and 31 December 2022	32,732,800	32,733
Conversion of capital reserves into share capital (i)	<u>47,267,200</u>	<u>47,267</u>
Balance at 31 December 2023 and 1 January 2024	80,000,000	80,000
Capital reduction (ii)	<u>(3,667,000)</u>	<u>(3,667)</u>
Balance at 31 December 2024	<u>76,333,000</u>	<u>76,333</u>

- (i) Upon approval at the meeting of the Board of Directors held on 15 June 2023, the Company increased its registered capital by RMB47,267,200 by way of conversion of capital reserves of the Company for the same amount. After the conversion, the Company's issued share capital was adjusted to RMB80,000,000, and the total number of shares reached 80,000,000.
- (ii) On 14 March 2024, the Company repurchased 3,667,000 shares from Xiamen Rongxin at a total consideration of RMB32,490,000 by offsetting against the amount due from Xiamen Rongxin to the Company with an aggregate amount of approximately RMB32.5 million (Note 33(c)).

25 SHARE-BASED COMPENSATIONS

The share-based compensation expenses charged to the consolidated statements of comprehensive income during the Track Record Period were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Employee share ownership plans	8,158	—	—

(a) Employee share ownership plans

(i) Details of the Company's employee share ownership plans ("ESOP")

The Group set up two limited partnership companies, namely Xiamen Gaoli Hezhong Investment Partnership Limited Partnership (廈門高立合眾投資合夥企業(有限合夥)) ("Xiamen Gaoli Hezhong") which was formerly known as Xiamen Gaoli Hezhong Consulting Management Partnership Limited Partnership (廈門高立合眾諮詢管理合夥企業(有限合夥)) in November 2017, and Xiamen Gaoli Zhongcheng Investment Partnership Limited Partnership (廈門高立眾成投資合夥企業(有限合夥)) ("Xiamen Gaoli Zhongcheng") in November 2018, as the employee shareholding platforms ("Employee Incentive Platforms") to hold the shares granted to employees of the Group.

Participants of the ESOP (the "Participants") are granted limited partnership interests (the "Awards") in the Employee Incentive Platforms and are each a limited partner of the Employee Incentive Platforms upon grant of the Awards. Upon becoming the limited partner of the Employee Incentive Platforms, the Participants indirectly receive economic interest in the pro rata portion of the underlying shares of the Company held by the Employee Incentive Platforms.

Prior to 31 December 2022 or to the submission of the application for the listing on a stock exchange by the Company (whichever is earlier), if any limited partner wishes to transfer his/her holdings in the Employee Incentive Platform, such limited partner shall obtain the consent of the general partner of the Employee Incentive Platform. The transfer price shall be determined by the capital injection amount of the relevant portion of interest that is subject to transfer plus interest.

After 31 December 2022 but prior to the submission of the application for listing on the stock exchange by the Company, if any limited partner wishes to transfer his/her holdings in the Employee Incentive Platform, such limited partner shall obtain the consent of the general partner of the Employee Incentive Platform. The transfer price shall be determined by the parties.

(ii) Awards granted under ESOP

On 21 November 2017, 254,600 shares of the Company with a grant price of RMB4 were granted to certain directors and employees through the Xiamen Gaoli Hezhong, and on 21 December 2018 and 8 December 2021, 146,000 and 146,000 shares of the Company with a grant price of RMB7 and RMB7 per share were granted to certain directors and employees through Xiamen Gaoli Zhongcheng, respectively, while the fair value of shares of the Company at the respective dates of grants was estimated to be RMB6.19, RMB9.74 and RMB19.53 per share, respectively.

The fair value of each award share grant under the ESOP and other issues during the Track Record Period was determined by reference to the consideration paid by third party investors in the latest equity investment transactions value during the latest external financing before or at the date of grant. The respective employees and directors are entitled to receive the same dividend as the other shareholders. Accordingly, no features of the equity instruments granted were incorporated as adjustments into the measurement of fair value.

As at 31 December 2023, 909,180 and 1,016,717 (after giving the effect of adjustment for capitalisation issue), totalling 1,925,897 shares of the Company, representing 1.14% and 1.27% of the Company's shareholding, were held by Xiamen Gaoli Hezhong and Xiamen Gaoli Zhongcheng, respectively, and were all granted to directors and employees of the Group. On 14 March 2024, the Company repurchased 3,667,000 shares from Xiamen Rongxin and resolved to reduce the registered share capital of the Company from RMB80,000,000 to RMB76,333,000 by way of reduction in number of issued shares. As a result, the equity interest in Company's shares held by Xiamen Gaoli Hezhong and Xiamen Gaoli Zhongcheng were increased to 1.19% and 1.33%, respectively.

Details of the award shares held by the directors, supervisors and senior management under the ESOP during the Track Record Period are set out below:

	Number of award shares As at 31 December		
	2022	2023	2024
Directors, supervisors and employees	788,000	1,925,897	1,925,897

The increase in number of award shares as at 31 December 2023 was due to the issue of 1,137,897 shares of the Company to the Participants through Employee Shareholding Platforms pursuant to the capitalisation of capital reserve.

(b) Accounting policy for share-based compensation expenses

The fair value of the employee services received in exchange for the grant of equity instruments (the "share-based compensation") is the difference between the fair value of each award share of the Company and the cash consideration to be paid by the Participant, and is recognised as an expense in "employee benefit expenses" in the consolidated statement of comprehensive income, with a corresponding increase in equity.

The total amount of share based compensation of the Group was expensed over the vesting period which started from the respective dates of grant since 2017 and until 31 December 2022 according to the terms of ESOP.

At the end of each reporting period during the Track Record Period, the Group would revise its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

26 RESERVES

The Group

	Capital reverse <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	67,144	4,346	4,807	76,297
Profit appropriation to statutory reserve (a)	–	3,891	–	3,891
Share-based compensation (Note 25)	–	–	8,158	8,158
At 31 December 2022 and 1 January 2023	67,144	8,237	12,965	88,346
Profit appropriation to statutory reserve (a)	–	4,070	–	4,070
Conversion of capital reserves into share capital (Note 24(i))	(47,267)	–	–	(47,267)
At 31 December 2023 and 1 January 2024	19,877	12,307	12,965	45,149
Profit appropriation to statutory reserve (a)	–	3,718	–	3,718
Repurchase of ordinary shares (Note 24(ii))	(28,823)	–	–	(28,823)
At 31 December 2024	(8,946)	16,025	12,965	20,044

The Company

	Capital reverse RMB'000	Statutory reserves RMB'000	Share-based payment RMB'000	Total RMB'000
At 1 January 2022	66,414	4,344	4,807	75,565
Profit appropriation to statutory reserve (a)	–	3,909	–	3,909
Share-based payment (c)	–	–	8,158	8,158
At 31 December 2022 and 1 January 2023	66,414	8,253	12,965	87,632
Profit appropriation to statutory reserve (a)	–	4,070	–	4,070
Convention of capital reserves into share capital (Note 24(i))	(47,267)	–	–	(47,267)
At 31 December 2023 and 1 January 2024	19,147	12,323	12,965	44,435
Profit appropriation to statutory reserve (a)	–	3,718	–	3,718
Repurchase of ordinary shares (Note 24(ii))	(28,823)	–	–	(28,823)
At 31 December 2024	<u>(9,676)</u>	<u>16,041</u>	<u>12,965</u>	<u>19,330</u>

(a) Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the “PRC Subsidiaries”), it is required to recognise appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years’ losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserves fund can be used to offset prior years’ losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

27 TRADE PAYABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade payables – third parties	46,038	68,098	43,811

The ageing analysis of the Group's trade payables based on invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	46,038	68,098	43,811

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates due to their short maturity and were denominated in RMB.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade payables			
– Subsidiaries	49	–	–
– Third parties	45,978	68,865	44,290
	46,027	68,865	44,290

The ageing analysis of trade payables based on the invoice date at the respective company balance sheet dates is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	46,027	68,865	44,290

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates due to their short maturity were dominated in RMB.

28 ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	15,034	1,344	439
Dividends payable	15,000	—	—
Staff salaries and welfare payable	7,964	8,014	9,510
Value added tax and other taxes payable	2,348	6,116	6,840
Payables for listing expenses	—	2,629	4,313
Other accrued expenses and payables	2,762	2,763	2,700
	<u>43,108</u>	<u>20,866</u>	<u>23,802</u>

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	15,034	902	439
Dividends payable	15,000	—	—
Staff salaries and welfare payable	6,363	6,925	7,816
Value added tax and other taxes payable	2,203	5,949	5,530
Payables for listing expenses	—	2,629	4,313
Others	2,156	1,887	2,529
	<u>40,756</u>	<u>18,292</u>	<u>20,627</u>

29 BORROWINGS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Non-current borrowings			
Long-term bank borrowings, secured and guaranteed (a)	20,137	17,709	15,214
Long-term bank borrowings secured (a)	36,952	32,269	27,659
Long-term bank borrowings, unsecured	—	6,720	16,440
	<u> </u>	<u> </u>	<u> </u>
less: current portion	(7,112)	(7,420)	(27,934)
	<u> </u>	<u> </u>	<u> </u>
Non-current portion	<u>49,977</u>	<u>49,278</u>	<u>31,379</u>
Current borrowings			
Short-term bank borrowings, guaranteed (b)	53,112	30,063	—
Short term bank borrowings, unsecured	—	—	30,008
Current portion of long-term bank borrowings	7,112	7,420	27,934
	<u> </u>	<u> </u>	<u> </u>
	<u>60,224</u>	<u>37,483</u>	<u>57,942</u>
	<u> </u>	<u> </u>	<u> </u>
Total borrowings	<u>110,201</u>	<u>86,761</u>	<u>89,321</u>

- (a) On 21 July 2021, the Company entered into a syndicated loan facility agreement with three banks in the PRC for a 5-years term loan facility. Pursuant to the syndicated loan facilities, various bank borrowings were drawn down from the banks, among which certain long-term bank borrowings were secured by the mortgage of the Group's land use rights (Note 14), buildings (Note 13) and investment properties (Note 15) at the headquarters of the Group in Xiamen and supported by guarantee from Mr. Xu Kaiming (the ultimate controlling shareholder). The guarantee provided by Mr. Xu Kaiming will be released upon listing.
- (b) The Group's short-term bank borrowings as at 31 December 2022, 2023 and 2024 were supported by guarantees from Mr. Kaiming (the ultimate controlling shareholder) and his wife, Ms Lin Yaqiong, and a financing guarantee service provider company, Xiamen Huli District Financing Guarantee Co., Ltd..

- (c) As at 31 December 2022, 2023 and 2024, the Group's bank borrowings were denominated in RMB and were interest bearing at fixed interest rates at the average of 3.57%, 3.20% and 3.03% per annum, respectively. The bank borrowings are repayable as follows:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	60,224	37,483	57,942
Between 1 and 2 years	7,139	27,859	31,379
Between 2 and 5 years	42,838	21,419	–
	<u>110,201</u>	<u>86,761</u>	<u>89,321</u>

The Company

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current borrowings			
Long-term bank borrowings, secured and guaranteed (a)	20,137	17,709	15,214
Long-term bank borrowings secured (a)	36,952	32,269	27,659
Long-term bank borrowings, unsecured	–	6,720	16,440
	<u>(7,112)</u>	<u>(7,420)</u>	<u>(27,934)</u>
less: current portion			
Non-current portion	<u>49,977</u>	<u>49,278</u>	<u>31,379</u>
Current borrowings			
Short term bank borrowings, guaranteed (b)	53,112	30,063	–
Short term bank borrowings, unsecured	–	–	8,008
Current portion of long-term bank borrowings	7,112	7,420	27,934
	<u>60,224</u>	<u>37,483</u>	<u>35,942</u>
Total borrowings	<u>110,201</u>	<u>86,761</u>	<u>67,321</u>

30 PROVISION

The balance represents provision for a potential litigation claim in connection with a proceeding that was lodged against the Company in August 2021 in relation to a civil action incidental to a criminal case filed by a company (the “Plaintiff”) whose trade secret in respect of scales was alleged to be infringed by an ex-employee of the Company. In April 2024, it was ruled by the court that the case was dismissed on the ground that the claims brought by the Plaintiff was not based on the infringement of personal rights or suffering of loss due to destruction of properties and therefore it should not be lodging as a civil action incidental to a criminal case according to PRC laws.

No payment has been made to the Plaintiff as of the date of this report. The directors of the Company, after taking consideration of the advices from the PRC legal counsel regarding the likelihood of the Plaintiff lodging a separate civil action against the Company and the expected amount to settle the claim, made provision accordingly which reflected the directors’ best estimate based on available information.

31 DEFERRED INCOME TAX

The Group

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Deferred income tax assets – gross:			
– Deferred income tax asset to be recovered within 12 months	1,853	2,891	1,527
– Deferred income tax asset to be recovered after 12 months	2,370	2,870	2,985
	<u>4,223</u>	<u>5,761</u>	<u>4,512</u>
Set-off of deferred income tax liabilities	(1,983)	(2,943)	(2,992)
Net deferred income tax assets	<u>2,240</u>	<u>2,818</u>	<u>1,520</u>
Deferred income tax liabilities – gross:			
– Deferred income tax liability to be recovered within 12 months	(489)	(452)	(520)
– Deferred income tax liability to be recovered after 12 months	(1,501)	(2,491)	(2,911)
	<u>(1,990)</u>	<u>(2,943)</u>	<u>(3,431)</u>
Set-off of deferred income tax assets	1,983	2,943	2,992
Net deferred income tax liabilities	<u>(7)</u>	<u>–</u>	<u>(439)</u>
Net deferred income tax assets	<u>2,233</u>	<u>2,818</u>	<u>1,081</u>

The movement in net deferred income tax is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
As at 1 January	2,580	2,233	2,818
(Charge)/credited to income tax (Note 11)	(347)	585	(1,737)
As at 31 December	<u>2,233</u>	<u>2,818</u>	<u>1,081</u>

(a) *Deferred income tax assets – gross*

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Provision	1,650	1,650	1,650
Deductible tax losses	203	1,241	1,335
Impairment loss	1,949	2,076	1,366
Fair value loss on financial liabilities at FVPL	–	181	–
Others	<u>421</u>	<u>613</u>	<u>161</u>
	<u>4,223</u>	<u>5,761</u>	<u>4,512</u>

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Provision	Deductible	Impairment	Fair value	Others	Total
	<i>RMB'000</i>	<i>tax losses</i>	<i>loss</i>	<i>loss on</i>		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>financial</i>		
				<i>liabilities at</i>		
				FVPL		
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	1,650	131	1,466	–	391	3,638
Credited to profit or loss	–	72	483	–	30	585
As at 31 December 2022 and 1 January 2023	1,650	203	1,949	–	421	4,223
Credited to profit or loss	–	1,038	127	181	192	1,538
As at 31 December 2023 and 1 January 2024	1,650	1,241	2,076	181	613	5,761
Credited/(charged) to profit or loss	–	94	(710)	(181)	(452)	(1,249)
As at 31 December 2024	1,650	1,335	1,366	–	161	4,512

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax assets have not been recognised in respect of the tax losses amounting to RMB1,947,000, RMB2,154,000 and RMB3,757,000 as at 31 December 2022, 2023 and 2024, respectively.

The tax losses that are not recognised for deferred income tax assets will be expired as follows:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2023	534	–	–
2024	147	147	–
2025	94	94	94
2026	272	272	272
2027	900	900	900
2028	–	741	741
2029	–	–	1,750
	1,947	2,154	3,757

(b) *Deferred income tax liabilities – gross*

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	76	–	–
Amortisation of intangible assets	1,914	2,943	3,431
	<u>1,990</u>	<u>2,943</u>	<u>3,431</u>

The movement in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Fair value gain on financial assets at FVPL RMB'000	Amortisation of intangible assets RMB'000	Total RMB'000
As at 1 January 2022	5	1,053	1,058
Charged to profit or loss	<u>71</u>	<u>861</u>	<u>932</u>
As at 31 December 2022 and 1 January 2023	76	1,914	1,990
(Credited)/charged to profit or loss	<u>(76)</u>	<u>1,029</u>	<u>953</u>
As at 31 December 2023 and 1 January 2024	–	2,943	2,943
Charge to profit or loss	<u>–</u>	<u>488</u>	<u>488</u>
As at 31 December 2024	<u>–</u>	<u>3,431</u>	<u>3,431</u>

The Company

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Deferred income tax asset – gross (a):			
– Deferred income tax asset to be recovered within 12 months	1,936	2,050	1,342
– Deferred income tax asset to be recovered after 12 months	1,650	1,650	1,650
	<u>3,586</u>	<u>3,700</u>	<u>2,992</u>
Set-off of deferred income tax liabilities	<u>(1,914)</u>	<u>(2,943)</u>	<u>(2,992)</u>
Net deferred income tax assets	<u><u>1,672</u></u>	<u><u>757</u></u>	<u><u>–</u></u>
Deferred income tax liabilities – gross (b):			
– Deferred income tax liability to be recovered within 12 months	413	452	520
– Deferred income tax liability to be recovered after 12 months	1,501	2,491	2,911
	<u>1,914</u>	<u>2,943</u>	<u>3,431</u>
Set-off of deferred income tax assets	<u>(1,914)</u>	<u>(2,943)</u>	<u>(2,992)</u>
Net deferred income tax liabilities	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>439</u></u>

(a) *Deferred income tax assets – gross*

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Provisions	1,650	1,650	1,650
Impairment loss	1,936	2,050	1,342
	<u>3,586</u>	<u>3,700</u>	<u>2,992</u>

(b) *Deferred income tax liabilities – gross*

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	–	1	–
Amortisation on intangible assets	1,914	2,942	3,431
	<u>1,914</u>	<u>2,943</u>	<u>3,431</u>

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before income tax	42,378	29,554	44,885
Adjustments for:			
Provision for/(reversal of) impairment of inventories (<i>Note 6</i>)	5,534	925	(3,296)
(Reversal of)/net impairment losses of financial assets	(6)	165	(173)
Depreciation of property, plant and equipment (<i>Note 13</i>)	3,592	3,892	4,258
Depreciation of right-of-use assets (<i>Note 14</i>)	717	418	375
Amortisation of investment properties (<i>Note 15</i>)	676	1,002	1,002
Amortisation of intangible assets (<i>Note 16</i>)	2,336	3,896	5,243
Net loss on disposals of property, plant and equipment (<i>Note 9</i>)	98	–	84
Interest income	(430)	(818)	(971)
Interest expenses	1,831	2,263	2,829
Amortisation of deferred income	–	–	900
(Gains)/losses on financial assets at FVPL	(987)	3,553	838
Share-based compensation expenses	8,158	–	–
Operating profit before changes in working capital	63,897	44,850	55,974
Changes in working capital:			
Decrease in inventories	26,272	1,890	26,037
Decrease/(increase) in trade receivables	6,656	(36,041)	(5,802)
Decrease/(increase) in prepayments and other receivables	3,984	(4,894)	1,728
Decrease in contract liabilities	(7,118)	(4,638)	(2,591)
(Decrease)/increase in trade payables	(29,157)	22,060	(24,287)
(Decrease)/increase in accruals and other payables	(696)	6,447	5,092
Cash flows from operating activities	63,838	29,674	56,151

(b) **Proceeds from disposal of property, plant and equipment:**

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Net book amount	224	9	91
Net loss on disposal of property, plant and equipment	(98)	—	(84)
	<u>126</u>	<u>9</u>	<u>7</u>

(c) **Non-cash transactions:**

Significant non-cash transactions include: (1) share-based compensations amounted to RMB8,158,000, nil and nil for the Track Record Period, and (2) amount due from related parties of RMB32,489,000 set off against amount due to the controlling shareholder for repurchase of shares from the controlling shareholder in 2024. There were no other significant non-cash transactions for the Track Record Period.

(d) **Net debt reconciliations**

Set out below is an analysis of net debt and the movements in net debt from financing activities for each of the years presented.

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	23,427	15,141	7,609
Restricted cash	6,787	2,304	—
Lease liabilities	(419)	(96)	(191)
Borrowings – repayable within one year	(60,224)	(37,483)	(57,942)
Borrowings – repayable after one year	(49,977)	(49,278)	(31,379)
Net debt	<u>(80,406)</u>	<u>(69,412)</u>	<u>(81,903)</u>

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Lease liabilities			
At beginning of the year	566	419	96
Cash outflows	(611)	(327)	(253)
Interest expense	25	4	16
New leases	439	—	851
Termination	—	—	(519)
At end of the year	<u>419</u>	<u>96</u>	<u>191</u>

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Borrowings			
At beginning of the year	57,661	110,201	86,761
Cash outflows	(18,592)	(60,749)	(86,833)
Interest expenses	2,033	2,259	2,813
Cash inflows	69,099	35,050	86,580
	<u> </u>	<u> </u>	<u> </u>
At end of the year	110,201	86,761	89,321
	<u> </u>	<u> </u>	<u> </u>

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The ultimate controlling shareholder, directors, supervisors, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Related parties of the Group

Name of related parties	Relationship
Mr. Xu Kaiming	Ultimate controlling shareholder
Xiamen Rongxin	Ultimate holding company, controlled by Mr. Xu Kaiming

The following is a summary of the significant transactions carried out between the Group and its related parties during the Track Record Period, and balances arising from related party transactions as at the respective financial position dates.

(b) Transactions with related parties

Non-trade

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest income from related parties:			
Xiamen Rongxin	334	675	41
Mr. Xu Kaiming	62	—	—
	<u>396</u>	<u>675</u>	<u>41</u>
Loans to related parties:			
Xiamen Rongxin	37,433	—	—
Mr. Xu Kaiming	2,157	—	—
	<u>39,590</u>	<u>—</u>	<u>—</u>
Repayment of loans by related parties:			
Xiamen Rongxin-repayment	950	5,000	44
Xiamen Rongxin-offset payable	—	—	32,489
Mr. Xu Kaiming	—	2,219	—
	<u>950</u>	<u>7,219</u>	<u>32,533</u>

(c) Balances with related parties

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts due from related parties (Non-trade in nature):			
Xiamen Rongxin	36,817	32,492	—
Mr. Xu Kaiming	2,219	—	—
	<u>39,036</u>	<u>32,492</u>	<u>—</u>

During the year ended 31 December 2022, the Group made various short term loans to Xiamen Rongxin and Mr. Xu Kaiming. The loans were unsecured and non-trade in nature, bearing interest at rates ranging from 2% to 4.35% per annum, and with repayment terms within 1 year.

On 14 March 2024, pursuant to a loan settlement agreement entered into between the Company and Xiamen Rongxin, the Company agreed to re-purchase from Xiamen Rongxin the Company's shares at a consideration of RMB32,489,000. The consideration offset the Company's amount due from Xiamen Rongxin.

(d) **Key management compensation**

Key management includes directors (executive and non-executive), supervisors and members of key management. The compensation paid or payable to key management for employee services is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	2,205	2,592	2,232
Housing fund, medical insurance and other social benefits	281	310	238
Pension costs – defined contribution plans	266	288	69
Share-based compensation	1,563	–	–
	<u>4,315</u>	<u>3,190</u>	<u>2,539</u>

34 **BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS**

(a) **Directors and supervisors' emoluments**

The remuneration paid or payable to the directors and supervisors of the Company (including emoluments for services as employee/directors/supervisors of the group entities prior to becoming the directors of the Company) during the Track Record Period was as follows.

Name of Directors	Fees	Wages	Bonuses	Social contribution benefits	Pension costs – defined plans	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022							
Chairman of the Board							
Mr. Xu Kaiming (許開明)	–	360	30	47	9	–	446
Directors							
Mr. Xu Kaihe (許開河)	–	302	22	40	9	253	626
Mr. Hu Zunfa(胡遵法) (v)	–	260	15	36	9	216	536
Independent non-executive directors							
Ms. Wang Hua(王樺) (i)	–	60	–	–	–	–	60
Dr. Huang Liqin (黃立勤)	–	60	–	–	–	–	60
Supervisors							
Ms. Chai Ling (柴菱)	–	181	28	25	9	104	347
Mr. Fu Jianfang (傅劍芳)	–	280	26	38	9	678	1,031
Mr. Jiang Jingtao (江靜濤)	–	152	9	35	9	25	230
	<u>–</u>	<u>1,655</u>	<u>130</u>	<u>221</u>	<u>54</u>	<u>1,276</u>	<u>3,336</u>

Name of Directors	Fees <i>RMB'000</i>	Wages <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Social benefits <i>RMB'000</i>	Pension costs – defined contribution	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
					plans <i>RMB'000</i>		
Year ended 31 December 2023							
Chairman of the Board							
Mr. Xu Kaiming (許開明)	–	360	30	49	9	–	448
Directors							
Mr. Xu Kaihe (許開河)	–	353	31	44	9	–	437
Ms. Lin Yanqin (林燕琴)	–	146	–	18	9	–	173
Ms. Xi Huanian (席華年) (iii)	–	209	–	30	9	–	248
Independent non-executive directors							
Dr. Huang Liqin (黃立勤)	–	60	–	–	–	–	60
Dr. Yu Xiaou (于小偶) (ii)	–	60	–	–	–	–	60
Dr. Lim Kim Huat (林駿華) (iv)	–	108	–	–	–	–	108
Supervisors							
Ms. Chai Ling (柴菱)	–	208	36	31	9	–	284
Mr. Fu Jianfang (傅劍芳)	–	313	36	41	9	–	399
Mr. Jiang Jingtao (江靜濤)	–	95	35	27	9	–	166
	–	1,912	168	240	63	–	2,383

Name of Directors	Fees <i>RMB'000</i>	Wages <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Social benefits <i>RMB'000</i>	Pension costs – defined contribution	Share-based	Total <i>RMB'000</i>
					plans <i>RMB'000</i>	compensation <i>RMB'000</i>	
Year ended 31 December 2024							
Chairman of the Board							
Mr. Xu Kaiming (許開明)	–	297	30	47	8	–	382
Directors							
Mr. Xu Kaihe (許開河)	–	342	26	6	8	–	382
Ms. Lin Yanqin (林燕琴)	–	170	23	20	18	–	231
Independent non-executive directors							
Dr. Huang Liqin (黃立勤)	–	60	–	–	–	–	60
Dr. Yu Xiaou (于小偶) (ii)	–	60	–	–	–	–	60
Dr. Lim Kim Huat (林駿華) (iv)	–	110	–	–	–	–	110
Supervisors							
Ms. Chai Ling (柴菱)	–	154	36	47	8	–	245
Mr. Fu Jianfang (傅劍芳)	–	339	82	30	8	–	459
Mr. Jiang Jingtao (江靜濤)	–	31	7	5	3	–	46
	–	1,563	204	171	37	–	1,975

- (i) Ms. Wang Hua was appointed as the director of the Company in July 2021 and resigned in November 2022.
- (ii) Dr. Yu Xiaou was appointed as the director of the Company in November 2022.
- (iii) Ms. Xi Huanian was appointed as the director of the Company in March 2023 and resigned in December 2023.
- (iv) Dr. Lim Kim Huat was appointed as the director of the Company in March 2023.
- (v) Mr. Hu Zunfa was appointed as the director of the Company in March 2022 and resigned in March 2023.

All of these individuals have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office during the Track Record Period.

(b) Directors' and supervisors' retirement benefits

There were no retirement benefits paid to or receivable by any Directors/Supervisors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertakings during the Track Record Period.

(c) Directors' and supervisors' termination benefits

There were no termination benefits paid to or receivable by any Director/Supervisor during the Track Record Period.

(d) Consideration provided to third parties for making available directors' and supervisors' services

No payment was made to the former employer of Directors/Supervisors for making available the services of them as a Director of the Company during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors'

Other than those disclosed in Note 33(c), there were no loans, quasi-loans and other dealings entered into between the Group and the directors/supervisors and in favour of the directors/supervisors during the Track Record Period.

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

Other than those as disclosed in Note 33(b), there are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director/supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

35 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2022, 2023 and 2024, except for the potential litigation case as disclosed in Note 30.

36 COMMITMENTS

Capital commitments

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Contracted but not provided for:			
– Commitments for construction and acquisition of property, plant and equipment	70,273	–	–

37 DIVIDENDS

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Dividends, declared and paid	20,000	20,000	31,500
Dividend per share (RMB)	0.61	0.61	0.38

During the Track Record Period, the Company declared dividends of RMB20,000,000, RMB20,000,000 and RMB31,500,000 and paid dividends in cash of RMB5,000,000, RMB35,000,000 and RMB31,500,000 to shareholders of the Company during the respective years, respectively.

38 SUBSEQUENT EVENTS

In March 2025, the Group renewed bank borrowing of RMB12.0 million.

39 SUBSIDIARIES

(a) Investments in subsidiaries – the Company

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Investments in subsidiaries	8,270	8,270	8,270

The subsidiaries of the Company as at 31 December 2022, 2023 and 2024 and the date of this report are set out below:

Company name	Date of incorporation	Country/Place of incorporation/ establishment	Registered paid-up capital	Effective interest held as at 31 December			Date of this report	Direct or Indirect	Principal activities
				2022	2023	2024			
Directly held:									
Rongta Trade Co., Ltd.* (容大匯通(廈門)貿易有限公司)	15 December 2017	PRC, limited liability company	RMB10,000,000	100%	100%	100%	100%	Direct	Trading company
IMachine (Xiamen) Intelligent Devices Co., Ltd.* (艾碼訊(廈門)智能設備有限公司)	15 November 2017	PRC, limited liability company	RMB5,000,000	100%	100%	100%	100%	Direct	Manufacturing and distributing intelligent POS machine and desktop POS machine
Xingbang Trade Co., Ltd.* (廈門市興邦聯合貿易有限公司)	19 October 2015	PRC, limited liability company	RMB10,000,000	100%	100%	100%	100%	Direct	Electronic trading company with sale of weighting apparatus
Indirectly held:									
Rongta LiZhong Trade Co., Ltd.* (容大利眾(廈門)貿易有限公司)	4 March 2021	PRC, limited liability company	RMB10,000,000	100%	100%	100%	100%	Indirect	Sale of weighting apparatus and monetary specialised equipment

No audited statutory financial statements have been issued for the entities as there are no statutory requirements in the respective places of incorporation.

* The English names of the PRC companies and statutory auditor referred to in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

40.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

40.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill. Investments in subsidiaries are also assessed for impairment and written down to their recoverable amounts in accordance with Note 4.

40.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), which is RMB. Majority of the subsidiaries of the Group operate in the PRC and their functional currency is RMB. The Historical Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within "other (losses)/gains".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

40.4 Intangible assets

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

40.5 Investment properties

Investment properties are defined as properties (land or a building – or part of a building – or both) held (by the owner or by the lessee) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

40.6 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate are 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group's right-of-use assets consist of up-front the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheets based on their nature.

40.7 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

40.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at a amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has the following types of assets that are subject to IFRS 9’s expected credit loss model:

- trade receivables
- other receivables
- cash and cash equivalents
- restricted bank balances

While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables with no significant financing component, the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on cash and cash equivalents, restricted cash and other receivables are measured as lifetime expected credit losses if a significant increase in credit risk of a receivable has occurred since initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

40.9 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for products and services provided in the ordinary course of business. Amounts due from related parties are loans provided to related parties with interest, and they are unsecured with repayment terms within 1 year. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 4 for a description of the Group's impairment policies.

40.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

40.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

40.12 Trade and other payables

Trade payables represent liabilities for products and services provided to the Group prior to the end of the reporting period which are unpaid. Trade and other payables are presented as current liabilities if payment is due within 12 months. If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

40.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

40.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

40.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred tax is recognised on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(iii) Offsetting deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

40.16 Interest income

Interest income from financial assets at FVPL is included in the other gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 3.3 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

40.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

40.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

40.19 Provision

Provision for potential legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

40.20 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 December 2024 and up to the date of the report.