



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CIG SHANGHAI CO., LTD. AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of CIG Shanghai Co., Ltd. (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 of the Group as at 31 December 2022, 2023, 2024 and 30 June 2025, the statements of financial position of the Company as at 31 December 2022, 2023, 2024 and 30 June 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025 (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 20 October 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 (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

Reporting accountants' responsibility (Continued)

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2022, 2023, 2024 and 30 June 2025, the Company's financial position as at 31 December 2022, 2023, 2024 and 30 June 2025 and of the Group's financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2024 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividend paid by the Company in respect of the Track Record Period.



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20 October 2025

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the historical financial information as at 31 December 2022, 2023, 2024 and 30 June 2025 and for the years/period then ended (the “Track Record Period”) (the “Historical Financial Information”) which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (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 profit or loss and other comprehensive income

	Notes	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	3,783,739	3,085,362	3,649,889	1,761,408	2,034,023
Cost of sales		(3,095,104)	(2,421,267)	(2,887,642)	(1,378,242)	(1,589,443)
Gross profit		688,635	664,095	762,247	383,166	444,580
Other income, net	6	20,006	18,882	49,663	38,900	14,427
Other gains/(loss), net	6	34,776	31,133	24,458	(7,091)	13,965
Research and development expenses		(270,376)	(275,799)	(320,368)	(149,005)	(160,785)
Selling and marketing expenses		(58,106)	(70,484)	(90,065)	(43,144)	(52,042)
General and administrative expenses		(206,271)	(217,488)	(208,259)	(103,234)	(111,199)
Reversal/(Provision) of expected credit loss, net	8	27,751	4,698	(1,351)	(4,288)	(5,587)
Operating profit		236,415	155,037	216,325	115,304	143,359
Finance costs	7	(57,903)	(61,123)	(52,890)	(32,132)	(24,263)
Profit before income tax	8	178,512	93,914	163,435	83,172	119,096
Income tax (expense)/credit	9	(7,406)	1,051	3,606	1,407	(1,550)
Profit for the year/period		171,106	94,965	167,041	84,579	117,546
Other comprehensive expenses items that may be reclassified to profit or loss: Exchange differences on translation of financial statements of foreign operations		(8,922)	(3,403)	(1,845)	(4,660)	1,930
Total comprehensive income for the year/period		162,184	91,562	165,196	79,919	119,476
Profit/(Loss) for the year/period attributable to:						
Owners of the Company		171,106	95,018	166,681	80,004	120,905
Non-controlling interests		–	(53)	360	4,575	(3,359)
		<u>171,106</u>	<u>94,965</u>	<u>167,041</u>	<u>84,579</u>	<u>117,546</u>
Total comprehensive income/(expense) attributable to:						
Owners of the Company		162,184	91,615	164,836	75,344	122,835
Non-controlling interests		–	(53)	360	4,575	(3,359)
		<u>162,184</u>	<u>91,562</u>	<u>165,196</u>	<u>79,919</u>	<u>119,476</u>
Earnings per share:	13					
– Basic (RMB)		0.68	0.37	0.63	0.30	0.46
– Diluted (RMB)		0.65	0.35	0.61	0.30	0.44

Consolidated statements of financial position

	Notes	As at 31 December			As at 30 June
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	14	612,417	525,089	655,566	957,242
Right-of-use assets	15	79,315	181,312	148,705	138,857
Prepaid lease payments	16	–	35,506	34,795	34,439
Goodwill	17	98,969	98,969	98,969	98,969
Intangible assets	18	579,417	591,424	543,698	547,692
Other financial assets		4,560	14,560	14,560	14,560
Deposits for acquisition of property, plant and equipment, and intangible assets . . .	22	384	3,035	26,902	36,301
Deferred tax assets	31	30,216	31,137	32,448	32,265
		<u>1,405,278</u>	<u>1,481,032</u>	<u>1,555,643</u>	<u>1,860,325</u>
Current assets					
Inventories	20	1,729,540	1,573,454	1,685,544	1,978,295
Trade and bills receivables	21	1,606,878	1,115,577	1,238,116	1,580,191
Deposits, prepayments and other receivables	22	101,287	77,936	130,807	179,049
Tax recoverable		3,980	49,942	51,363	53,321
Pledged deposits	23	35,500	20,000	20,000	20,000
Cash and cash equivalents	23	354,707	417,977	507,341	588,231
		<u>3,831,892</u>	<u>3,254,886</u>	<u>3,633,171</u>	<u>4,399,087</u>
Current liabilities					
Trade and bills payables	24	1,780,381	864,443	1,234,954	1,594,909
Other payables and accruals	25	180,566	137,203	148,472	112,570
Contract liabilities	26	11,925	45,391	33,363	24,787
Bank borrowings	27	913,014	1,111,827	991,700	1,696,058
Other borrowings	28	175,090	41,609	–	–
Lease liabilities	30	44,927	37,670	20,134	21,445
Income tax payable		9,565	–	381	–
		<u>3,115,468</u>	<u>2,238,143</u>	<u>2,429,004</u>	<u>3,449,769</u>
Net current assets		<u>716,424</u>	<u>1,016,743</u>	<u>1,204,167</u>	<u>949,318</u>
Total assets less current liabilities		<u>2,121,702</u>	<u>2,497,775</u>	<u>2,759,810</u>	<u>2,809,643</u>
Non-current liabilities					
Bank borrowings	27	–	–	91,900	78,000
Other borrowings	28	93,881	–	–	–
Lease liabilities	30	36,999	145,887	135,938	126,320
Deferred income	29	30,281	29,622	42,513	35,142
Deferred tax liabilities	31	35,024	34,305	28,470	26,971
		<u>196,185</u>	<u>209,814</u>	<u>298,821</u>	<u>266,433</u>
Net assets		<u>1,925,517</u>	<u>2,287,961</u>	<u>2,460,989</u>	<u>2,543,210</u>
EQUITY					
Share capital	32	261,573	268,105	268,042	268,042
Reserves	33	1,663,944	1,869,909	2,042,640	2,128,220
Equity attributable to owners of the Company		<u>1,925,517</u>	<u>2,138,014</u>	<u>2,310,682</u>	<u>2,396,262</u>
Non-controlling interests		–	149,947	150,307	146,948
Total equity		<u>1,925,517</u>	<u>2,287,961</u>	<u>2,460,989</u>	<u>2,543,210</u>

Statements of financial position of the Company

		As at 31 December			As at 30 June
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Investments in subsidiaries	19	149,701	449,701	748,391	748,962
Property, plant and equipment	14	597,120	528,477	481,492	599,273
Right-of-use assets		36,649	16,687	–	1,528
Intangible assets	18	244,783	233,370	228,309	234,411
Other financial assets		–	10,000	10,000	10,000
Deposits for acquisition of property, plant and equipment, and intangible assets . . .	22	384	1,364	14,456	31,004
Deferred tax assets		30,191	30,916	32,363	31,986
		<u>1,058,828</u>	<u>1,270,515</u>	<u>1,515,011</u>	<u>1,657,164</u>
Current assets					
Inventories	20	1,535,006	1,372,600	1,590,832	1,856,382
Trade and bills receivables	21	2,184,261	1,907,594	1,758,283	2,224,129
Deposits, prepayments and other receivables	22	92,132	39,066	257,734	291,825
Pledged deposits	23	35,500	20,000	20,000	20,000
Cash and cash equivalents	23	292,439	290,707	340,366	400,670
		<u>4,139,338</u>	<u>3,629,967</u>	<u>3,967,215</u>	<u>4,793,006</u>
Current liabilities					
Trade and bills payables	24	1,751,191	967,528	1,382,399	1,758,881
Other payables and accruals	25	141,376	143,027	256,492	113,425
Contract liabilities	26	1,813	329,406	284,432	226,640
Bank borrowings	27	913,014	1,111,827	991,700	1,696,058
Other borrowings	28	175,090	41,609	–	–
Lease liabilities		20,427	17,817	–	236
		<u>3,002,911</u>	<u>2,611,214</u>	<u>2,915,023</u>	<u>3,795,240</u>
Net current assets		<u>1,136,427</u>	<u>1,018,753</u>	<u>1,052,192</u>	<u>997,766</u>
Total assets less current liabilities		<u>2,195,255</u>	<u>2,289,268</u>	<u>2,567,203</u>	<u>2,654,930</u>
Non-current liabilities					
Bank borrowings	27	–	–	91,900	78,000
Other borrowings	28	93,881	–	–	–
Lease liabilities		17,692	42	–	1,063
Deferred income	29	30,281	29,622	40,143	32,772
Deferred tax liabilities		26,554	28,489	25,582	25,349
		<u>168,408</u>	<u>58,153</u>	<u>157,625</u>	<u>137,184</u>
Net assets		<u>2,026,847</u>	<u>2,231,115</u>	<u>2,409,578</u>	<u>2,517,746</u>
EQUITY					
Share capital	32	261,573	268,105	268,042	268,042
Reserves	33	1,765,274	1,963,010	2,141,536	2,249,704
Total equity		<u>2,026,847</u>	<u>2,231,115</u>	<u>2,409,578</u>	<u>2,517,746</u>

Consolidated statements of changes in equity

	Equity attributable to owners of the Company								
	Share capital	Capital reserve*	Shares held for restricted shares incentive scheme*	Statutory reserves*	Retained earnings*	Translation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2022	252,221	1,257,154	–	59,293	174,769	(700)	1,742,737	–	1,742,737
Transactions with owners:									
Issuance of shares in respect of restricted share incentive scheme (note 34(a))	9,352	49,648	(59,000)	–	–	–	–	–	–
Vesting of awarded shares under restricted shares incentive scheme (note 34(a))	–	15,620	–	–	–	–	15,620	–	15,620
Share-based payment expense in respect of share options (note 34(b))	–	4,976	–	–	–	–	4,976	–	4,976
Appropriation to statutory reserves	–	–	–	3,749	(3,749)	–	–	–	–
	9,352	70,244	(59,000)	3,749	(3,749)	–	20,596	–	20,596
Profit for the year	–	–	–	–	171,106	–	171,106	–	171,106
Other comprehensive expense	–	–	–	–	–	(8,922)	(8,922)	–	(8,922)
Total comprehensive income	–	–	–	–	171,106	(8,922)	162,184	–	162,184
Balance as at 31 December 2022 and 1 January 2023	261,573	1,327,398	(59,000)	63,042	342,126	(9,622)	1,925,517	–	1,925,517
Transactions with owners:									
Exercise of share options (note 34(b))	6,650	79,205	–	–	–	–	85,855	–	85,855
Repurchase of awarded shares under restricted shares incentive scheme (note 34(a))	(118)	(651)	769	–	–	–	–	–	–
Vesting of awarded shares under restricted shares incentive scheme (note 34(a))	–	34,037	–	–	–	–	34,037	–	34,037
Share-based payment expense in respect of share options (note 34(b))	–	990	–	–	–	–	990	–	990
Capital injection in a subsidiary	–	–	–	–	–	–	–	150,000	150,000
Appropriation to statutory reserves	–	–	–	8,321	(8,321)	–	–	–	–
	6,532	113,581	769	8,321	(8,321)	–	120,882	150,000	270,882
Profit for the year	–	–	–	–	95,018	–	95,018	(53)	94,965
Other comprehensive expense	–	–	–	–	–	(3,403)	(3,403)	–	(3,403)
Total comprehensive income	–	–	–	–	95,018	(3,403)	91,615	(53)	91,562
Balance as at 31 December 2023	268,105	1,440,979	(58,231)	71,363	428,823	(13,025)	2,138,014	149,947	2,287,961

Equity attributable to owners of the Company

	Share capital	Capital reserve*	Shares held for restricted shares incentive scheme*	Statutory reserves*	Retained earnings*	Translation reserve*	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2024 . . .	268,105	1,440,979	(58,231)	71,363	428,823	(13,025)	2,138,014	149,947	2,287,961
Transactions with owners:									
Dividends declared.	-	-	-	-	(43,691)	-	(43,691)	-	(43,691)
Repurchase of awarded shares under restricted shares incentive scheme (note 34(a))	(63)	(327)	390	-	-	-	-	-	-
Vesting of awarded shares under restricted shares incentive scheme (note 34(a))	-	9,610	-	-	-	-	9,610	-	9,610
Release of awarded shares under restricted shares incentive scheme .	-	-	39,490	-	-	-	39,490	-	39,490
Share-based payment expense in respect of share options (note 34(b))	-	2,424	-	-	-	-	2,424	-	2,424
Appropriation to statutory reserves . .	-	-	-	17,063	(17,063)	-	-	-	-
Others	-	(1)	-	-	-	-	(1)	-	(1)
	(63)	11,706	39,880	17,063	(60,754)	-	7,832	-	7,832
Profit for the year	-	-	-	-	166,681	-	166,681	360	167,041
Other comprehensive expense	-	-	-	-	-	(1,845)	(1,845)	-	(1,845)
Total comprehensive income	-	-	-	-	166,681	(1,845)	164,836	360	165,196
Balance as at 31 December 2024 . .	<u>268,042</u>	<u>1,452,685</u>	<u>(18,351)</u>	<u>88,426</u>	<u>534,750</u>	<u>(14,870)</u>	<u>2,310,682</u>	<u>150,307</u>	<u>2,460,989</u>

	Equity attributable to owners of the Company								
	Share capital	Capital reserve*	Shares held for restricted shares incentive scheme*	Statutory reserve*	Retained earnings*	Translation reserves*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(unaudited)</i>									
Balance as at 1 January 2024 . . .	268,105	1,440,979	(58,231)	71,363	428,823	(13,025)	2,138,014	149,947	2,287,961
Transactions with owners:									
Dividend declared	-	-	-	-	(35,650)	-	(35,650)	-	(35,650)
Repurchase of awarded shares under restricted share incentive scheme .	(63)	(327)	390	-	-	-	-	-	-
Vesting of awarded shares under restricted shares incentive scheme .	-	5,042	-	-	-	-	5,042	-	5,042
	(63)	4,715	390	-	(35,650)	-	(30,608)	-	(30,608)
Profit for the period	-	-	-	-	80,004	-	80,004	4,575	84,579
Other comprehensive expense	-	-	-	-	-	(4,660)	(4,660)	-	(4,660)
Total comprehensive income/(expense)	-	-	-	-	80,004	(4,660)	75,344	4,575	79,919
Balance as at 30 June 2024	268,042	1,445,694	(57,841)	71,363	473,177	(17,685)	2,182,750	154,522	2,337,272

	Equity attributable to owners of the Company								
	Share capital	Capital reserve*	Shares held for restricted shares incentive scheme*	Statutory reserve*	Retained earnings*	Translation reserves*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2025 . . .	268,042	1,452,685	(18,351)	88,426	534,750	(14,870)	2,310,682	150,307	2,460,989
Transactions with owners:									
Dividend declared	-	-	-	-	(58,969)	-	(58,969)	-	(58,969)
Release of awarded shares under restricted shares incentive scheme .	-	-	18,215	-	-	-	18,215	-	18,215
Share-based payment expense in respect of share options (note 34(b))	-	3,499	-	-	-	-	3,499	-	3,499
	-	3,499	18,215	-	(58,969)	-	(37,255)	-	(37,255)
Profit for the period	-	-	-	-	120,905	-	120,905	(3,359)	117,546
Other comprehensive income	-	-	-	-	-	1,930	1,930	-	1,930
Total comprehensive income	-	-	-	-	120,905	1,930	122,835	(3,359)	119,476
Balance as at 30 June 2025	268,042	1,456,184	(136)	88,426	596,686	(12,940)	2,396,262	146,948	2,543,210

* These reserves accounts comprise the Group's reserves of RMB1,663,944,000, RMB1,869,909,000, RMB2,042,640,000 and RMB2,128,220,000 as at 31 December 2022, 2023, 2024 and 30 June 2025 respectively.

Consolidated statements of cash flows

		Year ended 31 December			Six months ended 30 June	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Profit before income tax		178,512	93,914	163,435	83,172	119,096
Adjustments for:						
Depreciation of property, plant and equipment	14	141,714	130,583	123,951	63,168	58,743
Depreciation of right-of-use assets	15	49,396	50,688	42,470	21,698	12,066
Amortisation of prepaid lease payment	16	–	59	711	356	356
Amortisation of intangible assets	18	103,341	112,791	127,825	67,886	69,232
Exchange gains/(loss), net	6	(35,010)	(31,790)	(14,436)	10,142	(13,652)
Finance costs	7	57,903	61,123	52,890	32,132	24,263
Provision for inventories, net	8	18,512	3,741	4,114	1,785	3,369
Share-based payment expense	34	20,596	35,027	12,034	5,042	3,499
(Reversal)/provision for ECL allowances	8	(27,751)	(4,698)	1,351	4,288	5,587
Gain on disposal of a subsidiary	6	–	–	(6,281)	–	–
Gain on investment in a swap contract		–	–	(64)	–	–
Loss/(Gain) on disposal of property, plant and equipment		466	188	(2,005)	(1,932)	(26)
		507,679	451,626	505,995	287,737	282,533
Operating profit before working capital changes:						
(Increase)/Decrease in inventories		(507,486)	152,345	(116,204)	(145,398)	(296,120)
(Increase)/Decrease in trade and other receivables		(727,825)	473,542	(191,365)	139,871	(389,281)
Increase/(Decrease) in trade and other payables		785,682	(911,921)	380,152	65,383	226,782
Increase/(Decrease) in contract liabilities		4,670	33,466	(12,028)	(16,478)	(8,576)
Cash generated from operating activities		62,720	199,058	566,550	331,115	(184,662)
Income tax paid		(6,465)	(56,116)	(4,580)	(944)	(5,205)
Net cash generated from/(used in) operating activities		56,255	142,942	561,970	330,171	(189,867)

Notes	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cash flows from investing activities					
Payments and deposits for acquisition of property, plant and equipment, and intangible assets	(179,718)	(167,596)	(306,583)	(113,646)	(326,418)
Payments for acquisition of prepaid lease payment	–	(35,565)	–	–	–
Payments for acquisition of subsidiaries . .	(21,510)	–	–	–	–
Proceeds from disposal of a subsidiary . . .	–	–	6,281	–	–
Proceeds from disposal of property, plant and equipment	7,587	8,616	6,290	1,771	1,817
Payments for other financial assets	–	(10,000)	–	–	–
Proceeds from investment in a swap contract upon maturity	–	–	20,350	–	–
Payments for investment in a swap contract.	–	–	(20,286)	(20,286)	–
<i>Net cash used in investing activities</i>	<u>(193,641)</u>	<u>(204,545)</u>	<u>(293,948)</u>	<u>(132,161)</u>	<u>(324,601)</u>
Cash flows from financing activities					
Proceeds from bank borrowings.	1,432,719	1,727,924	1,640,585	795,755	1,313,148
Repayments of bank borrowings	(1,253,841)	(1,530,185)	(1,668,561)	(760,547)	(623,863)
Proceeds from other borrowings.	265,550	–	–	–	–
Repayments of other borrowings	(184,559)	(249,303)	(43,107)	(37,718)	–
Payments of lease liabilities	(52,707)	(57,359)	(43,778)	(31,800)	(13,595)
Interest paid	(34,390)	(33,849)	(43,891)	(26,856)	(19,692)
Issuance of awarded shares under restricted shares incentive scheme	59,000	–	–	–	–
Exercise of share options	–	85,855	–	–	–
Capital injection from non-controlling interest 19(a)	–	150,000	–	–	–
Dividend paid	–	–	(41,981)	–	(60,054)
Payments of deferred listing expenses . . .	–	–	–	–	(10,841)
<i>Net cash generated from/(used in) financing activities</i>	<u>231,772</u>	<u>93,083</u>	<u>(200,733)</u>	<u>(61,166)</u>	<u>585,103</u>
Net increase in cash and cash equivalents	94,386	31,480	67,289	136,844	70,635
Cash and cash equivalents, at the beginning of the year/period. . .	225,311	354,707	417,977	417,977	507,341
Effect of exchange rate changes on cash and cash equivalents	35,010	31,790	22,075	24,254	10,255
Cash and cash equivalents, at the end of the year/period 23	<u>354,707</u>	<u>417,977</u>	<u>507,341</u>	<u>579,075</u>	<u>588,231</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

CIG Shanghai Co., Ltd. (the “Company”) was incorporated in March 2006 as a limited liability company in Shanghai, the People’s Republic of China (the “PRC”). In June 2012, the Company was transformed into a joint stock limited liability company. In November 2017, the Company’s A shares were listed on the Shanghai Stock Exchange.

The Company and its subsidiaries (the “Group”) are principally engaged in the research and development, production and sales of telecommunications, digital communication and enterprise network terminal equipment and high-speed optical module products.

In the opinion of the directors, the Company is controlled by the Single Largest Group of Shareholders.

The Company has direct and indirect interests in the following subsidiaries. Details of the principal subsidiaries are as follows:

Name of company	Place of establishment/ incorporation and place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest										Principal activities		
				As at 31 December				As at 30 June		As at the date of this report						
				2022		2023		2024		2025		Direct			Indirect	
				(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)		(%)	(%)
CIG Shanghai Communication Equipment Co., Ltd.* (上海 劍橋通信設備有限公司) (note a)	The PRC	Limited company	RMB205,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Trading		
Actiontec Electronic (Shanghai), Inc.* ("Actiontec Shanghai") (邁智微電子(上 海)有限公司) (note a)	The PRC	Limited company	RMB1,654,595	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development		
CIG Xi'an Co., Ltd.* (西安劍 橋科技有限公司) (note e)	The PRC	Limited company	RMB10,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development		
CIG Wuhan Co., Ltd.* (上海劍 橋科技(武漢)有限公司) (note a)	The PRC	Limited company	RMB10,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Manufacturing		
Cambridge Industries Group Telecommunication Limited (note b).	Hong Kong	Limited company	HK\$1	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Trading		
CIG Photonics Japan Limited (note f)	Japan	Limited company	JPY10,000	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Research and development		
CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江 劍橋通信設備有限公司) ("CIG ZJ") (note d)	The PRC	Limited company	RMB450,000,000	N/A	N/A	66.67%	N/A	66.67%	N/A	66.67%	N/A	66.67%	N/A	Manufacturing		

Name of company	Place of establishment/ incorporation and place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest										
				As at 31 December				As at 30 June				As at the date of this report		
				2022		2023		2024		2025		Direct	Indirect	
				(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
CIG Optical Communication Co., Ltd.* (上海劍橋光通信技術有限公司) (note a)	The PRC	Limited company	RMB5,000,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Manufacturing
CIG Photonics Europe GmbH (note f)	Germany	Limited company	EUR25,000	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Trading
Cambridge Industries USA Inc. ("CIG US") (劍橋工業(美國) 有限公司) (note c)	USA	Limited company	US\$42,000,010	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development, and trading
Actiontec Electronic, Inc. ("AEI") (note f)	USA	Limited company	US\$10	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Research and development, and trading
Actiontec Electronics Taiwan Inc. (邁智微電子股份有限公司) (note f)	Taiwan	Limited company	TWD9,999,290	N/A	N/A	N/A	N/A	N/A	100%	N/A	100%	N/A	100%	Research and development
CIG Optics Limited (note f)	Hong Kong	Limited Company	HK\$10,000	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Trading
CIG Tech Photonics Sdn. Bhd. (note f)	Malaysia	Limited Company	MYR1,000	N/A	100%	N/A	100%	N/A	100%	N/A	100%	N/A	100%	Trading

Notes:

- (a) These subsidiaries are limited liability companies. The financial statements of these entities for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The financial statements for the years ended 31 December 2022 and 2023 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP* 立信會計師事務所(特殊普通合夥). The financial statements for the year ended 31 December 2024 were audited by Grant Thornton Zhitong Certified Public Accountants LLP* 致同會計師事務所(特殊普通合夥).
- (b) This subsidiary is a limited company. The financial statements for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by The Hong Kong Institute of Certified Public Accountants. The financial statements for the years ended 31 December 2022, 2023 and 2024 were audited by W.L. HO CPA Limited.
- (c) The subsidiary is a limited liability company. The financial statements for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with accounting principles generally accepted in the United States of America (the "USA") and were audited by UHY LLP.
- (d) This subsidiary is limited liability company. The financial statements of this entity for the years ended 31 December 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The financial statements for the year ended 31 December 2023 and 2024 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP* 立信會計師事務所(特殊普通合夥) and Grant Thornton Zhitong Certified Public Accountants LLP* 致同會計師事務所(特殊普通合夥), respectively.
- (e) The subsidy is a limited liability company. No audited statutory financial statements for the years ended 31 December 2022 and 2023 of this entity have been prepared as it is not subject to statutory audit requirements under relevant rules and regulations in the PRC. The financial statements for the year ended 31 December 2024 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance in the PRC. The financial statements for the year ended 31 December 2024 were audited by Grant Thornton Zhitong Certified Public Accountants LLP* 致同會計師事務所(特殊普通合夥).
- (f) No audited statutory financial statements have been prepared as it is not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.

* English for identification only

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with the International Financial Reporting Standards, which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards ("IASs") and Interpretations as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards").

All standards, amendments, interpretations and annual improvements which are effective for the accounting period beginning from 1 January 2025 are consistently adopted by the Group during the Track Record Period.

The material accounting policies that have been used in the preparation of these Historical Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

These Historical Financial Information have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets at fair value through profit or loss ("FVTPL") which are carried at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. 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.

2.2 Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and its subsidiaries for the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the Track Record Period between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statements of financial position, subsidiaries are carried at cost less any impairment loss (see note 2.20) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Acquisition of subsidiaries

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not subsequently remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as a financial liability is subsequently remeasured at each reporting dates at fair value with changes in fair value recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree. If the initial accounting for a business combination is incomplete by each reporting date in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates. Any differences arising from this procedure have been recognised in the consolidated statements of profit or loss and other comprehensive income and accumulated separately in the translation reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2.20), if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years
Machinery and equipment	5 to 10 years
Computer equipment	3 years
Motor vehicles	4 years
Leasehold improvements	Over the lease term
Office equipment	5 years

Accounting policy for depreciation of right-of-use assets is set out in note 2.14.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress represents property, plant and equipment under construction and is stated at cost less any impairment losses. Cost includes cost of construction and other direct costs (such as costs of materials, direct labour and borrowing costs).

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to appropriate category of property, plant and equipment.

2.6 Prepaid lease payments

“Prepaid lease payments” (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the Group’s interest in the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested at least annually for impairment (see note 2.20).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.8 Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 2.20). Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Patent	6.75 years
Software	10 years
Deferred development cost	5 years

The assets’ amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.20.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group’s ability to use or sell the intangible asset is demonstrated;

- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or know-how that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost; or
- FVTPL; or

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses ("ECL") of trade and other receivables which is presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, pledged deposits, trade and other receivables fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank and other borrowings, lease liabilities and trade and bills payables, other payables and accruals.

Financial liabilities other than lease liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities other than lease liabilities are measured at amortised cost using the effective interest method which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in financial costs or other income.

Accounting policies of lease liabilities are set out in note 2.14.

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Bank and other borrowings are subsequently stated at amortised cost; any difference between the net of transaction costs and the redemption value is recognised in profit or loss over the period of the bank and other borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless as at each reporting date, the Group has a right to defer settlement of the liability for at least twelve months after each reporting date.

Trade and bills payables and other payables and accruals

Trade and bills payables and other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise ECL — the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at each reporting date.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and bills receivables

For trade and bills receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential default at any point during the life of the financial assets. For trade receivables, the Group assesses ECL under IFRS 9 based on shared credit risk characteristics and aging as well as the corresponding historical credit losses during that period, and adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group writes off trade and bills receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Other financial assets measured at amortised cost

The Group measures the loss allowance for deposits and other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortised cost are set out in note 39.5.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the first-in first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense 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 an expense in the period in which the reversal occurs.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.14 Leases

(a) Definition of a lease and the Group as lessee

At inception of a contract, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- the lease payments changes due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statements of financial position, right-of-use assets have been presented as a separate item. The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

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

(b) *The Group as lessor*

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

Rental income is recognised on a straight-line basis over the term of the lease.

(c) *Sale and leaseback transactions*

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale in accordance with IFRS 15, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only. Right-of-use asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at each reporting date. Any transaction costs associated with the issuing of shares are deducted from capital reserve (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to such equity transaction.

2.17 Revenue recognition

Revenue arises mainly from the sales of goods.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

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

Sale of goods

Revenue from the sale of goods for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. For non-cross-border sales, revenue is recognised when the products have been dispatched and the customer has signed for acceptance. For cross-border sales, revenue is recognised when the goods are delivered to the customer's designated location and upon receipt of export declaration from the customs and corresponding bill of lading.

The Group's standard sales terms are generally non-cancellable and non-returnable, other than for defective merchandise covered under the Group's standard warranty provision, which covers a one to two-year period depending on the product. The Group does not offer any extended warranties for purchase and warranty is recorded in cost of sales.

Sales-related warranties cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. The financial assets measured at amortised costs that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Rental income

Accounting policies for rental income are set out in note 2.14.

2.18 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as “deferred income” in the consolidated statements of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under “other income” in the consolidated statements of profit or loss and other comprehensive income.

2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.20 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill;
- Intangible assets;
- Property, plant and equipment (including right-of-use assets and deposits for acquisition of property, plant and equipment, and intangible assets);
- Prepaid lease payments; and
- Investments in subsidiaries in the Company’s statements of financial position.

Goodwill and intangible assets those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefit

The Group contributes to defined contribution retirement plans which are available to eligible employees.

Contributions to the plans by the Group are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds.

During the Track Record Period, no forfeited contributions were utilised by the Group to reduce its contributions. The Group has no plan to utilise any amount from forfeited contributions to reduce its contributions for the future years either.

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

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 at each reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for any related restructuring.

Share-based employee compensation

The Group operates restricted shares incentive schemes and share options schemes which are equity-settled share-based compensation plans for remuneration of its employees.

Restricted shares incentive schemes

The amount to be expensed as share-based payment expense is determined by reference to the fair value of the restricted shares granted. The total expense is recognised on a straight-line basis over the relevant vesting periods, with a corresponding credit to a "capital reserve" under equity.

For those restricted shares which are amortised over the vesting periods, the Group revises its estimates of the number of restricted shares that are expected to ultimately vest based on the vesting conditions at each reporting date. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to share-based payment expense in the current year, with a corresponding adjustment to the capital reserve.

For grant of restricted shares, shares held by the Group's trustee are disclosed as "Shares held for restricted shares incentive scheme" and deducted from equity.

Share option scheme

From the perspective of the Company, the grants of its equity instruments to employees of its subsidiaries are made in exchange for their services related to the subsidiaries. Accordingly, the share-based payment expenses are treated as part of the "Investments in subsidiaries" in the Company's statements of financial position.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "capital reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

If the share options and award shares granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

At the time when the share options are exercised, the amount previously recognised in "capital reserve" will be transferred to "share capital". After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in "capital reserve" will be transferred to "retained earnings".

2.22 Borrowing costs

Borrowing costs are recognised in profit or loss when they are incurred.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are

recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (“CODM”) for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components.

2.25 Related parties

For the purposes of these Historical Financial Information, a party is considered to be related to the Group if:

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

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

3. ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

At the date of authorisation of these Historical Financial Information, certain new and amended IFRS Accounting Standards have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – Dependent Electricity ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IFRS Accounting Standards . .	Annual Improvements to IFRS Accounting Standards – Volume 11 ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

- 1 Effective for annual periods beginning on or after 1 January 2026
- 2 Effective for annual periods beginning on or after 1 January 2027
- 3 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first annual period beginning on or after the effective date of the pronouncement.

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

IFRS 18 and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements which, the directors of the Company anticipate, the impact will not be material.

Except as described above, the Directors anticipate that the application of the amendments to IFRS Accounting Standards will have no material impact on the Group's financial position and performance in the foreseeable future.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 discussed below:

Estimation of impairment of trade and bills receivables, and deposits and other receivables

The Group makes allowances on items subjects to ECL (including trade and bills receivables, and deposits and other receivables and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in note 2.10.

As at 31 December 2022, 2023, 2024 and 30 June 2025, the aggregate carrying amounts of trade and bills receivables, and deposits and other receivables amounted to RMB1,611,338,000, RMB1,124,018,000, RMB1,252,776,000 and RMB1,591,911,000, net of loss allowance of RMB23,422,000, RMB18,724,000, RMB20,075,000 and RMB25,662,000 respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables, and deposits and other receivables and related credit losses in the periods in which such estimate has been changed.

Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at each reporting date. During the Track Record Period, the provision for inventories, net, amounting to RMB18,512,000, RMB3,741,000, RMB4,114,000 and RMB3,369,000 have been provided during the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, respectively.

Impairment of non-financial assets

Items of property, plant and equipment, right-of-use assets, prepaid lease payments, deposits for acquisition of property, plant and equipment, and intangible assets and investments in subsidiaries in the Company's statements of financial position and intangible assets are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each cash-generating unit ("CGU"). For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statements of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Business combinations

Business combinations other than under common control are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired, which mainly include determination of goodwill, is based on various assumptions and valuation methodologies requiring considerable management judgement. The most significant variables in these valuations are discount rates as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model of the acquired business and the industry comparisons. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material. Details are disclosed in notes 17 and 38.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.20. The recoverable amounts of CGU have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenue and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. In addition, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the trends in inflation and market interest rates may progress or evolve. Details of the estimates of the recoverable amounts of CGU containing goodwill are disclosed in note 17.

Useful lives of property, plant and equipment (other than right-of-use assets) and intangible assets

The Group depreciates the property, plant and equipment (other than right-of-use assets) and intangible assets over the estimated useful lives, using the straight-line method, commencing from the date the property, plant and equipment and intangible assets are available for use. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment (other than right-of-use assets) and intangible assets. The Group assesses annually the useful lives of property, plant and equipment (other than right-of-use assets) and intangible assets, and if the expectation differs from the original estimate, such a difference may impact the depreciation for the Track Record Period and the future period.

Estimation of fair value of share option at the date of grant

The Company used the Black-Scholes Option Pricing Model to determine the fair value of the share options as at the grant date, which is to be recorded in profit or loss over the vesting period. The model inputs are set out in note 34(b). During the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, RMB4,976,000, RMB990,000, RMB2,424,000 and RMB3,499,000 of employee compensation expenses, have been recognised in profit or loss respectively.

Estimation of fair value of other financial assets

As at 31 December 2022, 2023, 2024 and 30 June 2025, financial assets at FVTPL that are not traded in an active market including unlisted equity investments were carried at fair value of RMB4,560,000, RMB14,560,000, RMB14,560,000 and RMB14,560,000 respectively. The fair values are determined by using valuation techniques, details of which are set out in note 39.7. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at each reporting date.

4.2 Critical accounting judgements

Capitalisation of research and development activities

Determining the development costs, including the time and costs for individual projects, to be capitalised requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life.

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or know how are continuously monitored by the Group's management.

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs); and

- extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

During the Track Record Period, the Group was mainly engaged in the design, manufacture, and sale of broadband, wireless, and photonics products. Revenue from contracts with customers recognised at a point in time.

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Types of goods					
– Broadband products	2,059,278	1,827,146	2,032,689	975,732	1,192,642
– Wireless products	1,056,051	718,518	1,052,400	551,193	415,166
– Photonics products	478,215	446,680	491,527	202,041	394,216
– Others (note)	190,195	93,018	73,273	32,442	31,999
Total	3,783,739	3,085,362	3,649,889	1,761,408	2,034,023

Note: Primarily included carrier-grade ethernet switches and edge computing products.

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

5.2 Segment information

During the Track Record Period, the executive directors of the Company, being the CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

Geographical information

The following table sets out the geographical information of the Group's revenue during the Track Record Period, which was determined based on geographical region of the customers.

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Geographical markets					
Chinese Mainland	647,799	331,358	270,360	133,832	121,824
Other countries/other regions	3,135,940	2,754,004	3,379,529	1,627,576	1,912,199
Total	3,783,739	3,085,362	3,649,889	1,761,408	2,034,023

The following table sets out information about the Group's property, plant and equipment, right-of-use assets, prepaid lease payments, goodwill, intangible assets and deposits for acquisition of property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets or the location of operations. In the case of property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment, and right-of-use assets, the physical location of the assets, in the case of goodwill and intangible assets and deposits for acquisition of intangible assets, the location of operations.

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Geographical locations				
Chinese Mainland	848,294	786,837	914,338	1,212,240
Other countries/other regions .	522,208	648,498	594,297	601,260
Total	<u>1,370,502</u>	<u>1,435,335</u>	<u>1,508,635</u>	<u>1,813,500</u>

Information about major customers

The following table sets out the revenue from the Group's customers which individually contributed over 10% of the Group's revenue during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	1,269,705	1,114,738	1,525,833	736,344	848,919
Customer B	471,107	630,150	N/A*	184,532	380,126
Customer C	N/A*	N/A*	471,561	229,460	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	223,592

* Revenue from the customer during the year/period did not individually exceeds 10% of the Group's revenue.

6. OTHER INCOME AND OTHER GAINS/(LOSS), NET

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income					
Government subsidies (note a)	16,575	10,096	30,950	26,758	9,570
Interest income	1,411	7,293	16,399	11,023	3,527
Others	2,020	1,493	2,314	1,119	1,330
	<u>20,006</u>	<u>18,882</u>	<u>49,663</u>	<u>38,900</u>	<u>14,427</u>
Other gains/(loss), net					
Exchange gains/(loss), net	35,010	31,790	14,436	(10,142)	13,652
Gain on disposal of subsidiary (note b)	–	–	6,281	–	–
Others	(234)	(657)	3,741	3,051	313
	<u>34,776</u>	<u>31,133</u>	<u>24,458</u>	<u>(7,091)</u>	<u>13,965</u>

Notes:

- a. In addition to the government subsidies received in relation to the acquisition and/or construction of property, plant and equipment, the Group also received government grants for supporting the Group's operation unconditionally. During the year ended 31 December 2024, the Group received RMB15,000,000 from the Commission of China-Singapore Jiashan Modern Industrial Park for its operation.
- b. During the year ended 31 December 2024, the Group disposed a wholly-owned subsidiary.

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interests on bank borrowings	39,115	34,923	43,640	27,058	20,865
Interests on other borrowings	13,247	21,941	1,498	1,104	–
Interests on lease liabilities	5,541	4,259	7,752	3,970	3,398
	<u>57,903</u>	<u>61,123</u>	<u>52,890</u>	<u>32,132</u>	<u>24,263</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Auditors' remuneration	2,918	3,096	3,147	1,643	1,415
Depreciation:					
– Owned assets	141,714	130,583	123,951	63,168	58,743
– Right-of-use assets	49,396	50,688	42,470	21,698	12,066
Total depreciation	191,110	181,271	166,421	84,866	70,809
Amortisation of intangible assets	103,341	112,791	127,825	67,886	69,232
Amortisation of prepaid lease payment .	–	59	711	356	356
Cost of inventories recognised as an expense	2,605,292	2,056,286	2,471,156	1,175,488	1,308,116
Listing expenses	–	–	–	–	2,147
Provision for inventories	18,512	3,741	6,510	1,979	5,124
Reversal of provision for inventories . .	–	–	(2,396)	(194)	(1,755)
Total provision, net	18,512	3,741	4,114	1,785	3,369
Lease charges:					
– Short-term leases	5,009	3,871	5,888	2,184	14,621
Reversal of ECL allowances on bills receivables	–	–	(97)	(155)	(58)
ECL allowances on bills receivables . .	–	155	–	–	–
Reversal of ECL allowances on trade receivables	(25,353)	(4,864)	–	–	–
ECL allowances on trade receivables . .	–	–	1,627	2,274	4,367
Reversal of ECL allowances on deposits and other receivables	(2,398)	–	(179)	–	–
ECL allowances on deposits and other receivables	–	11	–	2,169	1,278
Total (reversal)/provision, net.	(27,751)	(4,698)	1,351	4,288	5,587

9. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax					
PRC enterprise income tax ("EIT") . . .	3,650	84	303	11	–
US income tax	7,135	1,816	3,205	–	2,723
Japan corporate income tax	2,732	(1,321)	82	–	–
Germany income tax	–	10	–	–	–
	<u>13,517</u>	<u>589</u>	<u>3,590</u>	<u>11</u>	<u>2,723</u>
(Over)/Under provision for prior year					
PRC EIT	–	–	(80)	–	83
US income tax	–	–	30	–	60
	<u>–</u>	<u>–</u>	<u>(50)</u>	<u>–</u>	<u>143</u>
	<u>13,517</u>	<u>589</u>	<u>3,540</u>	<u>11</u>	<u>2,866</u>
Deferred taxation					
Origination and reversal of temporary difference (note 31)	(6,111)	(1,640)	(7,146)	(1,418)	(1,316)
Income tax expense/(credit)	<u>7,406</u>	<u>(1,051)</u>	<u>(3,606)</u>	<u>(1,407)</u>	<u>1,550</u>

(a) PRC EIT

The Company was accredited as High and New Technology Enterprise on 12 December 2020 and 15 November 2023, and therefore entitled to a preferential tax rate of 15% for three years ended 15 November 2023 and 15 November 2026, respectively. The Group's other PRC subsidiaries are subject to the PRC enterprise income tax at the standard rate of 25% on the estimated assessable profits.

In addition, according to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 200% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

(b) US income tax

The applicable state income tax rate in the United States, where the Company's subsidiaries have significant operations for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, ranges from 4%-8.99%, while the federal income tax rate is 21%.

(c) Japan corporate income tax

Japan corporate income tax include national corporate income tax, inhabitants tax, and enterprise tax, and has been calculated on the estimated assessable profit for the year. During the Track Record Period, the aggregated rates of national corporate income tax, inhabitants tax, and enterprise tax resulted in statutory income tax rate of 35%.

(d) Hong Kong profit tax

During the Track Record Period, no Hong Kong profit tax has been provided as the Company's subsidiaries have no assessable profit for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025.

(e) Germany income tax

Germany taxes its corporate residents on their worldwide income. Corporation tax is levied at a uniform rate of 15% and is then subject to a surcharge (solidarity surcharge). This results in a total tax rate of 19%.

Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates is as follow:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	178,512	93,914	163,435	83,172	119,096
Tax on profit before income tax, calculated at the Company's rate, 15%	26,777	14,087	24,515	12,476	17,864
Tax effect of non-deductible expenses .	102	461	117	752	50
Tax effect of tax losses/deductible temporary differences not recognised.	14,278	15,922	7,275	5,615	15,258
Utilisation of tax losses previously not recognised.	(42,751)	(2,723)	(3,568)	(3,019)	(9,726)
Effect of different tax rates of subsidiaries operating in other jurisdictions.	30,522	(1,274)	(2,816)	(2,801)	(2,203)
Research and development expenses and other additional deduction as required by taxation laws	(21,262)	(28,887)	(29,510)	(14,266)	(14,880)
(Over)/Under-provision in prior year .	—	—	(50)	—	143
Others.	(260)	1,363	431	(164)	(4,956)
Income tax expense/(credit).	7,406	(1,051)	(3,606)	(1,407)	1,550

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	322,449	309,979	289,967	155,489	167,529
Share based payment expenses.	20,596	35,027	12,034	5,042	3,499
Contribution to retirement benefit schemes	36,388	29,818	49,637	24,141	28,687
Other employee benefits	42,788	33,323	50,300	26,790	28,258
	<u>422,221</u>	<u>408,147</u>	<u>401,938</u>	<u>211,462</u>	<u>227,973</u>

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' Emoluments

The emoluments paid or payable to each of the directors and supervisors were as follows:

	Year ended 31 December 2022				
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Gerald G Wong (chairman)	—	2,610	—	—	2,610
Zhao Haibo	—	1,707	65	—	1,772

Year ended 31 December 2022					
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wang Zhibo (i)	—	389	20	11	420
Xie Chong (ii)	—	1,410	—	177	1,587
Zhang Jie (iii)	—	514	35	131	680
<i>Independent non-executive directors</i>					
Liu Guisong	80	—	—	—	80
Qin Guisen	80	—	—	—	80
Yao Minglong	80	—	—	—	80
<i>Supervisors</i>					
Ge Yunrui (v)	—	121	18	—	139
Li Peng (iv)	—	24	3	—	27
Yang Xudi (ix)	—	639	65	—	704
Zhang Deyong (ix)	—	705	65	—	770
	<u>240</u>	<u>8,119</u>	<u>271</u>	<u>319</u>	<u>8,949</u>

Year ended 31 December 2023					
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Gerald G Wong (chairman)	—	2,610	—	—	2,610
Xie Chong (ii)	—	1,464	—	249	1,713
Zhang Jie (iii)	—	985	70	255	1,310
Zhao Haibo	—	1,711	70	—	1,781
<i>Independent non-executive directors</i>					
Liu Guisong	80	—	—	—	80
Qin Guisen	80	—	—	—	80
Yao Minglong	80	—	—	—	80
<i>Supervisors</i>					
Yuan Yuan (vi)	—	91	12	—	103
Li Peng (iv)	—	54	6	—	60
Yang Xudi (ix)	—	713	70	—	783
Zhang Deyong (ix)	—	705	70	—	775
	<u>240</u>	<u>8,333</u>	<u>298</u>	<u>504</u>	<u>9,375</u>

Year ended 31 December 2024

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Gerald G Wong (chairman)	–	2,611	–	–	2,611
Xie Chong (ii)	–	552	–	29	581
Zhao Haibo	–	1,711	73	–	1,784
Zhao Hongwei (vii)	–	775	46	12	833
Zhang Jie (iii)	–	1,081	73	75	1,229
<i>Independent non-executive directors</i>					
Liu Guisong.	92	–	–	–	92
Qin Guisen	92	–	–	–	92
Yao Minglong	92	–	–	–	92
<i>Supervisors</i>					
Yin Ying (viii)	–	132	14	–	146
Yang Xudi (ix)	–	313	27	–	340
Yuan Yuan (vi)	–	155	19	–	174
Wang Huan (viii)	–	120	14	–	134
Zhang Deyong (ix)	–	328	27	–	355
	<u>276</u>	<u>7,778</u>	<u>293</u>	<u>116</u>	<u>8,463</u>

Six months ended 30 June 2024 (unaudited)

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Gerald G Wong (chairman)	–	1,306	–	–	1,306
Xie Chong (ii)	–	552	–	29	581
Zhao Haibo	–	856	36	–	892
Zhao Hongwei (vii)	–	183	36	5	224
Zhang Jie (iii)	–	537	36	34	607
<i>Independent non-executive directors</i>					
Liu Guisong.	42	–	–	–	42
Qin Guisen	42	–	–	–	42
Yao Minglong	42	–	–	–	42
<i>Supervisors</i>					
Yin Ying (viii)	–	27	3	–	30
Yang Xudi (ix)	–	313	27	–	340
Yuan Yuan (vi)	–	74	9	–	83
Wang Huan (viii)	–	29	3	–	32
Zhang Deyong (ix)	–	328	27	–	355
	<u>126</u>	<u>4,205</u>	<u>177</u>	<u>68</u>	<u>4,576</u>

Six months ended 30 June 2025

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Gerald G Wong (chairman)	–	1,305	–	–	1,305
Zhao Haibo	–	855	37	–	892
Zhao Hongwei (vii)	–	619	37	15	671
Zhang Jie (iii)	–	548	37	15	600
<i>Independent non-executive directors</i>					
Liu Guisong.	50	–	–	–	50
Qin Guisen	50	–	–	–	50
Yao Minglong	50	–	–	–	50
<i>Supervisors</i>					
Yin Ying (viii)	–	100	11	–	111
Yuan Yuan (vi)	–	71	10	–	81
Wang Huan (viii).	–	95	12	–	107
	<u>150</u>	<u>3,593</u>	<u>144</u>	<u>30</u>	<u>3,917</u>

- (i) Wang Zhibo was resigned as director of the Company on 28 April 2022.
- (ii) Xie Chong was resigned as director of the Company on 14 June 2024.
- (iii) Zhang Jie was appointed as director of the Company on 28 June 2022.
- (iv) Li Peng was appointed and resigned as supervisor on 31 October 2022 and 25 April 2023 respectively.
- (v) Ge Yunrui was resigned as supervisor on 31 October 2022.
- (vi) Yuan Yuan was appointed as supervisor on 25 April 2023.
- (vii) Zhao Hongwei was appointed as director of the Company on 14 June 2024.
- (viii) Yin Ying and Wang Huan were appointed as supervisor on 17 May 2024.
- (ix) Yang Xudi and Zhang Deyong were resigned as supervisor on 17 May 2024.
- (x) On 16 June 2025, at an extraordinary shareholders' meeting, resolution was made to dismiss the supervisory board.

11.2 Five highest paid individuals emoluments

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2024 and 2025 include 1, 1, 1, 1 and 1 director whose emoluments were disclosed in Note 11.1 above. The aggregate of the emoluments of the remaining 4, 4, 4, 4 and 4 individuals for the years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2024 and 2025 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	10,885	10,859	9,101	4,551	4,790
Share based payment expenses	39	179	182	55	67
Total	<u>10,924</u>	<u>11,038</u>	<u>9,283</u>	<u>4,606</u>	<u>4,857</u>

The above individuals' emoluments are within the following band:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
				(Unaudited)	
HK\$2,000,001 to HK\$2,500,000	–	–	3	3	3
HK\$2,500,001 to HK\$3,000,000	2	1	1	1	1
HK\$3,000,001 to HK\$3,500,000	1	3	–	–	–
HK\$3,500,001 to HK\$4,000,000	–	–	–	–	–
HK\$4,000,001 to HK\$4,500,000	1	–	–	–	–

No director or the five highest paid individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No director or the five highest paid individual has waived or agreed to waive any emoluments during the Track Record Period.

12. DIVIDENDS

(a) Dividends attributable to the Track Record Period

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Ordinary A shares					
Interim dividend of RMB0.3 per 10 shares	–	–	8,041	–	–

(b) Dividends attributable to the previous financial year, approved and paid during the Track Record Period

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Ordinary A shares					
Final dividend in respect of the previous financial year, of					
– RMB1.33 per 10 shares	–	–	35,650	35,650	–
– RMB0.22 per share	–	–	–	–	58,969
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>58,969</u>

The final dividend of RMB1.33 per 10 shares, totaling RMB35,650,000, for the year ended 31 December 2023 proposed after the 31 December 2023 has not been recognised as a liability as at 31 December 2023.

The final dividend of RMB0.22 per share, totaling RMB58,969,000, for the year ended 31 December 2024 proposed after the 31 December 2024 has not been recognised as a liability as at 31 December 2024.

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue excluding shares held for share award schemes during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	171,106	95,018	166,681	80,004	120,905
Weighted average number of ordinary shares in issue excluding shares held for share award schemes (thousand shares)	252,221	258,347	264,417	263,719	265,593
Basic EPS (RMB per share)	<u>0.68</u>	<u>0.37</u>	<u>0.63</u>	<u>0.30</u>	<u>0.46</u>

(b) Diluted

The restricted shares incentive and shares options schemes (see note 34) granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted EPS).

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	171,106	95,018	166,681	80,004	120,905
Weighted average number of ordinary shares in issue excluding shares held for share award schemes (thousand shares)	252,221	258,347	264,417	263,719	265,593
Adjustments for share options and awarded shares (thousand shares) . .	<u>9,352</u>	<u>9,504</u>	<u>7,247</u>	<u>2,964</u>	<u>11,764</u>
Weighted average number of ordinary shares used in calculating diluted EPS (thousand shares)	<u>261,573</u>	<u>267,851</u>	<u>271,664</u>	<u>266,683</u>	<u>277,357</u>
Diluted EPS (RMB per share)	<u>0.65</u>	<u>0.35</u>	<u>0.61</u>	<u>0.30</u>	<u>0.44</u>

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building	Machinery and equipment	Computer equipment	Leasehold improvements	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022								
Cost	92,581	937,291	61,382	111,617	1,013	6,982	119,672	1,330,538
Accumulated depreciation	(32,018)	(435,309)	(55,110)	(76,523)	(1,013)	(5,015)	–	(604,988)
Net book amount.	60,563	501,982	6,272	35,094	–	1,967	119,672	725,550
Year ended 31 December 2022								
Opening net book amount	60,563	501,982	6,272	35,094	–	1,967	119,672	725,550
Additions	–	27,072	3,643	411	–	219	3,551	34,896
Additions through acquisition of subsidiaries (note 38).	–	–	101	–	59	6	–	166
Transfer	–	63,298	2,010	–	–	7	(65,315)	–
Disposals	–	(6,267)	(135)	–	–	(79)	–	(6,481)
Depreciation	(4,629)	(121,582)	(3,625)	(11,022)	–	(856)	–	(141,714)
Closing net book amount.	55,934	464,503	8,266	24,483	59	1,264	57,908	612,417
As at 31 December 2022 and 1 January 2023								
Cost	92,581	1,006,620	64,150	112,028	1,072	6,900	57,908	1,341,259
Accumulated depreciation	(36,647)	(542,117)	(55,884)	(87,545)	(1,013)	(5,636)	–	(728,842)
Net book amount.	55,934	464,503	8,266	24,483	59	1,264	57,908	612,417
Year ended 31 December 2023								
Opening net book amount	55,934	464,503	8,266	24,483	59	1,264	57,908	612,417
Additions	–	8,846	317	–	–	14	43,014	52,191
Transfer	–	74,891	2,074	–	–	32	(76,997)	–
Disposals	–	(8,491)	(409)	–	–	(36)	–	(8,936)
Depreciation	(4,629)	(110,313)	(3,578)	(11,270)	(5)	(788)	–	(130,583)
Closing net book amount.	51,305	429,436	6,670	13,213	54	486	23,925	525,089

As at 31 December 2023 and 1 January 2024									
Cost	92,581 (41,276)	1,041,679 (612,243)	63,791 (57,121)	112,028 (98,815)	1,072 (1,018)	6,703 (6,217)	23,925 –	1,341,779 (816,690)	
Accumulated depreciation									
Net book amount	<u>51,305</u>	<u>429,436</u>	<u>6,670</u>	<u>13,213</u>	<u>54</u>	<u>486</u>	<u>23,925</u>	<u>525,089</u>	
Year ended 31 December 2024									
Opening net book amount	51,305	429,436	6,670	13,213	54	486	23,925	525,089	
Additions	–	21,492	1,810	3,047	1,057	3,102	228,999	259,507	
Transfer	–	24,773	705	–	–	79	(25,557)	–	
Disposals	–	(3,265)	(962)	–	–	(172)	–	(4,399)	
Depreciation	(4,629)	(104,255)	(3,143)	(11,291)	(1)	(632)	–	(123,951)	
Exchange differences	–	(509)	(34)	–	–	(137)	–	(680)	
Closing net book amount	<u>46,676</u>	<u>367,672</u>	<u>5,046</u>	<u>4,969</u>	<u>1,110</u>	<u>2,726</u>	<u>227,367</u>	<u>655,566</u>	
As at 31 December 2024 and 1 January 2025									
Cost	92,581 (45,905)	1,028,575 (660,903)	55,777 (50,731)	115,075 (110,106)	2,129 (1,019)	7,199 (4,473)	227,367 –	1,528,703 (873,137)	
Accumulated depreciation									
Net book amount	<u>46,676</u>	<u>367,672</u>	<u>5,046</u>	<u>4,969</u>	<u>1,110</u>	<u>2,726</u>	<u>227,367</u>	<u>655,566</u>	
Six months ended 30 June 2025									
Opening net book amount	46,676	367,672	5,046	4,969	1,110	2,726	227,367	655,566	
Additions	–	13,640	1,764	121	9	16	346,135	361,685	
Transfer	205,133	36,482	830	–	–	23	(242,468)	–	
Disposals	–	(1,231)	(5)	–	(555)	–	–	(1,791)	
Depreciation	(2,315)	(52,256)	(1,285)	(2,502)	(71)	(314)	–	(58,743)	
Exchange differences	–	297	46	–	–	182	–	525	
Closing net book amount	<u>249,494</u>	<u>364,604</u>	<u>6,396</u>	<u>2,588</u>	<u>493</u>	<u>2,633</u>	<u>331,034</u>	<u>957,242</u>	
As at 30 June 2025									
Cost	297,714 (48,220)	1,076,984 (712,380)	57,628 (51,232)	115,196 (112,608)	1,583 (1,090)	7,403 (4,770)	331,034 –	1,887,542 (930,300)	
Accumulated depreciation									
Net book amount	<u>249,494</u>	<u>364,604</u>	<u>6,396</u>	<u>2,588</u>	<u>493</u>	<u>2,633</u>	<u>331,034</u>	<u>957,242</u>	

The Company

As at 1 January 2022

Cost.	92,581	791,791	54,675	95,653	1,013	2,343	114,884	1,152,940
Accumulated depreciation	(32,018)	(360,772)	(49,857)	(66,664)	(1,013)	(2,327)	—	(512,651)
Net book amount.	60,563	431,019	4,818	28,989	—	16	114,884	640,289
Year ended 31 December 2022								
Opening net book amount	60,563	431,019	4,818	28,989	—	16	114,884	640,289
Additions	—	19,189	2,752	411	—	7	48,799	71,158
Transfer	—	63,141	71	—	—	—	(63,212)	—
Disposals	—	(3,701)	(82)	—	—	—	—	(3,783)
Depreciation	(4,629)	(93,736)	(2,938)	(9,232)	—	(9)	—	(110,544)
Closing net book amount.	55,934	415,912	4,621	20,168	—	14	100,471	597,120

**As at 31 December 2022 and
1 January 2023**

Cost.	92,581	857,171	54,813	96,064	1,013	2,115	100,471	1,204,228
Accumulated depreciation	(36,647)	(441,259)	(50,192)	(75,896)	(1,013)	(2,101)	—	(607,108)
Net book amount.	55,934	415,912	4,621	20,168	—	14	100,471	597,120

Year ended 31 December 2023

Opening net book amount	55,934	415,912	4,621	20,168	—	14	100,471	597,120
Additions	—	8,846	317	—	—	—	34,034	43,197
Transfer	—	65,551	1,757	—	—	556	(67,864)	—
Disposals	—	(4,798)	(67)	—	—	—	—	(4,865)
Depreciation	(4,629)	(90,708)	(2,684)	(8,949)	—	(5)	—	(106,975)
Closing net book amount.	51,305	394,803	3,944	11,219	—	565	66,641	528,477

	Building	Machinery and equipment	Computer equipment	Leasehold improvements	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023 and 1 January 2024								
Cost	92,581	901,832	54,502	96,064	1,013	2,553	66,641	1,215,186
Accumulated depreciation	(41,276)	(507,029)	(50,558)	(84,845)	(1,013)	(1,988)	–	(686,709)
Net book amount	<u>51,305</u>	<u>394,803</u>	<u>3,944</u>	<u>11,219</u>	<u>–</u>	<u>565</u>	<u>66,641</u>	<u>528,477</u>
Year ended 31 December 2024								
Opening net book amount	51,305	394,803	3,944	11,219	–	565	66,641	528,477
Additions	–	13,618	1,810	–	1,055	15	101,159	117,657
Transfer	–	68,383	229	–	–	79	(68,691)	–
Disposals	–	(56,076)	(574)	–	–	(79)	–	(56,729)
Depreciation	(4,629)	(91,689)	(2,576)	(9,007)	–	(12)	–	(107,913)
Closing net book amount	<u>46,676</u>	<u>329,039</u>	<u>2,833</u>	<u>2,212</u>	<u>1,055</u>	<u>568</u>	<u>99,109</u>	<u>481,492</u>
As at 31 December 2024 and 1 January 2025								
Cost	92,581	870,781	46,868	96,064	1,716	2,507	99,109	1,209,626
Accumulated depreciation	(45,905)	(541,742)	(44,035)	(93,852)	(661)	(1,939)	–	(728,134)
Net book amount	<u>46,676</u>	<u>329,039</u>	<u>2,833</u>	<u>2,212</u>	<u>1,055</u>	<u>568</u>	<u>99,109</u>	<u>481,492</u>
Six months ended 30 June 2025								
Opening net book amount	46,676	329,039	2,833	2,212	1,055	568	99,109	481,492
Additions	–	12,412	1,555	–	9	16	171,634	185,626
Transfer	–	30,512	830	–	–	22	(31,364)	–
Disposals	–	(15,348)	(318)	–	(555)	–	–	(16,221)
Depreciation	(2,314)	(46,051)	(978)	(2,212)	(63)	(6)	–	(51,624)
Closing net book amount	<u>44,362</u>	<u>310,564</u>	<u>3,922</u>	<u>–</u>	<u>446</u>	<u>600</u>	<u>239,379</u>	<u>599,273</u>
As at 30 June 2025								
Cost	92,581	893,562	48,111	96,064	1,170	2,418	239,379	1,373,285
Accumulated depreciation	(48,219)	(582,998)	(44,189)	(96,064)	(724)	(1,818)	–	(774,012)
Net book amount	<u>44,362</u>	<u>310,564</u>	<u>3,922</u>	<u>–</u>	<u>446</u>	<u>600</u>	<u>239,379</u>	<u>599,273</u>

15. RIGHT-OF-USE ASSETS

The Group

	Premises and building
	RMB'000
As at 1 January 2022	
Cost	170,605
Accumulated depreciation	(53,295)
Net book amount.	117,310
Year ended 31 December 2022	
Opening net book amount	117,310
Additions	11,401
Depreciation	(49,396)
Closing net book amount.	79,315
As at 31 December 2022 and 1 January 2023	
Cost	182,006
Accumulated depreciation	(102,691)
Net book amount.	79,315
Year ended 31 December 2023	
Opening net book amount	79,315
Additions	154,731
Early termination of a lease	(2,046)
Depreciation	(50,688)
Closing net book amount.	181,312
As at 31 December 2023 and 1 January 2024	
Cost	308,452
Accumulated depreciation	(127,140)
Net book amount.	181,312
Year ended 31 December 2024	
Opening net book amount	181,312
Additions	8,541
Early termination of a lease	(162)
Depreciation	(42,470)
Exchange differences	1,484
Closing net book amount.	148,705
As at 31 December 2024 and 1 January 2025	
Cost	239,137
Accumulated depreciation	(90,432)
Net book amount.	148,705
Six months ended 30 June 2025	
Opening net book amount	148,705
Addition	1,569
Modifications	753
Depreciation	(12,066)
Exchange differences	(104)
Closing net book amount.	138,857
As at 30 June 2025	
Cost	241,028
Accumulated depreciation	(102,171)
Net book amount.	138,857

16. PREPAID LEASE PAYMENTS

The Group

The prepaid lease payments represent prepayments in relation to leases of land in the PRC. The prepaid lease payments fall into the scope of IFRS 16 “Leases” as it meets the definition of right-of-use assets. The movements in their net carrying amounts are analysed as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net carrying amount	–	–	35,506	34,795
Additions	–	35,565	–	–
Amortisation	–	(59)	(711)	(356)
Closing net carrying amount	–	35,506	34,795	34,439

17. GOODWILL

The Group

	RMB'000
At 1 January 2022	–
Arising on acquisition through business combination (<i>note 38</i>)	98,969
At 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025	98,969

Note: During the year ended 31 December 2022, the Group completed the acquisition of subsidiaries (see note 38).

Goodwill of RMB98,969,000 has been allocated to respective CGU of the subsidiaries acquired for impairment testing. Management assess the recoverable amounts of the goodwill as of December 31, 2022, 2023, 2024 and 30 June 2025. The recoverable amount of the CGUs is determined based on value in use calculations based on five-year financial budgets. The management did not assume any growth to the cash flows subsequent to the five-year period. The following table sets forth each key assumptions of CGUs on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
Revenue annual growth rate during the forecast period				
(<i>note</i>)	(11.63%)-14.01%	0%-14.01%	0%-73.30%	0%-21.91%
Pre-tax discount rate	17.88%	18.97%	19.83%	18.04%

Note: In preparation of impairment assessment as at 31 December 2022, management considered the major customers has still in the process of consumption of the inventories accumulated during the pandemic, negative revenue annual growth rate adopted for the expected revenue generated during the year ended 31 December 2023.

As of December 31, 2022, 2023, 2024 and 30 June 2025, based on the value-in-use calculations, the recoverable amount exceeded the carrying amount by RMB5,691,000, RMB30,468,000, RMB449,311,000 and RMB456,989,000, respectively.

Key assumptions for value in use calculations

Assumptions were used in the value-in-use calculation of the CGUs for the Track Record Period. The key assumptions used in the value in use calculations reflect a combination of internal and external factors impacting revenue annual growth rates and discount rates. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue annual growth rates — The basis used to determine revenue annual growth rates is the average results achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected product and market development. The expected revenue annual growth rates increased significantly is mainly due to new products development.

Pre-tax discount rate — The cash flow projections are discounted using pre-tax discount rate of 17.88%, 18.97%, 19.83% and 18.04% as at 31 December 2022, 2023, 2024 and 30 June 2025, respectively. The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital.

Sensitivity analysis

Management of the Company has performed sensitivity test by decreasing 2% of revenue annual growth rates or increasing 1% of discount rate, with all other key assumptions held constant. The impacts on the amount by which CGU's recoverable amount exceed its carrying amount ("headroom") are as below:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue annual growth rates decreased by 2%	(4,918)	(7,024)	(29,683)	(33,272)
Pre-tax discount rate increased by 1%	(3,630)	(4,918)	(21,359)	(22,370)

The headroom corresponding to the impact of the above key assumptions are as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Headroom – decreasing revenue annual growth rates by 2%	773	23,444	419,628	423,717
Headroom – increasing pre-tax discount rate by 1% . . .	2,061	25,550	427,952	434,619

Based on the headroom of the impairment assessment for the Track Record Period, management of the Company believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

These sensitivity analyses are based on changing the relevant assumption while holding other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. Considering there was still sufficient headroom based on the assessment, the management believes there was no impairment for the goodwill as at 31 December 2022, 2023, 2024 and 30 June 2025.

Based on the results of the abovementioned assessments as conducted by management and the independent external valuer, the directors of the Company conclude that no impairment loss on the aforementioned goodwill is required to be recognised as at 31 December 2022, 2023, 2024 and 30 June 2025.

18. INTANGIBLE ASSETS

The Group

	Patent	Software	Deferred development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022				
Cost	65,600	156,624	610,833	833,057
Accumulated amortisation and impairment	(26,726)	(70,207)	(201,596)	(298,529)
Net book amount	38,874	86,417	409,237	534,528
Year ended 31 December 2022				
Opening net book amount	38,874	86,417	409,237	534,528
Additions	–	10,310	137,617	147,927
Additions from acquisition of a subsidiaries (<i>note 38</i>)	–	303	–	303
Amortisation	(9,719)	(16,988)	(76,634)	(103,341)
Closing net book amount	29,155	80,042	470,220	579,417
As at 31 December 2022 and 1 January 2023				
Cost	65,600	167,237	748,450	981,287
Accumulated amortisation and impairment	(36,445)	(87,195)	(278,230)	(401,870)
Net book amount	29,155	80,042	470,220	579,417
Year ended 31 December 2023				
Opening net book amount	29,155	80,042	470,220	579,417
Additions	–	1,591	124,396	125,987
Amortisation	(9,718)	(17,306)	(85,767)	(112,791)
Exchange difference	–	(27)	(1,162)	(1,189)
Closing net book amount	19,437	64,300	507,687	591,424
As at 31 December 2023 and 1 January 2024				
Cost	65,600	168,712	871,040	1,105,352
Accumulated amortisation and impairment	(46,163)	(104,412)	(363,353)	(513,928)
Net book amount	19,437	64,300	507,687	591,424
Year ended 31 December 2024				
Opening net book amount	19,437	64,300	507,687	591,424
Additions	–	1,903	88,207	90,110
Amortisation	(9,719)	(15,117)	(102,989)	(127,825)
Exchange difference	–	(85)	(9,926)	(10,011)
Closing net book amount	9,718	51,001	482,979	543,698
As at 31 December 2024 and 1 January 2025				
Cost	65,600	170,387	945,927	1,181,914
Accumulated amortisation and impairment	(55,882)	(119,386)	(462,948)	(638,216)
Net book amount	9,718	51,001	482,979	543,698
Six months ended 30 June 2025				
Opening net book amount	9,718	51,001	482,979	543,698
Additions	–	678	58,349	59,027
Amortisation	(4,859)	(7,496)	(56,877)	(69,232)
Exchange difference	–	(66)	14,265	14,199
Closing net book amount	4,859	44,117	498,716	547,692
As at 30 June 2025				
Cost	65,600	171,245	1,023,944	1,260,789
Accumulated amortisation and impairment	(60,741)	(127,128)	(525,228)	(713,097)
Net book amount	4,859	44,117	498,716	547,692

The Company

	Software	Deferred development cost	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022			
Cost	56,766	404,248	461,014
Accumulated amortisation and impairment	(27,022)	(195,191)	(222,213)
Net book amount	<u>29,744</u>	<u>209,057</u>	<u>238,801</u>
Year ended 31 December 2022			
Opening net book amount	29,744	209,057	238,801
Additions	247	76,421	76,668
Amortisation	(5,272)	(65,414)	(70,686)
Closing net book amount	<u>24,719</u>	<u>220,064</u>	<u>244,783</u>
As at 31 December 2022 and 1 January 2023			
Cost	57,013	480,669	537,682
Accumulated amortisation and impairment	(32,294)	(260,605)	(292,899)
Net book amount	<u>24,719</u>	<u>220,064</u>	<u>244,783</u>
Year ended 31 December 2023			
Opening net book amount	24,719	220,064	244,783
Additions	–	70,548	70,548
Amortisation	(4,832)	(77,129)	(81,961)
Closing net book amount	<u>19,887</u>	<u>213,483</u>	<u>233,370</u>
As at 31 December 2023 and 1 January 2024			
Cost	57,013	551,217	608,230
Accumulated amortisation and impairment	(37,126)	(337,734)	(374,860)
Net book amount	<u>19,887</u>	<u>213,483</u>	<u>233,370</u>
Year ended 31 December 2024			
Opening net book amount	19,887	213,483	233,370
Additions	1,478	56,827	58,305
Amortisation	(4,736)	(58,630)	(63,366)
Closing net book amount	<u>16,629</u>	<u>211,680</u>	<u>228,309</u>
As at 31 December 2024 and 1 January 2025			
Cost	58,491	608,044	666,535
Accumulated amortisation and impairment	(41,862)	(396,364)	(438,226)
Net book amount	<u>16,629</u>	<u>211,680</u>	<u>228,309</u>
Six months ended 30 June 2025			
Opening net book amount	16,629	211,680	228,309
Additions	678	36,616	37,294
Amortisation	(2,345)	(28,847)	(31,192)
Closing net book amount	<u>14,962</u>	<u>219,449</u>	<u>234,411</u>
As at 30 June 2025			
Cost	59,169	644,660	703,829
Accumulated amortisation and impairment	(44,207)	(425,211)	(469,418)
Net book amount	<u>14,962</u>	<u>219,449</u>	<u>234,411</u>

During the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, no amortisation has been charged to cost of goods sold in the consolidated statements of profit or loss and other comprehensive income.

Included in intangible assets, deferred development costs not yet available for use and not subject to amortisation were RMB256,610,000, RMB286,498,000, RMB133,124,000 and RMB143,136,000 as at 31 December 2022, 2023, 2024 and 30 June 2025, respectively.

Intangible assets not yet available for use are derived from the deferred development cost 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, 2024 and 30 June 2025 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 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, 2024 and 30 June 2025. 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, 2024 and 30 June 2025:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
Average annual revenue growth rate	10%-50%	10%-330%	0%-330%	18%-97%
Pre-tax discount rate	12.92%-15.09%	14.14%-15.15%	13.24%-14.55%	13.32-15.50%

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 their carrying amount ("the headroom") to their carrying amount was as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
Headroom	13.29%-19.28%	17.28%-588.00%	21.86%-228.55%	78.36%-162.85%

Management of the Company has performed sensitivity test by decreasing 5% of expected revenue or increasing 1% of discount rate, with all other key assumptions held constant, the recoverable amount of the intangible assets not yet available for use would have exceeded their carrying amount.

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, 2024 and 30 June 2025.

19. INVESTMENTS IN SUBSIDIARIES

The carrying amount of investments in subsidiaries of the Company is as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments at cost	<u>149,701</u>	<u>449,701</u>	<u>748,391</u>	<u>748,962</u>

Note:

- (a) On 17 April 2023, the Company entered into a co-operation agreement with Jiashan Zhongxin Industrial Development Investment Company Limited* ("Jiashan Zhongxin") (嘉善縣中新產業發展投資有限公司) an independent third party for setting-up CIG ZJ. Pursuant to the agreement, the Company and Jiashan Zhongxin invest RMB300,000,000 and RMB150,000,000 to CIG ZJ respectively. The Group includes a subsidiary, CIG ZJ, with material non-controlling interests ("NCI"), the details and the recognised financial information, before intragroup eliminations, are as follows:

	Period from 17 April 2023 to 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2025
	RMB'000	RMB'000	RMB'000
Proportion of ownership interests and voting rights held by the NCI	33.33%	33.33%	33.33%
Current assets	52,811	234,506	134,340
Non-current assets	397,489	529,857	623,720
Current liabilities	(460)	(311,073)	(314,847)
Non-current liabilities	—	(2,370)	(2,370)
Net assets	<u>449,840</u>	<u>450,920</u>	<u>440,843</u>
Carrying amount of NCI	<u>149,947</u>	<u>150,307</u>	<u>146,948</u>
Revenue	119	43,960	14,847
Other income	—	15,000	67
Total expenses	<u>(279)</u>	<u>(57,880)</u>	<u>(24,990)</u>
(Loss)/Profit and total comprehensive (loss)/income for the year/period	<u>(160)</u>	<u>1,080</u>	<u>(10,076)</u>
(Loss)/Profit attributable to NCI	<u>(53)</u>	<u>360</u>	<u>(3,359)</u>
Net cash flows from/(used in) operating activities	201	187,548	(6,256)
Net cash flows (used in)/from investing activities	(397,548)	(219,219)	(1,921)
Net cash flows from financing activities . .	450,000	—	—
Net increase/(decrease) in cash and cash equivalents	<u>52,653</u>	<u>(31,671)</u>	<u>(8,177)</u>

- (b) On 13 July 2023, a board resolution has been resolved to inject US\$42,000,000 (equivalent to RMB298,272,000) into CIG US. The capital injection was completed during the year ended 31 December 2024.

20. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,163,158	995,704	1,054,035	1,309,215
Work in progress	391,076	313,073	397,008	458,773
Finished goods	207,155	291,369	269,097	206,824
Goods in transit	6,254	13,372	9,582	51,030
	<u>1,767,643</u>	<u>1,613,518</u>	<u>1,729,722</u>	<u>2,025,842</u>
Less: Provision for inventories	(38,103)	(40,064)	(44,178)	(47,547)
	<u>1,729,540</u>	<u>1,573,454</u>	<u>1,685,544</u>	<u>1,978,295</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,040,571	906,801	1,009,752	1,238,290
Work in progress	365,389	289,892	381,751	443,019
Finished goods	121,868	188,888	232,382	181,013
Goods in transit	45,039	26,837	10,875	41,358
	<u>1,572,867</u>	<u>1,412,418</u>	<u>1,634,760</u>	<u>1,903,680</u>
Less: Provision for inventories	(37,861)	(39,818)	(43,928)	(47,298)
	<u>1,535,006</u>	<u>1,372,600</u>	<u>1,590,832</u>	<u>1,856,382</u>

The following table summarises the changes in the provision of impairment loss of inventories during the Track Record Period:

The Group

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At beginning of the year/period	33,175	38,103	40,064	40,064	44,178
Provision for inventories	18,512	3,741	6,510	1,979	5,124
Reversal of provision for inventories	—	—	(2,396)	(194)	(1,755)
Written off	(13,584)	(1,780)	—	—	—
At end of the year/period	<u>38,103</u>	<u>40,064</u>	<u>44,178</u>	<u>41,849</u>	<u>47,547</u>

The Company

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At beginning of the year/period	32,952	37,861	39,818	39,818	43,928
Provision for inventories	18,493	3,737	6,506	1,978	5,124
Reversal of provision for inventories	—	—	(2,396)	(194)	(1,754)
Written off	(13,584)	(1,780)	—	—	—
At end of the year/period	<u>37,861</u>	<u>39,818</u>	<u>43,928</u>	<u>41,602</u>	<u>47,298</u>

21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	1,623,429	1,112,223	1,244,428	1,598,872
Less: ECL allowance	(17,551)	(12,687)	(14,314)	(18,681)
	<u>1,605,878</u>	<u>1,099,536</u>	<u>1,230,114</u>	<u>1,580,191</u>
Bills receivable	1,000	16,196	8,060	—
Less: ECL allowance	—	(155)	(58)	—
	<u>1,000</u>	<u>16,041</u>	<u>8,002</u>	<u>—</u>
	<u><u>1,606,878</u></u>	<u><u>1,115,577</u></u>	<u><u>1,238,116</u></u>	<u><u>1,580,191</u></u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	531,893	335,524	430,476	493,915
– Group entities	<u>1,656,897</u>	<u>1,574,173</u>	<u>1,324,797</u>	<u>1,735,750</u>
	2,188,790	1,909,697	1,755,273	2,229,665
Less: ECL allowance	(5,529)	(3,507)	(4,992)	(5,536)
	<u>2,183,261</u>	<u>1,906,190</u>	<u>1,750,281</u>	<u>2,224,129</u>
Bills receivable	1,000	1,404	8,060	—
Less: ECL allowance	—	—	(58)	—
	<u>1,000</u>	<u>1,404</u>	<u>8,002</u>	<u>—</u>
	<u><u>2,184,261</u></u>	<u><u>1,907,594</u></u>	<u><u>1,758,283</u></u>	<u><u>2,224,129</u></u>

Certain bills issued by third parties are further endorsed by the Group and Company with recourse for settlement of payables. The Group and Company continues to recognise their full carrying amount at each reporting date. All bills receivable held by the Group and Company are with a maturity period of less than 1 year.

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered during the Track Record Period are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of the trade and bills receivables based on invoice date, net of ECL allowances, were as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	1,597,534	1,112,547	1,228,544	1,568,010
1 to 2 years.	9,312	3,030	8,876	11,248
2 to 3 years.	32	–	696	933
	<u>1,606,878</u>	<u>1,115,577</u>	<u>1,238,116</u>	<u>1,580,191</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	2,165,999	1,741,402	1,713,890	2,176,559
1 to 2 years.	7,934	147,659	15,372	12,588
2 to 3 years.	10,328	7,743	10,225	11,399
Over 3 years	–	10,790	18,796	23,583
	<u>2,184,261</u>	<u>1,907,594</u>	<u>1,758,283</u>	<u>2,224,129</u>

The movement in the ECL allowance of trade and bills receivables during the Track Record Period were as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	42,904	17,551	12,842	14,372
ECL allowance recognised during the year/period	–	155	1,627	4,367
ECL allowance reversed during the year/period	(25,353)	(4,864)	(97)	(58)
At the end of the year/period	<u>17,551</u>	<u>12,842</u>	<u>14,372</u>	<u>18,681</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	19,822	5,529	3,507	5,050
ECL allowance recognised during the year/period	–	–	1,543	544
ECL allowance reversed during the year/period	(14,293)	(2,022)	–	(58)
At the end of the year/period	<u>5,529</u>	<u>3,507</u>	<u>5,050</u>	<u>5,536</u>

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for acquisition of property, plant and equipment, and intangible assets	384	3,035	26,902	36,301
Value-added tax ("VAT") recoverable	52,715	39,739	90,145	94,213
Japan consumption tax recoverable	10,984	4,813	1,621	1,103
Prepayments	33,128	24,943	24,381	58,873
Deposits	9,272	13,604	19,381	17,789
Deferred listing expenses	–	–	–	13,140
Others	1,059	719	982	912
	<u>107,542</u>	<u>86,853</u>	<u>163,412</u>	<u>222,331</u>
Less: ECL allowance	(5,871)	(5,882)	(5,703)	(6,981)
	<u>101,671</u>	<u>80,971</u>	<u>157,709</u>	<u>215,350</u>
Analysed as				
Current	101,287	77,936	130,807	179,049
Non-current	384	3,035	26,902	36,301
	<u>101,671</u>	<u>80,971</u>	<u>157,709</u>	<u>215,350</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for acquisition of property, plant and equipment, and intangible assets	384	1,364	14,456	31,004
Value-added tax recoverable	29,307	18,065	38,627	36,345
Prepayments	26,687	16,743	7,978	31,060
Deposits	3,319	3,655	4,722	2,687
Deferred listing expenses	–	–	–	13,140
Others	568	104	104	4
Amounts due from group entities	35,015	2,833	208,958	210,948
	<u>95,280</u>	<u>42,764</u>	<u>274,845</u>	<u>325,188</u>
Less: ECL allowance	(2,764)	(2,334)	(2,655)	(2,359)
	<u>92,516</u>	<u>40,430</u>	<u>272,190</u>	<u>322,829</u>
Analysed as				
Current	92,132	39,066	257,734	291,825
Non-current	384	1,364	14,456	31,004
	<u>92,516</u>	<u>40,430</u>	<u>272,190</u>	<u>322,829</u>

The directors of the Company consider that the fair values of deposits, prepayment and other receivables which are expected to be recovered during the Track Record Period are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The amounts due from group entities in the statements of financial position of the Company are unsecured, interest-free and repayable on demand.

The movement in the ECL allowance of other receivables during the Track Record Period were as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	8,269	5,871	5,882	5,703
ECL allowance recognised during the year/period	–	11	–	1,278
ECL allowance reversed during the year/period	(2,398)	–	(179)	–
At the end of the year/period	<u>5,871</u>	<u>5,882</u>	<u>5,703</u>	<u>6,981</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	5,083	2,764	2,334	2,655
ECL allowance recognised during the year/period	–	–	321	–
ECL allowance reversed during the year/period	(2,319)	(430)	–	(296)
At the end of the year/period	<u>2,764</u>	<u>2,334</u>	<u>2,655</u>	<u>2,359</u>

23. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	354,707	417,977	507,341	588,231
Pledged deposits	<u>35,500</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	390,207	437,977	527,341	608,231
Less: Pledged deposits	<u>(35,500)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>
Cash and cash equivalents	<u>354,707</u>	<u>417,977</u>	<u>507,341</u>	<u>588,231</u>

As at 31 December 2022, 2023, 2024 and 30 June 2025, included in bank balances and cash of the Group of RMB181,306,000, RMB193,287,000, RMB191,960,000 and RMB105,403,000 are bank balances denominated in RMB placed with banks in the PRC respectively.

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	292,439	290,707	340,366	400,670
Pledged deposits	35,500	20,000	20,000	20,000
	<u>327,939</u>	<u>310,707</u>	<u>360,366</u>	<u>420,670</u>
Less: Pledged deposits	(35,500)	(20,000)	(20,000)	(20,000)
Cash and cash equivalents	<u>292,439</u>	<u>290,707</u>	<u>340,366</u>	<u>400,670</u>

As at 31 December 2022, 2023, 2024 and 30 June 2025, included in bank balances and cash of the Company of RMB180,137,000, RMB139,372,000, RMB167,004,000 and RMB88,251,000 are bank balances denominated in RMB placed with banks in the PRC respectively.

RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group and the Company is permitted to exchange RMB for foreign currencies through banks that are recognised to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,564,927	750,096	1,115,412	1,533,007
Bills payable	215,454	114,347	119,542	61,902
	<u>1,780,381</u>	<u>864,443</u>	<u>1,234,954</u>	<u>1,594,909</u>

The Group presented bills to relevant creditors for settlement and remained outstanding as at 31 December 2022, 2023, 2024 and 30 June 2025. It also contains obligations arising from endorsing bills with recourse with an aggregate amount of RMBnil, RMB15,443,000, RMB2,260,000 and RMBnil as at 31 December 2022, 2023, 2024 and 30 June 2025. All bills presented by the Group is aged within 1 year and not yet due as at 31 December 2022, 2023, 2024 and 30 June 2025, respectively.

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties	1,349,133	688,437	949,062	1,320,168
– Group entities	186,604	179,529	313,795	376,811
	<u>1,535,737</u>	<u>867,966</u>	<u>1,262,857</u>	<u>1,696,979</u>
Bills payable	215,454	99,562	119,542	61,902
	<u>1,751,191</u>	<u>967,528</u>	<u>1,382,399</u>	<u>1,758,881</u>

The Company presented bills to relevant creditors for settlement and remained outstanding as at 31 December 2022, 2023, 2024 and 30 June 2025. It also contains obligations arising from endorsing bills with recourse with an aggregate amount of RMBnil, RMB658,000, RMB2,260,000 and RMBnil as at 31 December 2022, 2023, 2024 and 30 June 2025. All bills presented by the Group is aged within 1 year and not yet due as at 31 December 2022, 2023, 2024 and 30 June 2025, respectively.

Majority amounts are short term and hence the carrying amounts of the Group's trade and bills payables considered to be a reasonable approximation of fair value.

The Group and the Company are granted by its suppliers the credit period from 60 to 90 days. Based on the invoice date, the ageing analysis of the trade and bills payables is as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	1,776,369	861,516	1,230,901	1,584,342
1 to 2 years.	2,456	241	1,353	8,807
2 to 3 years.	308	1,644	43	56
Over 3 years	1,248	1,042	2,657	1,704
	<u>1,780,381</u>	<u>864,443</u>	<u>1,234,954</u>	<u>1,594,909</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	1,740,625	890,253	1,216,077	1,749,200
1 to 2 years.	8,987	74,225	114,661	8,106
2 to 3 years.	430	2,076	50,035	56
Over 3 years	1,149	974	1,626	1,519
	<u>1,751,191</u>	<u>967,528</u>	<u>1,382,399</u>	<u>1,758,881</u>

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payables in relation to restricted shares incentive scheme.	58,374	57,984	18,228	–
Payroll payables	71,320	40,713	37,678	39,293
Other payables	17,382	9,675	24,187	11,023
Other tax payables	17,169	21,054	10,760	8,833
Accrued expenses	11,711	6,746	7,483	7,350
Sub-contracting fee payables	4,610	1,031	3,517	11,960
Construction payable	–	–	44,909	33,485
Dividend payable	–	–	1,710	626
	<u>180,566</u>	<u>137,203</u>	<u>148,472</u>	<u>112,570</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payables in relation to restricted shares incentive scheme	58,374	57,984	18,228	–
Payroll payables	47,548	20,023	20,407	20,610
Other payables	17,245	42,568	37,207	30,700
Accrued expenses	11,000	5,536	6,455	7,319
Sub-contracting fee payables	4,610	1,031	3,270	11,654
Other tax payables	2,599	2,137	2,764	2,705
Dividend payable	–	–	1,710	626
Amounts due to group entities	–	13,748	166,451	39,811
	<u>141,376</u>	<u>143,027</u>	<u>256,492</u>	<u>113,425</u>

The amounts due to group entities in the statements of financial position of the Company are unsecured, interest-free and repayable on demand.

Majority amounts are short term and hence the carrying amounts of the Group's other payables and accruals are considered to be a reasonable approximation of fair value.

26. CONTRACT LIABILITIES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Receipt in advances from customers for sales of goods	<u>11,925</u>	<u>45,391</u>	<u>33,363</u>	<u>24,787</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Receipt in advances from customers for sales of goods				
– Third parties	1,813	4,390	3,147	1,636
– Group entities	–	325,016	281,285	225,004
	<u>1,813</u>	<u>329,406</u>	<u>284,432</u>	<u>226,640</u>

Contract liabilities comprise advanced payments received from customers as well as the Group's right to receive consideration in advance pursuant to the terms of the relevant contracts.

The increase in contract liabilities as at 31 December 2023 is mainly due to increase in deposits received as a result of more sales orders received before 31 December 2023. The decrease in contract liabilities as at 31 December 2024 and 30 June 2025 is mainly due to the decrease in the deposits received as a result of fewer sales orders received from customers before 31 December 2024 and 30 June 2025, respectively.

All contract liabilities included in the carrying amount as at 31 December 2022, 2023, 2024 and 30 June 2025, were transferred to operating revenue in following year.

27. BANK BORROWINGS

The Group and the Company

At 31 December 2022, 2023, 2024 and 30 June 2025, the Group's and the Company's bank borrowings were repayable as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount repayable				
Within one year	913,014	1,111,827	991,700	1,696,058
In the second year	—	—	91,900	78,000
Total carrying amount	913,014	1,111,827	1,083,600	1,774,058
Amount due within one year	(913,014)	(1,111,827)	(991,700)	(1,696,058)
Carrying amount shown under non-current liabilities	—	—	91,900	78,000

All bank borrowings are unsecured and unguaranteed. Bank borrowing include accrued interest amounting to RMB1,215,000, RMB2,288,000, RMB2,037,000 and RMB3,210,000 as at 31 December 2022, 2023, 2024 and 30 June 2025 respectively.

Except for the loans of RMB314,299,000 are denominated in US\$ as at 31 December 2022, all loans are denominated in RMB as at 31 December 2022, 2023, 2024 and 30 June 2025.

As at 31 December 2022, 2023, 2024 and 30 June 2025, the loans are interest bearing at rates ranging from 3.2% to 5.41%, 2.9% to 4.35%, 2.5% to 3.65% and 2.5% to 3.5% per annum respectively.

28. OTHER BORROWINGS

The Group and the Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current	175,090	41,609	—	—
Non-current	93,881	—	—	—
	268,971	41,609	—	—

At 31 December 2022, 2023, 2024 and 30 June 2025, the Group's and the Company's other borrowings were repayable as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount repayable				
Within one year	175,090	41,609	—	—
In the second year	75,631	—	—	—
In the third year	18,250	—	—	—
Total carrying amount	268,971	41,609	—	—
Amount due within one year	(175,090)	(41,609)	—	—
Carrying amount shown under non-current liabilities	93,881	—	—	—

The Company entered into financing arrangements with financial institutions with lease terms ranging from 2 to 3 years, with legal title of the respective equipment transferred to the financial institutions. The Company continued to operate and manage the relevant machinery and equipment during the lease term without any involvement from the financial institutions, and the Company is entitled to purchase back the equipment at a minimal consideration upon maturity of respective leases, or to purchase back the equipment from this financial institution at fair value upon the end of the lease period.

The Company applies the requirements of IFRS 15 to assess whether sale and leaseback transactions constitute a sale. To better manage the Company's capital structure and financing needs, the Company sometimes enters into sale and leaseback arrangements in relation to machinery and equipment leases. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of machinery and equipment. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, the Company accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method in accordance with the substance of the arrangement. During the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, the Company has raised RMB265,550,000, RMBnil, RMBnil and RMBnil of borrowings in respect of such arrangements.

29. DEFERRED INCOME

Deferred income mainly represents the government subsidies received from Shanghai Municipal Commission of Economy and Information in relation to the acquisition and/or construction of certain property, plant and equipment. These subsidies were amortised over 1 to 10 years in accordance with the depreciable life of the assets. Movements in deferred income during the Track Record Period were as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	35,637	30,281	29,622	42,513
Additions	7,940	1,476	22,659	—
Charged to profit or loss	(13,296)	(2,135)	(9,768)	(7,371)
At the end of the year/period	<u>30,281</u>	<u>29,622</u>	<u>42,513</u>	<u>35,142</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	35,637	30,281	29,622	40,143
Additions	7,940	1,476	20,289	—
Charged to profit or loss	(13,296)	(2,135)	(9,768)	(7,371)
At the end of the year/period	<u>30,281</u>	<u>29,622</u>	<u>40,143</u>	<u>32,772</u>

30. LEASE LIABILITIES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Total minimum lease payments				
Within one year	47,820	45,715	26,688	27,592
After one but within second year . .	37,844	23,770	27,005	27,433
After second but within fifth year . .	–	73,728	77,595	78,239
After the fifth year	–	72,800	50,363	36,692
	<u>85,664</u>	<u>216,013</u>	<u>181,651</u>	<u>169,956</u>
Future finance charges on leases liabilities	<u>(3,738)</u>	<u>(32,456)</u>	<u>(25,579)</u>	<u>(22,191)</u>
Present value of leases liabilities . .	<u>81,926</u>	<u>183,557</u>	<u>156,072</u>	<u>147,765</u>
Present value of minimum lease payments				
Within one year	44,927	37,670	20,134	21,445
After one but within second year . .	36,999	17,569	21,347	22,242
After second but within fifth year . .	–	60,189	66,351	68,536
After the fifth year	–	68,129	48,240	35,542
	<u>81,926</u>	<u>183,557</u>	<u>156,072</u>	<u>147,765</u>
Less: Portion due within one year included under current liabilities .	<u>(44,927)</u>	<u>(37,670)</u>	<u>(20,134)</u>	<u>(21,445)</u>
Portion due after one year included under non-current liabilities	<u>36,999</u>	<u>145,887</u>	<u>135,938</u>	<u>126,320</u>

During the years ended 31 December 2022, 2023, 2024 and 30 June 2025 the total cash outflows for the leases amounted to RMB57,716,000, RMB61,230,000, RMB49,666,000 and RMB28,216,000 respectively.

As at 31 December 2022, 2023, 2024 and 30 June 2025 the Group has entered into leases agreements for use of premises with terms ranging from 2 to 10 years, 1.16 to 10 years, 1 to 10 years and 1.75 to 10 years respectively. These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

As at 31 December 2022, 2023, 2024 and 30 June 2025, the Group had 9, 5, 6 and 7 leases under IFRS 16 for premises and building with remaining lease term of 0.2 to 8.8 years, 0.3 to 7.8 years, 0.2 to 6.8 years and 0.3 to 6.3 years respectively. These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

31. DEFERRED TAX

The movements in the deferred tax assets during the Track Record Period and its components as at 31 December 2022, 2023, 2024 and 30 June 2025 were as follows:

The Group

	Deferred income	Expected credit losses	Provision for inventories	Tax losses	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	5,346	3,736	4,946	7,558	8,921	30,507
Recognised in profit or loss (note 9)	(804)	(2,470)	736	5,842	(3,595)	(291)
At 31 December 2022 and 1 January 2023 . .	4,542	1,266	5,682	13,400	5,326	30,216
Recognised in profit or loss (note 9)	(99)	(340)	294	3,544	(2,478)	921
At 31 December 2023 and 1 January 2024 . .	4,443	926	5,976	16,944	2,848	31,137
Recognised in profit or loss (note 9)	1,578	312	617	1,652	(2,848)	1,311
At 31 December 2024 and 1 January 2025 . .	6,021	1,238	6,593	18,596	–	32,448
Recognised in profit or loss (note 9)	(1,105)	78	505	–	339	(183)
At 30 June 2025	<u>4,916</u>	<u>1,316</u>	<u>7,098</u>	<u>18,596</u>	<u>339</u>	<u>32,265</u>

The movements in the deferred tax liabilities during the Track Record Period and its components as at 31 December 2022, 2023, 2024 and 30 June 2025 were as follows:

The Group

	Right-of-use assets	Accelerated depreciation allowance	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	8,730	21,402	11,294	41,426
Recognised in profit or loss (note 9) . . .	(3,233)	(345)	(2,824)	(6,402)
At 31 December 2022 and 1 January 2023	5,497	21,057	8,470	35,024
Recognised in profit or loss (note 9) . . .	(2,825)	4,929	(2,823)	(719)
At 31 December 2023 and 1 January 2024	2,672	25,986	5,647	34,305
Recognised in profit or loss (note 9) . . .	(2,608)	(404)	(2,823)	(5,835)
At 31 December 2024 and 1 January 2025	64	25,582	2,824	28,470
Recognised in profit or loss (note 9) . . .	375	(462)	(1,412)	(1,499)
At 30 June 2025	<u>439</u>	<u>25,120</u>	<u>1,412</u>	<u>26,971</u>

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group did not recognised deferred tax assets arising from tax losses of RMB286,645,000, RMB410,140,000, RMB349,953,000 and RMB357,014,000 respectively. Under the current tax legislation, as at 31 December 2022, 2023 and 2024 and 30 June 2025, tax losses of RMB283,406,000, RMB398,388,000, RMB337,286,000 and RMB313,287,000 can be carried forward for ten years from the year when the loss is incurred. The remaining tax losses can be carried forward for five years from the year when the loss is incurred.

32. SHARE CAPITAL

	Number of shares	RMB'000
Issued and fully paid:		
At 1 January 2022	252,220,566	252,221
Issuance of shares for restricted shares incentive scheme (<i>note 34(a)</i>)	9,352,260	9,352
At 31 December 2022 and 1 January 2023	261,572,826	261,573
Issuance of shares for restricted shares incentive scheme (<i>note 34(b)</i>)	6,650,115	6,650
Repurchase and cancellation of shares under restricted share incentive scheme (<i>note 34(a)</i>)	(118,000)	(118)
At 31 December 2023 and 1 January 2024	268,104,941	268,105
Repurchase and cancellation of shares under restricted share incentive scheme (<i>note 34(a)</i>)	(63,100)	(63)
At 31 December 2024, 1 January 2025 and 30 June 2025 . .	268,041,841	268,042

33. RESERVES

The Company

The movement of the Company's reserves during the Track Record Period are as follows:

	Capital reserve	Shares held for restricted shares incentive scheme	Statutory reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	1,263,282	–	59,257	393,639	1,716,178
Transactions with owners:					
Issuance of shares in respect of restricted shares incentive scheme	49,648	(59,000)	–	–	(9,352)
Vesting of awarded shares under restricted shares incentive scheme (<i>note 34(a)</i>)	15,620	–	–	–	15,620
Share-based payment expense in respect of share options (<i>note 34(b)</i>)	4,976	–	–	–	4,976
Appropriation to statutory reserves	–	–	3,785	(3,785)	–
	70,244	(59,000)	3,785	(3,785)	11,244
Profit and total comprehensive income for the year	–	–	–	37,852	37,852
At 31 December 2022 and 1 January 2023	1,333,526	(59,000)	63,042	427,706	1,765,274
Transactions with owners:					
Exercise of share option	79,205	–	–	–	79,205
Repurchase of awarded shares under restricted shares incentive scheme	(651)	769	–	–	118

	Capital reserve	Shares held for restricted shares incentive scheme	Statutory reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Vesting of awarded shares under restricted shares incentive scheme (note 34(a))	34,037	–	–	–	34,037
Share-based payment expense in respect of share options (note 34(b))	990	–	–	–	990
Appropriation to statutory reserves	–	–	8,339	(8,339)	–
	<u>113,581</u>	<u>769</u>	<u>8,339</u>	<u>(8,339)</u>	<u>114,350</u>
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>83,386</u>	<u>83,386</u>
At 31 December 2023 and 1 January 2024	1,447,107	(58,231)	71,381	502,753	1,963,010
Transactions with owners:					
Repurchase of awarded shares under restricted shares incentive scheme (note 34(a))	(327)	390	–	–	63
Vesting of awarded shares under restricted shares incentive scheme (note 34(a))	9,610	–	–	–	9,610
Share-based payment expense in respect of share options (note 34(b))	2,424	–	–	–	2,424
Release of awarded shares under restricted shares incentive scheme	–	39,490	–	–	39,490
Appropriation to statutory reserves	–	–	17,063	(17,063)	–
Dividend declared	<u>–</u>	<u>–</u>	<u>–</u>	<u>(43,691)</u>	<u>(43,691)</u>
	<u>11,707</u>	<u>39,880</u>	<u>17,063</u>	<u>(60,754)</u>	<u>7,896</u>
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>170,630</u>	<u>170,630</u>
At 31 December 2024 and 1 January 2025	1,458,814	(18,351)	88,444	612,629	2,141,536
Transactions with owners:					
Share-based payment expense in respect of share options (note 34(b))	3,499	–	–	–	3,499
Release of awarded shares under restricted shares incentive scheme	–	18,215	–	–	18,215
Dividend declared	<u>–</u>	<u>–</u>	<u>–</u>	<u>(58,969)</u>	<u>(58,969)</u>
	<u>3,499</u>	<u>18,215</u>	<u>–</u>	<u>(58,969)</u>	<u>(37,255)</u>
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>145,423</u>	<u>145,423</u>
At 30 June 2025	<u>1,462,313</u>	<u>(136)</u>	<u>88,444</u>	<u>699,083</u>	<u>2,249,704</u>

	Capital reserve	Shares held for restricted shares incentive scheme	Statutory reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Balance as at 31 December 2023 and 1 January 2024 . .	1,447,107	(58,231)	71,381	502,753	1,963,010
Transactions with owners:					
Dividend declared	–	–	–	(35,650)	(35,650)
Repurchase of awarded shares under restricted shares incentive scheme (note 34(a))	(327)	390	–	–	63
Vesting of awarded shares under restricted shares incentive scheme (note 34(a))	5,042	–	–	–	5,042
	4,715	390	–	(35,650)	(30,545)
Profit and total comprehensive income for the period	–	–	–	107,713	107,713
Balance as at 30 June 2024 . .	1,451,822	(57,841)	71,381	574,816	2,040,178

The Group

During the Track Record Period, the amounts of the Group's reserves and the changes therein are presented in the consolidated statements of changes in equity.

Capital reserve

Capital reserve mainly represents the excess of the net proceeds from issuance of shares of the Company over its par value.

Capital reserve also includes (i) the difference between the consideration to acquire additional interest in subsidiaries and the respective share of the carrying amounts of net assets acquired, (ii) the reserve for difference between the market price value at the grant date and grant price value of the restricted shares and (iii) the fair value of share options granted to directors and employees and is dealt with in accordance with the accounting policy set out in note 2.21.

Shares held for restricted shares incentive scheme

Shares held for restricted shares incentive scheme are determined using the grant price value of restricted shares that have been granted, which are held by the Group's trustee.

Statutory reserves

Statutory reserves represent the amounts set aside from the retained earnings by certain subsidiaries incorporated in the PRC. In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to the PRC accounting standards and regulations to legal reserves until such reserves have reached 50% of registered capital. These reserves can only be used for specific purposes and are not distributable or transferable to loans, advances and cash dividends.

Translation reserve

Translation reserve comprise all foreign exchange differences arising from translating the financial statements of foreign operations. The reserve is treated in accordance with the accounting policy in note 2.4.

34. SHARE-BASED PAYMENT

(a) Restricted shares incentive scheme

Pursuant to the restricted shares incentive scheme in 2021 (the “Restricted Share Incentive Scheme 2021”) and 2022 (the “Restricted Share Incentive Scheme 2022”), 3,361,000 and 5,991,260 restricted shares were granted to the selected participants in 2021 and 2022 respectively. The respective grant dates of Restricted Shares Incentive Scheme 2021 and 2022 are 5 January 2022 and 1 December 2022 respectively.

The selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the issue of the restricted shares to the vesting date (both dates inclusive) of such restricted shares, which shall however only be vested by the selected participants on the vesting date subject to fulfilment of vesting conditions of the restricted shares.

The selected participants include certain directors of the Company, certain members of senior management and employees of the Group who subscribed for the restricted shares at RMB6.52 per share under the terms of the Restricted Share Incentive Scheme 2021 and RMB6.19 per share under the terms of the Restricted Share Incentive Scheme 2022.

Under the terms of the restricted shares incentive schemes, if the vesting conditions: (a) performance target of the Company and (b) individual performance evaluation requirement on selected participants are fulfilled, the restricted shares shall be vested by 50% and 50% on each of the vesting period, respectively. During the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, nil, 118,000, 63,100 and 22,000 unvested restricted shares were forfeited respectively as certain vesting conditions were not fulfilled.

For the selected participants who do not meet the vesting conditions, the unvested restricted shares remaining at the end of the Restricted Share Incentive Scheme 2021 and Restricted Share Incentive Scheme 2022 are to be forfeited.

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>Number of restricted shares</i>			
Restricted Share Incentive Scheme 2021				
At the beginning of the year/period	–	3,361,000	1,610,500	–
Granted during the year/period	3,361,000	–	–	–
Forfeited during the year/period	–	(118,000)	–	–
Released during the year/period	–	(1,632,500)	(1,610,500)	–
At the end of the year/period	<u>3,361,000</u>	<u>1,610,500</u>	<u>–</u>	<u>–</u>
	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>Number of restricted shares</i>			
Restricted Share Incentive Scheme 2022				
At the beginning of the year/period	–	5,991,260	5,991,260	2,964,632
Granted during the year/period	5,991,260	–	–	–
Forfeited during the year/period	–	–	(63,100)	(22,000)
(note)	–	–	(2,963,528)	(2,942,632)
Released during the year/period	–	–	(2,963,528)	(2,942,632)
At the end of the year/period	<u>5,991,260</u>	<u>5,991,260</u>	<u>2,964,632</u>	<u>–</u>

Note: In May 2025, 22,000 restricted shares were forfeited due to failure to meet the performance conditions. The cancellation of forfeited restricted shares were completed on 24 July 2025.

The fair value of the restricted shares issued was assessed based on the difference of the market price of the Company's shares at the respective grant date and the subscription price. The weighted average fair value of restricted shares granted during the year ended 31 December 2022 under Restricted Share Incentive Scheme 2021 and Restricted Share Incentive Scheme 2022 were approximately RMB6.76 and RMB6.10 per share respectively.

During the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, the Group's trustee transferred nil, 1,632,500, 4,574,028 and 2,942,632 ordinary shares of the Company to the share awardees upon vesting of the awarded shares.

The Group recognised the expense of RMB15,620,000, RMB34,037,000, RMB9,610,000 and RMBnil for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025 in relation to the restricted share incentive schemes respectively.

(b) Share options

The Company has share option schemes which were adopted in February 2021 (the "Share Option Scheme 2021") and August 2024 (the "Share Option Scheme 2024") respectively. Pursuant to Share Option Scheme 2021 and Share Option Scheme 2024, the directors of the Company are recognised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

On 4 March 2021 and 26 August 2024, the Company granted 15,620,000 and 15,593,000 share options to the employees and directors under the Share Option Scheme 2021 and Share Option Scheme 2024 respectively. Each share option entitles the holder to subscribe for one share of the Company at an exercise price of RMB12.91 and RMB29.48 under the Share Option Scheme 2021 and Share Option Scheme 2024 respectively. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 3 March 2024 and 25 August 2027 respectively.

50% and 50% of the options vest at first and second anniversary date of grant date and then exercisable within a period of twelve months. Options granted may have certain performance requirements in addition to services. If the performance conditions are not satisfied, the options are forfeited. Each option gives the holder the right to subscribe for one ordinary share in the Company.

All share options will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The terms and conditions of the grants are as follows:

	<u>Number of options</u>	<u>Vesting period</u>	<u>Contractual life of options</u>
Share Option Scheme 2021			
Options granted to directors			
4 March 2021	50,000	1 year from the date of grant	2 years
	50,000	2 years from the date of grant	3 years
Options granted to senior management			
4 March 2021	35,000	1 year from the date of grant	2 years
	35,000	2 years from the date of grant	3 years
Options granted to employee			
4 March 2021	7,725,000	1 year from the date of grant	2 years
	7,725,000	2 years from the date of grant	3 years

	<u>Number of options</u>	<u>Vesting period</u>	<u>Contractual life of options</u>
Share Option Scheme 2024			
Options granted to directors			
26 August 2024	75,000	1 year from the date of grant	2 years
	75,000	2 years from the date of grant	3 years
Options granted to senior management			
26 August 2024	37,500	1 year from the date of grant	2 years
	37,500	2 years from the date of grant	3 years
Options granted to employee			
26 August 2024	7,684,000	1 year from the date of grant	2 years
	7,684,000	2 years from the date of grant	3 years

Share options and weighted average exercise price are as follows for Track Record Period presented:

	<u>As at 31 December</u>						<u>As at 30 June</u>	
	<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>	
	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>
		<i>RMB</i>		<i>RMB</i>		<i>RMB</i>		<i>RMB</i>
Outstanding at the beginning of the year/period	15,620,000	12.91	15,620,000	12.91	-	-	15,593,000	29.48
Granted	-	-	-	-	15,593,000	29.48	-	-
Cancelled	-	-	(8,969,885)	12.91	-	-	-	-
Exercised	-	-	(6,650,115)	12.91	-	-	-	-
Outstanding at the end of the year/period . .	<u>15,620,000</u>	<u>12.91</u>	<u>-</u>	<u>-</u>	<u>15,593,000</u>	<u>29.48</u>	<u>15,593,000</u>	<u>29.48</u>
Exercisable at the end of the year/period . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options outstanding at 31 December 2022 and 2024, and 30 June 2025 had a weighted average remaining contractual life of 1.17 years, 2.66 years and 2.16 years respectively.

The fair values of options granted were determined using the Black-Scholes Option Pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share Option Scheme 2021

Share price	RMB11.79
Expected volatility	18.63%-18.95%
Expected option life	1-2 years
Dividend yield	0%
Risk-free interest rate	1.50%-2.10%
Fair value at grant date	RMB0.52-1.01
Exercise price	<u>RMB12.91</u>

Share Option Scheme 2024

Share price	RMB26.07
Expected volatility	12.88%-12.92%
Expected option life	1-2 years
Dividend yield	0%
Risk-free interest rate.	1.50%-2.10%
Fair value at grant date	RMB0.4-1.07
Exercise price	<u>RMB29.48</u>

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes Option Pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, RMB4,976,000, RMB990,000, RMB2,424,000 and RMB3,499,000 of employee compensation expense has been recognised in profit or loss for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2025, respectively. The corresponding amount of which has been credited to “capital reserve”. No liability was recognised due to share options.

35. RELATED PARTY TRANSACTIONS

Other than disclosed in note 11, the Group had the following transactions with its related parties:

Compensation of key management personnel

Key management of the Group are the executive directors. The emoluments of directors were determined by the Remuneration Committee having regard to the performance of individual and market trends. The remuneration of key management personnel during the Track Record Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	6,503	6,624	6,541	3,323	3,219
Share based payment expenses.	319	504	116	68	30
Contribution to retirement benefit schemes	120	140	192	108	111
Other employee benefit	127	146	189	111	108
	<u>7,069</u>	<u>7,414</u>	<u>7,038</u>	<u>3,610</u>	<u>3,468</u>

36. COMMITMENTS

36.1 Capital Commitments

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
– Acquisition of property, plant and equipment	<u>19,807</u>	<u>234,927</u>	<u>143,979</u>	<u>210,032</u>

36.2 Lease Commitments

As a lessee

As at 31 December 2022, 2023, 2024 and 30 June 2025, the lease commitments for non-cancellable short-term leases are as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	<u>540</u>	<u>540</u>	<u>21,979</u>	<u>8,101</u>

As lessor

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	<u>992</u>	<u>924</u>	<u>1,031</u>	<u>308</u>

37. RECONCILIATIONS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below set out the reconciliation of liabilities arising from financing activities.

	Bank borrowings	Other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	733,676	174,733	117,691	1,026,100
Cash flows				
– Repayment	(1,253,841)	(184,559)	–	(1,438,400)
– Proceeds	1,432,719	265,550	–	1,698,269
– Interest paid	(34,390)	–	–	(34,390)
– Capital element of lease paid . . .	–	–	(47,166)	(47,166)
– Interest element of lease paid . . .	–	–	(5,541)	(5,541)
Non-cash transactions				
– New leases	–	–	11,401	11,401
– Finance costs	39,115	13,247	5,541	57,903
– Exchange difference	<u>(4,265)</u>	<u>–</u>	<u>–</u>	<u>(4,265)</u>
At 31 December 2022 and 1 January 2023.	913,014	268,971	81,926	1,263,911
Cash flows				
– Repayment	(1,530,185)	(249,303)	–	(1,779,488)
– Proceeds	1,727,924	–	–	1,727,924
– Interest paid	(33,849)	–	–	(33,849)
– Capital element of lease paid . . .	–	–	(53,100)	(53,100)
– Interest element of lease paid . . .	–	–	(4,259)	(4,259)
Non-cash transactions				
– New leases	–	–	154,731	154,731
– Finance costs	<u>34,923</u>	<u>21,941</u>	<u>4,259</u>	<u>61,123</u>

	Bank borrowings	Other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023 and				
1 January 2024.	1,111,827	41,609	183,557	1,336,993
Cash flows				
– Repayment	(1,668,561)	(43,107)	–	(1,711,668)
– Proceeds	1,640,585	–	–	1,640,585
– Interest paid	(43,891)	–	–	(43,891)
– Capital element of lease paid . . .	–	–	(36,026)	(36,026)
– Interest element of lease paid . . .	–	–	(7,752)	(7,752)
Non-cash transactions				
– New leases	–	–	8,541	8,541
– Finance costs	43,640	1,498	7,752	52,890
At 31 December 2024 and				
1 January 2025.	1,083,600	–	156,072	1,239,672
Cash flows				
– Repayment	(623,863)	–	–	(623,863)
– Proceeds	1,313,148	–	–	1,313,148
– Interest paid	(19,692)	–	–	(19,692)
– Capital element of lease rentals paid	–	–	(10,197)	(10,197)
– Interest element of lease rentals paid	–	–	(3,398)	(3,398)
Non-cash transactions				
– New lease	–	–	1,569	1,569
– Modifications	–	–	753	753
– Finance costs	20,865	–	3,398	24,263
– Exchange difference	–	–	(432)	(432)
At 30 June 2025	<u>1,774,058</u>	<u>–</u>	<u>147,765</u>	<u>1,921,823</u>
(Unaudited)				
At 1 January 2024	1,111,827	41,609	183,557	1,336,993
Cash flows				
– Repayment	(760,547)	(37,718)	–	(798,265)
– Proceeds	795,755	–	–	795,755
– Interest paid	(26,856)	–	–	(26,856)
– Capital element of lease paid . . .	–	–	(27,830)	(27,830)
– Interest element of lease paid . . .	–	–	(3,970)	(3,970)
Non-cash transactions				
– New leases	–	–	8,541	8,541
– Finance costs	27,058	1,104	3,970	32,132
– Exchange difference	–	–	286	286
At 30 June 2024	<u>1,147,237</u>	<u>4,995</u>	<u>164,554</u>	<u>1,316,786</u>

38. BUSINESS COMBINATIONS

(a) Acquisition of AEI

On 20 December 2021, the Group had entered into a sales and purchase agreement to acquire 100% equity interest of AEI, a Delaware corporation who was mainly engaged in trading and research and development activities. The consideration for the acquisition was US\$7,300,000 (equivalents to approximately RMB46,535,000) and the acquisition was completed on 31 January 2022. The acquisition was made with the aims to enhance business scale of the Group and expand market scope of the Group.

(b) Acquisition of Actiontec Shanghai

On 20 December 2021, the Group had entered into share transfer agreement to acquire 100% equity interest of Actiontec Shanghai, a company incorporated in the PRC who was mainly engaged in research and development activities. The cash consideration for the acquisition was approximately RMB1,970,000 and the acquisition was completed on 31 January 2022. The acquisition was made with the aims to enhance business scale of the Group and expand market scope of the Group.

Details of the aggregate fair values of the identifiable assets and liabilities of the acquirees as at the date of acquisition are as follows:

	AEI	Actiontec Shanghai	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (<i>note 14</i>)	25	141	166
Intangible assets (<i>note 18</i>)	303	–	303
Inventories	27,881	–	27,881
Trade receivables	28,124	1,622	29,746
Prepayments	3,094	–	3,094
Cash and cash equivalents	4,994	642	5,636
Trade payables	(106,486)	–	(106,486)
Contract liabilities	(1,906)	–	(1,906)
Other payables and accruals	(8,463)	(435)	(8,898)
Net (liabilities)/assets acquired	(52,434)	1,970	(50,464)
Less: cash considerations	(46,535)	(1,970)	(48,505)
Goodwill (<i>note 17</i>)	(98,969)	–	(98,969)
Deposits paid in December 2021	21,359	–	21,359
Consideration paid during the year ended 31 December 2022	25,176	1,970	27,146
Total cash consideration	46,535	1,970	48,505
Less: Cash and cash equivalents acquired	(4,994)	(642)	(5,636)
Cash outflows arising on acquisition through business combinations	41,541	1,328	42,869

• **Acquired receivables**

The fair value of acquired trade receivables and prepayments as at the date of acquisition were approximately RMB32,840,000. The gross contractual amount for trade receivables, due was approximately RMB29,746,000 on acquisition.

• **Revenue and profit contribution**

Since the acquisition date, AEI and Actiontec Shanghai had contributed US\$57,161,000 (equivalents to approximately RMB381,274,000) and RMB10,635,000 to revenue and US\$1,852,000 (equivalents to approximately RMB12,324,000) and loss of RMB2,477,000 to profit for the year ended 31 December 2022 respectively.

If the acquisition of AEI had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been increased by approximately RMB21,508,000 and decreased by approximately RMB15,215,000 respectively.

If the acquisition of Actiontec Shanghai had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would had been increased by approximately RMB3,197,000 and RMB2,122,000 respectively.

Goodwill arose from the acquisition of AEI because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits were not recognised separately from goodwill, because they did not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisitions were not expected to be deductible for tax purpose.

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

39.1 Categories of financial assets and liabilities

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost				
Trade and bills receivables	1,606,878	1,115,577	1,238,116	1,580,191
Deposits and other receivables	4,460	8,441	14,660	11,720
Pledged deposits	35,500	20,000	20,000	20,000
Cash and cash equivalents	354,707	417,977	507,341	588,231
	<u>2,001,545</u>	<u>1,561,995</u>	<u>1,780,117</u>	<u>2,200,142</u>
Financial assets at FVTPL				
Other financial assets	<u>4,560</u>	<u>14,560</u>	<u>14,560</u>	<u>14,560</u>

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39.2 Foreign currency risk

The Group's subsidiaries mainly operate in the PRC, the USA and Japan and majority of the transactions are settled in RMB, USD and JPY, being the functional currency of the Group entities to which the transactions relate. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

Exposure to foreign currencies as at 31 December 2022				
	USD	JPY	Other currencies	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	1,722,078	3,007	6,015	1,731,100
Liabilities	(510,265)	(11,672)	–	(521,937)
Net exposure	1,211,813	(8,665)	6,015	1,209,163

Exposure to foreign currencies as at 31 December 2023				
	USD	JPY	Other currencies	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	1,211,165	6,749	8,836	1,226,750
Liabilities	(289,431)	(7,127)	(7)	(296,565)
Net exposure	921,734	(378)	8,829	930,185

Exposure to foreign currencies as at 31 December 2024				
	USD	JPY	Other currencies	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	1,497,795	11,333	3,951	1,513,079
Liabilities	(471,109)	(3,491)	(125)	(474,725)
Net exposure	1,026,686	7,842	3,826	1,038,354

Exposure to foreign currencies as at 30 June 2025				
	USD	JPY	Other currencies	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	2,009,309	13,717	4,632	2,027,658
Liabilities	(632,062)	(3,603)	(1,659)	(637,324)
Net exposure	1,377,247	10,114	2,973	1,390,334

As at 31 December 2022, 2023, 2024 and 30 June 2025, if RMB appreciates or depreciates by 5% against the USD, the net profit of the Group will increase or decrease by RMB60,591,000, RMB46,087,000, RMB51,334,000 and RMB68,862,000. Management believes that 5% is a reasonable range of possible changes in the RMB against the USD.

Other change in foreign exchange rates have no significant impact on foreign currency risk.

39.3 Interest rate risk

Other than the interest-bearing bank deposits, the Group has no other significant interest-bearing assets bearing variable rates. It is not anticipated there is any significant impact to these interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's bank borrowings bearing floating rates expose the Group to cash flow interest rate risk. The Group has not hedged against such a risk as it does not see the benefit in so doing.

Based on the balance of its interest-bearing borrowings as at 31 December 2022, 2023, 2024 and six months ended 30 June 2025, it is estimated that should there be a general increase/decrease of 100 basis point change in interest rates, the Group's results of operations profits for the years ended 31 December 2022, 2023, 2024 and 30 June 2025 would be affected by approximately RMB561,000, RMB582,000, RMB1,784,000 and RMB3,137,000, respectively.

39.4 Price risk

The Group is not exposed to significant price risk as there has been no involvement with equity investment on an active market.

39.5 Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's maximum exposure to credit risk for the components of the consolidated statements of financial position at 31 December 2022, 2023, 2024 and 30 June 2025 is the carrying amount as disclosed in note 39.1.

Trade receivables from third parties

The Group's policy is to deal with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Shorter or no credit terms are granted to the customers who are not considered creditworthy are required to pay on delivery of goods and services. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

As at 31 December 2022, 2023, 2024 and 30 June 2025, in terms of gross carrying amounts, 39.1%, 28.2%, 42.6% and 38.5% of the total trade receivables was due from the Group's largest customer, and 62.7%, 69.3%, 68.8% and 67.4% of the total trade receivables were due from the Group's top five customers.

The Group applied the simplified approach to provide for impairment for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables.

For trade receivables, the Group assesses ECL under IFRS 9 based on shared credit risk characteristics and aging as well as the corresponding historical credit losses during that period. The Directors assessed these relevant information of the debtors as at 31 December 2022, 2023, 2024 and 30 June 2025. Based on the assessment, the Directors considered that there was no material change of the credit risk on the Group's trade receivables as at 31 December 2022, 2023, 2024 and 30 June 2025. As at 31 December 2022, 2023 and 2024, loss rate of 1.02%, 10%, 50% and 100% were adopted by the Group for the trade receivables aged within 1 year, 1 to 2 years, 2 to 3 years and over 3 years, respectively. As at 30 June 2025, loss rate of 1.04%, 10%, 50% and 100% were adopted by the Group for the trade receivables aged within 1 year, 1 to 2 years, 2 to 3 years and over 3 years, respectively.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, pledged deposits and cash at bank.

In order to minimise the credit risk of deposits and other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information, and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group applies the IFRS 9 three-stage approach to measure ECL for deposits and other receivables.

As at 31 December 2022, 2023, 2024 and 30 June 2025, since the credit risk of deposits and other receivables of approximately RMB4,135,000, RMB4,900,000, RMB9,491,000 and RMB5,941,000 is considered not significantly increased since initial recognition, therefore the impairment provision is determined as 12-month ECL, and ECL rates of 5%, 5%, 5% and 5%, were provided.

As at 31 December 2022, 2023, 2024 and 30 June 2025, the Group determines that the credit risk of deposits and other receivables of approximately RMB592,000, RMB4,271,000, RMB8,123,000 and RMB10,013,000 is considered significantly increased since initial recognition, therefore the impairment provision is determined as lifetime ECL (non-credited impaired), and ECL rates of 10.49%, 11.35%, 30.52% and 39.32%, were provided, while RMB5,604,000, RMB5,152,000, RMB2,749,000 and RMB2,747,000 is determined as lifetime ECL (credited impaired) respectively, therefore, full provision was provided as at 31 December 2022, 2023, 2024 and 30 June 2025.

To manage this risk arising from pledged deposits and cash at banks, the Group mainly transacts with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

39.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

The Group

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022						
Non-derivative financial liabilities						
Trade and bills payables .	1,780,381	–	–	–	1,780,381	1,780,381
Other payables and accruals	180,566	–	–	–	180,566	180,566
Lease liabilities	47,820	37,844	–	–	85,664	81,926
Bank borrowings	927,260	–	–	–	927,260	913,014
Other borrowings	196,241	96,055	18,593	–	310,889	268,971
	<u>3,132,268</u>	<u>133,899</u>	<u>18,593</u>	<u>–</u>	<u>3,284,760</u>	<u>3,224,858</u>

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

As at 31 December 2023

Non-derivative financial liabilities

Trade and bills payables .	864,443	–	–	–	864,443	864,443
Other payables and accruals	137,203	–	–	–	137,203	137,203
Lease liabilities	45,715	23,770	73,728	72,800	216,013	183,557
Bank borrowings	1,134,174	–	–	–	1,134,174	1,111,827
Other borrowings	43,107	–	–	–	43,107	41,609
	<u>2,224,642</u>	<u>23,770</u>	<u>73,728</u>	<u>72,800</u>	<u>2,394,940</u>	<u>2,338,639</u>

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024						
Non-derivative financial liabilities						
Trade and bills payables	1,234,954	—	—	—	1,234,954	1,234,954
Other payables and accruals	148,472	—	—	—	148,472	148,472
Lease liabilities	26,688	27,005	77,595	50,363	181,651	156,072
Bank borrowings	1,008,231	92,678	—	—	1,100,909	1,083,600
	<u>2,418,345</u>	<u>119,683</u>	<u>77,595</u>	<u>50,363</u>	<u>2,665,986</u>	<u>2,623,098</u>

	Within 1 year or on demand	After 1 but within 2 years	After 2 but within 5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2025						
Non-derivative financial liabilities						
Trade and bills payables	1,594,909	—	—	—	1,594,909	1,594,909
Other payables and accruals	112,570	—	—	—	112,570	112,570
Lease liabilities	27,592	27,433	78,239	36,692	169,956	147,765
Bank borrowings	1,721,779	78,621	—	—	1,800,400	1,774,058
	<u>3,456,850</u>	<u>106,054</u>	<u>78,239</u>	<u>36,692</u>	<u>3,677,835</u>	<u>3,629,302</u>

39.7 Fair value measurements

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

As at 31 December 2022				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
– Unlisted equity investments	—	—	4,560	4,560

As at 31 December 2023			
Level 1	Level 2	Level 3	Total
RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
– Unlisted equity investments	=	=	<u>14,560</u>
			<u>14,560</u>

As at 31 December 2024			
Level 1	Level 2	Level 3	Total
RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
– Unlisted equity investments	=	=	<u>14,560</u>
			<u>14,560</u>

As at 30 June 2025			
Level 1	Level 2	Level 3	Total
RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
– Unlisted equity investments	=	=	<u>14,560</u>
			<u>14,560</u>

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements and the sensitivity analysis of fair value to the inputs:

Fair value				Valuation technique	Significant unobservable input	Range of inputs (probability-weighted average)	Sensitivity of fair value to the input
As at 31 December			As at 30 June				
2022	2023	2024	2025				
RMB'000	RMB'000	RMB'000	RMB'000				
Financial assets at FVTPL							
– Unlisted equity investments . . .	4,560	14,560	14,560	14,560	Recent transaction price	N/A	N/A
						N/A	N/A

40. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

In order to maintain a desirable ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of the debt to asset ratio (i.e. total liabilities divided by total assets). As at 31 December 2022, 2023, 2024 and 30 June 2025, the Group's debt to asset ratio is 63.2%, 51.7%, 52.6% and 59.4% respectively.

41. CONTINGENT LIABILITIES

CIG US is involved in a patent infringement lawsuit in the Northern District of California concerning eight patents related to optical module technologies. The court stayed the case in April 2025 after CIG US initiated inter partes review (IPR) proceedings for five of the patents. By late August 2025, four of the petitions were denied and one was granted, with oral arguments for the granted petition scheduled for June 2026. CIG USA is asking to review two of the rejected petitions and plans to challenge by filing a writ of mandamus with the U.S. Court of Appeals. In the opinion of the Directors, the court will resume litigation after all IPR outcomes are finalized, and no contingent liability has been recognized.

As of 31 December 2022, 2023, 2024 and 30 June 2025, the Group did not have any other material contingent liabilities, except for disclosed above.

42. EVENTS AFTER THE REPORTING DATE

On 18 August 2025, the Board of Directors resolved to distribute an interim dividend, representing not less than 10% of net profit for six months ended 30 June 2025 (i.e. approximately RMB 12,114,000). The interim dividend proposed after 30 June 2025 has not been recognised as a liability as at 30 June 2025.

The Group has evaluated the events after 30 June 2025 through the date of these Historical Financial Information. The Group is not aware of any other significant events after 30 June 2025 that would require recognition or disclosure in the Historical Financial Information except as disclosed above.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the Companies now comprising the Group in respect of any period subsequent to 30 June 2025 and up to the date of this report.