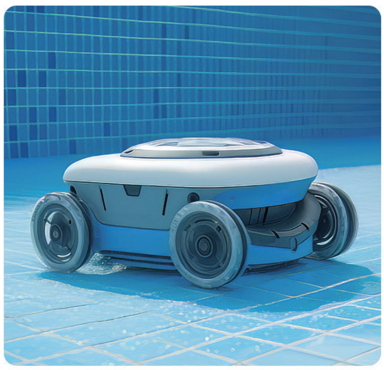
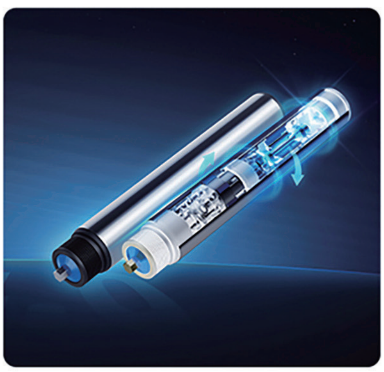
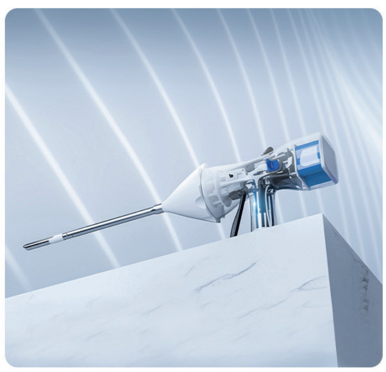
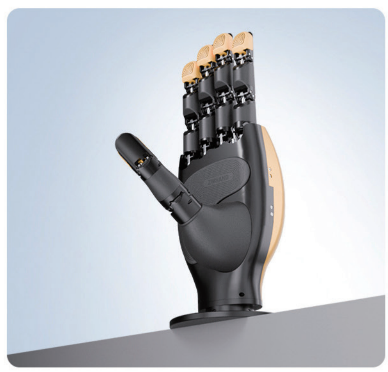
ZHAOWEI 兆威

Stock Code : 003021.SZ
Stock Code : 2692.HK

2026
中期報告
2026 INTERIM REPORT

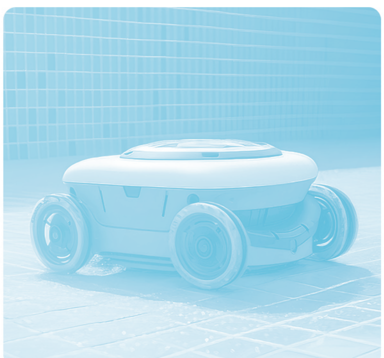






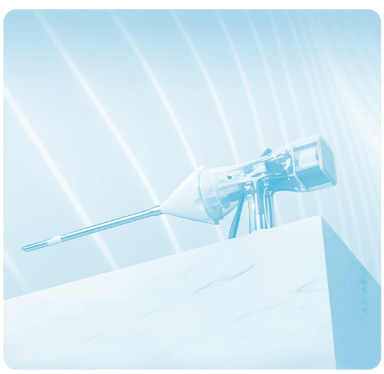
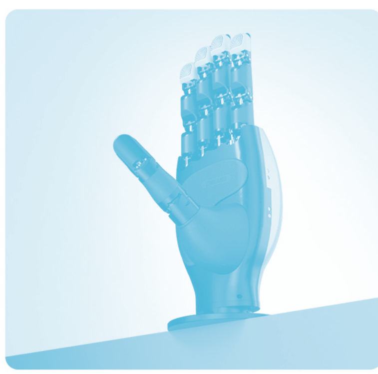
深圳市兆威机电股份有限公司

Shenzhen Zhaowei Machinery & Electronics Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Li Haizhou *(Chairperson)*
Ms. Xie Yanling *(Vice Chairperson)*
Mr. Ye Shubing
Mr. Li Ping

Employee Representative Director

Mr. Lu Zhiqiang

Independent Non-executive Directors

Ms. Guo Xinmei
Dr. Zhou Changjiang
Mr. Lin Sen

AUDIT COMMITTEE

Ms. Guo Xinmei *(Chairperson)*
Dr. Zhou Changjiang
Mr. Lin Sen

REMUNERATION COMMITTEE

Dr. Zhou Changjiang *(Chairperson)*
Ms. Guo Xinmei
Mr. Ye Shubing

NOMINATION COMMITTEE

Ms. Guo Xinmei *(Chairperson)*
Dr. Zhou Changjiang
Mr. Li Haizhou

STRATEGY AND ESG COMMITTEE

Mr. Li Haizhou *(Chairperson)*
Ms. Xie Yanling
Mr. Ye Shubing
Mr. Li Ping
Dr. Zhou Changjiang

COMPLIANCE ADVISOR

Guosen Securities (HK) Capital Company Limited
Suites 3207-3212, Level 32
One Pacific Place, No. 88 Queensway
Hong Kong

REGISTERED OFFICE IN THE PRC

Room 101, Office Building
No. 62 Yanhu Road
Yanchuan Community
Yanluo Subdistrict
Bao'an District
Shenzhen City
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 101, Office Building
No. 62 Yanhu Road
Yanchuan Community
Yanluo Subdistrict
Bao'an District
Shenzhen City
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Niu Dongfeng
Ms. Cheng Choi Ha *(ACG HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. Li Haizhou
Ms. Cheng Choi Ha

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

Baker & McKenzie
14/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

PRC LEGAL ADVISER

AllBright Law Offices (Shenzhen)
21-23/F, Tower 1 Excellence Century Centre
Fu Hua Third Road, Futian District
Shenzhen City
PRC

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Shenzhen Fuyong Branch
1/F, No. 349 Fuyong Avenue
Fuyong Town, Bao'an District
Shenzhen City, Guangdong province
PRC

Bank of Ningbo Shenzhen Branch
G/F, Huangting Building
Jintian Road, Futian District
Shenzhen City, Guangdong Province
PRC

STOCK CODE

A Shares: 003021 (Shenzhen Stock Exchange)
H Shares: 2692 (Hong Kong Stock Exchange)

WEBSITE ADDRESS

http://www.szzhaowei.net

FINANCIAL HIGHLIGHTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2026, together with comparative figures for the six months ended June 30, 2025.

Our revenue increased by 3.80% from RMB786.57 million for the six months ended 30 June 2025 to RMB816.45 million for the six months ended 30 June 2026.

Our gross profit decreased by 0.13% from RMB251.44 million for the six months ended 30 June 2025 to RMB251.12 million for the six months ended 30 June 2026.

Our net profit decreased by 34.10% from RMB113.27 million for the six months ended 30 June 2025 to RMB74.65 million for the six months ended 30 June 2026.

	Six months ended June 30	
	2026	2025
	RMB '000	RMB '000
Revenue	**816,448.46**	786,568.70
Gross profit	**251,117.67**	251,437.30
(Loss)/profit before tax	**81,711.59**	124,954.61
(Loss)/profit for the period	**74,645.69**	113,271.16
(Loss)/profit for the period attributable to shareholders of the Company	**74,645.69**	113,271.16
Total comprehensive (expenses)/income for the period	**73,266.41**	112,439.65
Total comprehensive (expenses)/income for the period attributable to shareholders of the Company	**73,266.41**	112,439.65

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

I am pleased to present the results of Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (the "**Company**" or "**Shenzhen Zhaowei**"), its subsidiaries and its controlled entities (the "**Group**") for the six months ended 30 June 2026 (the "**Reporting Period**").

FINANCIAL PERFORMANCE SUMMARY

The Group recorded a profit attributable to equity holders of the Company of approximately RMB74.65 million for the six months ended 30 June 2026, which decreased by approximately RMB38.62 million, or 34.10%, as compared to a profit attributable to owners of the Company of approximately RMB113.27 million for the six months ended 30 June 2025. The basic and diluted earnings per share were RMB0.30 and RMB0.29 respectively for the six months ended 30 June 2026, as compared to the basic and diluted earnings per share of RMB0.47 and RMB0.47 respectively for the six months ended 30 June 2025.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2026, the Group continued to advance its strategic initiatives across various business segments and maintained steady revenue growth despite a challenging operating environment. For the Reporting Period, we recorded revenue of approximately RMB816.45 million, representing an increase of 3.80% as compared to the corresponding period of last year.

In the first half of 2026, under the leadership of the Board of Directors, the Company's management team strictly adhered to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and other laws and regulations, as well as the articles of association of Shenzhen Zhaowei Machinery & Electronics Co., Ltd., to standardize corporate governance. We remained committed to market stability, strategic focus, and transformation resilience, maintaining steady development. All operational management tasks and major project constructions progressed in an orderly manner. During the Reporting Period, the Company achieved operating revenue of RMB816.45 million, representing an increase of 3.80% as compared to the corresponding period of last year.

The Company, upholding the concept of continuous innovation, has established a "1+1+1" collaborative innovation framework integrating transmission, motor, and electronic control to meet the high demands of the digital and intelligent era for microsystem integration, rapid responsiveness, and spatial efficiency. Focusing on high-growth industries undergoing intelligent transformation, such as intelligent automotives, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics, we deeply engage in scenario-specific customization, building deep technical expertise and a stable customer foundation. Currently, ZHAOWEI focuses on familiar and "certain" sectors to build a solid foundation while gradually forging a results-oriented, highly motivated team. In 2026, waves of artificial intelligence, such as embodied robotics and smart terminals, will create major industries, vast opportunities, and significant market potential. We will solidify our core competitiveness in "transmission + motor + electronic control", strengthening each individual "1" and enhancing our capability to integrate them (the "+"). We will deepen platform empowerment, leveraging our component expertise to advance standardization, platformization, and branding, utilizing AI+ to enhance efficiency, and anchoring our core competencies more deeply and robustly.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company's key work initiatives were as follows:

(1) Continuously Optimize the Management System to Strengthen the Foundation for Refined Management

The Company further improved its management system, maintaining the continuous operation of its Executive Management Team (EMT) mechanism. With a mature EMT operating mechanism, we continuously enhance management efficiency and leverage collective decision-making advantages to separate decisions regarding people and operations. We comprehensively promote the principles of "scientific procurement" and "transparent procurement", enhancing sourcing development and innovation capabilities, advancing the development of procurement information and data capabilities, strengthening systematic management of supplier resources, and reinforcing the establishment and operation of expert procurement teams. We are advancing category procurement management, coordinating multiple departments, channels, and measures to drive procurement cost reduction. We are deeply promoting comprehensive quality management, enhancing quality control capabilities and product quality, strengthening end-to-end quality management across the entire supply chain to ensure strict control over inputs and outputs. This includes improving supplier quality management to secure the first line of defense and ensuring rapid response to customer issues to guarantee quality service. We are promoting the integration of production, supply, and sales, optimizing inventory management, and advancing the digital construction of an integrated supply chain system, with a focus on MES, production-supply-sales integration, and tooling and equipment management. We aim to enhance the cost competitiveness, manufacturing capability, and quality level of in-house produced parts such as powder metallurgy components, machining, printed circuit board assembly (PCBA), and micro and special motors. We are diligently breaking down and implementing work objectives, optimizing the operational mechanism for supervising and auditing the Company's management indicators to ensure the advancement and realization of strategic goals. By clarifying responsibilities and authorities, and improving service support capabilities, we ensure the orderly progress of all tasks.

(2) Enhance R&D and Innovation Capabilities to Maintain Core Competitive Advantages

During the Reporting Period, the Company continuously pursued technological improvements based on existing product manufacturing processes and technologies. By leveraging both internal and external resources, we upgraded existing manufacturing processes and equipment, enhancing our capabilities in informatization, automation, and intelligence to maintain our leading position in the micro transmission and drive industry. We are committed to advancing process and technological innovation, increasing R&D investment in new products, new processes, and cleanroom construction. This improves our process and resource integration levels, further reduces production costs, increases product added value, and strengthens product competitiveness. We are continuously strengthening the talent pool of our R&D design team, gear technology team, electronic drive team, automation team, gear testing laboratory, and comprehensive testing laboratory, building a more competitive comprehensive development platform covering R&D, design, manufacturing, and testing.

Under the guidance of our "1+1+1" tri-integrated strategy, which synergizes transmission systems, micro motor systems and electronic control systems into a unified framework, we have established full-chain competitive strength, ranging from critical component development to intelligent, integrated solutions. We have transitioned from a single-component supplier to a comprehensive service provider offering integrated, industry-customized, and high-performance drive solutions. This enables us to respond more rapidly to the diverse needs of customers across different industries and further provide smarter, more efficient, and compact motion control solutions. Currently, the Company has developed products and solutions characterized by high precision, miniaturization, and ultra-thin design for various sectors, including intelligent automotives, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics.

(3) Adhere to Deep Industry Engagement and Actively Promote Business Development and Strategic Layout

We maintain a commitment to deep industry insights in sectors such as intelligent automotives, consumer and healthcare technology, advanced industry and smart manufacturing, and robotics. Using market insights as a starting point, we identify market demands and pain points, analyze challenges facing products of the clients, and fully leverage our resources and platform advantages to proactively provide customers with optimization solutions and recommendations. Keeping pace with market trends, we simultaneously delve deeper into our strong markets while continuously developing potential target markets. By integrating our existing resources, we strengthen operations in niche target markets, expanding our product visibility and brand influence. We will increase participation in major international and domestic exhibitions and allocate more resources to promotional activities on websites and new media platforms to continuously enhance brand value. We will strengthen our sales force, promote skill development among sales personnel, and build a sales team characterized by elite personnel, streamlined organization, and value-driven projects. We will enhance key account management, actively cultivate strategically valuable customers, and optimize the structure of our customer base and order portfolio. We will strengthen project initiation management, refine project selection and review mechanisms, and focus on major projects and large orders to increase the number of high-value projects. The Company's global expansion progressed steadily. The Suzhou Zhaowei Drive Industrial Park has become a key pillar for the Company's production and business layout in the East China region. In terms of overseas expansion, ZHAOWEI Thailand is under construction and will subsequently work in coordination with ZHAOWEI Germany and ZHAOWEI USA, laying a solid foundation for the Company to expand into international markets and deepen its global footprint.

(4) Strengthen Corporate Culture and Talent Development

During the Reporting Period, the Group further advanced its organizational talent transformation and performance management framework. Differentiated performance evaluation schemes were established across business segments, enhancing the closed-loop PDCA (Plan-Do-Check-Act) management system. Building upon its talent development foundation, the Group completed qualification assessments for all R&D positions and implemented a job grading system aligned with the IPD framework, thereby optimizing its leadership selection, training, deployment, and management mechanisms. In addition, sales assessment rules were reformulated to center on project-, customer-, and outcome-based metrics, while balancing internal talent pipeline cultivation with key external recruitment. To support its internationalization strategy, the Group established a multi-channel overseas recruitment system, standardized hiring processes against headcount budgets, updated multilingual recruitment policies and training materials, and fostered domestic-overseas team integration through corporate culture initiatives. These measures have enhanced operational efficiency and built a strong talent foundation for overseas expansion. Looking ahead, the Group will continue to strengthen its organizational and talent capabilities, fostering a virtuous cycle of mutual empowerment between talent and the organization to drive sustainable competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward, benefiting from the further development of downstream markets such as smart automotives, consumer electronics, medical devices, industrial automation, and robotics, the market size of the micro transmission and micro drive industry is gradually expanding, showcasing favorable development prospects. Capitalizing on its profound technological accumulation, well-designed production capacity layout and stable customer resources, the Company adheres to long-term strategic operations, focuses on the core advantages of precision micro drives to implement various operational plans in an orderly manner, and strives to achieve steady business growth and continuous improvement of comprehensive competitiveness. The Company's key operational plans for the next stage are as follows:

1. Pursuing a dual-track approach of proprietary brand building and deep customer cultivation to continuously expand market share. Guided by its "1+1+1" collaborative innovation strategy and comprehensive product solution matrix, the Company remains dedicated to R&D investment and product iteration, accelerating the development and commercialization of core proprietary brand products. Through diverse channels such as industry exhibitions and technical exchange summits, the Company aims to enhance the brand awareness of "ZHAOWEI" and establish a brand identity synonymous with "Innovation, Intelligence, Precision, and Reliability". Backed by its long-term track record and solid partnership foundations with leading domestic and international customers across various industries, the Company continues to enhance customer stickiness. By closely aligning with customers' diversified application needs, it provides highly customized, exclusive solutions to embed its products deeply into client ecosystems. By adhering to customer-centric R&D and innovation, the Company expects to steadily improve its product market penetration and overall market share.

2. Accelerating the commercialization of dexterous hands to capture first-mover advantages in industrial and consumer markets. The Company is dedicated to speeding up the commercial rollout of its next-generation dexterous hand drive modules and integrated hand systems, continuously consolidating its technological first-mover edge and market leadership in this field. On the hardware front, the Company will continuously optimize material selection, micro motors, and mechanical structure designs to enhance power density, operational flexibility, and product lifespan. On the algorithmic front, the Company will strengthen hardware-software co-optimization, focusing primarily on upgrading core capabilities such as motion control, gesture learning, and AI adaptability, thereby ensuring the successful commercialization of dexterous hands across diverse scenarios.

3. Scaling up end-to-end investments in AI-driven digitalization to build a solid long-term technological moat. The Company is promoting the deep integration of artificial intelligence and digital technologies into its entire operational lifecycle, reinforcing the core competitiveness of its micro transmission technologies. The Company has established an AI Intelligent Innovation Department, optimized its talent structure, and recruited top-tier AI professionals globally. Currently, its pilot AI and digitalization initiatives have yielded tangible results. Going forward, the Company will extend these digital capabilities across all critical stages of the value chain, including project management, design standardization, quotation and contract review, production scheduling, procurement planning, and sales forecasting, fully empowering operations through intelligent digitalization to drive operational efficiency and quality upgrades.

4. Optimizing the Company's global manufacturing footprint to capture both domestic and international growth opportunities. The Company's primary production bases are currently located in Shenzhen and Dongguan, while the Suzhou Zhaowei Drive Industrial Park has been completed and is now fully operational. The Company will continue to integrate advanced smart manufacturing equipment and cutting-edge processes to establish intelligent production lines, thereby shortening delivery lead times and enhancing service efficiency for domestic customers. Meanwhile, construction of the Thailand production base is progressing steadily. By leveraging localized overseas production, the Company will optimize its global supply chain, reduce cross-border logistics costs, expedite international deliveries, and augment its localized service capabilities, positioning itself to better capture incremental demand from global markets.

5. Expanding the Company's global footprint and accelerating its pace of internationalization. The Company is committed to introducing its micro drive technologies and intelligent solutions into broader global markets. It has already systematically established a strategic presence in key overseas regions, including the United States and Europe, laying a solid foundation for its global expansion. Going forward, the Company will continue to deepen synergies with international partners, continuously refine its global sales and service networks, and precisely target core client segments. Furthermore, the Company will strategically penetrate overseas regions with robust product demand and favorable business environments, promoting diversified channel distribution and localized responsiveness. Through flexible and efficient service models, it aims to meet the diverse demands of customers across different regions worldwide.

Amid dynamic industry transformations and potential market volatility, the Company will remain firmly anchored in its core business and stay technology-driven. The Company will agilely adapt its operational strategies to evolving market conditions and systematically advance its development plans. By striving for robust and steady performance growth, the Company aims to deliver sustainable long-term value to its shareholders, customers, and all stakeholders.

FINANCIAL REVIEW

The following discussions are based on the financial information and notes set out in other sections of this interim report and should be read in conjunction with them.

Revenue

The table below sets forth the absolute amounts and percentages of the Company's revenue by business segment for the six months ended 30 June 2025 and 2026:

	For the six months ended 30 June				**Change**
	2026		2025		
	RMB million	**% of total revenue**	RMB million	% of total revenue	
Micro transmission systems	**505.94**	**61.97**	497.51	63.25	1.69%
Precision components	**276.41**	**33.85**	239.42	30.44	15.45%
Precision molds and other products	**34.10**	**4.18**	49.64	6.31	-31.31%
Total	**816.45**	**100%**	786.57	100%	3.80%

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2026, the Company achieved revenue of RMB816.45 million, representing a year-on-year growth of 3.80% as compared with the same period in 2025, of which (i) revenue from micro transmission systems amounted to RMB505.94 million, representing a period-to-period increase of 1.69%; (ii) revenue from precision components reached RMB276.41 million, representing a period-to-period increase of 15.45%; and (iii) revenue from precision molds and other products amounted to RMB34.10 million, representing a period-to-period decrease of 31.31%.

By business segment, micro transmission systems and precision components saw year-over-year growth, primarily driven by business expansion in the industrial and consumer healthcare sectors. The Company continued to expand its customer base in the drum motor, smart home and medical product markets. The automotive electronics segment remained generally stable, while the Company vigorously developed its robotics segment, where product development progressed smoothly and contributed to the Company's revenue growth. Revenue from precision molds and other products declined year-over-year, primarily due to temporary fluctuations in the pace of mold development and delivery, which led to variations in revenue.

The following table sets forth the absolute amounts of, and percentage contributions to, the Company's revenue by region for the six months ended 30 June 2025 and 2026:

	For the six months ended 30 June				**Change**
	2026		2025		
	RMB million	**% of total revenue**	RMB million	% of total revenue	
Chinese Mainland	**713.82**	**87.43%**	692.98	88.10%	3.01%
Other countries or regions	**102.62**	**12.57%**	93.59	11.90%	9.65%
Total	**816.45**	**100%**	786.57	100%	3.80%

From a regional contribution perspective, for the six months ended 30 June 2026, revenue from Chinese Mainland market amounted to RMB713.82 million, representing a period-to-period increase of 3.01%, while revenue from other countries or regions amounted to RMB102.62 million, representing a period-to-period increase of 9.65%.

Cost of Sales

Our cost of sales increased by 5.64% from RMB535.13 million for the six months ended 30 June 2025 to RMB565.33 million for the six months ended 30 June 2026, primarily due to (1) an increase in cost of materials; and (2) an increase in manufacturing overhead costs, generally in line with the growth of our revenue over the same period.

Gross Profit and Gross Profit Margin

Our gross profit decreased slightly by 0.13% from RMB251.44 million for the six months ended 30 June 2025 to RMB251.12 million for the six months ended 30 June 2026. Our gross profit margin decreased from 31.97% for the six months ended 30 June 2025 to 30.76% for the six months ended 30 June 2026. The decrease in gross profit margin was primarily due to changes in the product sales mix.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our sales and marketing personnel, including share-based payment expenses; (ii) travelling and business development expenses incurred by our sales and marketing personnel; and (iii) advertising and market promotion expenses. Our selling and marketing expenses remained relatively stable, decreasing slightly by 0.25% from RMB32.87 million for the six months ended 30 June 2025 to RMB32.78 million for the six months ended 30 June 2026.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our administrative personnel, including share-based payment expenses; (ii) depreciation and amortisation; (iii) utilities and rental expenses; (iv) consultancy and other professional service fees, such as fees for engaging third-party consultants to provide professional advice on areas of improvement in our business, and audit fees; (v) travelling and business activity expenses incurred by our administrative personnel; and (vi) office and renovation expenses. Our administrative expenses increased by 15.04% from RMB47.02 million for the six months ended 30 June 2025 to RMB54.09 million for the six months ended 30 June 2026, primarily attributable to (1) an increase in service vendor fees and corporate transformation expenses incurred following our Hong Kong listing; and (2) an increase in employee benefit expenses as a result of increased administrative headcount.

Research and Development ("R&D") Costs

Our R&D costs primarily consisted of (i) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our R&D personnel, including share-based payment expenses; (ii) research material costs incurred in our R&D activities, including the costs of prototypes and molds; (iii) depreciation and amortisation; and (iv) R&D processing expenses, representing outsourced service fees for the manufacture and processing of products in our R&D process. Our R&D costs increased by 5.21% from RMB81.40 million for the six months ended 30 June 2025 to RMB85.65 million for the six months ended 30 June 2026, primarily attributable to (1) the increase in R&D materials and research processing expenses, primarily due to our increased investment in the R&D of new products and the continued advancement of research, testing and validation activities for our key R&D projects; (2) the increase in employee benefit expenses, primarily due to the recruitment of additional industry talent, the expansion of our R&D team and an overall increase in the remuneration levels of R&D personnel; and (3) depreciation and amortisation expenses resulting from the acquisition and commissioning of new equipment. The Company has maintained a high level of investment in R&D, with the ratio of R&D expenses to revenue remaining relatively stable.

Other Gains

Our other gains primarily consisted of (i) government grants, which primarily represented incentives and awards granted for our R&D initiatives and manufacturing upgrades that were recognised in profit or loss during the relevant periods; and (ii) refund of handling fees for withholding individual income tax. Our other gains increased by 4.97% from RMB11.87 million for the six months ended 30 June 2025 to RMB12.46 million for the six months ended 30 June 2026, primarily attributable to the increase in refund of handling fees for withholding individual income tax.

Share of Losses of an Associate

Our share of losses of an associate decreased by 59.40% from RMB2.64 million for the six months ended 30 June 2025 to RMB1.07 million for the six months ended 30 June 2026, primarily attributable to an improvement in the operating performance of the associate.

Income Tax Expense

Our income tax expense decreased by 39.52% from RMB11.68 million for the six months ended 30 June 2025 to RMB7.07 million for the six months ended 30 June 2026, primarily attributable to the decrease in taxable income during the period.

Finance Costs

Our finance costs consisted of interest expense (net of interest income), foreign exchange gains or losses and other bank expenses. Our finance costs changed from net finance income of RMB17.48 million for the six months ended 30 June 2025 to finance costs RMB12.60 million for the six months ended 30 June 2026, primarily attributable to the exchanges losses incurred in relation to cash and cash equivalents denominated in U.S. dollars.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 34.10% from RMB113.27 million for the six months ended 30 June 2025 to RMB74.65 million for the six months ended 30 June 2026. Our profit margin for the period decreased from 14.40% for the six months ended 30 June 2025 to 9.14% for the six months ended 30 June 2026.

Financial Position

The table below sets forth the absolute amounts from the Company's consolidated statement of financial position as at 30 June 2026 and 31 December 2025:

	30 June 2026	31 December 2025
	RMB million	RMB million
Total non-current assets	**1,339.67**	1,264.32
Total current assets	**4,568.98**	3,053.47
Total assets	**5,908.65**	4,317.79
Total non-current liabilities	**87.69**	85.25
Total current liabilities	**750.99**	749.55
Total liabilities	**838.68**	834.80
Equity attributable to owners of the Company	**5,069.97**	3,482.99
Net assets	**5,069.97**	3,482.99

The Company's total non-current assets increased from RMB1,264.32 million as at 31 December 2025 to RMB1,339.67 million as at 30 June 2026, primarily due to (1) an increase in intangible assets, primarily attributable to the acquisition of the land use rights of Xinqiao Industrial Park; and (2) an increase in our construction in progress, mainly driven by our continued investment in plant construction to support operational expansion.

The Company's total current assets increased from RMB3,053.47 million as at 31 December 2025 to RMB4,568.98 million as at 30 June 2026, mainly due to a significant increase in monetary funds following the receipt of proceeds from the listing of the Company's H Share.

The Company's total non-current liabilities increased from RMB85.25 million as at 31 December 2025 to RMB87.69 million as at 30 June 2026, primarily due to an increase in deferred income following the receipt of government grants related to assets, partially offset by a decrease in deferred tax liabilities, mainly driven by an increase in deductible temporary differences and the resulting deferred tax impact.

The Company's total current liabilities increased from RMB749.55 million as at 31 December 2025 to RMB750.99 million as at 30 June 2026, mainly due to an increase in trade and notes payables, primarily attributable to the advance procurement of production materials to support production needs; partially offset by (1) a decrease in short-term borrowings, as a result of reduction in bill financing borrowings; and (2) a decrease employee benefits payable, as a result of payment of employee year-end bonuses accrued in the previous year.

The Company's net assets increased from RMB3,482.99 million as at 31 December 2025 to RMB5,069.97 million as at 30 June 2026, primarily driven by the Company's operating profit generated in 2026 and the net proceeds from the the Global Offering during the Reporting Period (i.e. for the six months ended 30 June 2026).

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group maintains a prudent treasury policy. During the Reporting Period, we financed our capital expenditures and working capital requirements primarily through our existing cash and cash generated from our operations and, to a lesser extent, through bank borrowings and net proceeds from Global Offering. During the six months ended 30 June 2026, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

The Company's cash and cash equivalents mainly comprise cash at banks, cash in hand and short-term bank deposits with initial terms of three months or less. The Company's cash and cash equivalents increased from RMB181.78 million as at 31 December 2025 to RMB1,660.16 million as 30 June 2026. The increase in cash and cash equivalents was mainly due to the net proceeds from the Global Offering during the Reporting Period.

Borrowings and Gearing Ratio

The Group maintained a sound financial position, and its borrowing demand was not seasonal. As at 30 June 2026, the Group had borrowings of RMB130.21 million (as at 31 December 2025: approximately RMB169.64 million).

As at 30 June 2026, the Group's net equity amounted to approximately RMB5,069.97 million (as at 31 December 2025: approximately RMB3,482.99 million) with total assets amounting to approximately RMB5,908.65 million (as at 31 December 2025: approximately RMB4,317.79 million). Net current assets were approximately RMB3,817.99 million (as at 31 December 2025: approximately RMB2,303.92 million) and the current ratio was 6.08 times (as at 31 December 2025: 4.07 times).

Charge of Assets

As at 30 June 2026, the Group did not have any charges on assets (as at 31 December 2025: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

As at 30 June 2026, the Group had capital commitment of RMB3.70 million (as at 31 December 2025: 67.01 million).

Contingent Liabilities

The Group did not have any material contingent liabilities, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group as at 30 June 2026 (as at 31 December 2025: nil).

CURRENCY RISK MANAGEMENT

Foreign Exchange Risk Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. We will mitigate such a risk by constantly reviewing the economic situation and foreign exchange risk, and applying hedging measures when necessary.

We have not implemented any hedging arrangements. We manage our foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2026.

MATERIAL ACQUISITION AND DISPOSAL

We did not have any material acquisitions and disposals and significant investments during the six months ended 30 June 2026.

SIGNIFICANT INVESTMENTS

Save as otherwise disclosed in this report, the Group did not have any significant investments for the six months ended 30 June 2026, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The share incentive scheme was approved at the third meeting of the third session of the Board held on 7 August 2024 and the second extraordinary general meeting of the Company held on 28 August 2024 ("**2024 Share Incentive Scheme**").

As the Resolution on Repurchase and Cancellation of Certain Restricted Shares and Cancellation of Certain Share Options was considered and passed at the 17th meeting of the 3rd session of the Board and the 2025 annual general meeting, the Company now intends to complete the procedures for cancellation. The Company repurchased 24,800 restricted A shares granted to certain participants under 2024 Share Incentive Scheme at the price of RMB21.35 per share on 14 August 2026. The aforementioned repurchased A shares have not been cancelled as at the date of this report.

Save as disclosed above, the Company and its subsidiaries did not repurchase, redeem or sell any listed securities (including treasury shares) of the Company during the Reporting Period.

ISSUANCE OF SHARES

On 9 March 2026, the Company issued 26,748,300 H Shares at the price of HK$71.28 per share, which are listed on the Main Board of the Hong Kong Stock Exchange. A total of 26,748,300 H Shares were issued by the Company with total proceeds of HK$1,906.62 million, with net proceeds of approximately HK$1,828.10 million (a net price of approximately HK$68.33 per share) after deducting issuance costs incurred directly by issuing new shares.

During the Reporting Period, a total of additional 81,550 A Shares were exercised through exercise of options by the participants under 2024 Share Incentive Scheme at their own discretion. Save as disclosed above, no other Shares were issued during the Reporting Period.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 9 March 2026. The net proceeds received from the Global Offering (after deducting the estimated underwriting commissions and other fees and expenses payable by the Company in connection with the Global Offering) was approximately HK$1,828.10 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the planned use and actual use of the net proceeds from the Global Offering as of 30 June 2026:

	Percentage of net proceeds from the Global Offering	Net proceeds from the Global Offering	Utilized amount from the Listing Date to 30 June 2026	Unutilized amount as of 30 June 2026	Expected timeline of full utilization[1]
			(HK$ million)		
Global technology R&D and expansion of our product portfolio	35%	639.83	18.49	621.34	31 December 2030
Expand our global production capacity worldwide and enhance production efficiency	30%	548.44	49.5	498.94	31 December 2030
Pursue strategic alliances, investments and acquisitions globally	15%	274.21	0	274.21	31 December 2030
Expand global service and sales network and strengthen global marketing efforts	10%	182.81	8.64	174.17	31 December 2030
Working capital and general corporate purposes	10%	182.81	182.81	0	31 December 2026
Total	**100%**	**1,828.10**	**259.44**	**1,568.66**	

Note:

(1) The expected timeline for fully utilizing the unutilized amount disclosed above is based on the best estimates made by the Board pursuant to the latest information up to the date of this report.

As at the date of this report, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and HK$259.44 million of the net proceeds from the Global Offering was utilized by the Company. To the extent that net proceeds are not immediately used for the intended use, the Company will place the net proceeds as short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or applicable laws and regulations in other jurisdictions).

2024 SHARE INCENTIVE SCHEMES

2024 Share Option Scheme

The following is a summary of the principal terms of the 2024 Share Incentive Scheme approved and adopted by our Shareholders at the second extraordinary general meeting held on 28 August 2024. The terms of 2024 Share Incentive Scheme do not involve any grant of Share Incentives by our Company after the Listing and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the 2024 Share Incentive Scheme are summarized below.

(a) Purpose

The purposes of the 2024 Share Incentive Scheme are as follows:

(i) to further improve the Company's long-term incentive mechanism;

(ii) to attract and retain outstanding talent;

(iii) to motivate employees by aligning the interests of Shareholders, the Company and the core team, thereby ensuring all parties focus on the Company's long-term development and share common goals.

(b) Who may participate

The scope of the eligible participants of the 2024 Share Incentive Scheme ("**2024 Eligible Participants**") is proposed by our Remuneration and Appraisal Committee and approved by our then Board of Supervisors, having taken into account the actual situation of our Company, in accordance with the PRC Company Law, the Securities Law of the PRC (中華人民共和國證券法), the Administrative Measures for the Equity Incentives of Listed Companies (上市公司股權激勵管理辦法), the Rules Governing the Listing of Shares of the Shenzhen Stock Exchange (深圳證券交易所股票上市規則), the Shenzhen Stock Exchange Listed Company Self-Regulation Guide No. 1–Business Handling (深圳證券交易所上市公司自律監管指南第1號–業務辦理), other relevant laws, regulations and regulatory documents and the Articles of Association.

The 2024 Eligible Participants include 123 persons in total, comprising of the Directors, senior management and other personnel deemed suitable for incentives by the Board, and shall not include the independent non-executive Directors, Supervisors and any Shareholders or actual controllers who individually or in aggregate holding 5% or more Shares of our Company, together with their spouses, parents and children.

(c) 2024 Scheme Mandate Limit

The 2024 Share Incentive Scheme are granted in two forms: (i) restricted A Shares ("**2024 Restricted Share Scheme**") and (ii) share options ("**2024 Share Option Scheme**"). The total number of underlying Shares which may be issued upon exercise of all Share Incentives granted under the 2024 Share Incentive Scheme shall be 2,525,400 A Shares, which was comprised of 1,262,700 A Shares for the options granted under the 2024 Share Option Scheme ("**2024 Scheme Mandate Limit – Share Options**") and the 1,262,700 restricted A Shares granted under the 2024 Restricted Share Scheme ("**2024 Scheme Mandate Limit – Restricted A Shares**").

Each of the 2024 Scheme Mandate Limit – Share Options and the 2024 Scheme Mandate Limit – Restricted A Shares shall be adjusted in the event of any alteration in the capital structure of our Company whilst any option remains exercisable or any restricted A Share remains grantable, to proportionally reflect any capitalization of profits or reserves, bonus issue, rights issue, sub-division, consolidation of shares, dividend distribution, etc. of our Company.

(d) Maximum entitlement of a grantee

Any grant of options or restricted A Shares to any grantees in respect of all the options or restricted A Shares granted to such person under the 2024 Restricted Share Scheme and 2024 Share Option Scheme in aggregate shall not exceed 1% of the Shares in issue at the time of the announcement of the 2024 Share Incentive Scheme.

(e) Duration of the Share Incentives

The grant date of 2024 Share Incentive Scheme shall be determined by the Board after the approval of the 2024 Share Incentive Scheme by the Shareholders at a general meeting. Unless otherwise stipulated by laws and regulations, the grant date must be a trading day of the Shenzhen Stock Exchange. The grant of Share Incentives is subject to the approval of the Board and shall be registered and announced within 60 days after the approval of the 2024 Share Incentive Scheme at a general meeting.

The term of the 2024 Share Incentive Scheme shall commence from the date of grant of the Share Incentives under the 2024 Share Incentive Scheme and continue until the Share Incentives are fully exercised, canceled, vested, or lapsed, whichever is earlier. This term shall not exceed 36 months, as applicable.

(f) Lock-up Arrangements

The lock-up arrangements under the 2024 Share Incentive Scheme are determined according to the Articles of Association and applicable PRC laws and regulations:

(i) if the grantee is a Director or a senior management of our Company, the Shares to be transferred each year during his or her tenure shall not exceed 25% of the total Shares he or she holds. No Shares held by such Director or senior management may be transferred within six months after termination of his or her employment;

(ii) if the grantee is a Director or senior management of our Company, income gained through sale of Shares of our Company within six months of the purchase or repurchase of Shares of our Company within six months of the sale, shall belong to our Company and be reclaimed by the Board; and

(iii) if there is any change in the applicable laws and regulations or the relevant provisions of the Articles of Association on the foregoing lock-up requirements within the term of the Share Incentive Plan, the grantee shall comply with the amended laws and regulations and the Articles of Association.

(g) Adjustments

Subject to the other terms and conditions contained in the 2024 Share Incentive Scheme, the number and/or exercise price of granted Share Incentives may be adjusted upon the occurrence of certain events before exercise by the grantee. These events include, as the case may be, (i) capitalization of reserves, (ii) distribution of stock dividends, (iii) distribution of cash dividends, (iv) share subdivision, and (v) share consolidation.

(h) Changes in the exercise of options during the Reporting Period and validity period of the 2024 Share Option Scheme

All the outstanding options under the 2024 Share Option Scheme were granted on 28 August 2024 and our Company will not grant any further options under the 2024 Share Option Scheme. Particulars of the options granted to our Directors, senior management members and/or other connected persons are set forth below:

	As of 1 January 2026		For the six months ended 30 June 2026			As of 30 June 2026				
Name and category of participants	Number of options outstanding	Exercise price (RMB/share)	Exercised during the six months ended 30 June 2026	Cancelled during the six months ended 30 June 2026	Lapsed during the six months ended 30 June 2026	Number of options outstanding	Exercise price (RMB/share)	Weighted average closing price of the relevant shares immediately before the exercise date (RMB/share)	Date of grant	Scheme validity period
Directors										
Ye Shubing	45,400	42.42	22,700	0	0	22,700	42.42	93.90	28 August 2024	From 28 August 2024 to 27 August 2027
Li Ping	45,400	42.42	22,700	0	0	22,700	42.42	93.90	28 August 2024	From 28 August 2024 to 27 August 2027
Lu Zhiqiang	16,800	42.42	8,400	0	0	8,400	42.42	92.75	28 August 2024	From 28 August 2024 to 27 August 2027
Senior management members (excluding those who are also Directors)										
Zuo Mei	38,700	42.42	19,350	0	0	19,350	42.42	112.30	28 August 2024	From 28 August 2024 to 27 August 2027
Niu Dongfeng	16,800	42.42	0	0	0	16,800	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Connected Persons										
Xie Weiwu (謝偉武)	8,400	42.42	0	0	0	8,400	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Xie Weiqun (謝偉群)	16,800	42.42	0	0	0	16,800	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Qiu Xiansheng (邱顯生)	8,400	42.42	0	0	0	8,400	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
You Minsheng (游敏勝)	3,500	42.42	0	0	0	3,500	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Cheng Hanjie (程漢傑)	3,500	42.42	0	0	0	3,500	42.42	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Other Employees	514,100	42.42	8,400	0	0	505,700	42.42	92.75	28 August 2024	From 28 August 2024 to 27 August 2027

(i) Changes in the number of restricted A Shares during the Reporting Period and validity period of the 2024 Restricted Share Scheme

The restricted A Shares have been issued on a one-off basis and no additional Shares will be issued under the 2024 Restricted Share Scheme. Particulars of the Restricted A Shares issued to our Directors, senior management members and/or other connected persons are set forth below:

Name and category of participants	Number of restricted A Shares as of 1 January 2026	Vested during the six months ended 30 June 2026 (share)	Cancelled during the six months ended 30 June 2026 (share)	Number of restricted A Shares as of 30 June 2026	Grant price (RMB/share)	Weighted average closing price of the relevant shares immediately before the vesting date (RMB/share)	Date of grant	Scheme validity period
Directors								
Ye Shubing	33,450	0	0	33,450	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Li Ping	33,450	0	0	33,450	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Lu Zhiqiang	10,650	0	0	10,650	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Senior management members (excluding those who are also Directors)								
Zuo Mei	30,000	0	0	30,000	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Niu Dongfeng	10,650	0	0	10,650	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Connected Person								
Qiu Xiansheng	10,650	0	0	10,650	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Xie Weiwu	10,650	0	0	10,650	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
You Minsheng	3,500	0	0	3,500	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027
Cheng Hanjie	3,500	0	0	3,500	21.35	N/A	28 August 2024	From 28 August 2024 to 27 August 2027

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at 30 June 2026, the interest and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as adopted by the Company, was as follows:

Long positions in shares of the Company:

Name of Director	Nature of interest	Class of shares	Number of shares held[1]	Approximate percentage of interest in the respective class of shares[2]
Li Haizhou	Beneficial owner	A Shares	43,657,600	18.13%
	Interest of spouse[3][4]	A Shares	106,560,000	44.25%
Xie Yanling	Interest in controlled corporation[4][5]	A Shares	106,560,000	44.25%
	Interest of spouse[3]	A Shares	43,657,600	18.13%
Ye Shubing	Beneficial owner[6]	A Shares	112,300	0.05%
Li Ping	Beneficial owner[7]	A Shares	112,300	0.05%
	Interest in controlled corporation[8]	A Shares	4,932,695	2.05%
Lu Zhiqiang	Beneficial owner[9]	A Shares	38,100	0.01%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 240,815,950 A Shares in issue as of the date of this report.

(3) Ms. Xie is the spouse of Mr. Li Haizhou. Accordingly, they are deemed to be interested in the same number of Shares of each other for the purpose of the SFO.

(4) Shenzhen Qianhai Zhaowei Investment Co., Ltd. (深圳前海兆威投資有限公司)("**Zhaowei Investment**") is owned as to 55% and 45% by Mr. Li and Ms. Xie, respectively. Therefore, Mr. Li Haizhou and Ms. Xie are deemed to be interested in all the Shares held by Zhaowei Investment for the purpose of the SFO.

(5) Ms. Xie is the general partner of Gongqingcheng Qingmo Venture Capital Partnership Enterprise (Limited Partnership) (共青城清墨創業投資合夥企業(有限合夥))("**Qingmo Partnership**") and holds 50% of the interests therein. Therefore, Ms. Xie is deemed to be interested in the interests held by Qingmo Partnership.

(6) Mr. Ye Shubing is entitled to subscribe for 22,700 A Shares pursuant to the Share Incentives granted to him under the 2024 Share Incentive Scheme, subject to the conditions thereof, and 89,600 A Shares directly held by him.

(7) Mr. Li Ping is entitled to subscribe for 22,700 A Shares pursuant to the Share Incentives granted to him under the 2024 Share Incentive Scheme, subject to the conditions thereof, and 89,600 A Shares are directly held by him.

(8) Mr. Li Ping holds 34.85% of limited partnerships interests of Gongqingcheng Juzhaode Investment Management Partnership Enterprise (Limited Partnership) (共青城聚兆德投資管理合夥企業(有限合夥)) ("**Juzhaode Partnership**") and no other limited partners holds more than 1/3 interests in Juzhaode Partnership. As such, Mr. Li Ping was deemed to be interested in the 4,932,695 A Shares held by Juzhaode Partnership.

(9) Mr. Lu Zhiqiang is entitled to subscribe for 8,400 A Shares pursuant to the Share Incentives granted to him under the 2024 Share Incentive Scheme, subject to the conditions thereof, and 29,700 A Shares are directly held by him.

Save as disclosed above, as at the date of this report, none of the Directors, the chief executives of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules. During the Reporting Period, no individual has held the position of chief executive of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As far as the Company is aware, as at 30 June 2026, the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Interest in the shares and underlying shares – long positions:

Name of Shareholder	Capacity	Class of shares	Number of shares held(1)	Approximate percentage of interest in the respective class of shares(2)
HSBC Holdings plc	Custodian (other than an exempt custodian interest)(3)	H Shares	2,467,100	9.22%
HACF, L.P.	Beneficial owner	H Shares	1,644,800	6.15%
HHLR Advisors, Ltd.	Investment manager	H Shares	2,193,100	8.20%
Mirae Asset Securities (HK) Ltd.	Investment manager	H Shares	1,356,300	5.07%
	Beneficial owner	H Shares	189,300	0.71%
Mirae Asset Securities Co., Ltd.	Interest in controlled corporation(4)	H Shares	1,545,600	5.78%
Mirae Asset Capital Co., Ltd.	Interest in controlled corporation(4)	H Shares	1,545,600	5.78%
Park Hyeon Joo	Interest in controlled corporation(4)	H Shares	1,545,600	5.78%
Qingmo Partnership	Beneficial owner	A Shares	21,440,000	8.90%
Zhaowei Investment	Beneficial owner	A Shares	85,120,000	35.35%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 26,748,300 H Shares and 240,815,950 A Shares respectively in issue as of the date of this report.

(3) According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, HSBC Holdings plc holds 100% interests in HSBC Bank plc. Therefore, HSBC Holdings plc was deemed to be interested in 2,467,100 H Shares held by HSBC Bank plc.

(4) According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, Park Hyeon Joo controls 34.32% interests in Mirae Asset Capital Co., Ltd., which in turn controls 33.83% interests in Mirae Asset Securities Co., Ltd., which in turn controls 100% in Mirae Asset Securities (HK) Ltd. Therefore, each of Park Hyeon Joo, Mirae Asset Capital Co., Ltd., Mirae Asset Securities Co., Ltd. is deemed to be interested in 1,739,400 H Shares held by Mirae Asset Securities (HK) Limited.

Save as disclosed above, the Directors are not aware of any other party who, as at 30 June 2026, had an interest or short position in the shares and underlying shares of the Company which was recorded in the register required to be kept by Company under Section 336 of the SFO.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

During the Reporting Period and up to the date of this report, the directors of the Company are as follows:

Executive Directors

Mr. Li Haizhou
Ms. Xie Yanling
Mr. Ye Shubing
Mr. Li Ping

Employee Representative Director

Mr. Lu Zhiqiang

Independent Non-executive Directors

Ms. Guo Xinmei
Dr. Zhou Changjiang
Mr. Lin Sen

CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

There was no change to information which was required to be disclosed by Directors and chief executive pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2026, the Group employed 2,456 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and others. Total staff costs for the six months ended 30 June 2026, including directors' emoluments, amounted to approximately RMB206.42 million (for the six months ended 30 June 2025: approximately RMB201.30 million).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this report, there are no material subsequent events undertaken by the Group after 30 June 2026 and up to the date of this report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

REVIEW OF INTERIM RESULTS

The interim financial information of the Company for the six months ended 30 June 2026 has been reviewed by the audit committee of the Company (the "**Audit Committee**"), which comprises the three independent non-executive Directors of the Company. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency.

The Company has adopted the code provisions of the CG Code contained in Appendix C1 to the Hong Kong Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the period from the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules.

The Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date and up to the date of this report.

The Company has also established Administrative Measures for Information Disclosure 《(信息披露管理辦法》) and Administrative Measures for the Compliance of Inside Information and Stock Trading 《(內幕信息及股票交易合規管理辦法》) (the "**Regulations on Information Disclosure**") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. The Regulations on Information Disclosure regulates the principles of information disclosure, content, responsibilities for information disclosure and confidentiality, and the process of assessment and disclosure and ensures that inside information could be identified timely and remain confidential until the disclosure of such information is appropriately approved, and the dissemination of such information shall be accurately, effectively and consistently made. To the best knowledge of the Company, no incident of non-compliance of the Regulations on Information Disclosure by the employees was noted by the Company during the period from the Listing Date and up to the date of this report.

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the Group set out in this report or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

APPRECIATION

I would like to take this opportunity to thank our Shareholders, investors and business parties for their continuing support to the Group, and to my colleagues for their valuable contribution during the Reporting Period.

By order of the Board
Shenzhen Zhaowei Machinery & Electronics Co., Ltd.
Mr. Li Haizhou
Executive Director and Chairman of the Board

Shenzhen, the PRC, 14 August 2026

DEFINITIONS

In this report, unless the context otherwise requires, the following terms or phrases shall have the following meanings:

"2024 Share Incentive Scheme"	the share incentive scheme approved at the third meeting of the third session of the Board held on August 7, 2024 and the second extraordinary general meeting of the Company held on August 28, 2024
"A Share(s)"	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"A Shareholder(s)"	holder(s) of the A Share(s)
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
"China" or "the PRC"	the People's Republic of China
"Company Law"	the Company Law of the People's Republic of China
"Company", "the Company", "we", "us" or "our"	Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (深圳市兆威機電股份有限公司), a PRC company established on 19 April 2001, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 003021), and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2692)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"domestic China" or "Mainland China"	mainland China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
"H Share(s)"	foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of the H Share(s)
"HK" or Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	9 March 2026, the date on which the H Shares of the Company were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"Reporting Period"	1 January 2026 to 30 June 2026
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Securities Law of the People's Republic of China
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Zhaowei", "Zhaowei Group", "the Group", "our Group" or "we"	the Company and its consolidated subsidiaries
"%"	percent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

I. AUDITOR'S REPORT

Whether the interim report has been audited
☐Yes ✔ No

The Company's interim financial report has not been audited.

II. FINANCIAL STATEMENTS

The financial statements in the notes are denominated in RMB

II. FINANCIAL STATEMENTS (Continued)

1. CONSOLIDATED BALANCE SHEET

Prepared by: Shenzhen Zhaowei Machinery & Electronics Co., Ltd.

30 June 2026

Unit: RMB

Items	Closing balances	Opening balances
CURRENT ASSETS:		
Monetary funds	**1,662,747,190.33**	216,969,872.59
Settlement reserves		
Placements with banks and other financial institutions		
Financial assets held for trading	**1,171,543,047.78**	838,975,561.43
Derivative financial assets		
Notes receivables	**90,138,722.77**	73,760,702.53
Accounts receivable	**524,315,792.24**	520,020,083.90
Receivables financing	**41,375,641.29**	69,270,389.53
Prepayments	**10,193,065.05**	8,624,770.48
Premium receivables		
Receivables from reinsurers		
Reinsurance contract reserves receivable		
Other receivables	**4,752,979.31**	4,396,010.98
Of which: Interest receivable		
Dividends receivable	**175,897.28**	–
Purchases of resold financial assets		
Inventories	**250,395,463.24**	210,275,863.74
Of which: Data resources		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	**813,513,748.87**	1,111,173,569.68
Total current assets	**4,568,975,650.88**	3,053,466,824.86

II. FINANCIAL STATEMENTS (Continued)

1. CONSOLIDATED BALANCE SHEET (Continued)

Unit: RMB

Items	Closing balances	Opening balances
NON-CURRENT ASSETS:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	**60,783,764.37**	61,260,105.21
Other equity instrument investments	**35,413,461.70**	36,072,264.50
Other non-current financial assets	**1,500,000.00**	1,500,000.00
Investment properties		
Fixed assets	**1,022,469,504.55**	1,021,436,127.08
Construction in progress	**61,571,930.77**	28,577,337.94
Productive biological assets		
Oil and gas assets		
Right-of-use assets	**10,545,070.46**	7,119,023.85
Intangible assets	**87,603,725.81**	46,949,692.43
Of which: Data resources		
Development expenditure		
Of which: Data resources		
Goodwill		
Long-term deferred expenses	**36,689,457.49**	37,841,909.23
Deferred income tax assets	**8,197,153.78**	6,815,268.25
Other non-current assets	**14,897,415.41**	16,751,879.52
Total non-current assets	**1,339,671,484.34**	1,264,323,608.01
Total assets	**5,908,647,135.22**	4,317,790,432.87

II. FINANCIAL STATEMENTS (Continued)

1. CONSOLIDATED BALANCE SHEET (Continued)

Items	Closing balances	Opening balances
CURRENT LIABILITIES:		
Short-term loans	**130,207,311.25**	169,637,511.43
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	**171,152,762.64**	160,699,579.68
Accounts payable	**312,523,989.75**	238,394,993.97
Receipts in advance		
Contract liabilities	**10,491,902.07**	10,334,611.80
Disposal of repurchased financial assets		
Deposits from customers and banks		
Customer deposits for trading in securities		
Customer deposits for underwriting		
Employee benefits payable	**45,592,661.88**	73,483,921.02
Taxes payable	**14,622,144.53**	16,567,540.35
Other payables	**44,879,620.17**	61,287,194.72
Of which: Interest payable		
Dividends payable	**420,774.98**	178,937.25
Fees and commissions payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	**5,787,582.10**	4,102,731.73
Other current liabilities	**15,732,750.68**	15,038,158.74
Total current liabilities	**750,990,725.07**	749,546,243.44

II. FINANCIAL STATEMENTS (Continued)

1. CONSOLIDATED BALANCE SHEET (Continued)

Items	Closing balances	Opening balances
NON-CURRENT LIABILITIES:		
Deposits for insurance contracts		
Long-term loans		
Bonds payable		
Of which: Preferred shares		
Perpetual bonds		
Lease liabilities	4,787,117.80	3,177,511.32
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	56,076,469.45	50,988,642.13
Deferred income tax liabilities	26,822,971.19	31,083,105.02
Other non-current liabilities		
Total non-current liabilities	87,686,558.44	85,249,258.47
Total liabilities	838,677,283.51	834,795,501.91

II. FINANCIAL STATEMENTS (Continued)

1. CONSOLIDATED BALANCE SHEET (Continued)

Items	Closing balances	Opening balances
OWNERS' EQUITY:		
Share capital	267,564,250.00	240,734,400.00
Other equity instruments		
Of which: Preferred shares		
Perpetual bonds		
Capital reserve	3,501,075,913.33	1,911,426,734.20
Less: Treasury shares	12,983,938.00	13,225,660.25
Other comprehensive income	8,685,857.09	10,065,137.92
Special reserve		
Surplus reserve	120,367,200.00	120,367,200.00
General risk reserve		
Undistributed profits	1,185,260,569.29	1,213,627,119.09
Total equity attributable to owners of the Company	5,069,969,851.71	3,482,994,930.96
Minority interests		
Total owners' equity	5,069,969,851.71	3,482,994,930.96
Total liabilities and owners' equity	5,908,647,135.22	4,317,790,432.87

Legal representative:	*Executive in charge of accounting work:*	*Manager of accounting department:*
Li Haizhou	**Zuo Mei**	**Zuo Mei**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

II. FINANCIAL STATEMENTS (Continued)

2. BALANCE SHEET OF THE PARENT

Unit: RMB

Items	Closing balances	Opening balances
CURRENT ASSETS:		
Monetary funds	**1,590,279,566.69**	179,688,511.75
Financial assets held for trading	**920,685,634.12**	703,270,035.05
Derivative financial assets		
Notes receivables	**49,492,333.06**	54,669,489.41
Accounts receivable	**608,608,340.41**	550,490,569.33
Receivables financing	**28,636,401.62**	67,729,716.03
Prepayments	**6,456,945.94**	6,725,608.93
Other receivables	**433,930,032.04**	420,276,952.89
Of which: Interest receivable		
Dividends receivable		
Inventories	**128,016,096.01**	104,200,374.92
Of which: Data resources		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	**779,478,706.15**	1,077,483,950.17
Total current assets	**4,545,584,056.04**	3,164,535,208.48

II. FINANCIAL STATEMENTS (Continued)

2. BALANCE SHEET OF THE PARENT (Continued)

Items	Closing balances	Opening balances
NON-CURRENT ASSETS:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	**694,982,316.86**	575,464,021.55
Other equity instrument investments	**15,413,461.70**	16,072,264.50
Other non-current financial assets		
Investment properties		
Fixed assets	**223,090,151.18**	217,330,020.33
Construction in progress	**14,654,648.61**	8,183,816.65
Productive biological assets		
Oil and gas assets		
Right-of-use assets	**8,382,565.60**	9,964,889.22
Intangible assets	**51,156,637.50**	10,256,686.22
Of which: Data resources		
Development expenditure		
Of which: Data resources		
Goodwill		
Long-term deferred expenses	**3,555,889.71**	4,097,898.18
Deferred income tax assets	**2,156,553.07**	
Other non-current assets	**4,225,363.74**	4,102,574.78
Total non-current assets	**1,017,617,587.97**	845,472,171.43
Total assets	**5,563,201,644.01**	4,010,007,379.91

II. FINANCIAL STATEMENTS (Continued)

2. BALANCE SHEET OF THE PARENT (Continued)

Items	Closing balances	Opening balances
CURRENT LIABILITIES:		
Short-term loans	**10,404,733.85**	
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	**292,273,745.82**	302,746,010.98
Accounts payable	**181,970,952.59**	135,606,850.23
Receipts in advance		
Contract liabilities	**5,994,090.94**	6,852,148.02
Employee benefits payable	**33,155,755.27**	61,214,987.40
Taxes payable	**4,569,368.00**	10,893,531.64
Other payables	**51,016,702.18**	49,209,549.36
Of which: Interest payable		
Dividends payable	**420,774.98**	178,937.25
Held-for-sale liabilities		
Non-current liabilities due within one year	**5,218,964.45**	4,825,706.64
Other current liabilities	**10,733,434.53**	10,839,747.00
Total current liabilities	**595,337,747.63**	582,188,531.27

II. FINANCIAL STATEMENTS (Continued)

2. BALANCE SHEET OF THE PARENT (Continued)

Items	Closing balances	Opening balances
NON-CURRENT LIABILITIES:		
Long-term loans		
Bonds payable		
Of which: Preferred shares		
Perpetual bonds		
Lease liabilities	**3,724,987.06**	5,744,314.90
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	**46,780,546.70**	47,719,587.72
Deferred income tax liabilities		5,927,480.46
Other non-current liabilities		
Total non-current liabilities	**50,505,533.76**	59,391,383.08
Total liabilities	**645,843,281.39**	641,579,914.35

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

II. FINANCIAL STATEMENTS (Continued)

2. BALANCE SHEET OF THE PARENT (Continued)

Items	Closing balances	Opening balances
OWNERS' EQUITY:		
Share capital	**267,564,250.00**	240,734,400.00
Other equity instruments		
Of which: Preferred shares		
Perpetual bonds		
Capital reserve	**3,500,993,391.49**	1,911,371,050.18
Less: Treasury shares	**12,983,938.00**	13,225,660.25
Other comprehensive income	**8,086,442.44**	8,646,424.82
Special reserve		
Surplus reserve	**120,367,200.00**	120,367,200.00
Undistributed profits	**1,033,331,016.69**	1,100,534,050.81
Total owners' equity	**4,917,358,362.62**	3,368,427,465.56
Total liabilities and owners' equity	**5,563,201,644.01**	4,010,007,379.91

II. FINANCIAL STATEMENTS (Continued)

3. CONSOLIDATED INCOME STATEMENT

Unit: RMB

Items	**Six months ended 30 June 2026**	Six months ended 30 June 2025
I. Total operating revenue	**816,448,456.12**	786,568,700.89
Of which: Operating revenue	**816,448,456.12**	786,568,700.89
Interest income		
Premiums earned		
Fees and commissions income		
II. Total operating costs	**757,715,521.11**	686,906,232.98
Of which: Operating cost	**565,330,781.50**	535,131,400.50
Interest expense		
Fees and commissions expenses		
Surrenders		
Net compensation expenses		
Net insurance contract reserves		
Insurance policy dividend expenses		
Reinsurance expenses		
Business tax and surcharges	**7,267,161.85**	7,971,132.86
Selling expenses	**32,783,113.60**	32,866,000.46
Administrative expenses	**54,092,135.59**	47,019,090.98
Research and development costs	**85,645,462.60**	81,400,795.92
Finance costs	**12,596,865.97**	-17,482,187.74
Of which: Interest expenses	**1,290,438.11**	1,644,689.08
Interest income	**28,282,901.45**	17,079,655.86

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

II. FINANCIAL STATEMENTS (Continued)

3. CONSOLIDATED INCOME STATEMENT (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
Add: Other gains	**12,464,912.51**	11,866,662.90
Investment gains ("-" indicating loss)	**19,381,160.84**	11,720,229.75
Of which: Share of profits of associates and joint ventures	**-1,067,699.97**	-2,641,507.42
Gain from derecognition of financial assets at amortized cost		
Foreign exchange gains ("-" indicating loss)		
Gains on net exposure hedging ("-" indicating loss)		
Gains on changes in fair value ("-" indicating loss)	**-3,883,270.56**	
Credit impairment losses ("-" indicating loss)	**-370,740.50**	1,727,278.26
Asset impairment losses ("-" indicating loss)	**-3,895,870.05**	857,899.61
Gains on disposal of assets ("-" indicating loss)	**-4,206.86**	3,813.29
III. Operating profit ("-" indicating loss)	**82,424,920.39**	125,838,351.72
Add: Non-operating income	**103,022.96**	1,357.00
Less: Non-operating expenses	**816,356.40**	885,097.12
IV. Total profit ("-" indicating total loss)	**81,711,586.95**	124,954,611.60
Less: Income tax expense	**7,065,900.49**	11,683,448.68

II. FINANCIAL STATEMENTS (Continued)

3. CONSOLIDATED INCOME STATEMENT (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
V. Net profit ("-" indicating net loss)	**74,645,686.46**	113,271,162.92
(I) Classified by continuity of operations		
1. Net profit from continuing operations ("-" indicating net loss)	**74,645,686.46**	113,271,162.92
2. Net profit from discontinued operations ("-" indicating net loss)		
(II) Classified by attribution to ownership		
1. Net profit attributable to owners of the parent ("-" indicating net loss)	**74,645,686.46**	113,271,162.92
2. Profit or loss attributable to minority interests ("-" indicating net loss)		
VI. Other comprehensive income, net of tax	**-1,379,280.83**	-831,514.40
Other comprehensive income attributable to owners of the parent, net of tax	**-1,379,280.83**	-831,514.40
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss	**-559,982.38**	-943,117.76
1. Changes arising from remeasurement of defined benefit plans		
2. Share of other comprehensive income accounted for using the equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments	**-559,982.38**	-943,117.76
4. Changes in fair value attributable to changes in the enterprise's own credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified subsequently to profit or loss	**-819,298.45**	111,603.36
1. Share of other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified to other comprehensive income		
4. Credit loss allowances for other debt investments		
5. Cash flow hedge reserve		
6. Exchange differences on translation of financial statements in foreign currencies	**-819,298.45**	111,603.36
7. Others		
Other comprehensive income attributable to minority interests, net of tax		

II. FINANCIAL STATEMENTS (Continued)

3. CONSOLIDATED INCOME STATEMENT (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
VII. Total comprehensive income	**73,266,405.63**	112,439,648.52
Total comprehensive income attributable to owners of the parent	**73,266,405.63**	112,439,648.52
Total comprehensive income attributable to minority interests		
VIII. Earnings per share:		
(I) Basic earnings per share	**0.30**	0.47
(II) Diluted earnings per share	**0.29**	0.47

For a business combination under common control occurring in the current period, the net profit realised by the acquiree before the combination was RMB0.00, and the net profit realised by the acquiree in the previous period was RMB0.00.

Legal representative:	*Executive in charge of accounting work:*	*Manager of accounting department:*
Li Haizhou	**Zuo Mei**	**Zuo Mei**

II. FINANCIAL STATEMENTS (Continued)

4. INCOME STATEMENT OF THE PARENT

Unit: RMB

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
I. Operating revenue	739,075,784.75	741,430,695.54
Less: Operating costs	587,924,166.70	572,439,602.54
Business tax and surcharges	2,776,076.17	4,318,950.46
Selling expenses	30,040,731.15	29,037,688.77
Administrative expenses	35,592,945.88	29,397,950.42
Research and development costs	61,684,514.13	57,553,527.13
Finance costs	10,658,165.85	-16,605,467.66
Of which: Interest expenses	668,174.82	829,001.07
Interest income	28,088,916.33	17,043,824.46
Add: Other gains	10,176,416.22	9,319,524.77
Investment gains ("-" indicating loss)	19,209,926.41	113,021,870.43
Of which: Share of profits of associates and joint ventures	-1,067,699.97	-2,641,507.42
Gain on derecognition of financial assets measured at amortised cost (loss indicated by "-")		
Gains on net exposure hedging ("-" indicating loss)		
Gains on changes in fair value ("-" indicating loss)	-4,087,286.18	
Credit impairment losses ("-" indicating loss)	-890,920.12	503,625.31
Asset impairment losses ("-" indicating loss)	-1,757,919.81	3,369,375.46
Gains on disposal of assets ("-" indicating loss)	-1,001.14	-7,582.54

II. FINANCIAL STATEMENTS (Continued)

4. INCOME STATEMENT OF THE PARENT (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
II. Operating profit (loss indicated by "-")	**33,048,400.25**	191,495,257.31
Add: Non-operating income	**43,022.96**	1,357.00
Less: Non-operating expenses	**721,793.47**	790,209.89
III. Total profit (total loss indicated by "-")	**32,369,629.74**	190,706,404.42
Less: Income tax expense	**-3,439,572.40**	7,749,801.58
IV. Net profit (net loss indicated by "-")	**35,809,202.14**	182,956,602.84
(I) Net profit from continuing operations (net loss indicated by "-")	**35,809,202.14**	182,956,602.84
(II) Net profit from discontinued operations (net loss indicated by "-")		
V. Other comprehensive income, net of tax	**-559,982.38**	-943,117.76
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss	**-559,982.38**	-943,117.76
1. Changes arising from remeasurement of defined benefit plans		
2. Share of other comprehensive income accounted for using the equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments	**-559,982.38**	-943,117.76
4. Changes in fair value attributable to changes in the enterprise's own credit risk		
5. Others		

II. FINANCIAL STATEMENTS (Continued)

4. INCOME STATEMENT OF THE PARENT (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		
1. Share of other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified to other comprehensive income		
4. Credit loss allowances for other debt investments		
5. Cash flow hedge reserve		
6. Exchange differences on translation of financial statements in foreign currencies		
7. Others		
VI. Total comprehensive income	**35,249,219.76**	182,013,485.08
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

II. FINANCIAL STATEMENTS (Continued)

5. CONSOLIDATED STATEMENT OF CASH FLOWS

Unit: RMB

Items	**Six months ended 30 June 2026**	Six months ended 30 June 2025
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**901,233,483.19**	849,135,278.44
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums under original insurance contracts		
Net cash received from reinsurance operations		
Net increase in policyholder deposits and investments		
Cash received from interest, fees and commissions		
Net increase in placements from banks and other financial institutions		
Net increase in funds from repurchase transactions		
Net cash received from customer deposits for trading in securities		
Tax refunds received	**178,250.56**	196,276.11
Other cash received relating to operating activities	**22,430,859.05**	6,904,659.69
Subtotal of cash inflows from operating activities	**923,842,592.80**	856,236,214.24
Cash paid for purchases of goods and services	**462,495,676.27**	520,996,040.00
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other financial institutions		
Cash paid for claims under original insurance contracts		
Net increase in placements with banks and other financial institutions		
Cash paid for interest, fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	**239,267,874.27**	223,145,943.04
Taxes paid	**44,542,466.08**	32,732,433.79
Other cash paid relating to operating activities	**44,949,952.34**	32,598,815.85
Subtotal of cash outflows from operating activities	**791,255,968.96**	809,473,232.68
Net cash flows from operating activities	**132,586,623.84**	46,762,981.56

II. FINANCIAL STATEMENTS (Continued)

5. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
II. Cash flows from investing activities:		
Cash received from recovery of investments	**1,754,331,910.08**	833,444,983.69
Cash received from investment income	**71,082,330.66**	36,603,310.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**22,709.20**	70,200.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investing activities	**1,632,960.00**	600,000.00
Subtotal of cash inflows from investing activities	**1,827,069,909.94**	870,718,494.37
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	**128,396,292.93**	93,148,661.74
Cash paid for investments	**1,789,626,841.96**	728,600,757.09
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investing activities	**10,691,561.67**	1,100,000.00
Subtotal of cash outflows from investing activities	**1,928,714,696.56**	822,849,418.83
Net cash flows from investing activities	**-101,644,786.62**	47,869,075.54

II. FINANCIAL STATEMENTS (Continued)

5. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
III. Cash flows from financing activities:		
Cash received from capital contributions	**1,632,033,575.10**	
Of which: Cash received by subsidiaries from capital contributions by non-controlling shareholders		
Cash received from borrowings	**130,471,389.62**	159,362,353.62
Other cash received relating to financing activities	**1,289,039.56**	1,000,600.00
Subtotal of cash inflows from financing activities	**1,763,794,004.28**	160,362,953.62
Cash paid for repayment of debts	**170,000,000.00**	110,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	**101,395,704.69**	68,083,490.17
Of which: Dividends and profits paid by subsidiaries to non-controlling shareholders		
Other cash paid relating to financing activities	**7,460,999.21**	9,010,548.17
Subtotal of cash outflows from financing activities	**278,856,703.90**	187,094,038.34
Net cash flows from financing activities	**1,484,937,300.38**	-26,731,084.72
IV. Effect of changes in exchange rates on cash and cash equivalents	**-37,497,355.76**	1,003,658.96
V. Net increase in cash and cash equivalents	**1,478,381,781.84**	68,904,631.34
Add: Cash and cash equivalents at the beginning of the period	**181,780,763.16**	224,816,661.74
VI. Cash and cash equivalents at the end of the period	**1,660,162,545.00**	293,721,293.08

II. FINANCIAL STATEMENTS (Continued)

6. CASH FLOW STATEMENT OF THE PARENT

Unit: RMB

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	790,775,899.48	767,493,492.83
Tax refunds received		
Other cash received relating to operating activities	12,187,859.79	6,592,994.32
Subtotal of cash inflows from operating activities	802,963,759.27	774,086,487.15
Cash paid for purchases of goods and services	409,842,675.62	481,167,058.85
Cash paid to and on behalf of employees	179,697,535.55	175,581,748.66
Taxes paid	27,238,480.92	28,446,186.04
Other cash paid relating to operating activities	28,271,293.75	21,635,294.52
Subtotal of cash outflows from operating activities	645,049,985.84	706,830,288.07
Net cash flows from operating activities	157,913,773.43	67,256,199.08
II. Cash flows from investing activities:		
Cash received from recovery of investments	1,749,879,650.91	820,350,092.55
Cash received from investment income	71,082,330.66	35,705,869.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,014.20	58,200.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investing activities	93,745,539.06	103,000,000.00
Subtotal of cash inflows from investing activities	1,914,717,534.83	959,114,162.31
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	54,914,398.27	19,378,596.55
Cash paid for investments	1,668,285,129.12	647,523,500.00
Net cash paid for acquisition of subsidiaries and other business units	120,000,000.00	60,152,350.00
Other cash paid relating to investing activities	113,250,161.67	68,620,000.00
Subtotal of cash outflows from investing activities	1,956,449,689.06	795,674,446.55
Net cash flows from investing activities	-41,732,154.23	163,439,715.76

II. FINANCIAL STATEMENTS (Continued)

6. CASH FLOW STATEMENT OF THE PARENT (Continued)

Items	Six months ended 30 June 2026	Six months ended 30 June 2025
III. Cash flows from financing activities:		
Cash received from capital contributions	**1,632,032,832.65**	
Cash received from borrowings	**10,974,589.62**	27,931,881.54
Other cash received relating to financing activities	**1,289,039.56**	1,000,600.00
Subtotal of cash inflows from financing activities	**1,644,296,461.83**	28,932,481.54
Cash paid for repayment of debts	**170,000,000.00**	110,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	**101,395,704.69**	68,083,490.17
Other cash paid relating to financing activities	**7,260,108.32**	8,855,158.63
Subtotal of cash outflows from financing activities	**278,655,813.01**	186,938,648.80
Net cash flows from financing activities	**1,365,640,648.82**	-158,006,167.26
IV. Effect of changes in exchange rates on cash and cash equivalents	**-36,103,632.45**	26,172.17
V. Net increase in cash and cash equivalents	**1,445,718,635.57**	72,715,919.75
Add: Cash and cash equivalents at the beginning of the period	**144,506,431.12**	185,498,486.83
VI. Cash and cash equivalents at the end of the period	**1,590,225,066.69**	258,214,406.58

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Amount for the current period

Unit: RMB

Items	Six months ended 30 June 2026 — Equity attributable to owners of the parent: Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of the previous year	240,734,400.00				1,911,426,734.20	13,225,660.25	10,065,137.92		120,367,200.00		1,213,627,119.09		3,482,994,930.96		3,482,994,930.96
Add: Changes in accounting policies															
Corrections of prior-period errors															
Others															
II. Balance at the beginning of the current year	240,734,400.00				1,911,426,734.20	13,225,660.25	10,065,137.92		120,367,200.00		1,213,627,119.09		3,482,994,930.96		3,482,994,930.96
III. Changes during the current period (decrease indicated by "-")	26,829,850.00				1,589,649,179.13	-241,722.25	-1,379,280.83				-28,366,549.80		1,586,974,920.75		1,586,974,920.75
(I) Total comprehensive income							-1,379,280.83				74,645,686.46		73,266,405.63		73,266,405.63
(II) Capital contributions and withdrawals by owners	26,829,850.00				1,589,649,179.13	-241,722.25							1,616,720,751.38		1,616,720,751.38
1. Ordinary shares contributed by owners	26,829,850.00				1,588,415,229.17	-241,722.25							1,615,486,801.42		1,615,486,801.42
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payments recognised in owners' equity					640,094.47								640,094.47		640,094.47
4. Others					593,855.49								593,855.49		593,855.49
(III) Profit distribution											-103,012,236.26		-103,012,236.26		-103,012,236.26
1. Appropriation to surplus reserve															
2. Appropriation to general risk reserve															
3. Distributions to owners (or shareholders)											-103,012,236.26		-103,012,236.26		-103,012,236.26
4. Others															
(IV) Internal transfers within owners' equity															
1. Capitalisation of capital reserve (or share capital)															
2. Capitalisation of surplus reserve (or share capital)															
3. Surplus reserve used to offset losses															
4. Transfer of changes in defined benefit plans to retained earnings															
5. Transfer of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve															
1. Provision for the current period															
2. Utilisation during the current period															
(VI) Others															
IV. Balance at the end of the current period	267,564,250.00				3,501,075,913.33	12,983,938.00	8,685,857.09		120,367,200.00		1,185,260,569.29		5,069,969,851.71		5,069,969,851.71

II. FINANCIAL STATEMENTS (Continued)

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

Amount for the previous year

Unit: RMB

Items	Six months ended 30 June 2025														
	Equity attributable to owners of the parent													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal		
		Preferred shares	Perpetual bonds	Others											
I. Balance at the end of the previous year	240,203,500.00				1,852,167,987.84	26,958,645.00	12,546,643.12		101,020,496.97		1,047,230,776.94		3,226,210,759.87		3,226,210,759.87
Add: Changes in accounting policies															
Corrections of prior-period errors															
Others															
II. Balance at the beginning of the current year	240,203,500.00				1,852,167,987.84	26,958,645.00	12,546,643.12		101,020,496.97		1,047,230,776.94		3,226,210,759.87		3,226,210,759.87
III. Changes during the current period (decrease indicated by "-")					17,754,999.68	-359,869.50	-831,514.40		18,295,660.28		26,647,550.00		62,226,565.06		62,226,565.06
(I) Total comprehensive income							-831,514.40				113,271,162.92		112,439,648.52		112,439,648.52
(II) Capital contributions and withdrawals by owners					17,360,061.11								17,360,061.11		17,360,061.11
1. Ordinary shares contributed by owners															
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payments recognised in owners' equity					17,360,061.11								17,360,061.11		17,360,061.11
4. Others															
(III) Profit distribution						-359,869.50			18,295,660.28		-86,623,612.92		-67,968,083.14		-67,968,083.14
1. Appropriation to surplus reserve									18,295,660.28		-18,295,660.28				
2. Appropriation to general risk reserve															
3. Distributions to owners (or shareholders)						-359,869.50					-68,327,952.64		-67,968,083.14		-67,968,083.14
4. Others															
(IV) Internal transfers within owners' equity															
1. Capitalisation of capital reserve (or share capital)															
2. Capitalisation of surplus reserve (or share capital)															
3. Surplus reserve used to offset losses															
4. Transfer of changes in defined benefit plans to retained earnings															
5. Transfer of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve															
1. Provision for the current period															
2. Utilisation during the current period															
(VI) Others					394,938.57								394,938.57		394,938.57
IV. Balance at the end of the current period	240,203,500.00				1,869,922,987.52	26,598,775.50	11,715,128.72		119,316,157.25		1,073,878,326.94		3,288,437,324.93		3,288,437,324.93

II. FINANCIAL STATEMENTS (Continued)

8. STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT

Amount for the current period

Unit: RMB

Items	Share capital	Other equity instruments			Capital reserve	Six months ended 30 June 2026 Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of the previous year	240,734,400.00				1,911,371,050.18	13,225,660.25	8,646,424.82		120,367,200.00	1,100,534,050.81		3,368,427,465.56
Add: Changes in accounting policies												
Corrections of prior-period errors												
Others												
II. Balance at the beginning of the current year	240,734,400.00				1,911,371,050.18	13,225,660.25	8,646,424.82		120,367,200.00	1,100,534,050.81		3,368,427,465.56
III. Changes during the current period (decrease indicated by "-")	26,829,850.00				1,589,622,341.31	-241,722.25	-559,982.38			-67,203,034.12		1,548,930,897.06
(I) Total comprehensive income							-559,982.38			35,809,202.14		35,249,219.76
(II) Capital contributions and withdrawals by owners	26,829,850.00				1,589,622,341.31	-241,722.25						1,616,693,913.56
1. Ordinary shares contributed by owners	26,829,850.00				1,588,415,229.17	-241,722.25						1,615,486,801.42
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payments recognised in owners' equity					613,256.65							613,256.65
4. Others					593,855.49							593,855.49
(III) Profit distribution										-103,012,236.26		-103,012,236.26
1. Appropriation to surplus reserve												
2. Distributions to owners (or shareholders)										-103,012,236.26		-103,012,236.26
3. Others												
(IV) Internal transfers within owners' equity												
1. Capitalisation of capital reserve (or share capital)												
2. Capitalisation of surplus reserve (or share capital)												
3. Surplus reserve used to offset losses												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(V) Special reserve												
1. Provision for the current period												
2. Utilisation during the current period												
(VI) Others												
IV. Balance at the end of the current period	267,564,250.00				3,500,993,391.49	12,983,938.00	8,086,442.44		120,367,200.00	1,033,331,016.69		4,917,358,362.62

II. FINANCIAL STATEMENTS (Continued)

8. STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT (Continued)

Amount for the previous year

Unit: RMB

Items	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
	Six months ended 30 June 2025											
I. Balance at the end of the previous year	240,203,500.00				1,852,167,987.84	26,958,645.00	11,120,214.73		101,020,496.97	904,464,735.17		3,082,018,289.71
Add: Changes in accounting policies												
Corrections of prior-period errors												
Others												
II. Balance at the beginning of the current year	240,203,500.00				1,852,167,987.84	26,958,645.00	11,120,214.73		101,020,496.97	904,464,735.17		3,082,018,289.71
III. Changes during the current period (decrease indicated by "-")					17,754,999.68	-359,869.50	-943,117.76		18,295,660.28	96,332,989.92		131,800,401.62
(I) Total comprehensive income							-943,117.76			182,956,602.84		182,013,485.08
(II) Capital contributions and withdrawals by owners					17,360,061.11							17,360,061.11
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payments recognised in owners' equity					17,360,061.11							17,360,061.11
4. Others												
(III) Profit distribution						-359,869.50			18,295,660.28	-86,623,612.92		-67,968,083.14
1. Appropriation to surplus reserve									18,295,660.28	-18,295,660.28		
2. Distributions to owners (or shareholders)						-359,869.50				-68,327,952.64		-67,968,083.14
3. Others												
(IV) Internal transfers within owners' equity												
1. Capitalisation of capital reserve (or share capital)												
2. Capitalisation of surplus reserve (or share capital)												
3. Surplus reserve used to offset losses												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(V) Special reserve												
1. Provision for the current period												
2. Utilisation during the current period												
(VI) Others					394,938.57							394,938.57
IV. Balance at the end of the current period	240,203,500.00				1,869,922,987.52	26,598,775.50	10,177,096.97		119,316,157.25	1,000,797,725.09		3,213,818,691.33

III. CORPORATE INFORMATION

The predecessor of Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (the "**Company**"), a joint stock company with limited liability, was Shenzhen Zhaowei Machinery & Electronics Co., Ltd., a limited liability company. Pursuant to a resolution of its shareholders and the draft articles of association, the predecessor company was converted as a whole into the Company.

Pursuant to the Approval in Relation to the Initial Public Offering of Shares by Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (Zheng Jian Xu Ke [2020] No. 2873) (《關於核准深圳市兆威機電股份有限公司首次公開發行股票的批復》(證監許可[2020] 2873 號)) issued by the China Securities Regulatory Commission, the Company made a public offering of 26.67 million RMB-denominated ordinary shares (A Shares), which were listed on the Shenzhen Stock Exchange in December 2020. Following the filing with the China Securities Regulatory Commission pursuant to the Notice on the Filing of the Overseas Issuance and Listing of Shares by Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (Guo He Han [2025] No. 2074) (《關於深圳市兆威機電股份有限公司境外發行上市備案通知書》(國合函[2025] 2074 號)) and the approval by The Stock Exchange of Hong Kong Limited, the Company was listed on The Stock Exchange of Hong Kong Limited in March 2026. The Company operates in the electrical machinery and equipment manufacturing industry.

As at 30 June 2026, the Company had issued an aggregate of 267,564,300 shares with share capital of RMB267,564,300. Its registered office and headquarters are both located at Room 101, Office Building, No. 62 Yanhu Road, Yanchuan Community, Yanluo Subdistrict, Bao'an District, Shenzhen. The principal activities actually engaged in by the Company are the research and development, design and manufacture of precision components, micro transmission systems and micro drive system solutions. The Company's parent is Shenzhen Qianhai Zhaowei Investment Co., Ltd., and its actual controllers are Li Haizhou and Xie Yanling.

These financial statements were authorised for issue by the Board of the Company on 14 August 2026.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard and the specific accounting standards, application guidance, interpretations and other relevant requirements for business enterprises (collectively, the "**Accounting Standards for Business Enterprises**") issued by the Ministry of Finance, as well as the relevant requirements of the Rules for the Compilation and Submission of Information Disclosure by Companies Issuing Securities to the Public No. 15 – General Provisions on Financial Reports issued by the China Securities Regulatory Commission.

2. Going concern

These financial statements have been prepared on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the Accounting Standards for Business Enterprises

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance and give a true and complete view of the consolidated and parent-company financial position of the Company as at 30 June 2026 and of its consolidated and parent-company operating results and cash flows for 2026.

2. Accounting period

The accounting year runs from 1 January to 31 December of each calendar year.

3. Operating cycle

The Company's operating cycle is 12 months.

4. Functional currency

The Company's functional currency is RMB.

The functional currency of each subsidiary of the Company is determined by reference to the primary economic environment in which it operates. The functional currencies of Zhaowei Hong Kong, Zhaowei Germany, Zhaowei USA, Zhaowei Thailand and Technology Hong Kong are Hong Kong dollars, euros, U.S. dollars, Thai baht and Hong Kong dollars, respectively. These financial statements are presented in RMB.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Methods and basis for determining materiality

✔Applicable ☐ Not applicable

Items	Materiality threshold
Material receivables subject to loss allowances on an individual basis	RMB3 million
Material recoveries or reversals of loss allowances for receivables during the current period	RMB3 million
Material write-offs of receivables during the current period	RMB3 million
Material changes in the carrying amount of receivables	RMB3 million
Material construction in progress	Budget for an individual project as a percentage of the Group's audited total assets at the end of the period ≥ 10%

6. Accounting treatment for business combinations under common control and not under common control

Business combinations under common control: The assets and liabilities acquired by the combining party in a business combination (including goodwill arising from the acquisition of the acquiree by the ultimate controlling party) are measured on the basis of their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid for the combination (or the aggregate par value of shares issued) is adjusted against share premium in the capital reserve. If the share premium is insufficient to absorb the difference, retained earnings are adjusted.

Business combinations not under common control: The cost of a combination is the fair value at the acquisition date of the assets transferred, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for control of the acquiree. The excess of the cost of the combination over the acquirer's share of the fair value of the identifiable net assets acquired is recognised as goodwill; where the cost of the combination is less than the acquirer's share of the fair value of the identifiable net assets acquired, the difference is recognised in profit or loss for the current period. The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at fair value at the acquisition date.

Directly attributable costs incurred in connection with a business combination are recognised in profit or loss when incurred. Transaction costs incurred in issuing equity or debt securities for a business combination are included in the amount initially recognised for the equity or debt securities.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Criteria for determining control and preparation of consolidated financial statements

1. Criteria for determining control

The scope of consolidation of the consolidated financial statements is determined on the basis of control and includes the Company and all of its subsidiaries. Control exists when the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns.

2. Consolidation procedures

The Company regards the entire group as one accounting entity and prepares consolidated financial statements using uniform accounting policies to reflect the overall financial position, operating results and cash flows of the Group. The effects of intragroup transactions between the Company and its subsidiaries and among the subsidiaries are eliminated. Where an intragroup transaction indicates an impairment loss on the relevant asset, the loss is recognised in full. Where the accounting policies or accounting periods adopted by a subsidiary differ from those of the Company, appropriate adjustments are made in preparing the consolidated financial statements in accordance with the Company's accounting policies and accounting periods.

The portions of a subsidiary's owners' equity, profit or loss for the period and total comprehensive income attributable to non-controlling interests are presented separately under owners' equity in the consolidated balance sheet, under net profit in the consolidated income statement and under total comprehensive income, respectively. Where losses attributable to the non-controlling shareholders of a subsidiary exceed their interest in the opening owners' equity of that subsidiary, the excess is charged against non-controlling interests.

(1) Addition of subsidiaries or businesses

Where a subsidiary or business is added during the Reporting Period through a business combination under common control, its operating results and cash flows from the beginning of the period in which the combination occurs to the end of the Reporting Period are included in the consolidated financial statements. The opening balances and the relevant comparative figures in the consolidated financial statements are also adjusted as if the combined reporting entity had existed from the date on which the ultimate controlling party first obtained control.

Where control over an investee under common control is obtained through additional investment or otherwise, the profit or loss, other comprehensive income and other changes in net assets recognised in respect of the equity interest held before control over the acquiree was obtained, for the period from the later of the date on which the original interest was acquired and the date on which the combining party and the acquiree came under common control to the combination date, are adjusted against opening retained earnings or profit or loss for the comparative period, as appropriate.

Where a subsidiary or business is added during the Reporting Period through a business combination not under common control, the identifiable assets, liabilities and contingent liabilities determined at fair value at the acquisition date are included in the consolidated financial statements from the acquisition date.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Criteria for determining control and preparation of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(1) Addition of subsidiaries or businesses (Continued)

Where control over an investee not under common control is obtained through additional investment or otherwise, the equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, and the difference between its fair value and carrying amount is recognised as investment income for the current period. Other comprehensive income that may subsequently be reclassified to profit or loss and other changes in owners' equity accounted for under the equity method in respect of the interest held before the acquisition date are transferred to investment income for the period in which the acquisition date falls.

(2) Disposal of subsidiaries

1 General treatment

When control over an investee is lost through the disposal of part of an equity investment or otherwise, any retained equity interest is remeasured at its fair value on the date control is lost. The difference between (i) the aggregate of the consideration received for the disposal and the fair value of the retained interest and (ii) the aggregate of the share of the former subsidiary's net assets continuously calculated from the acquisition date or combination date based on the original percentage interest and goodwill is recognised as investment income in the period in which control is lost. Other comprehensive income that may subsequently be reclassified to profit or loss and other changes in owners' equity accounted for under the equity method relating to the former investment in the subsidiary are transferred to investment income for the current period when control is lost.

2 Disposal of a subsidiary in stages

Where a subsidiary is disposed of in stages through multiple transactions until control is lost, the terms, conditions and economic effects of the transactions ordinarily indicate that they constitute a single transaction if one or more of the following circumstances applies:

I. the transactions were entered into at the same time or in contemplation of one another;

II. the transactions together achieve a complete commercial result;

III. the occurrence of one transaction depends on the occurrence of at least one other transaction;

IV. one transaction is not economically justified when considered in isolation but is economically justified when considered together with the other transactions.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Criteria for determining control and preparation of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(2) Disposal of subsidiaries (Continued)

2 Disposal of a subsidiary in stages (Continued)

Where the transactions constitute a single transaction, they are accounted for as a single transaction involving the disposal of a subsidiary and loss of control. Before control is lost, the difference between the consideration received for each disposal and the corresponding share of the subsidiary's net assets is recognised in other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period in which control is lost when control is ultimately lost.

Where the transactions do not constitute a single transaction, before control is lost each transaction is accounted for as a partial disposal of an equity investment in a subsidiary without loss of control. When control is lost, the transaction is accounted for using the general treatment for disposal of a subsidiary.

(3) Purchase of non-controlling interests in subsidiaries

The difference between the cost of the long-term equity investment newly acquired through the purchase of non-controlling interests and the share of the subsidiary's net assets continuously calculated from the acquisition date or combination date based on the additional percentage interest is adjusted against share premium in the capital reserve in the consolidated balance sheet. If the share premium is insufficient to absorb the difference, retained earnings are adjusted.

(4) Partial disposal of an equity investment in a subsidiary without loss of control

The difference between the disposal consideration and the share of the subsidiary's net assets continuously calculated from the acquisition date or combination date corresponding to the long-term equity investment disposed of is adjusted against share premium in the capital reserve in the consolidated balance sheet. If the share premium is insufficient to absorb the difference, retained earnings are adjusted.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Classification of joint arrangements and accounting for joint operations

Joint arrangements are classified as joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

The Company recognises the following in relation to its interest in a joint operation:

(1) its assets, including its share of any assets held jointly;

(2) its liabilities, including its share of any liabilities incurred jointly;

(3) its revenue from the sale of its share of the output arising from the joint operation;

(4) its share of the revenue from the sale of the output by the joint operation;

(5) its expenses, including its share of any expenses incurred jointly.

The Company's investments in joint ventures are accounted for using the equity method. See Note III.14, Long-term Equity Investments.

9. Determination of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily used for payment. Cash equivalents are short-term, highly liquid investments held by the Company that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Foreign currency transactions and translation of foreign currency financial statements

1. Foreign currency transactions

Foreign currency transactions are translated into RMB at the spot exchange rate on the transaction date.

At the balance sheet date, balances of foreign currency monetary items are translated at the spot exchange rate at that date. The resulting exchange differences are recognised in profit or loss for the current period, except for exchange differences arising from specific foreign currency borrowings relating to the acquisition, construction or production of qualifying assets, which are accounted for in accordance with the principles for capitalisation of borrowing costs.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date. Items of owners' equity, other than undistributed profits, are translated at the spot exchange rates when they arose. Revenue and expense items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of a foreign operation, the exchange differences arising from translation of the financial statements of that foreign operation are transferred from owners' equity to profit or loss for the period in which the disposal occurs.

11. FINANCIAL INSTRUMENTS

Assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date. Items of owners' equity, other than undistributed profits, are translated at the spot exchange rates when they arose. Revenue and expense items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of a foreign operation, the exchange differences arising from translation of the financial statements of that foreign operation are transferred from owners' equity to profit or loss for the period in which the disposal occurs.

The Company recognises a financial asset, financial liability or equity instrument when it becomes a party to the contractual provisions of the financial instrument.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

1. Classification of financial instruments

Based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified on initial recognition as financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

The Company classifies a financial asset as measured at amortised cost if it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:

– the business model is to hold the financial asset to collect contractual cash flows;

– the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company classifies a financial asset as measured at fair value through other comprehensive income (debt instrument) if it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:

– the business model is achieved by both collecting contractual cash flows and selling the financial asset;

– the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

For investments in equity instruments that are not held for trading, the Company may make an irrevocable election on initial recognition to designate them as financial assets measured at fair value through other comprehensive income (equity instruments). Such designation is made on an investment-by-investment basis, and the relevant investment must meet the definition of an equity instrument from the issuer's perspective.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

1. Classification of financial instruments (Continued)

Other than financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as described above, the Company classifies all other financial assets as financial assets measured at fair value through profit or loss. On initial recognition, if doing so eliminates or significantly reduces an accounting mismatch, the Company may irrevocably designate a financial asset that would otherwise be classified as measured at amortised cost or at fair value through other comprehensive income as a financial asset measured at fair value through profit or loss.

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortised cost.

A financial liability may be designated on initial recognition as measured at fair value through profit or loss if any of the following conditions is met:

1) such designation eliminates or significantly reduces an accounting mismatch;

2) a group of financial liabilities or financial assets and financial liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented enterprise risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel;

3) the financial liability contains an embedded derivative that is required to be separated.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

2. Basis for recognition and measurement of financial instruments

(1) Financial assets measured at amortised cost

Financial assets measured at amortised cost include notes receivable, accounts receivable, other receivables, long-term receivables and debt investments. They are initially measured at fair value, with the related transaction costs included in the amount initially recognised. Accounts receivable that do not contain a significant financing component, and those for which the Company has elected not to take into account a financing component of one year or less, are initially measured at the transaction price under the contract.

Interest calculated using the effective interest method during the holding period is recognised in profit or loss for the current period.

On recovery or disposal, the difference between the consideration received and the carrying amount of the financial asset is recognised in profit or loss for the current period.

(2) Financial assets measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income (debt instruments) include receivables financing and other debt investments. They are initially measured at fair value, with the related transaction costs included in the amount initially recognised. They are subsequently measured at fair value. Except for interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses, changes in fair value are recognised in other comprehensive income.

On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss for the current period.

(3) Financial assets measured at fair value through other comprehensive income (equity instruments)

Financial assets measured at fair value through other comprehensive income (equity instruments) include investments in other equity instruments. They are initially measured at fair value, with the related transaction costs included in the amount initially recognised. They are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income. Dividends received are recognised in profit or loss for the current period.

On derecognition, cumulative gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

2. Basis for recognition and measurement of financial instruments (Continued)

(4) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading, derivative financial assets and other non-current financial assets. They are initially measured at fair value, with the related transaction costs recognised in profit or loss for the current period. They are subsequently measured at fair value, with changes in fair value recognised in profit or loss for the current period.

(5) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and derivative financial liabilities. They are initially measured at fair value, with the related transaction costs recognised in profit or loss for the current period. They are subsequently measured at fair value, with changes in fair value recognised in profit or loss for the current period.

On derecognition, the difference between the carrying amount and the consideration paid is recognised in profit or loss for the current period.

(6) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables. They are initially measured at fair value, with the related transaction costs included in the amount initially recognised.

Interest calculated using the effective interest method during the holding period is recognised in profit or loss for the current period.

On derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognised in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

3. Basis for derecognition and transfer of financial assets and measurement thereof

The Company derecognises a financial asset when any of the following conditions is met:

– the contractual rights to receive the cash flows from the financial asset have expired;

– the financial asset has been transferred and substantially all the risks and rewards of ownership have been transferred to the transferee;

– the financial asset has been transferred and, although the Company has neither transferred nor retained substantially all the risks and rewards of ownership, it has not retained control of the financial asset.

Where the Company and the counterparty modify or renegotiate a contract and the modification is substantial, the original financial asset is derecognised and a new financial asset is recognised in accordance with the modified terms.

When a financial asset is transferred but substantially all the risks and rewards of ownership are retained, the financial asset is not derecognised.

In determining whether a transfer of a financial asset meets the above derecognition criteria, substance takes precedence over form.

The Company distinguishes between a transfer of a financial asset in its entirety and a partial transfer. If a transfer of a financial asset in its entirety meets the derecognition criteria, the difference between the following two amounts is recognised in profit or loss for the current period:

(1) the carrying amount of the financial asset transferred;

(2) the sum of the consideration received from the transfer and the cumulative amount of changes in fair value previously recognised directly in owners' equity, where the transferred financial asset is a financial asset measured at fair value through other comprehensive income (debt instrument).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

3. Basis for derecognition and transfer of financial assets and measurement thereof (Continued)

If a partial transfer of a financial asset meets the derecognition criteria, the carrying amount of the financial asset as a whole is allocated between the portion derecognised and the portion that continues to be recognised based on their relative fair values, and the difference between the following two amounts is recognised in profit or loss for the current period:

(1) the carrying amount of the portion derecognised;

(2) the sum of the consideration for the portion derecognised and the amount corresponding to the portion derecognised of the cumulative changes in fair value previously recognised directly in owners' equity, where the transferred financial asset is a financial asset measured at fair value through other comprehensive income (debt instrument).

If a transfer of a financial asset does not meet the derecognition criteria, the financial asset continues to be recognised and the consideration received is recognised as a financial liability.

4. Derecognition of financial liabilities

A financial liability, or part thereof, is derecognised when its present obligation has been discharged in whole or in part. Where the Company enters into an agreement with a creditor to replace an existing financial liability with a new financial liability whose contractual terms are substantially different from those of the existing liability, the existing financial liability is derecognised and the new financial liability is recognised at the same time.

Where the contractual terms of an existing financial liability are substantially modified in whole or in part, the existing financial liability or the relevant part thereof is derecognised and a new financial liability is recognised in accordance with the modified terms.

When a financial liability is derecognised in whole or in part, the difference between the carrying amount of the financial liability derecognised and the consideration paid, including any non-cash assets transferred or new financial liabilities assumed, is recognised in profit or loss for the current period.

Where the Company repurchases part of a financial liability, the carrying amount of the financial liability as a whole is allocated between the portion that continues to be recognised and the portion that is derecognised at the repurchase date based on their relative fair values. The difference between the carrying amount allocated to the derecognised portion and the consideration paid, including any non-cash assets transferred or new financial liabilities assumed, is recognised in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

5. Determination of the fair value of financial assets and financial liabilities

The fair value of a financial instrument for which an active market exists is determined by reference to quoted prices in the active market. For a financial instrument for which no active market exists, fair value is determined using valuation techniques. In applying valuation techniques, the Company uses techniques that are appropriate in the circumstances and for which sufficient data and other information are available, selects inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction involving the relevant asset or liability, and gives priority to relevant observable inputs. Unobservable inputs are used only where relevant observable inputs are unavailable or impracticable to obtain.

6. Methods of testing financial instruments for impairment and accounting treatment

The Company accounts for impairment of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (debt instruments) and financial guarantee contracts on the basis of expected credit losses.

The Company recognises expected credit losses as the probability-weighted present value of the difference between the contractual cash flows receivable and the cash flows expected to be received, weighted by the risk of default, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

For receivables and contract assets arising from transactions within the scope of Accounting Standard for Business Enterprises No. 14 – Revenue, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses, irrespective of whether a significant financing component exists.

For lease receivables arising from transactions within the scope of Accounting Standard for Business Enterprises No. 21 – Leases, the Company elects always to measure the loss allowance at an amount equal to lifetime expected credit losses.

For other financial instruments, the Company assesses changes in credit risk since initial recognition at each balance sheet date.

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default at the balance sheet date with the risk of default at the date of initial recognition, thereby determining the relative change in the risk of default over the expected life of the financial instrument. The Company generally considers that credit risk has increased significantly when an instrument is more than 30 days past due, unless there is clear evidence that the credit risk of the instrument has not increased significantly since initial recognition.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. FINANCIAL INSTRUMENTS (Continued)

6. Methods of testing financial instruments for impairment and accounting treatment (Continued)

If the credit risk of a financial instrument is low at the balance sheet date, the Company considers that the credit risk of the instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument. If the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses of the instrument. Any resulting increase in or reversal of a loss allowance is recognised in profit or loss for the current period as an impairment loss or gain. For financial assets measured at fair value through other comprehensive income (debt instruments), the loss allowance is recognised in other comprehensive income and the impairment loss or gain is recognised in profit or loss for the current period without reducing the carrying amount of the financial asset presented in the balance sheet.

If there is objective evidence that a receivable is credit-impaired, the Company makes a loss allowance for the receivable on an individual basis.

Other than the receivables for which loss allowances are made on an individual basis as described above, the Company groups the remaining financial instruments on the basis of credit risk characteristics and determines expected credit losses on a collective basis. The portfolio categories and the basis for determining expected credit losses for notes receivable, accounts receivable, receivables financing, other receivables, contract assets and long-term receivables are as follows:

Item	Portfolio category	Basis for determination
Notes receivable, accounts receivable and receivables financing	Ageing portfolio of third-party balances	Credit risk characteristics of specific customer groups
Notes receivable, accounts receivable and receivables financing	Portfolio of intragroup balances	Credit risk characteristics of specific customer groups
Other receivables	Ageing portfolio of third-party balances	Credit risk characteristics of specific customer groups
Other receivables	Portfolio of intragroup balances	Credit risk characteristics of specific customer groups

When the Company no longer reasonably expects to recover all or part of the contractual cash flows of a financial asset, it directly writes down the gross carrying amount of the financial asset.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. CONTRACT ASSETS

1. Recognition criteria for contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the satisfaction of performance obligations and payments by customers. The Company's right to consideration in exchange for goods or services transferred to customers, where that right is conditional on factors other than the passage of time, is presented as a contract asset. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's unconditional right to consideration from a customer, which is conditional only on the passage of time, is presented separately as a receivable.

2. Determination of expected credit losses on contract assets and accounting treatment

For the determination of expected credit losses on contract assets and the related accounting treatment, see Note III.10, Methods of Testing Financial Instruments for Impairment and Accounting Treatment.

13. INVENTORIES

1. Classification and cost of inventories

Inventories are classified as raw materials, finished goods, work in progress, goods dispatched and materials entrusted for processing, among others.

Inventories are initially measured at cost. The cost of inventories includes purchase costs, processing costs and other expenditures incurred in bringing the inventories to their present location and condition.

2. Cost formula for inventories issued

The cost of inventories issued is determined using the moving weighted average method.

3. Inventory count system

The perpetual inventory system is adopted.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. INVENTORIES (Continued)

4. Amortisation of low-value consumables and packaging materials

(1) Low-value consumables are written off in full when issued;

(2) Packaging materials are written off in full when issued.

5. Recognition criteria and method for provision for impairment of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. Where the cost of inventories exceeds their net realisable value, a provision for impairment of inventories is made. Net realisable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs to completion, estimated selling expenses and related taxes.

For finished goods, merchandise and materials held directly for sale, net realisable value is determined in the ordinary course of business based on the estimated selling price of the inventories less estimated selling expenses and related taxes. For materials that require processing, net realisable value is determined in the ordinary course of business based on the estimated selling price of the finished goods produced less the estimated costs to completion, estimated selling expenses and related taxes. For inventories held for the performance of a sales contract or service contract, net realisable value is calculated based on the contract price. If the quantity of inventories held exceeds the quantity ordered under sales contracts, the net realisable value of the excess is calculated based on the general selling price.

If, after a provision for impairment of inventories has been made, the factors that caused the inventories to be written down no longer exist and the net realisable value of the inventories becomes higher than their carrying amount, the provision is reversed to the extent of the amount originally provided, and the reversal is recognised in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. ASSETS HELD FOR SALE

1. Held for sale

A non-current asset or disposal group whose carrying amount will be recovered principally through sale, including an exchange of non-monetary assets with commercial substance, rather than through continuing use is classified as held for sale.

The Company classifies a non-current asset or disposal group as held for sale if both of the following conditions are met:

(1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups;

(2) the sale is highly probable: the Company has resolved on a plan to sell and has obtained a firm purchase commitment, and the sale is expected to be completed within one year. Where approval by the relevant authority of the Company or a regulatory authority is required before the sale, such approval has been obtained.

Where the carrying amount of a non-current asset classified as held for sale (excluding financial assets, deferred tax assets and assets arising from employee benefits) or a disposal group exceeds its fair value less costs to sell, the carrying amount is written down to fair value less costs to sell. The amount written down is recognised as an asset impairment loss in profit or loss for the current period, and an impairment allowance for assets held for sale is recognised at the same time.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. ASSETS HELD FOR SALE (Continued)

2. Discontinued operations

A discontinued operation is a separately identifiable component that has been disposed of or classified as held for sale and meets one of the following conditions:

(1) it represents a separate major line of business or a separate major geographical area of operations;

(2) it is part of a single coordinated plan to dispose of a separate major line of business or a separate major geographical area of operations;

(3) it is a subsidiary acquired exclusively with a view to resale.

Profit or loss from continuing operations and profit or loss from discontinued operations are presented separately in the income statement. Operating profit or loss, including impairment losses and reversals, and disposal gains or losses relating to discontinued operations are presented as profit or loss from discontinued operations. For discontinued operations presented in the current period, information previously presented as profit or loss from continuing operations is re-presented as profit or loss from discontinued operations for the comparative accounting period in the current financial statements.

15. LONG-TERM EQUITY INVESTMENTS

1. Criteria for determining joint control and significant influence

Joint control is the contractually agreed sharing of control over an arrangement, under which decisions about the relevant activities require the unanimous consent of the parties sharing control. Where the Company and other venturers jointly control an investee and have rights to the net assets of the investee, the investee is a joint venture of the Company.

Significant influence is the power to participate in the financial and operating policy decisions of an investee, but not control or joint control over those policies. An investee over which the Company is able to exercise significant influence is an associate of the Company.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. LONG-TERM EQUITY INVESTMENTS (Continued)

2. Determination of initial investment cost

(1) Long-term equity investments arising from business combinations

For a long-term equity investment in a subsidiary arising from a business combination under common control, the initial investment cost at the combination date is the Company's share of the carrying amount of the acquiree's owners' equity in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of the consideration paid is adjusted against share premium in the capital reserve. If the share premium is insufficient to absorb the difference, retained earnings are adjusted. Where control over an investee under common control is obtained through additional investment or otherwise, the difference between the initial investment cost determined in accordance with the above principle and the aggregate of the carrying amount of the long-term equity investment before the combination and the carrying amount of the additional consideration paid at the combination date is adjusted against share premium. If the share premium is insufficient to absorb the difference, retained earnings are reduced.

For a long-term equity investment in a subsidiary arising from a business combination not under common control, the initial investment cost is the cost of the combination determined at the acquisition date. Where control over an investee not under common control is obtained through additional investment or otherwise, the initial investment cost is the aggregate of the carrying amount of the equity investment previously held and the cost of the additional investment.

(2) Long-term equity investments acquired other than through business combinations

The initial cost of a long-term equity investment acquired for cash is the purchase price actually paid.

The initial cost of a long-term equity investment acquired through the issue of equity securities is the fair value of the equity securities issued.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. LONG-TERM EQUITY INVESTMENTS (Continued)

3. Subsequent measurement and recognition of profit or loss

(1) Long-term equity investments accounted for using the cost method

The Company's long-term equity investments in subsidiaries are accounted for using the cost method unless an investment meets the criteria for classification as held for sale. Except for cash dividends or profits declared but not yet distributed that are included in the price or consideration actually paid on acquisition, investment income for the current period is recognised based on the Company's share of cash dividends or profits declared by the investee.

(2) Long-term equity investments accounted for using the equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method. Where the initial investment cost exceeds the Company's share of the fair value of the investee's identifiable net assets at the date of investment, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the date of investment, the difference is recognised in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

The Company recognises investment income and other comprehensive income based on its share of the investee's profit or loss and other comprehensive income, respectively, and adjusts the carrying amount of the long-term equity investment accordingly. The carrying amount of the long-term equity investment is reduced by the Company's share of profits or cash dividends declared by the investee. For other changes in the investee's owners' equity other than profit or loss, other comprehensive income and profit distribution (referred to as "**other changes in owners' equity**"), the carrying amount of the long-term equity investment is adjusted and the corresponding amount is recognised in owners' equity.

In recognising the Company's share of the investee's profit or loss, other comprehensive income and other changes in owners' equity, adjustments are made to the investee's net profit, other comprehensive income and other relevant items based on the fair value of the investee's identifiable net assets at the date of investment and in accordance with the Company's accounting policies and accounting period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. LONG-TERM EQUITY INVESTMENTS (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)

(2) Long-term equity investments accounted for using the equity method (Continued)

The portion of unrealised profit or loss on intragroup transactions between the Company and its associates or joint ventures attributable to the Company based on its percentage interest is eliminated, and investment income is recognised on that basis, except where the assets contributed or sold constitute a business. Unrealised losses arising from transactions with an investee that represent asset impairment losses are recognised in full.

The Company's share of the net losses of a joint venture or associate is recognised to the extent that the carrying amount of the long-term equity investment, together with any long-term interests that in substance form part of the Company's net investment in the joint venture or associate, is reduced to zero, unless the Company has an obligation to bear additional losses. Where the joint venture or associate subsequently reports net profit, the Company resumes recognising its share of profit after its share of profit has offset the share of losses not previously recognised.

(3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between its carrying amount and the consideration actually received is recognised in profit or loss for the current period.

Where a long-term equity investment accounted for using the equity method is partially disposed of and the remaining interest continues to be accounted for using the equity method, other comprehensive income previously recognised under the equity method is transferred proportionately on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities, and other changes in owners' equity are transferred proportionately to profit or loss for the current period.

When joint control over or significant influence on an investee is lost as a result of the disposal of an equity investment or otherwise, other comprehensive income previously recognised in relation to the original equity investment under the equity method is accounted for, upon discontinuing the equity method, on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. All other changes in owners' equity are transferred to profit or loss for the current period when the equity method is discontinued.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. LONG-TERM EQUITY INVESTMENTS (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)

(3) Disposal of long-term equity investments (Continued)

When control over an investee is lost through the disposal of part of an equity investment or otherwise, in preparing the separate financial statements, if the retained interest enables joint control over or significant influence on the investee, it is accounted for using the equity method and adjusted as if the equity method had been applied from the date the retained interest was acquired. Other comprehensive income recognised before control over the investee was obtained is transferred proportionately on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities, and other changes in owners' equity recognised under the equity method are transferred proportionately to profit or loss for the current period. If the retained interest does not enable joint control over or significant influence on the investee, it is recognised as a financial asset. The difference between its fair value and carrying amount on the date control is lost is recognised in profit or loss for the current period, and all other comprehensive income and other changes in owners' equity recognised before control over the investee was obtained are transferred.

Where a subsidiary is disposed of in stages through multiple transactions until control is lost and the transactions constitute a single transaction, the transactions are accounted for as a single transaction involving the disposal of an investment in a subsidiary and loss of control. Before control is lost, the difference between the consideration received for each disposal and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of is recognised in other comprehensive income in the separate financial statements and transferred to profit or loss for the period in which control is lost when control is ultimately lost. Transactions that do not constitute a single transaction are accounted for separately.

16. INVESTMENT PROPERTIES

Measurement model for investment properties

Cost model measurement

Depreciation or amortisation method

Investment properties are properties held to earn rentals or for capital appreciation, or both, including leased land-use rights, land-use rights held for transfer after appreciation and leased buildings (including buildings constructed or developed by the Company for subsequent leasing and buildings under construction or development for future leasing).

Subsequent expenditure relating to an investment property is included in its cost when it is probable that the related economic benefits will flow to the Company and the cost can be measured reliably; otherwise, it is recognised in profit or loss when incurred.

The Company measures its existing investment properties using the cost model. Buildings held for leasing that are measured using the cost model are depreciated using the same policy as the Company's fixed assets, while land-use rights held for leasing are amortised using the same policy as intangible assets.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. FIXED ASSETS

(1) Recognition criteria

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others or for administrative purposes, and with useful lives exceeding one accounting year. A fixed asset is recognised when both of the following conditions are met:

(1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;

(2) the cost of the fixed asset can be measured reliably.

Fixed assets are initially measured at cost, taking into account the effect of estimated decommissioning costs.

Subsequent expenditure relating to a fixed asset is included in its cost when it is probable that the related economic benefits will flow to the Company and the cost can be measured reliably. The carrying amount of any replaced part is derecognised. All other subsequent expenditure is recognised in profit or loss when incurred.

(2) Depreciation methods

Category	Depreciation method	Depreciation period(years)	Residual value rate	Annual depreciation rate
Buildings and structures	Straight-line method	20	10	4.5
Machinery and equipment	Straight-line method	5-10	3	19.40-9.70
Electronic equipment	Straight-line method	3	3	32.33
Transportation equipment	Straight-line method	4	3	24.25
Other equipment	Straight-line method	5	3	19.40

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. CONSTRUCTION IN PROGRESS

Construction in progress is measured at actual cost. Actual cost includes construction costs, installation costs, borrowing costs that meet the criteria for capitalisation and other necessary expenditures incurred before the construction in progress reaches its intended usable condition. Construction in progress is transferred to fixed assets when it reaches its intended usable condition, and depreciation commences in the following month. The Company's criteria and timing for transferring construction in progress to fixed assets are as follows:

Category	Criteria and timing for transfer to fixed assets
Buildings and structures	(1) the principal construction works and ancillary works have been completed;
	(2) where construction has reached its intended usable condition but final completion accounts have not yet been prepared, the construction in progress is transferred to fixed assets at an estimated value based on the actual construction cost from the date it reaches its intended usable condition.
Machinery and equipment requiring installation and commissioning	(1) the relevant equipment and other ancillary facilities have been installed;
	(2) the equipment is capable of normal and stable operation for a period after commissioning;
	(3) the equipment has reached its intended usable condition.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. BORROWING COSTS

1. Principles for capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses based on the amounts incurred and charged to profit or loss when incurred.

Qualifying assets are fixed assets, investment properties, inventories and other assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2. Capitalisation period for borrowing costs

The capitalisation period is the period from the commencement of capitalisation of borrowing costs to the cessation of capitalisation, excluding any period during which capitalisation is suspended.

Capitalisation of borrowing costs commences when all of the following conditions are met:

(1) expenditures on the asset have been incurred, including expenditures resulting in the payment of cash, the transfer of non-cash assets or the assumption of interest-bearing liabilities for the acquisition, construction or production of a qualifying asset;

(2) borrowing costs have been incurred;

(3) activities necessary to prepare the asset for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset acquired, constructed or produced is ready for its intended use or sale.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. BORROWING COSTS (Continued)

3. Suspension of capitalisation

Capitalisation of borrowing costs is suspended when an abnormal interruption occurs during the construction or production of a qualifying asset and the interruption continues for more than three months. However, if the interruption is a necessary part of the process of bringing the qualifying asset to its intended usable or saleable condition, capitalisation continues. Borrowing costs incurred during the interruption are recognised in profit or loss for the current period until construction or production resumes, at which time capitalisation resumes.

4. Capitalisation rate and calculation of capitalised borrowing costs

For specific borrowings obtained for the construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on those borrowings during the current period less any interest income earned from depositing the unused borrowings with banks or any investment income earned from temporary investment of such borrowings.

For general borrowings used for the construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is calculated by applying a capitalisation rate to the weighted average of the accumulated expenditures on the asset in excess of the specific borrowings. The capitalisation rate is determined based on the weighted average effective interest rate of the general borrowings.

During the capitalisation period, exchange differences arising from the principal and interest of specific foreign currency borrowings are capitalised as part of the cost of the qualifying asset. Exchange differences arising from the principal and interest of foreign currency borrowings other than specific foreign currency borrowings are recognised in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. INTANGIBLE ASSETS

(1) Useful lives and the basis for their determination, estimates, amortisation methods or review procedures

1. *Measurement of intangible assets*

(1) Intangible assets acquired by the Company are initially measured at cost;

The cost of a separately acquired intangible asset includes its purchase price, related taxes and other expenditures directly attributable to preparing the asset for its intended use.

(2) Subsequent measurement

The useful life of an intangible asset is assessed when it is acquired.

An intangible asset with a finite useful life is amortised over the period in which it brings economic benefits to the enterprise. An intangible asset for which the period of economic benefits cannot be foreseen is regarded as having an indefinite useful life and is not amortised.

2. *Estimated useful lives of intangible assets with finite useful lives*

Items	Estimated useful life	Amortisation method	Residual value rate	Basis for determining the estimated useful life
Land-use rights	50 years and 30 years	Terms stated in the real estate ownership certificates	Land-use rights	50 years and 30 years
Office software	10 years and 3 years	Estimated useful life	Office software	10 years and 3 years
Proprietary technology	10 years	Estimated benefit period	Proprietary technology	10 years

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. INTANGIBLE ASSETS (Continued)

(2) Scope of aggregation of R&D expenditure and related accounting treatment

1. Criteria for distinguishing the research phase from the development phase

Expenditure on the Company's internal research and development projects is classified as research-phase expenditure or development-phase expenditure.

Research phase: the phase of original and planned investigation and research activities undertaken to obtain and understand new scientific or technical knowledge.

Development phase: the phase in which research findings or other knowledge are applied to a plan or design before commercial production or use in order to produce new or substantially improved materials, devices or products.

2. Specific criteria for capitalisation of development-phase expenditure

Research-phase expenditure is recognised in profit or loss when incurred. Development-phase expenditure is recognised as an intangible asset if all of the following conditions are met; otherwise, it is recognised in profit or loss when incurred:

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) there is an intention to complete the intangible asset and use or sell it;

(3) the manner in which the intangible asset will generate economic benefits can be demonstrated, including evidence of a market for the output of the intangible asset or the intangible asset itself, or, if it is to be used internally, evidence of its usefulness;

(4) adequate technical, financial and other resources are available to complete the development of the intangible asset and to use or sell it;

(5) expenditure attributable to the development phase of the intangible asset can be measured reliably.

Where research-phase expenditure cannot be distinguished from development-phase expenditure, all R&D expenditure incurred is recognised in profit or loss for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. IMPAIRMENT OF LONG-TERM ASSETS

Long-term assets, including long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and oil and gas assets, are tested for impairment when there is an indication of impairment at the balance sheet date. If an impairment test indicates that the recoverable amount of an asset is lower than its carrying amount, an impairment allowance equal to the difference is recognised and charged to impairment loss. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of its estimated future cash flows. An impairment allowance is calculated and recognised on an individual-asset basis. If it is impracticable to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows independently.

Goodwill arising from business combinations, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least at the end of each year, irrespective of whether there is any indication of impairment.

In testing goodwill for impairment, the carrying amount of goodwill arising from a business combination is allocated from the acquisition date to the relevant cash-generating units on a reasonable basis. If it cannot be allocated to individual cash-generating units, it is allocated to groups of cash-generating units. The relevant cash-generating units or groups of cash-generating units are those expected to benefit from the synergies of the business combination.

When testing a cash-generating unit or group of cash-generating units containing goodwill for impairment, if there is an indication that the unit or group related to the goodwill may be impaired, the unit or group excluding goodwill is first tested for impairment by calculating its recoverable amount and comparing it with its carrying amount, and any resulting impairment loss is recognised. The unit or group containing goodwill is then tested by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, the impairment loss is first allocated to reduce the carrying amount of goodwill allocated to the unit or group, and any remaining amount is allocated pro rata to the other assets of the unit or group based on their carrying amounts.

Once recognised, the above asset impairment losses are not reversed in subsequent accounting periods.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses are expenses already incurred that are to be borne by the current and subsequent periods and have an amortisation period exceeding one year.

1. Amortisation method

Long-term deferred expenses are amortised evenly over the benefit period.

2. Amortisation period

Renovation, repair and improvement expenses are amortised over five years.

Similar expenses for self-constructed production plants are amortised over 20 years.

23. CONTRACT LIABILITIES

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the satisfaction of performance obligations and payments by customers. An obligation to transfer goods or provide services to a customer for which the Company has received, or has an unconditional right to receive, consideration is presented as a contract liability. Contract assets and contract liabilities under the same contract are presented on a net basis.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. EMPLOYEE BENEFITS

(1) Accounting treatment for short-term employee benefits

During the accounting period in which employees render services, the Company recognises the short-term employee benefits actually incurred as liabilities and charges them to profit or loss for the current period or includes them in the cost of the relevant assets.

Social insurance premiums and housing provident fund contributions paid by the Company for its employees, as well as labour union funds and employee education funds provided in accordance with relevant requirements, are calculated based on the prescribed bases and rates during the accounting period in which employees render services.

Employee welfare expenses incurred by the Company are charged to profit or loss for the current period or included in the cost of the relevant assets based on the amounts actually incurred. Non-monetary benefits are measured at fair value.

(2) Accounting treatment for post-employment benefits

(1) Defined contribution plans

The Company contributes to basic pension insurance and unemployment insurance for its employees in accordance with local government requirements. During the accounting period in which employees render services, the contributions payable, calculated based on the prescribed bases and rates, are recognised as liabilities and charged to profit or loss for the current period or included in the cost of the relevant assets. The Company also participates in an enterprise annuity plan/supplementary pension fund approved by the relevant national authorities. Contributions are made to the annuity plan/local social insurance authority at a prescribed percentage of total employee wages, and the corresponding expenditure is charged to profit or loss for the current period or included in the cost of the relevant assets.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. EMPLOYEE BENEFITS (Continued)

(2) Accounting treatment for post-employment benefits (Continued)

(2) Defined benefit plans

Using the projected unit credit method, the Company attributes benefit obligations arising from a defined benefit plan to periods in which employees render services and charges them to profit or loss for the current period or includes them in the cost of the relevant assets.

The deficit or surplus resulting from the present value of the defined benefit obligation less the fair value of the plan assets is recognised as a net defined benefit liability or asset. Where a defined benefit plan has a surplus, the Company measures the net defined benefit asset at the lower of the surplus in the plan and the asset ceiling.

All defined benefit obligations, including those expected to be settled within 12 months after the end of the annual reporting period in which employees render services, are discounted using market yields at the balance sheet date on government bonds or high-quality corporate bonds in an active market whose currency and term are consistent with those of the defined benefit obligations.

Service cost arising from a defined benefit plan and net interest on the net defined benefit liability or asset are charged to profit or loss for the current period or included in the cost of the relevant assets. Changes arising from remeasurement of the net defined benefit liability or asset are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent accounting periods. When the original defined benefit plan is terminated, the amount previously recognised in other comprehensive income is transferred in full to undistributed profits within equity.

On settlement of a defined benefit plan, a settlement gain or loss is recognised as the difference between the present value of the defined benefit obligation and the settlement price determined at the settlement date.

(3) Accounting treatment for termination benefits

When the Company provides termination benefits to employees, the liability for employee benefits arising from termination benefits is recognised and charged to profit or loss for the current period at the earlier of the date when the Company can no longer withdraw the offer of termination benefits under a termination plan or redundancy proposal and the date when the Company recognises costs or expenses relating to a restructuring that involves the payment of termination benefits.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. PROVISIONS

The Company recognises an obligation relating to a contingency as a provision when all of the following conditions are met:

(1) the obligation is a present obligation of the Company;

(2) it is probable that an outflow of economic benefits from the Company will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the relevant present obligation.

In determining the best estimate, risks and uncertainties relating to the contingency and the time value of money are taken into account. Where the effect of the time value of money is material, the best estimate is determined by discounting the relevant future cash outflows.

Where the expenditure required falls within a continuous range and each outcome within that range is equally likely, the best estimate is the midpoint of the range. In other circumstances, the best estimate is determined as follows:

- where the contingency involves a single item, at the most likely outcome;
- where the contingency involves a population of items, by weighting all possible outcomes by their associated probabilities.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset when it is virtually certain that it will be received. The amount recognised does not exceed the carrying amount of the provision.

The Company reviews the carrying amount of provisions at the balance sheet date. Where there is clear evidence that the carrying amount does not reflect the current best estimate, it is adjusted to the current best estimate.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. SHARE-BASED PAYMENTS

The Company's share-based payment transactions are transactions in which equity instruments are granted, or liabilities determined by reference to equity instruments are incurred, in exchange for services rendered by employees or other parties. The Company's share-based payments are classified as equity-settled or cash-settled share-based payments.

1. Equity-settled share-based payments and equity instruments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to the employees. For share-based payment transactions that vest immediately after grant, the fair value of the equity instruments is charged to the relevant costs or expenses at the grant date, with a corresponding increase in capital reserve. For share-based payment transactions that vest only after services are completed during the vesting period or specified performance conditions are satisfied, at each balance sheet date during the vesting period the services received for the current period are charged to the relevant costs or expenses based on the best estimate of the number of equity instruments expected to vest and the grant-date fair value, with a corresponding increase in capital reserve.

If the terms of an equity-settled share-based payment are modified, the services received are recognised at least as if the terms had not been modified. In addition, any modification that increases the fair value of the equity instruments granted or is otherwise beneficial to the employee at the modification date is recognised as an increase in the services received.

If equity instruments granted are cancelled during the vesting period, the Company accounts for the cancellation as an acceleration of vesting and immediately recognises in profit or loss for the current period the amount that would otherwise have been recognised over the remainder of the vesting period, with a corresponding recognition in capital reserve. However, if new equity instruments are granted and are identified at the grant date as replacements for the cancelled equity instruments, the replacement equity instruments are accounted for in the same manner as a modification of the terms and conditions of the original equity instruments.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. SHARE-BASED PAYMENTS (Continued)

2. Cash-settled share-based payments and equity instruments

Cash-settled share-based payments are measured at the fair value of the liability incurred by the Company, determined by reference to the value of shares or other equity instruments. For share-based payment transactions that vest immediately after grant, the fair value of the liability is charged to the relevant costs or expenses at the grant date, with a corresponding increase in liabilities. For share-based payment transactions that vest only after services are completed during the vesting period or specified performance conditions are satisfied, at each balance sheet date during the vesting period the services received for the current period are charged to the relevant costs or expenses based on the best estimate of vesting and the fair value of the liability incurred by the Company, with a corresponding increase in liabilities. The fair value of the liability is remeasured at each balance sheet date before settlement and at the settlement date, with changes recognised in profit or loss for the current period.

Where the Company modifies the terms and conditions of a cash-settled share-based payment arrangement so that it becomes an equity-settled share-based payment, at the modification date, whether during or after the vesting period, the Company measures the equity-settled share-based payment at the fair value of the equity instruments granted on that date and recognises the services received in capital reserve, while derecognising the liability recognised for the cash-settled share-based payment at the modification date. The difference is recognised in profit or loss for the current period. If the modification extends or shortens the vesting period, the Company accounts for the arrangement using the modified vesting period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. PREFERRED SHARES, PERPETUAL BONDS AND OTHER FINANCIAL INSTRUMENTS

Based on the contractual terms of preferred shares/perpetual bonds issued and their economic substance, rather than merely their legal form, the Company classifies each instrument or its component parts on initial recognition as a financial asset, financial liability or equity instrument.

A perpetual bond/preferred share or other financial instrument issued by the Company is classified in whole or in part as a financial liability on initial recognition if any of the following conditions is met:

(1) there is a contractual obligation that the Company cannot unconditionally avoid settling by delivering cash or another financial asset;

(2) there is a contractual obligation to settle by delivering a variable number of the Company's own equity instruments;

(3) it contains a derivative to be settled in the Company's own equity, such as a conversion right, and the derivative is not settled by exchanging a fixed number of the Company's own equity instruments for a fixed amount of cash or another financial asset;

(4) the contractual terms indirectly create a contractual obligation;

(5) on liquidation of the issuer, the perpetual bond ranks pari passu with ordinary bonds and other debts issued by the issuer.

A perpetual bond/preferred share or other financial instrument that does not meet any of the above conditions is classified in whole or in part as an equity instrument on initial recognition.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. REVENUE

Disclosure of accounting policies for revenue recognition and measurement by business type

1. Accounting policies for revenue recognition and measurement

The Company recognises revenue when it satisfies a performance obligation in a contract, that is, when the customer obtains control of the relevant goods or services. Control of goods or services means the ability to direct their use and obtain substantially all of the remaining economic benefits from them.

For a contract containing two or more performance obligations, the Company allocates the transaction price to each performance obligation at contract inception based on the relative stand-alone selling prices of the goods or services promised under each performance obligation. Revenue is measured at the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to customers. The Company determines the transaction price based on the contractual terms and its customary business practices, taking into account variable consideration, significant financing components in the contract, non-cash consideration and consideration payable to a customer. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the related uncertainty is subsequently resolved. Where a contract contains a significant financing component, the Company determines the transaction price based on the amount payable in cash when the customer is assumed to obtain control of the goods or services, and amortises the difference between the transaction price and the contract consideration over the contract term using the effective interest method.

A performance obligation is satisfied over time if any of the following conditions is met; otherwise, it is satisfied at a point in time:

- the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs;

- the customer controls the asset created or enhanced as the Company performs;

- the goods created by the Company's performance have no alternative use to the Company and the Company has an enforceable right to payment for performance completed to date throughout the contract term.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. REVENUE (Continued)

1. Accounting policies for revenue recognition and measurement (Continued)

For a performance obligation satisfied over time, the Company recognises revenue over that period by reference to the progress towards complete satisfaction of the performance obligation, except where such progress cannot be reasonably measured. Having regard to the nature of the goods or services, the Company determines the progress towards complete satisfaction using an output method or an input method. Where progress cannot be reasonably measured but the costs incurred are expected to be recoverable, revenue is recognised only to the extent of the costs incurred until progress can be reasonably measured.

For a performance obligation satisfied at a point in time, the Company recognises revenue when the customer obtains control of the relevant goods or services. In determining whether the customer has obtained control, the Company considers the following indicators:

- the Company has a present right to payment for the goods or services and the customer has a present obligation to pay;
- the Company has transferred legal title to the goods to the customer and the customer has legal title to the goods;
- the Company has transferred physical possession of the goods to the customer and the customer has physical possession of the goods;
- the Company has transferred the significant risks and rewards of ownership of the goods to the customer and the customer has obtained those risks and rewards;
- the customer has accepted the goods or services, among other indicators.

The Company determines whether it is acting as a principal or an agent in a transaction based on whether it controls the relevant goods or services before they are transferred to the customer. If the Company controls the goods or services before they are transferred to the customer, it is acting as a principal and recognises revenue at the gross amount of consideration received or receivable. Otherwise, the Company is acting as an agent and recognises revenue in the amount of the commission or fee to which it expects to be entitled.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. REVENUE (Continued)

2. Specific methods of revenue recognition and measurement by business type

Domestic sales

(1) Micro transmission systems and precision components: Under the direct sales model, the Company manufactures and dispatches products according to orders, delivers the products to the location designated by the customer and recognises revenue upon obtaining the customer's acknowledgement of receipt. Under the consignment inventory model, the Company manufactures and dispatches products according to orders and delivers them to the consignment warehouse designated by the customer. After the customer acknowledges receipt, the products are entered into the warehouse. Revenue is recognised after the customer and the Company periodically reconcile the quantities actually withdrawn by the customer.

(2) Precision moulds: The Company manufactures moulds in accordance with customer orders or contractual requirements and recognises revenue after the moulds have been accepted, or deemed to have been accepted, by the customer, principally in the following circumstances: A. Where the mould contract separately specifies mould design and tooling fees, mould revenue is recognised in a lump sum when the mould is accepted by the customer or when the Company obtains a mass-production order from the customer for components produced using the mould. B. Where the mould contract separately specifies revenue for mould design and tooling, but the customer fails to accept the mould or place a mass-production order on time after completion of the contract and the Company has collected part or all of the mould consideration, mould revenue is recognised based on the amount actually collected after more than 18 months have elapsed from the first sample delivery. C. For mould development that is not separately priced but is supported by a specific component order, no separate mould revenue is recognised and all mould development costs are included in the cost of the corresponding component products.

Overseas sales

The Company manufactures micro transmission systems or precision components in accordance with customer orders, dispatches the goods and completes customs declaration procedures. Revenue is recognised based on the approved export customs declaration after the export customs formalities have been completed.

Circumstances in which similar businesses use different business models involving different methods of revenue recognition and measurement

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. CONTRACT COSTS

Contract costs comprise costs to fulfil a contract and costs to obtain a contract.

Costs incurred by the Company in fulfilling a contract that are not within the scope of the standards on inventories, fixed assets or intangible assets are recognised as an asset as costs to fulfil a contract if all of the following conditions are met:

- the costs relate directly to a current contract or a specifically identifiable anticipated contract;

- the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

- the costs are expected to be recovered.

Incremental costs incurred by the Company to obtain a contract that are expected to be recovered are recognised as an asset as costs to obtain a contract.

An asset relating to contract costs is amortised on the same basis as the recognition of revenue from the goods or services to which the asset relates. However, costs to obtain a contract that would otherwise be amortised over one year or less are recognised in profit or loss when incurred.

If the carrying amount of an asset relating to contract costs exceeds the difference between the following two amounts, the excess is provided for and recognised as an asset impairment loss:

1. the remaining amount of consideration expected to be received in exchange for the goods or services to which the asset relates;

2. the costs expected to be incurred to transfer the related goods or services.

If the factors giving rise to impairment in a previous period subsequently change such that the above difference exceeds the carrying amount of the asset, the Company reverses the impairment allowance previously recognised and recognises the reversal in profit or loss, provided that the revised carrying amount does not exceed the carrying amount that would have been determined at the reversal date had no impairment allowance been recognised.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. GOVERNMENT GRANTS

1. Types

Government grants are monetary or non-monetary assets received by the Company from the government without consideration and are classified as grants related to assets or grants related to income.

Government grants related to assets are grants obtained by the Company for the acquisition, construction or other formation of long-term assets. Government grants other than those related to assets are classified as grants related to income.

2. Recognition timing

A government grant is recognised when the Company is able to comply with the conditions attaching to it and the grant will be received.

3. Accounting treatment

Government grants related to assets are deducted from the carrying amount of the related assets or recognised as deferred income. Grants recognised as deferred income are recognised in profit or loss for the current period over the useful lives of the related assets on a reasonable and systematic basis (in other income if related to the Company's ordinary activities, and in non-operating income if unrelated to the Company's ordinary activities).

Government grants related to income that are intended to compensate the Company for relevant costs, expenses or losses in future periods are recognised as deferred income and recognised in profit or loss for the period in which the relevant costs, expenses or losses are recognised (in other income if related to the Company's ordinary activities, and in non-operating income if unrelated to the Company's ordinary activities), or deducted from the relevant costs, expenses or losses. Grants intended to compensate for relevant costs, expenses or losses already incurred are recognised directly in profit or loss for the current period (in other income if related to the Company's ordinary activities, and in non-operating income if unrelated to the Company's ordinary activities), or deducted from the relevant costs, expenses or losses.

The Company accounts for subsidised interest on preferential policy loans in the following two ways:

(1) where the government appropriates the interest subsidy to the lending bank, which then provides a loan to the Company at a preferential policy interest rate, the amount actually received is recognised as the carrying amount of the borrowing and the related borrowing costs are calculated based on the principal and the preferential policy interest rate;

(2) where the government appropriates the interest subsidy directly to the Company, the subsidy is deducted from the related borrowing costs.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

Income tax comprises current tax and deferred tax. Except for income tax arising from business combinations and transactions or events recognised directly in owners' equity, including other comprehensive income, current tax and deferred tax are recognised in profit or loss for the current period.

Deferred tax assets and deferred tax liabilities are recognised based on differences between the tax bases of assets and liabilities and their carrying amounts (temporary differences).

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available in future periods against which the deductible temporary differences can be utilised. Deferred tax assets are recognised for deductible losses and tax credits that can be carried forward to subsequent years to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences, except in special circumstances.

Special circumstances in which deferred tax assets or deferred tax liabilities are not recognised include:

- initial recognition of goodwill;
- transactions or events that are not business combinations, affect neither accounting profit nor taxable profit (or deductible losses) when they occur, and whose initial recognition of assets and liabilities does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures when it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the deductible temporary differences can be utilised.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

31. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (Continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates expected to apply in the period when the relevant asset is recovered or the liability is settled, based on tax laws.

At the balance sheet date, the Company reviews the carrying amounts of deferred tax assets. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax assets and current tax liabilities are presented on a net basis when the Company has a legally enforceable right to offset them and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

At the balance sheet date, deferred tax assets and deferred tax liabilities are presented on a net basis when both of the following conditions are met:

the taxable entity has a legally enforceable right to offset current tax assets against current tax liabilities;

The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities that intend either to settle current tax assets and liabilities 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 assets and liabilities are expected to be recovered or settled.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES

(1) New leases

(1) Leases

A lease is a contract under which a lessor conveys to a lessee the right to use an asset for a period of time in exchange for consideration. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if one party to the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

Where a contract contains multiple separate lease components, the Company separates the contract and accounts for each lease component separately. Where a contract contains both lease and non-lease components, the lessee and lessor separate the lease and non-lease components.

1. The Company as a lessee

(1) Right-of-use assets

At the commencement date, the Company recognises right-of-use assets for leases other than short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost, comprising:

a. the amount of the initial measurement of the lease liability;

b. lease payments made at or before the commencement date, less any lease incentives received;

c. initial direct costs incurred by the Company;

d. estimated costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease, excluding costs incurred to produce inventories.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES (Continued)

(1) New leases (Continued)

(1) Leases (Continued)

1. The Company as a lessee (Continued)

(1) Right-of-use assets (Continued)

The Company subsequently depreciates right-of-use assets using the straight-line method. If it is reasonably certain that ownership of the underlying asset will transfer to the Company by the end of the lease term, depreciation is provided over the remaining useful life of the underlying asset. Otherwise, depreciation is provided over the shorter of the lease term and the remaining useful life of the underlying asset.

The Company determines whether a right-of-use asset is impaired and accounts for identified impairment losses in accordance with the principles set out in Note III.20, Impairment of Long-term Assets.

(2) Lease liabilities

At the commencement date, the Company recognises lease liabilities for leases other than short-term leases and leases of low-value assets. Lease liabilities are initially measured at the present value of lease payments that have not yet been paid. Lease payments comprise:

a. fixed payments, including in-substance fixed payments, less any lease incentives receivable;

b. variable lease payments that depend on an index or a rate;

c. amounts expected to be payable under residual value guarantees provided by the Company;

d. the exercise price of a purchase option if the Company is reasonably certain to exercise that option;

e. payments of penalties for terminating the lease if the lease term reflects the Company's exercise of an option to terminate the lease.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES (Continued)

(1) New leases (Continued)

(1) Leases (Continued)

1. The Company as a lessee (Continued)

(2) Lease liabilities (Continued)

The Company uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

The Company calculates interest expense on the lease liability for each period during the lease term using a constant periodic rate of interest and charges it to profit or loss for the current period or includes it in the cost of the relevant assets.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss for the current period or included in the cost of the relevant assets when incurred.

After the commencement date, the Company remeasures the lease liability and adjusts the corresponding right-of-use asset in the following circumstances. If the carrying amount of the right-of-use asset has been reduced to zero but a further reduction in the lease liability is required, the difference is recognised in profit or loss for the current period:

- when the assessment of a purchase option, renewal option or termination option changes, or the actual exercise of such an option differs from the original assessment, the Company remeasures the lease liability at the present value of the revised lease payments discounted using a revised discount rate;

- When there is a change in in-substance fixed payments, a change in the amount expected to be payable under a residual value guarantee, or a change in an index or rate used to determine lease payments, the Company remeasures the lease liability at the present value of the revised lease payments discounted using the original discount rate. However, where the change in lease payments results from a change in a floating interest rate, a revised discount rate is used.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES (Continued)

(1) New leases (Continued)

(1) Leases (Continued)

1. The Company as a lessee (Continued)

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

The Company elects not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The related lease payments are charged to profit or loss for the current period or included in the cost of the relevant assets on a straight-line basis over the lease term. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not contain a purchase option. A lease of a low-value asset is a lease for which the underlying asset is of low value when new. Where the Company subleases, or expects to sublease, an asset, the head lease does not qualify as a lease of a low-value asset.

(4) Lease modifications

The Company accounts for a lease modification as a separate lease if both of the following conditions are met:

a. the modification increases the scope of the lease by adding the right to use one or more underlying assets;

b. the increase in consideration is commensurate with the stand-alone price for the increase in scope, adjusted for the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the modification the Company reallocates the consideration in the modified contract, redetermines the lease term and remeasures the lease liability at the present value of the revised lease payments discounted using a revised discount rate.

Where a lease modification reduces the scope of a lease or shortens the lease term, the Company correspondingly reduces the carrying amount of the right-of-use asset and recognises in profit or loss for the current period any gain or loss relating to the partial or full termination of the lease. For other lease modifications that result in the remeasurement of the lease liability, the carrying amount of the right-of-use asset is adjusted accordingly.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES (Continued)

(1) New leases (Continued)

(1) Leases (Continued)

2. The Company as a lessor

At the inception date, the Company classifies a lease as a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset, irrespective of whether title is ultimately transferred. An operating lease is a lease other than a finance lease. When the Company acts as an intermediate lessor, it classifies the sublease by reference to the right-of-use asset arising from the head lease.

(1) Accounting for operating leases

Lease receipts from operating leases are recognised as rental income on a straight-line basis over the lease term. Initial direct costs incurred in connection with an operating lease are capitalised and charged to profit or loss over the lease term on the same basis as rental income. Variable lease payments not included in lease receipts are recognised in profit or loss when incurred. When an operating lease is modified, the Company accounts for the modification as a new lease from its effective date, and prepaid or accrued lease receipts relating to the original lease are treated as lease receipts under the new lease.

(2) Accounting for finance leases

At the commencement date, the Company recognises a finance lease receivable and derecognises the asset subject to the finance lease. On initial measurement of the finance lease receivable, the net investment in the lease is recognised as its carrying amount. The net investment in the lease is the sum of the unguaranteed residual value and the present value, discounted using the interest rate implicit in the lease, of the lease receipts not yet received at the commencement date.

The Company calculates and recognises interest income for each period during the lease term using a constant periodic rate of interest. Derecognition and impairment of finance lease receivables are accounted for in accordance with Note III.10, Financial Instruments.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES (Continued)

(1) New leases (Continued)

(1) Leases (Continued)

2. The Company as a lessor (Continued)

(2) Accounting for finance leases (Continued)

Variable lease payments not included in the measurement of the net investment in the lease are recognised in profit or loss when incurred.

The Company accounts for a finance lease modification as a separate lease if both of the following conditions are met:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets;
- the increase in consideration is commensurate with the stand-alone price for the increase in scope, adjusted for the circumstances of the particular contract.

Where a finance lease modification is not accounted for as a separate lease, the Company accounts for the modified lease as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company accounts for it as a new lease from the effective date of the modification and measures the carrying amount of the leased asset at the net investment in the lease immediately before that date;
- if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Company accounts for the modification in accordance with the policy for contract modifications or renegotiations set out in Note III.10, Financial Instruments.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. LEASES (Continued)

(1) New leases (Continued)

(1) Leases (Continued)

3. Sale and leaseback transactions

The Company assesses whether the transfer of an asset in a sale and leaseback transaction qualifies as a sale in accordance with the principles set out in Note III.27, Revenue.

(1) As lessee

If the transfer of an asset in a sale and leaseback transaction qualifies as a sale, the Company, as lessee, measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company and recognises only the gain or loss that relates to the rights transferred to the lessor.

After the commencement date, the subsequent measurement of right-of-use assets and lease liabilities and the accounting for lease modifications are set out in Note III.31, Leases – 1. The Company as a lessee. In subsequently measuring a lease liability arising from a sale and leaseback transaction, the Company determines the lease payments or revised lease payments in a manner that does not result in the recognition of any gain or loss relating to the right of use retained through the leaseback.

If the transfer of an asset in a sale and leaseback transaction does not qualify as a sale, the Company, as lessee, continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The accounting treatment for financial liabilities is set out in Note III.10, Financial Instruments.

(2) As lessor

Where the transfer of an asset in a sale and leaseback transaction qualifies as a sale, the Company, as lessor, accounts for the purchase of the asset and accounts for the lease of the asset in accordance with the policies set out in "2. The Company as a lessor" above. Where the transfer of the asset does not qualify as a sale, the Company, as lessor, does not recognise the transferred asset but recognises a financial asset equal to the transfer proceeds. The accounting treatment for financial assets is set out in Note III.10, Financial Instruments.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

33. OTHER SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

None

34. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in significant accounting policies

☐ Applicable ✔ Not applicable

(2) Changes in significant accounting estimates

☐ Applicable ✔ Not applicable

(3) Adjustments to opening balances on initial application of new accounting standards from 2026

☐ Applicable ✔ Not applicable

35. OTHERS

None

VI. TAXATION

1. Principal taxes and tax rates

Tax	Tax basis	Tax rate
Value-added tax	Output VAT is calculated based on revenue from sales of goods and taxable services in accordance with tax laws, and VAT payable is the difference after deducting input VAT deductible for the current period	13%、9%、6%、0%
Urban maintenance and construction tax	Actual VAT paid and approved VAT exempted and credited for the current period	7%、5%
Corporate income tax	Taxable income	15%、25%
Education surcharge	Actual VAT paid and approved VAT exempted and credited for the current period	3%
Local education surcharge	Actual VAT paid and approved VAT exempted and credited for the current period	2%

VI. TAXATION (Continued)

1. Principal taxes and tax rates (Continued)

Information on taxable entities subject to different enterprise income tax rates

Name of taxable entity	Income tax rate
Shenzhen Zhaowei Machinery & Electronics Co., Ltd.	15%
Dongguan Zhaowei Machinery & Electronics Co., Ltd.	15%
Suzhou Zhaowei Drive Co., Ltd.	25%
Suzhou Zhaowei Industrial Technology Co., Ltd.	20%
Suzhou Zhaowei Venture Capital Co., Ltd.	20%
Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd.	20%
ZhaoWei Machinery & Electronics (HongKong) Co., Limited	8.25%、16.5%
ZW Drive GmbH	ZW Drive GmbH is incorporated in Germany and is subject to an aggregate enterprise income tax rate of municipal tax of 15% plus 15% × 5.5% plus local state tax of 3.5% × 325%.
ZW Drive Inc	ZW Drive Inc is incorporated in California, the United States, and is subject to an aggregate enterprise income tax rate of 21% federal tax plus 8.84% California tax.
Zowway Technology (Hong Kong) Co., Limited	16.5%
Zowway (Thailand) Co., Ltd.	20%
Shenzhen Zhaowei Derun Trading Co., Ltd.	20%

VI. TAXATION (Continued)

2. Tax incentives

The Company passed the re-accreditation as a High and New Technology Enterprise in 2025. The certificate, numbered GR202544204909, is valid for three years. Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the Company is subject to a preferential enterprise income tax rate of 15% for 2026.

Dongguan Zhaowei Machinery & Electronics Co., Ltd., a subsidiary of the Company, was accredited as a High and New Technology Enterprise in 2023. The certificate, numbered GR202344009129, is valid for three years. It is subject to a preferential enterprise income tax rate of 15% for 2026.

Pursuant to the Announcement of the Ministry of Finance and the State Taxation Administration on Enterprise Income Tax Incentives for Small and Low-profit Enterprises and Individual Businesses (Announcement No. 6 of 2023 of the Ministry of Finance and the State Taxation Administration), from 1 January 2023 to 31 December 2024, 25% of the annual taxable income of a small and low-profit enterprise not exceeding RMB1 million was included in taxable income and subject to enterprise income tax at a rate of 20%. Pursuant to the Announcement of the Ministry of Finance and the State Taxation Administration on Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (Cai Shui [2023] No. 12), the policy under which 25% of the taxable income of small and low-profit enterprises is subject to enterprise income tax at a rate of 20% has been extended to 31 December 2027. If Suzhou Zhaowei Venture Capital Co., Ltd., Suzhou Zhaowei Industrial Technology Co., Ltd., Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd. and Shenzhen Zhaowei Derun Trading Co., Ltd., subsidiaries of the Company, meet the criteria for small and low-profit enterprises under the above announcements in 2026, they will be entitled to the preferential tax treatment under which 25% of taxable income is subject to enterprise income tax at a rate of 20%.

Pursuant to the Inland Revenue (Amendment) (No. 3) Ordinance 2018 of Hong Kong, the two-tiered profits tax rates regime came into effect in Hong Kong on 1 April 2018. Profits before tax of up to and including HK$2,000,000 are taxed at 8.25%, and profits before tax exceeding HK$2,000,000 are taxed at 16.5%. The two-tiered profits tax rates regime benefits qualifying enterprises with assessable profits regardless of size. To ensure that the beneficiaries are mainly small and medium-sized enterprises, connected entities may nominate only one entity to benefit from the regime. ZhaoWei Machinery & Electronics (HongKong) Co., Limited and Zowway Technology (Hong Kong) Co., Limited, subsidiaries of the Company, are incorporated in the Hong Kong Special Administrative Region. ZhaoWei Machinery & Electronics (HongKong) Co., Limited qualifies for the two-tiered rates of 8.25% and 16.5%, while Zowway Technology (Hong Kong) Co., Limited is taxed at 16.5%.

Zowway (Thailand) Co., Ltd. was granted a BOI Investment Promotion Certificate (Certificate No. 69-1492-2-00-1-0) by the Office of the Thailand Board of Investment in July 2026, under which profits arising from the manufacture and sale of geared motors and ancillary metal and plastic injection-moulded components are exempt from enterprise income tax. Under the rules of the investment promotion legislation formulated by the Thailand Board of Investment, Zowway (Thailand) Co., Ltd. is subject to an enterprise income tax rate of 20% and is exempt from enterprise income tax for five years.

3. Others

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. MONETARY FUNDS

Unit: RMB

Items	Closing balances	Opening balances
Cash on hand	**26,358.06**	71,060.26
Bank deposits	**1,660,135,085.78**	181,709,647.34
Other monetary funds	**2,585,746.49**	35,189,164.99
Total	**1,662,747,190.33**	216,969,872.59
Of which: Total funds deposited overseas	**28,040,345.50**	7,836,589.99

Other information

2. FINANCIAL ASSETS HELD FOR TRADING

Unit: RMB

Items	Closing balances	Opening balances
Of which:		
Financial assets designated as at fair value through profit or loss	**1,171,543,047.78**	838,975,561.43
Of which:		
Others	**1,171,543,047.78**	838,975,561.43
Total	**1,171,543,047.78**	838,975,561.43

Other information

As at 30 June 2026, the balance under "Others" represented bank wealth management products and securities firm wealth management products.

3. NOTES RECEIVABLE

(1) Classification of notes receivable

Unit: RMB

Items	Closing balances	Opening balances
Bank acceptance notes	**52,016,742.84**	27,450,769.40
Commercial acceptance notes	**40,128,399.93**	48,747,298.03
Less: Loss allowances	**-2,006,420.00**	-2,437,364.90
Total	**90,138,722.77**	73,760,702.53

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. NOTES RECEIVABLE (Continued)

(2) Disclosure by method of determining loss allowances

Unit: RMB

Category	Closing balances					Opening balances				
	Gross carrying amount		Loss allowances		Carrying amount	Gross carrying amount		Loss allowances		Carrying amount
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Of which:										
Notes receivable subject to loss allowances on a collective basis	92,145,142.77	100.00%	2,006,420.00	2.18%	90,138,722.77	76,198,067.43	100.00%	2,437,364.90	3.20%	73,760,702.53
Of which:										
Commercial acceptance bill portfolio	40,128,399.93	43.55%	2,006,420.00	5.00%	38,121,979.93	48,747,298.03	63.97%	2,437,364.90	5.00%	46,309,933.13
Bank acceptance bill portfolio	52,016,742.84	56.45%			52,016,742.84	27,450,769.40	36.03%			27,450,769.40
Total	92,145,142.77	100.00%	2,006,420.00	2.18%	90,138,722.77	76,198,067.43	100.00%	2,437,364.90	3.20%	73,760,702.53

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. NOTES RECEIVABLE (Continued)

(2) Disclosure by method of determining loss allowances (Continued)

Name of category subject to loss allowances on a collective basis: commercial acceptance bill portfolio

Unit: RMB

Name	Closing balances		
	Gross carrying amount	Loss allowances	Provision rate
Commercial acceptance bill portfolio	40,128,399.93	2,006,420.00	5.00%
Total	40,128,399.93	2,006,420.00	

Description of the basis for determining the portfolio:

Where loss allowances for notes receivable are made under the general expected credit loss model:

☐ Applicable ✔ Not applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. NOTES RECEIVABLE (Continued)

(3) Loss allowances recognised, recovered or reversed during the current period

Loss allowances recognised during the current period:

Unit: RMB

Category	Opening balances	Changes during the current period				Closing balances
		Provision	Recovery or reversal	Write-off	Others	
Loss allowances	2,437,364.90		430,944.90			2,006,420.00
Total	2,437,364.90		430,944.90			2,006,420.00

Of which, material recoveries or reversals of loss allowances during the current period:

☐ Applicable ✔ Not applicable

(4) Notes receivable pledged by the Company at the end of the period

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. NOTES RECEIVABLE (Continued)

(5) Notes receivable endorsed or discounted by the Company but not yet matured at the balance sheet date

Unit: RMB

Items	Amount derecognised at the end of the period	Amount not derecognised at end of the period
Bank acceptance notes		**25,159,781.21**
Total		**25,159,781.21**

(6) Notes receivable actually written off during the current period

None

4. ACCOUNTS RECEIVABLE

(1) Disclosure by ageing

Unit: RMB

Ageing	Closing carrying balance	Opening carrying balance
Within one year (inclusive)	**548,442,231.97**	546,324,154.04
1 to 2 years	**3,827,894.55**	1,239,597.57
2 to 3 years	**3,906,455.42**	3,363,845.18
Over 3 years	**164,825.81**	140,496.75
3 to 4 years	**59,014.27**	79,750.48
4 to 5 years	**105,811.54**	60,746.27
Total	**556,341,407.75**	551,068,093.54

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS RECEIVABLE (Continued)

(2) Disclosure by method of determining loss allowances

Unit: RMB

Category	Closing balances					Opening balances				
	Gross carrying amount		Loss allowances		Carrying amount	Gross carrying amount		Loss allowances		Carrying amount
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Accounts receivable subject to loss allowances on an individual basis	3,352,571.69	0.60%	3,352,571.69	100.00%		3,352,571.69	0.61%	3,352,571.69	100.00%	
Of which:										
Individually significant accounts receivable subject to separate loss allowances	3,274,941.10	0.59%	3,274,941.10	100.00%		3,274,941.10	0.59%	3,274,941.10	100.00%	
Individually insignificant accounts receivable subject to separate loss allowances	77,630.59	0.01%	77,630.59	100.00%		77,630.59	0.01%	77,630.59	100.00%	
Accounts receivable subject to allowances on a collective basis	552,988,836.06	99.40%	28,673,043.82	5.19%	524,315,792.24	547,715,521.85	99.39%	27,695,437.95	5.06%	520,020,083.90
Of which:										
Ageing portfolio	552,988,836.06	99.40%	28,673,043.82	5.19%	524,315,792.24	547,715,521.85	99.39%	27,695,437.95	5.06%	520,020,083.90
Total	556,341,407.75	100.00%	32,025,615.51	5.76%	524,315,792.24	551,068,093.54	100.00%	31,048,009.64	5.63%	520,020,083.90

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS RECEIVABLE (Continued)

(2) Disclosure by method of determining loss allowances (Continued)

Name of category subject to loss allowances on an individual basis: individually significant accounts receivable subject to separate loss allowances

Unit: RMB

Name	Opening balances		Closing balances			
	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Provision rate	Basis for provision
Flanders Technology (Shenzhen) Co., Ltd.	3,274,941.10	3,274,941.10	3,274,941.10	3,274,941.10	100.00%	Expected to be irrecoverable
Total	3,274,941.10	3,274,941.10	3,274,941.10	3,274,941.10		

Name of category subject to loss allowances on an individual basis: individually insignificant accounts receivable subject to separate loss allowances

Unit: RMB

Name	Opening balances		Closing balances			
	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Provision rate	Basis for provision
Dongguan Flander Communication Technology Co., Ltd.	77,630.59	77,630.59	77,630.59	77,630.59	100.00%	Expected to be irrecoverable
Total	77,630.59	77,630.59	77,630.59	77,630.59		

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS RECEIVABLE (Continued)

(2) Disclosure by method of determining loss allowances (Continued)

Name of category subject to loss allowances on a collective basis: ageing portfolio

Unit: RMB

Name	Closing balances		
	Gross carrying amount	Loss allowances	Provision rate
Within one year	548,442,231.97	27,422,111.71	5.00%
1 to 2 years	3,827,894.55	765,578.91	20.00%
2 to 3 years	553,883.73	332,330.24	60.00%
3 to 4 years	59,014.27	47,211.42	80.00%
Over 4 years	105,811.54	105,811.54	100.00%
Total	552,988,836.06	28,673,043.82	

Description of the basis for determining the portfolio:

Where loss allowances for accounts receivable are made under the general expected credit loss model:

☐ Applicable ✔ Not applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS RECEIVABLE (Continued)

(3) Loss allowances recognised, recovered or reversed during the current period

Loss allowances recognised during the current period:

Unit: RMB

Category	Opening balances	Changes during the current period				Closing balances
		Provision	Recovery or reversal	Write-off	Others	
Loss allowances	31,048,009.64	977,605.87				32,025,615.51
Total	31,048,009.64	977,605.87				32,025,615.51

(4) Accounts receivable actually written off during the current period

None

(5) Information on the top five debtors by closing balance of accounts receivable and contract assets

Unit: RMB

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Percentage of the aggregate closing balance of accounts receivable and contract assets	Closing balance of loss allowances for accounts receivable and contract assets
Largest	36,960,105.45		36,960,105.45	6.64%	1,884,305.27
Second largest	31,377,252.61		31,377,252.61	5.64%	1,568,862.63
Third largest	27,160,701.84		27,160,701.84	4.88%	1,358,035.09
Fourth largest	23,409,146.24		23,409,146.24	4.21%	1,171,822.31
Fifth largest	19,164,852.90		19,164,852.90	3.44%	958,242.65
Total	138,072,059.04	0.00	138,072,059.04	24.81%	6,941,267.95

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. CONTRACT ASSETS

(1) Contract assets

Unit: RMB

Items	Closing balances Gross carrying amount	Closing balances Loss allowances	Closing balances Carrying amount	Opening balances Gross carrying amount	Opening balances Loss allowances	Opening balances Carrying amount
Contract assets	**0.00**	**0.00**		0.00	0.00	
Total	**0.00**	**0.00**		0.00	0.00	

(2) Material changes in carrying amounts during the Reporting Period and reasons therefor

None

6. RECEIVABLES FINANCING

(1) Classification of receivables financing

Unit: RMB

Items	Closing balances	Opening balances
Bank acceptance bills	**41,375,641.29**	69,270,389.53
Total	**41,375,641.29**	69,270,389.53

(2) Receivables financing pledged by the Company at the end of the period

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. RECEIVABLES FINANCING (Continued)

(3) Receivables financing endorsed or discounted by the Company but not yet matured at the balance sheet date

Unit: RMB

Items	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bills	126,472,897.02	
Total	126,472,897.02	

7. OTHER RECEIVABLES

Unit: RMB

Items	Closing balances	Opening balances
Dividends receivable	175,897.28	
Other receivables	4,577,082.03	4,396,010.98
Total	4,752,979.31	4,396,010.98

(1) Dividends receivable

1) *Classification of dividends receivable*

Unit: RMB

Item (or investee)	Closing balances	Opening balances
Ruicheng Jinxuan CTA No. 1 Private Securities Investment Fund – Class B	175,897.28	
Total	175,897.28	

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. OTHER RECEIVABLES (Continued)

(1) Dividends receivable (Continued)

2) *Material dividends receivable aged over one year*

None

3) *Disclosure by method of determining loss allowances*

☐ Applicable ✔ Not applicable

(2) Other receivables

1) *Classification of other receivables by nature*

Unit: RMB

Nature of balance	Closing carrying balance	Opening carrying balance
Deposits and guarantees	**2,316,710.75**	2,289,869.27
Other receivables	**3,035,819.82**	3,061,102.99
Total	**5,352,530.57**	5,350,972.26

2) *Disclosure by ageing*

Unit: RMB

Ageing	Closing carrying balance	Opening carrying balance
Within one year (inclusive)	**4,072,975.83**	3,834,568.54
1 to 2 years	**731,832.74**	887,463.62
2 to 3 years	**305,722.00**	100,000.00
Over 3 years	**242,000.00**	528,940.10
3 to 4 years	**0.00**	16,000.00
4 to 5 years	**242,000.00**	512,940.10
Total	**5,352,530.57**	5,350,972.26

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. OTHER RECEIVABLES (Continued)

(2) Other receivables (Continued)

3) *Disclosure by method of determining loss allowances*

✔ Applicable ☐ Not applicable

Unit: RMB

Category	Closing balances					Opening balances				
	Gross carrying amount		Loss allowances		Carrying amount	Gross carrying amount		Loss allowances		Carrying amount
	Amount	Percentage	Amount	Provision rate		Amount	Percentage	Amount	Provision rate	
Of which:										
Loss allowances on a collective basis	5,352,530.57	100.00%	775,448.54	14.49%	4,577,082.03	5,350,972.26	100.00%	954,961.28	17.85%	4,396,010.98
Of which:										
Ageing portfolio	5,352,530.57	100.00%	775,448.54	14.49%	4,577,082.03	5,350,972.26	100.00%	954,961.28	17.85%	4,396,010.98
Total	5,352,530.57	100.00%	775,448.54	14.49%	4,577,082.03	5,350,972.26	100.00%	954,961.28	17.85%	4,396,010.98

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. OTHER RECEIVABLES (Continued)

(2) Other receivables (Continued)

3) *Disclosure by method of determining loss allowances (Continued)*

Name of category subject to loss allowances on a collective basis: ageing portfolio

Unit: RMB

Name	Closing balances		
	Gross carrying amount	Loss allowances	Provision rate
Within one year	4,072,975.83	203,648.79	5.00%
1 to 2 years	731,832.74	146,366.55	20.00%
2 to 3 years	305,722.00	183,433.20	60.00%
3 to 4 years	0.00	0.00	80.00%
Over 4 years	242,000.00	242,000.00	100.00%
Total	5,352,530.57	775,448.54	

Description of the basis for determining the portfolio:

Loss allowances determined under the general expected credit loss model:

Unit: RMB

Loss allowances	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Balance as at 1 January 2026	954,961.28			954,961.28
Balance as at 1 January 2026 in the current period				
Reversal during the current period	179,512.74			179,512.74
Balance as at 30 June 2026	775,448.54			775,448.54

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. OTHER RECEIVABLES (Continued)

(2) Other receivables (Continued)

3) *Disclosure by method of determining loss allowances (Continued)*
Basis for classification into stages and provision rates for loss allowances

Material changes in gross carrying amounts giving rise to changes in loss allowances during the current period

☐ Applicable ✔ Not applicable

4) *Loss allowances recognised, recovered or reversed during the current period*
Loss allowances recognised during the current period:

Unit: RMB

Category	Opening balances	Changes during the current period				Closing balances
		Provision	Recovery or reversal	Transfer or write-off	Others	
Loss allowances	954,961.28		179,512.74			775,448.54
Total	954,961.28		179,512.74			775,448.54

5) *Other receivables actually written off during the current period*
None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. OTHER RECEIVABLES (Continued)

(2) Other receivables (Continued)

6) *Information on the top five debtors by closing balance of other receivables*

Unit: RMB

Name of entity	Nature of balance	Closing balances	Ageing	Percentage of the aggregate closing balance of other receivables	Closing balance of loss allowances
Largest	Other receivables	**907,002.80**	Within one year	16.95%	45,350.14
Second largest	Deposits and guarantees	**656,548.60**	RMB556,548.60 aged 1 to 2 years and RMB100,000.00 aged over 5 years	12.27%	211,309.72
Third largest	Other receivables	**611,700.40**	Within one year	11.43%	30,585.02
Fourth largest	Other receivables	**403,495.15**	Within one year	7.54%	20,174.76
Fifth largest	Deposits and guarantees	**390,000.00**	Within one year	7.29%	19,500.00
Total		**2,968,746.95**		55.46%	326,919.64

7) *Amounts presented as other receivables due to centralised fund management*

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. PREPAYMENTS

(1) Ageing analysis of prepayments

Unit: RMB

Ageing	Closing balances		Opening balances	
	Amount	Percentage	Amount	Percentage
Within one year	8,026,062.61	78.74%	6,446,599.90	74.75%
1 to 2 years	1,399,726.84	13.73%	1,593,033.78	18.47%
2 to 3 years	224,808.59	2.21%	132,596.90	1.54%
Over 3 years	542,467.01	5.32%	452,539.90	5.25%
Total	10,193,065.05		8,624,770.48	

Reasons why material prepayments aged over one year have not been settled on time:

(2) Information on the top five recipients by closing balance of prepayments

Recipient of prepayment	Closing balances	Percentage of the aggregate closing balance of prepayments (%)
Largest	1,026,633.25	10.07
Second largest	835,460.88	8.20
Third largest	791,636.00	7.77
Fourth largest	505,565.22	4.96
Fifth largest	468,444.04	4.60
Total	3,627,739.39	35.60

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INVENTORIES

Whether the Company is required to comply with disclosure requirements for the real estate industry

No

(1) Classification of inventories

Unit: RMB

Items	Closing balances			Opening balances		
	Gross carrying amount	Provision for impairment of inventories or contract fulfilment cost impairment	Carrying amount	Gross carrying amount	Provision for impairment of inventories or contract fulfilment cost impairment	Carrying amount
Raw materials	118,385,873.13	10,740,458.55	107,645,414.58	107,863,968.18	11,805,937.27	96,058,030.91
Work in progress	54,272,384.76	2,597,718.09	51,674,666.67	37,678,034.13	3,092,599.63	34,585,434.50
Finished goods	56,979,147.35	2,084,601.18	54,894,546.17	58,617,509.51	2,380,612.65	56,236,896.86
Goods dispatched	35,919,285.23	477,122.38	35,442,162.85	22,320,065.89	170,018.65	22,150,047.24
Materials entrusted for processing	738,672.97	0.00	738,672.97	1,245,454.23		1,245,454.23
Total	266,295,363.44	15,899,900.20	250,395,463.24	227,725,031.94	17,449,168.20	210,275,863.74

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INVENTORIES (Continued)

(2) Provision for impairment of inventories and contract fulfilment cost impairment

Unit: RMB

Items	Opening balances	Increase during the current period		Decrease during the current period		Closing balances
		Provision	Others	Reversal or write-off	Others	
Raw materials	11,805,937.27	771,350.85	–	1,836,829.57	–	10,740,458.55
Work in progress	3,092,599.63	316,238.57	–	811,120.11	–	2,597,718.09
Finished goods	2,380,612.65	2,138,523.89	–	2,434,535.36	–	2,084,601.18
Goods dispatched	170,018.65	669,756.74	–	362,653.01	–	477,122.38
Total	17,449,168.20	3,895,870.05	–	5,445,138.05	–	15,899,900.20

Items	Specific basis for determining net realisable value	Reasons for reversal or write-off of provision for impairment of inventories during the current period
Raw materials	Estimated selling price of the products to be produced less estimated costs to completion, estimated selling expenses and related taxes	Sale, use or scrapping
Work in progress	Estimated selling price of the products to be produced less estimated costs to completion, estimated selling expenses and related taxes	Sale, use or scrapping
Finished goods	Estimated selling price less estimated selling expenses and related taxes	Sale or scrapping
Goods dispatched	Estimated selling price less estimated selling expenses and related taxes	Sale or scrapping

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INVENTORIES (Continued)

(2) Provision for impairment of inventories and contract fulfilment cost impairment (Continued)

Provision for impairment of inventories on a collective basis

Unit: RMB

Portfolio name	At the end of the period			At the beginning of the period		
	Closing balances	Provision for impairment	Provision rate for impairment	Opening balances	Provision for impairment	Provision rate for impairment
Raw materials	118,385,873.13	10,740,458.55	9.07%	107,863,968.18	11,805,937.27	10.95%
Work in progress	54,272,384.76	2,597,718.09	4.79%	37,678,034.13	3,092,599.63	8.21%
Finished goods	56,979,147.35	2,084,601.18	3.66%	58,617,509.51	2,380,612.65	4.06%
Goods dispatched	35,919,285.23	477,122.38	1.33%	22,320,065.89	170,018.65	0.76%
Total	265,556,690.47	15,899,900.20		226,479,577.71	17,449,168.20	

Criteria for provision for impairment of inventories on a collective basis

(3) Amortisation of contract fulfilment costs during the current period

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. OTHER CURRENT ASSETS

Unit: RMB

Items	Closing balances	Opening balances
Input VAT pending deduction and prepaid income tax	**45,314,833.24**	41,396,041.53
Bank deposit products	**768,198,915.63**	1,054,035,684.33
Others		15,741,843.82
Total	**813,513,748.87**	1,111,173,569.68

Information relating to compensating assets

Other information:

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. INVESTMENTS IN OTHER EQUITY INSTRUMENTS

Unit: RMB

Item name	Opening balances	Gains recognised in other comprehensive income during the current period	Losses recognised in other comprehensive income during the current period	Cumulative gains recognised in other comprehensive income at the end of the period	Cumulative losses recognised in other comprehensive income at the end of the period	Dividend income recognised during the current period	Closing balances	Reason for designation as measured at fair value through other comprehensive income
Wuhan Digital Design and Manufacturing Innovation Co., Ltd.	15,547,728.32	−562,188.17		9,985,540.15			14,985,540.15	Held for strategic cooperation and classified as a non-trading equity investment
Shenzhen Guochuang Embodied Intelligent Robot Co., Ltd.	524,536.18	−96,614.63		−472,078.45			427,921.55	Held for strategic cooperation and classified as a non-trading equity investment
Tujian Technology (Beijing) Co., Ltd.	20,000,000.00						20,000,000.00	Held for strategic cooperation and classified as a non-trading equity investment
Total	36,072,264.50	−658,802.80	0.00	9,513,461.70		0.00	35,413,461.70	

Other information:

As at 30 June 2026, the closing fair value of the Company's investment in Wuhan Digital Design and Manufacturing Innovation Co., Ltd. was RMB14,985,540.15, representing a decrease of RMB562,188.17 from its fair value of RMB15,547,728.32 as at 31 December 2025. As the Company designated the investment as a financial asset measured at fair value through other comprehensive income, the fair value change of RMB-562,188.17 for the current period was recognised in other comprehensive income.

As at 30 June 2026, the closing fair value of the Company's investment in Shenzhen Guochuang Embodied Intelligent Robot Co., Ltd. was RMB427,921.55, representing a decrease of RMB96,614.63 from its fair value of RMB524,536.18 as at 31 December 2025. As the Company designated the investment as a financial asset measured at fair value through other comprehensive income, the fair value change of RMB-96,614.63 for the current period was recognised in other comprehensive income.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. LONG-TERM EQUITY INVESTMENTS

Unit: RMB

Investee	Opening balance (carrying amount)	Opening balance of impairment allowances	Changes during the current period								Closing balance (carrying amount)	Closing balance of impairment allowances
			Additional investment	Reduction in investment	Investment profit or loss recognised under the equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Impairment allowances recognised	Others		
I. Joint ventures												
None												
II. Associates												
Lingke Huizhi Technology Co., Ltd.	61,260,105.21				-1,067,699.97		593,855.49			-2,496.36	**60,783,764.37**	
Subtotal	61,260,105.21				-1,067,699.97		593,855.49			-2,496.36	**60,783,764.37**	
Total	61,260,105.21				-1,067,699.97		593,855.49			-2,496.36	**60,783,764.37**	

Recoverable amount determined based on fair value less costs of disposal

☐ Applicable ✔ Not applicable

Recoverable amount determined based on the present value of estimated future cash flows

☐ Applicable ✔ Not applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. LONG-TERM EQUITY INVESTMENTS (Continued)

Reasons for material differences between the above information and information used in impairment tests in prior years or external information

Reasons for material differences between information used in the Company's impairment tests in prior years and the actual circumstances in those years

Other information

13. OTHER NON-CURRENT FINANCIAL ASSETS

Unit: RMB

Items	Closing balances	Opening balances
Financial assets designated as measured at fair value through profit or loss	**1,500,000.00**	1,500,000.00
Total	**1,500,000.00**	1,500,000.00

14. FIXED ASSETS

Unit: RMB

Items	Closing balances	Opening balances
Fixed assets	**1,022,469,504.55**	1,021,436,127.08
Total	**1,022,469,504.55**	1,021,436,127.08

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. FIXED ASSETS (Continued)

(1) Fixed assets

Unit: RMB

Items	Buildings and structures	Machinery and equipment	Electronic equipment	Transportation equipment	Other equipment	Total
I. Cost:						
1. Opening balance	777,030,734.07	548,299,615.18	22,225,745.67	9,703,361.86	71,762,433.31	1,429,021,890.09
2. Increase during the current period		45,046,739.24	603,610.73	206,539.69	5,074,795.81	50,931,685.47
(1) Acquisitions		38,404,859.08	603,610.73	206,539.69	5,020,874.11	44,235,883.61
(2) Transfer from construction in progress		6,641,880.16			53,921.70	6,695,801.86
(3) Addition through business combinations						
3. Decrease during the current period		1,981,437.84	281,037.71	128,718.58	291,329.39	2,682,523.52
(1) Disposal or retirement		1,981,437.84	281,037.71	128,718.58	291,329.39	2,682,523.52
4. Closing balance	777,030,734.07	591,364,916.58	22,548,318.69	9,781,182.97	76,545,899.73	1,477,271,052.04
II. Accumulated depreciation						
1. Opening balance	124,791,805.25	214,429,740.56	18,125,680.45	6,141,844.15	40,291,363.31	403,780,433.72
2. Increase during the current period	17,506,171.72	25,257,979.62	960,944.63	567,190.39	4,777,340.25	49,069,626.61
(1) Provision	17,506,171.72	25,257,979.62	960,944.63	567,190.39	4,777,340.25	49,069,626.61
3. Decrease during the current period		1,175,639.35	272,606.58	124,857.02	280,739.18	1,853,842.13
(1) Disposal or retirement		1,175,639.35	272,606.58	124,857.02	280,739.18	1,853,842.13
4. Closing balance	142,297,976.97	238,512,080.83	18,814,018.50	6,584,177.52	44,787,964.38	450,996,218.20
III. Impairment allowances						
1. Opening balance		3,750,827.27			54,502.02	3,805,329.29
2. Increase during the current period						
(1) Provision						
3. Decrease during the current period						
(1) Disposal or retirement						
4. Closing balance		3,750,827.27			54,502.02	3,805,329.29
IV. Carrying amount						
1. Closing carrying amount	634,732,757.10	349,102,008.48	3,734,300.19	3,197,005.45	31,703,433.33	1,022,469,504.55
2. Opening carrying amount	652,238,928.82	330,119,047.35	4,100,065.22	3,561,517.71	31,416,567.98	1,021,436,127.08

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. FIXED ASSETS (Continued)

(2) Temporarily idle fixed assets

Unit: RMB

Items	Gross carrying amount	Accumulated depreciation	Impairment allowances	Carrying amount	Remarks
Machinery and equipment	5,499,726.93	1,510,202.67	3,750,827.27	238,696.99	Mobile phone project
Other equipment	127,359.47	69,036.67	54,502.02	3,820.78	Mobile phone project
Total	5,627,086.40	1,579,239.34	3,805,329.29	242,517.77	

(3) Fixed assets for which ownership certificates have not been obtained

Unit: RMB

Items	Carrying amount	Reasons for not obtaining ownership certificates
Songgang Talent Housing 2E25F	227,179.94	Government-subsidised housing
Songgang Talent Housing 2F20D	217,344.31	Government-subsidised housing
Songgang Talent Housing 2E9B	221,461.18	Government-subsidised housing
Songgang Talent Housing 2F9B	213,409.80	Government-subsidised housing
Songgang Talent Housing 1B19A	338,211.84	Government-subsidised housing
Songgang Talent Housing 2D15C	217,419.08	Government-subsidised housing

Other information

(4) Impairment testing of fixed assets

☐ Applicable ✔ Not applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. CONSTRUCTION IN PROGRESS

Unit: RMB

Items	Closing balances	Opening balances
Construction in progress	61,571,930.77	28,577,337.94
Total	61,571,930.77	28,577,337.94

(1) Construction in progress

Unit: RMB

Items	Closing balances			Opening balances		
	Gross carrying amount	Impairment allowances	Carrying amount	Gross carrying amount	Impairment allowances	Carrying amount
Equipment installation	58,506,357.05		58,506,357.05	26,238,445.84		26,238,445.84
Plant renovation	1,182,944.33		1,182,944.33	16,055.05		16,055.05
Plant renovation – Suzhou Drive	1,882,629.39		1,882,629.39	2,322,837.05		2,322,837.05
Total	61,571,930.77		61,571,930.77	28,577,337.94		28,577,337.94

(2) Impairment testing of construction in progress

☐ Applicable ✔ Not applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. RIGHT-OF-USE ASSETS

(1) Right-of-use assets

Unit: RMB

Items	Buildings and structures	Total
I. Cost		
1. Opening balance	12,590,957.73	12,590,957.73
2. Increase during the current period	5,686,545.17	5,686,545.17
– New leases	5,686,545.17	5,686,545.17
3. Decrease during the current period	938,654.25	938,654.25
– Adjustments for lease modifications during the current period	282,567.62	282,567.62
– Disposals	656,086.63	656,086.63
4. Closing balance	17,338,848.65	17,338,848.65
II. Accumulated depreciation		
1. Opening balance	5,471,933.88	5,471,933.88
2. Increase during the current period	1,977,930.94	1,977,930.94
(1) Provision	1,977,930.94	1,977,930.94
3. Decrease during the current period	656,086.63	656,086.63
(1) Disposals	656,086.63	656,086.63
4. Closing balance	6,793,778.19	6,793,778.19
III. Impairment allowances		
1. Opening balance	0.00	0.00
2. Increase during the current period	0.00	0.00
(1) Provision		
3. Decrease during the current period	0.00	0.00
(1) Disposals		
4. Closing balance	0.00	0.00
IV. Carrying amount		
1. Closing carrying amount	10,545,070.46	10,545,070.46
2. Opening carrying amount	7,119,023.85	7,119,023.85

(2) Impairment testing of right-of-use assets

☐ Applicable ✔ Not applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS

(1) Intangible assets

Unit: RMB

Items	Land-use rights	Patent rights	Non-patented technology	Office software	Total
I. Cost					
1. Opening balance	40,125,371.00	0.00	0.00	26,672,909.95	66,798,280.95
2. Increase during the current period	40,910,000.00	0.00	0.00	1,919,821.39	42,829,821.39
(1) Acquisitions	40,910,000.00			1,919,821.39	42,829,821.39
(2) Internal research and development					
(3) Addition through business combinations					
3. Decrease during the current period	0.00	0.00	0.00		0.00
(1) Disposals					0.00
4. Closing balance	81,035,371.00	0.00	0.00	28,592,731.34	109,628,102.34
II. Accumulated amortisation					
1. Opening balance	5,273,552.98	0.00	0.00	14,575,035.54	19,848,588.52
2. Increase during the current period	748,898.46	0.00	0.00	1,426,889.55	2,175,788.01
(1) Provision	748,898.46			1,426,889.55	2,175,788.01
3. Decrease during the current period		0.00	0.00		0.00
(1) Disposals					0.00
4. Closing balance	6,022,451.44	0.00	0.00	16,001,925.09	22,024,376.53
III. Impairment allowances					
1. Opening balance	0.00	0.00	0.00		
2. Increase during the current period	0.00	0.00	0.00		
(1) Provision					
3. Decrease during the current period	0.00	0.00	0.00		
(1) Disposals					
4. Closing balance	0.00	0.00	0.00		
IV. Carrying amount					
1. Closing carrying amount	75,012,919.56	0.00	0.00	12,590,806.25	87,603,725.81
2. Opening carrying amount	34,851,818.02	0.00	0.00	12,097,874.41	46,949,692.43

At the end of the period, intangible assets arising from the Company's internal research and development represented 0.00% of the balance of intangible assets.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS (Continued)

(2) Land-use rights for which ownership certificates have not been obtained

Unit: RMB

Items	Carrying amount	Reasons for not obtaining ownership certificates
Land-use rights in Xinqiao Industrial Park	40,910,000.00	The transfer contract has been signed and the consideration paid in full. The Natural Resources Bureau's batch registration process has not been completed, and there is no defect in title.

(3) Impairment testing of intangible assets

☐ Applicable ✔ Not applicable

18. LONG-TERM DEFERRED EXPENSES

Unit: RMB

Items	Opening balances	Increase during the current period	Amortisation during the current period	Other decreases	Closing balances
Renovation, repair and improvement expenses	37,841,909.23	1,373,821.15	2,526,272.89		**36,689,457.49**
Total	37,841,909.23	1,373,821.15	2,526,272.89	0.00	**36,689,457.49**

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

(1) Deferred tax assets before offsetting

Unit: RMB

Items	Closing balances		Opening balances	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Loss allowances	**34,713,890.44**	**5,207,083.57**	34,366,235.56	5,154,935.34
Provision for impairment of inventories	**15,899,646.44**	**2,384,946.95**	17,449,168.20	2,617,375.24
Deferred income	**56,076,469.45**	**8,411,470.43**	50,988,642.13	7,648,296.33
Impairment losses on fixed assets	**618,142.70**	**92,721.41**	618,142.70	92,721.41
Share-based payments	**64,288,462.07**	**9,643,269.31**	85,048,242.99	12,757,236.44
Tax and accounting differences in lease liabilities	**8,943,951.51**	**1,341,592.72**	10,570,021.54	1,585,503.22
Elimination of gross profit in closing inventories	**1,072,471.00**	**160,870.65**	1,041,175.87	156,176.38
Tax losses of subsidiaries available for offset	**38,190,286.40**	**5,728,542.96**	58,349,760.37	8,752,464.06
Total	**219,803,320.01**	**32,970,498.00**	258,431,389.36	38,764,708.42

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (Continued)

(2) Deferred tax liabilities before offsetting

Unit: RMB

Items	Closing balances		Opening balances	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Tax and accounting differences in right-of-use assets	**8,382,565.60**	**1,257,384.84**	9,964,889.22	1,494,733.38
Accrued interest income	**25,150,730.68**	**3,772,609.60**	56,680,059.36	8,502,008.90
Financial assets measured at fair value	**850,109.53**	**127,516.43**	13,319,721.83	1,997,958.27
Differences in depreciation of fixed assets	**300,078,568.53**	**45,011,785.28**	330,080,033.00	49,512,004.96
Changes in fair value of investments in other equity instruments	**9,513,461.70**	**1,427,019.26**	10,172,264.50	1,525,839.68
Total	**343,975,436.04**	**51,596,315.41**	420,216,967.91	63,032,545.19

(3) Deferred tax assets or liabilities presented net after offsetting

Unit: RMB

Items	Closing amount of deferred tax assets and liabilities offset	Closing balance of deferred tax assets or liabilities after offsetting	Opening amount of deferred tax assets and liabilities offset	Opening balance of deferred tax assets or liabilities after offsetting
Deferred income tax assets	**24,773,344.22**	**8,197,153.78**	31,949,440.17	6,815,268.25
Deferred income tax liabilities	**24,773,344.22**	**26,822,971.19**	31,949,440.17	31,083,105.02

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (Continued)

(4) Unrecognised deferred tax assets

Unit: RMB

Items	Closing balances	Opening balances
Deductible losses of subsidiaries	**21,862,875.76**	8,850,531.12
Loss allowances of subsidiaries	**93,593.60**	74,100.26
Impairment allowances of subsidiaries	**253.76**	
Total	**21,956,723.12**	8,924,631.38

(5) Expiry of deductible losses for which deferred tax assets have not been recognised

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2027	**687,781.80**	687,781.80	
2028	**935,508.57**	1,560,461.47	
2029	**640,011.72**	2,246,628.05	
2030	**1,727,277.44**	1,723,151.56	
2031	**17,341,008.29**	1,587,201.09	
Other years	**531,287.94**	831,390.05	Losses of overseas subsidiaries may be carried forward indefinitely
Total	**21,862,875.76**	8,636,614.02	

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. OTHER NON-CURRENT ASSETS

Unit: RMB

Items	Closing balances			Opening balances		
	Gross carrying amount	Impairment allowances	Carrying amount	Gross carrying amount	Impairment allowances	Carrying amount
Prepayments for acquisition and construction of long-term assets	14,897,415.41		14,897,415.41	16,751,879.52		16,751,879.52
Total	14,897,415.41		14,897,415.41	16,751,879.52		16,751,879.52

21. ASSETS WITH RESTRICTED OWNERSHIP OR RIGHT OF USE

Unit: RMB

Items	At the end of the period				At the beginning of the period			
	Gross carrying amount	Carrying amount	Type of restriction	Restriction	Gross carrying amount	Carrying amount	Type of restriction	Restriction
Monetary funds	2,523,334.43	2,523,334.43	Others	Margin deposits for wealth management products	35,127,580.63	35,127,580.63	Others	Margin deposits for wealth management products
Monetary funds	61,310.90	61,310.90	Others	ETC deposits/ security deposits	61,528.80	61,528.80	Others	ETC deposits/ security deposits
Total	2,584,645.33	2,584,645.33			35,189,109.43	35,189,109.43		

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. SHORT-TERM BORROWINGS

(1) Classification of short-term borrowings

Unit: RMB

Items	Closing balances	Opening balances
Borrowings from bill financing	**130,207,311.25**	169,637,511.43
Total	**130,207,311.25**	169,637,511.43

(2) Overdue short-term borrowings not repaid

None

23. NOTES PAYABLE

Unit: RMB

Type	Closing balances	Opening balances
Bank acceptance bills	**171,152,762.64**	160,699,579.68
Total	**171,152,762.64**	160,699,579.68

The aggregate amount of notes payable that had matured but remained unpaid at the end of the period was RMB0.00. There were no overdue unpaid notes.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. ACCOUNTS PAYABLE

(1) Breakdown of accounts payable

Unit: RMB

Items	Closing balances	Opening balances
Within one year	**311,192,756.37**	237,856,540.55
1 to 2 years	**1,107,166.49**	349,122.26
2 to 3 years	**56,044.83**	18,494.23
Over 3 years	**168,022.06**	170,836.93
Total	**312,523,989.75**	238,394,993.97

(2) Significant accounts payable aged over one year or past due

25. OTHER PAYABLES

Unit: RMB

Items	Closing balances	Opening balances
Dividends payable	**420,774.98**	178,937.25
Other payables	**44,458,845.19**	61,108,257.47
Total	**44,879,620.17**	61,287,194.72

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. OTHER PAYABLES (Continued)

(1) Dividends payable

Unit: RMB

Items	Closing balances	Opening balances
Dividends on ordinary shares	**420,774.98**	178,937.25
Total	**420,774.98**	178,937.25

Other information, including reasons for non-payment of material dividends payable outstanding for more than one year:

(2) Other payables

1) *Other payables by nature*

Unit: RMB

Items	Closing balances	Opening balances
Within one year	**44,222,056.93**	47,915,432.02
1 to 2 years	**104,864.06**	13,058,734.80
2 to 3 years	**4,124.20**	20,000.00
Over 3 years	**127,800.00**	114,090.65
Total	**44,458,845.19**	61,108,257.47

2) *Significant other payables aged over one year or past due*

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. CONTRACT LIABILITIES

Unit: RMB

Items	Closing balances	Opening balances
Advances from customers	**10,491,902.07**	10,334,611.80
Total	**10,491,902.07**	10,334,611.80

27. EMPLOYEE BENEFITS PAYABLE

(1) Employee benefits payable

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances
I. Short-term employee benefits	73,483,921.02	198,569,289.08	226,460,548.22	**45,592,661.88**
II. Post-employment benefits – defined contribution plans	0.00	14,853,932.62	14,853,932.62	**0.00**
Total	73,483,921.02	213,423,221.70	241,314,480.84	**45,592,661.88**

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. EMPLOYEE BENEFITS PAYABLE (Continued)

(2) Short-term employee benefits

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances
1. Salaries, bonuses, allowances and subsidies	73,443,753.44	185,010,948.02	212,922,428.97	**45,532,272.49**
2. Employee welfare expenses		5,870,043.70	5,870,043.70	
3. Social insurance premiums	4,687.40	3,756,027.81	3,755,999.18	**4,716.03**
Of which: Medical insurance premiums	4,687.40	2,738,163.79	2,738,135.16	**4,716.03**
Work injury insurance premiums		633,732.61	633,732.61	**0.00**
Maternity insurance premiums		384,131.41	384,131.41	**0.00**
4. Housing provident fund	35,480.18	3,407,193.75	3,387,000.57	**55,673.36**
5. Labour union funds and employee education funds		525,075.80	525,075.80	**0.00**
Total	73,483,921.02	198,569,289.08	226,460,548.22	**45,592,661.88**

(3) Defined contribution plans

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances
1. Basic pension insurance	0.00	14,168,316.19	14,168,316.19	**0.00**
2. Unemployment insurance premiums		685,616.43	685,616.43	**0.00**
Total	0.00	14,853,932.62	14,853,932.62	**0.00**

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. TAXES PAYABLE

Unit: RMB

Items	Closing balances	Opening balances
Value-added tax	2,935,580.58	8,535,456.15
Corporate income tax	5,157,583.39	4,360,938.76
Individual income tax	1,573,406.51	1,676,954.75
Urban maintenance and construction tax	252,652.43	604,472.12
Education surcharge	130,140.43	261,956.62
Local education surcharge	86,760.30	174,637.75
Stamp duty and others	4,486,020.89	953,124.20
Total	14,622,144.53	16,567,540.35

29. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Unit: RMB

Items	Closing balances	Opening balances
Lease liabilities due within one year	5,787,582.10	4,102,731.73
Total	5,787,582.10	4,102,731.73

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. OTHER CURRENT LIABILITIES

Unit: RMB

Items	Closing balances	Opening balances
Output VAT pending transfer	**992,760.11**	844,818.89
Notes receivable not derecognised	**14,739,990.57**	14,193,339.85
Total	**15,732,750.68**	15,038,158.74

31. LEASE LIABILITIES

Unit: RMB

Items	Closing balances	Opening balances
Lease liabilities	**10,574,699.90**	7,280,243.05
Less: Lease liabilities due within one year	**-5,787,582.10**	-4,102,731.73
Total	**4,787,117.80**	3,177,511.32

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. DEFERRED INCOME

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances	Reason for recognition
Government grants	50,988,642.13	10,621,241.75	5,533,414.43	**56,076,469.45**	
Total	50,988,642.13	10,621,241.75	5,533,414.43	**56,076,469.45**	

33. SHARE CAPITAL

Unit: RMB

	Opening balances	Changes during the current period (+/-)					Closing balances
		Issue of n ew shares	Bonus shares	Capitalisation of reserves	Others	Subtotal	
Total number of shares	240,734,400.00	26,829,850.00				26,829,850.00	**267,564,250.00**

Other information:

Note 1: On 29 March 2026, the Company made a public offering of 26.7483 million H Shares with a par value of RMB1 each, increasing share capital by RMB26.7483 million.

Note 2: Voluntary exercise of share options by participants increased share capital by RMB81,550.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. CAPITAL RESERVE

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances
Capital premium (share premium)	1,747,397,081.47	1,608,442,109.52	19,230,802.57	**3,336,608,388.42**
Other capital reserve	164,029,652.73	2,937,496.51	2,499,624.33	**164,467,524.91**
Total	1,911,426,734.20	1,611,379,606.03	21,730,426.90	**3,501,075,913.33**

Other information, including changes during the current period and reasons therefor:

- The Company's public offering of H Shares increased capital premium (share premium) by RMB1,585,037,428.17.
- Voluntary exercise of share options by participants increased capital premium (share premium) by RMB3,486,080.32;
- Upon voluntary exercise of share options by participants, the related enterprise income tax deduction increased capital premium (share premium) by RMB687,798.46;
- Other capital reserve was affected by the combined impact of the amortisation of expenses relating to the restricted share and share option incentive schemes and the related deferred income tax, the voluntary exercise of options by participants and capital contributions made by other investors of an associate.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. TREASURY SHARES

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances
Restricted shares	13,225,660.25		241,722.25	**12,983,938.00**
Total	13,225,660.25	0.00	241,722.25	**12,983,938.00**

Other information, including changes during the current period and reasons therefor:

During the current period, the Company implemented the 2024 profit distribution and paid cash dividends. Treasury shares in respect of restricted shares during the vesting period decreased by RMB241,722.25, being the amount of cash dividends attributable thereto.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. OTHER COMPREHENSIVE INCOME

Unit: RMB

Items	Opening balances	Amount for the current period: Amount before income tax for the current period	Less: Reclassification from other comprehensive income to profit or loss in the current period	Less: Transfer from other comprehensive income to retained earnings in the current period	Less: Income tax expense	Attributable to the parent, net of tax	Attributable to non-controlling interests, net of tax	Closing balances
I. Other comprehensive income that will not be reclassified to profit or loss	8,646,424.82	-559,982.38				-559,982.38		8,086,442.44
Changes in fair value of investments in other equity instruments	8,646,424.82	-559,982.38				-559,982.38		8,086,442.44
II. Other comprehensive income that will be reclassified to profit or loss	1,418,713.10	-819,298.45				-819,298.45		599,414.65
Exchange differences on translation of foreign currency financial statements	1,418,713.10	-819,298.45				-819,298.45		599,414.65
Total other comprehensive income	10,065,137.92	-1,379,280.83				-1,379,280.83		8,685,857.09

Other information, including the transfer of the effective portion of gains or losses on cash flow hedges to adjust the amount initially recognised for the hedged item:

37. SURPLUS RESERVE

Unit: RMB

Items	Opening balances	Increase during the current period	Decrease during the current period	Closing balances
Statutory surplus reserve	120,367,200.00			120,367,200.00
Total	120,367,200.00			120,367,200.00

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. UNDISTRIBUTED PROFITS

Unit: RMB

Items	Current period	Previous period
Undistributed profits at the end of the previous period before adjustment	**1,213,627,119.09**	1,047,230,776.94
Undistributed profits at the beginning of the period after adjustment	**1,213,627,119.09**	1,047,230,776.94
Add: Net profit attributable to owners of the parent for the current period	**74,645,686.46**	113,271,162.92
Less: Appropriation to statutory surplus reserve	**0.00**	18,295,660.28
Dividends payable on ordinary shares	**103,012,236.26**	68,327,952.64
Undistributed profits at the end of the period	**1,185,260,569.29**	1,073,878,326.94

Details of adjustments to undistributed profits at the beginning of the period:

1) Retrospective adjustments arising from the Accounting Standards for Business Enterprises and related new requirements had an impact of RMB0.00 on undistributed profits at the beginning of the period.

2) Changes in accounting policies had an impact of RMB0.00 on undistributed profits at the beginning of the period.

3) Corrections of material accounting errors had an impact of RMB0.00 on undistributed profits at the beginning of the period.

4) Changes in the scope of consolidation arising from business combinations under common control had an impact of RMB0.00 on undistributed profits at the beginning of the period.

5) Other adjustments had an aggregate impact of RMB0.00 on undistributed profits at the beginning of the period.

Details of the use of capital reserve to offset losses:

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. OPERATING REVENUE AND OPERATING COSTS

Unit: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	**798,212,729.80**	**555,468,952.73**	770,712,110.12	520,657,536.72
Other operations	**18,235,726.32**	**9,861,828.77**	15,856,590.77	14,473,863.78
Total	**816,448,456.12**	**565,330,781.50**	786,568,700.89	535,131,400.50

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. OPERATING REVENUE AND OPERATING COSTS (Continued)

Disaggregation of operating revenue and operating costs:

Unit: RMB

Contract classification	Segment 1		Segment 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50
Of which:								
Micro transmission systems	505,945,349.24	377,410,598.13					505,945,349.24	377,410,598.13
Precision components	276,406,949.39	162,034,203.94					276,406,949.39	162,034,203.94
Precision moulds and other products	34,096,157.49	25,885,979.43					34,096,157.49	25,885,979.43
By geographical market	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50
Of which:								
Domestic	713,823,962.08	503,291,524.23					713,823,962.08	503,291,524.23
Overseas	102,624,494.04	62,039,257.27					102,624,494.04	62,039,257.27
Market or customer type								
Of which:								
Contract type								
Of which:								
By timing of transfer of goods	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50
Of which:								
Recognised at a point in time	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50
By contract term	0.00	0.00						
Of which:								
By sales channel	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50
Of which:								
Direct sales	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50
Total	816,448,456.12	565,330,781.50					816,448,456.12	565,330,781.50

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. OPERATING REVENUE AND OPERATING COSTS (Continued)

Information relating to the transaction price allocated to the remaining performance obligations:

At the end of the Reporting Period, revenue corresponding to performance obligations under signed contracts that had not yet been satisfied or had not been fully satisfied amounted to RMB0.00, of which RMB0.00, RMB0.00 and RMB0.00 are expected to be recognised as revenue in year 0, year 0 and year 0, respectively.

40. TAXES AND SURCHARGES

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	**1,635,110.02**	2,293,361.16
Education surcharge	**803,696.88**	1,044,896.49
Property tax	**3,435,838.42**	3,237,016.00
Land use tax	**68,432.22**	68,532.16
Vehicle and vessel tax	**2,702.19**	3,273.36
Stamp duty	**785,584.19**	627,456.03
Local education surcharge	**535,797.93**	696,597.66
Total	**7,267,161.85**	7,971,132.86

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. ADMINISTRATIVE EXPENSES

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Employee benefit expenses	**28,490,251.45**	26,991,421.47
Depreciation and amortisation	**12,619,358.08**	12,489,071.75
Office and telephone expenses	**657,207.07**	671,687.12
Utilities and rental expenses	**537,829.80**	674,293.34
Renovation, repair and consumables expenses	**971,383.69**	1,012,691.13
Travelling and entertainment expenses	**1,809,182.29**	1,503,673.96
Consultancy and professional service fees	**8,048,433.04**	2,747,519.86
Transportation and vehicle expenses	**270,958.84**	358,423.73
Others	**687,531.33**	570,308.62
Total	**54,092,135.59**	47,019,090.98

42. SELLING EXPENSES

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Employee benefit expenses	**20,819,684.53**	21,297,972.56
Transportation and vehicle expenses	**306,469.59**	203,688.02
Travelling and entertainment expenses	**3,464,703.50**	2,576,089.10
Advertising, exhibition and promotion expenses	**4,812,796.92**	4,439,465.39
Others	**3,379,459.06**	4,348,785.39
Total	**32,783,113.60**	32,866,000.46

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. RESEARCH AND DEVELOPMENT COSTS

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Employee benefit expenses	**61,537,422.13**	60,272,682.50
Depreciation and amortisation	**6,847,535.76**	6,083,324.69
Material costs	**5,444,516.12**	5,210,418.42
R&D sample and mould costs	**3,797,890.86**	2,964,176.73
R&D processing expenses	**3,784,098.43**	1,286,074.98
Others	**4,233,999.30**	5,584,118.60
Total	**85,645,462.60**	81,400,795.92

44. FINANCE COSTS

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Interest expenses	**1,290,438.11**	1,644,689.08
Less: Interest income	**28,282,901.45**	17,079,655.86
Foreign exchange gains or losses	**39,245,838.40**	-2,349,862.30
Others	**343,490.91**	302,641.34
Total	**12,596,865.97**	-17,482,187.74

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. OTHER INCOME

Unit: RMB

Source of other gains	Amount for the current period	Amount for the previous period
Government grants	**11,757,693.13**	11,531,825.69
Refund of handling fees for withholding individual income tax	**707,219.38**	334,837.21
Total	**12,464,912.51**	11,866,662.90

46. GAINS ON CHANGES IN FAIR VALUE

Unit: RMB

Sources of gains on changes in fair value	Amount for the current period	Amount for the previous period
Financial assets held for trading	**-3,883,270.56**	
Total	**-3,883,270.56**	

47. INVESTMENT INCOME

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments accounted for using the equity method	**-1,072,362.82**	-2,641,507.42
Investment income from wealth management products	**20,453,523.66**	14,361,737.17
Total	**19,381,160.84**	11,720,229.75

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. CREDIT IMPAIRMENT LOSSES

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Losses on notes receivable	**430,944.90**	-221,657.79
Losses on accounts receivable	**-979,515.37**	1,985,540.76
Losses on other receivables	**177,829.97**	-36,604.71
Total	**-370,740.50**	1,727,278.26

49. ASSET IMPAIRMENT LOSSES

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Impairment losses on inventories and contract fulfilment costs	**-3,895,870.05**	857,899.61
Total	**-3,895,870.05**	857,899.61

50. GAINS ON DISPOSAL OF ASSETS

Unit: RMB

Sources of gains on disposal of assets	Amount for the current period	Amount for the previous period
Gains or losses on disposal of fixed assets	**-4,206.86**	3,813.29
Total	**-4,206.86**	3,813.29

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. NON-OPERATING INCOME

Unit: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Miscellaneous income items	**103,022.96**	1,357.00	103,022.96
Total	**103,022.96**	1,357.00	103,022.96

52. NON-OPERATING EXPENSES

Unit: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
External donations	**10,000.00**	50,000.00	10,000.00
Losses on damage and retirement of non-current assets	**682,123.01**	441,948.46	682,123.01
Others	**124,233.39**	393,148.66	124,233.39
Total	**816,356.40**	885,097.12	816,356.40

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. INCOME TAX EXPENSE

(1) Income tax expense

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expense	**15,306,868.61**	10,942,309.64
Deferred income tax expense	**-8,240,968.12**	741,139.04
Total	**7,065,900.49**	11,683,448.68

(2) Reconciliation of accounting profit to income tax expense

Unit: RMB

Items	Amount for the current period
Total profit	**81,711,586.95**
Income tax expense calculated at the statutory/applicable tax rate	**12,256,738.04**
Effect of different tax rates applicable to subsidiaries	**-337,999.21**
Effect of adjustments to income tax for prior periods	**1,960,926.26**
Effect of non-taxable income	**0.00**
Effect of non-deductible costs, expenses and losses	**277,808.64**
Effect of deductible losses for which deferred tax assets were not recognised in prior periods and were utilised in the current period	**-609,908.41**
Effect of deductible temporary differences or deductible losses for which deferred tax assets were not recognised in the current period	**3,317,781.79**
Effect of additional deduction for R&D expenditure	**-9,799,446.62**
Income tax expense	**7,065,900.49**

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. OTHER COMPREHENSIVE INCOME

See Note 36, Other Comprehensive Income

55. CASH FLOW STATEMENT ITEMS

(1) Cash relating to operating activities

Other cash received relating to operating activities

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash received relating to deposit interest	**4,659,353.57**	2,943,120.94
Cash received relating to government appropriations	**11,614,986.29**	2,523,243.22
Others	**6,156,519.19**	1,438,295.53
Total	**22,430,859.05**	6,904,659.69

Other cash paid relating to operating activities

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Other cash paid relating to selling expenses	**9,811,682.12**	10,625,675.87
Other cash paid relating to administrative expenses, R&D costs and manufacturing expenses	**33,161,904.01**	21,564,500.27
Cash paid relating to handling fees and other charges	**286,766.21**	307,192.23
Others	**1,689,600.00**	101,447.48
Total	**44,949,952.34**	32,598,815.85

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. CASH FLOW STATEMENT ITEMS (Continued)

(2) Cash relating to investing activities

Other cash received relating to investing activities

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Tender deposits received	**632,960.00**	600,000.00
Others	**1,000,000.00**	
Total	**1,632,960.00**	600,000.00

Other cash paid relating to investing activities

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Tender deposits refunded	**610,000.00**	1,100,000.00
Interest receivable advanced on acquisition of short-term certificates of deposit	**10,081,561.67**	
Total	**10,691,561.67**	1,100,000.00

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. CASH FLOW STATEMENT ITEMS (Continued)

(3) Cash relating to financing activities

Other cash received relating to financing activities

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Dividend security deposits recovered	**1,000,000.00**	1,000,000.00
Lease deposits recovered	**289,039.56**	0.00
Others		600.00
Total	**1,289,039.56**	1,000,600.00

Other cash paid relating to financing activities

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Financing handling fees and intermediary fees	**2,489,310.76**	5,501,626.16
Amount paid to settle lease liabilities	**3,918,341.69**	2,508,922.01
Dividend security deposits paid	**1,000,000.00**	1,000,000.00
Payments for repurchase of restricted shares		0.00
Lease deposits paid	**53,346.76**	
Total	**7,460,999.21**	9,010,548.17

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. CASH FLOW STATEMENT ITEMS (Continued)

(3) Cash relating to financing activities (Continued)

Changes in liabilities arising from financing activities

✔ Applicable ☐ Not applicable

Unit: RMB

Items	Opening balances	Increase during the current period		Decrease during the current period		Closing balances
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term loans	169,637,511.43	131,011,259.24		140,082,279.85	30,359,179.57	**130,207,311.25**
Dividends payable	178,937.25		241,837.73			**420,774.98**
Lease liabilities, including non-current liabilities due within one year	7,280,243.05		7,212,798.54	3,918,341.69		**10,574,699.90**
Total	177,096,691.73	131,011,259.24	7,454,636.27	144,000,621.54	30,359,179.57	**141,202,786.13**

(4) Explanation of cash flows presented on a net basis

None

(5) Material activities that do not involve cash receipts or payments for the current period but affect the financial position or may affect cash flows in the future, and their financial effects

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**74,645,686.46**	113,271,162.92
Add: Asset impairment allowances	**4,266,610.55**	-2,585,177.87
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	**49,069,626.61**	43,198,366.69
Depreciation of right-of-use assets	**1,977,930.94**	2,222,109.58
Amortisation of intangible assets	**2,175,788.01**	1,910,692.52
Amortisation of long-term deferred expenses	**2,526,272.89**	2,580,185.90
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains indicated by "-")	**4,206.86**	-3,813.29
Losses on retirement of fixed assets (gains indicated by "-")	**682,123.01**	441,948.46
Losses on changes in fair value (gains indicated by "−")	**3,883,270.56**	
Finance costs (income indicated by "−")	**16,936,631.12**	-13,387,985.99
Investment losses (income indicated by "−")	**-19,381,160.84**	-11,720,229.75
Decrease in deferred tax assets (increase indicated by "−")	**-1,381,885.53**	-810,884.83
Increase in deferred tax liabilities (decrease indicated by "−")	**-4,260,133.83**	-8,323,971.48
Decrease in inventories (increase indicated by "−")	**-38,570,331.50**	-30,848,190.60
Decrease in operating receivables (increase indicated by "−")	**16,842,675.73**	-36,042,978.68
Increase in operating payables (decrease indicated by "−")	**20,527,107.82**	-21,025,622.34
Others	**2,642,204.98**	7,887,370.32
Net cash flows from operating activities	**132,586,623.84**	46,762,981.56
2. Material investing and financing activities not involving cash receipts or payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Cash at the end of the period	**1,660,162,545.00**	293,721,293.08
Less: Cash at the beginning of the period	**181,780,763.16**	224,816,661.74
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	**1,478,381,781.84**	68,904,631.34

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT (Continued)

(2) Net cash paid to acquire subsidiaries during the current period

None

(3) Net cash received from disposal of subsidiaries during the current period

None

(4) Components of cash and cash equivalents

Unit: RMB

Items	Closing balances	Opening balances
I. Cash	**1,660,162,545.00**	181,780,763.16
Of which: Cash on hand	**26,358.06**	71,060.26
Bank deposits available for immediate payment	**1,660,135,085.78**	181,709,647.34
Other monetary funds available for immediate payment	**1,101.16**	55.56
III. Cash and cash equivalents at the end of the period	**1,660,162,545.00**	181,780,763.16

(5) Amounts with restricted use that are nevertheless presented as cash and cash equivalents

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT (Continued)

(6) Monetary funds not classified as cash and cash equivalents

Unit: RMB

Items	Amount for the current period	Amount for the previous period	Reasons for not classifying as cash and cash equivalents
ETC deposits/security deposits	**61,310.90**	61,528.80	Restricted
Margin deposits for wealth management products	**2,523,334.43**	35,127,580.63	Restricted
Total	**2,584,645.33**	35,189,109.43	

(7) Other material activities

None

57. NOTES TO ITEMS IN THE STATEMENT OF CHANGES IN OWNERS' EQUITY

None

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. FOREIGN CURRENCY MONETARY ITEMS

(1) Foreign currency monetary items

Unit: RMB

Items	Closing foreign currency balance	Exchange rate	Closing balance translated into RMB
Monetary funds			421,772,625.54
Of which: U.S. dollars	57,631,394.92	6.8109	392,521,667.66
Euros	3,706,070.40	7.7671	28,785,419.40
Hong Kong dollars	491,776.89	0.86855	427,132.82
Japanese yen	542,221.00	0.042045	22,797.68
Thai baht	76,418.23	0.204244194	15,607.98
Accounts receivable			11,825,288.81
Of which: U.S. dollars	769,433.61	6.8109	5,240,535.37
Euros	847,775.03	7.7671	6,584,753.44
Hong Kong dollars			
Long-term loans			
Of which: U.S. dollars			
Euros			
Hong Kong dollars			
Accounts payable			617,548.59
Of which: U.S. dollars			0.00
Euros	72,850.00	7.7671	565,833.24
Hong Kong dollars			
Japanese yen	1,230,000.00	0.042045	51,715.35
Other receivables			210,897.79
Of which: U.S. dollars	13,628.92	6.8109	92,825.21
Euros	15,201.63	7.7671	118,072.58
Hong Kong dollars			0.00
Other payables			1,382,624.79
Of which: U.S. dollars	167,831.03	6.8109	1,143,080.36
Euros	15,301.71	7.7671	118,849.91
Hong Kong dollars	137,550.00	0.86855	119,469.05
Thai baht	6,000.00	0.204244194	1,225.47

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. FOREIGN CURRENCY MONETARY ITEMS (Continued)

(2) Nature and financial effects of a lack of exchangeability of a currency, the spot exchange rate used and the estimation process, and the risks to which the enterprise is exposed as a result of the lack of exchangeability

☐ Applicable ✔ Not applicable

(3) Information on foreign operations, including, for material foreign operations, their principal place of business, functional currency and the basis for selecting that currency, and reasons for any change in functional currency

☐ Applicable ✔ Not applicable

(4) Lack of exchangeability between the functional currency of a foreign operation and the enterprise's presentation currency

☐ Applicable ✔ Not applicable

59. LEASES

(1) The Company as a lessee

✔ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☐ Applicable ✔ Not applicable

Lease expenses for short-term leases or leases of low-value assets accounted for using the practical expedient

☐ Applicable ✔ Not applicable

Information relating to sale and leaseback transactions

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. LEASES (Continued)

(2) The Company as a lessor

Operating leases as lessor

☐ Applicable ✔ Not applicable

Finance leases as lessor

☐ Applicable ✔ Not applicable

Undiscounted lease receipts for each of the next five years

☐ Applicable ✔ Not applicable

Reconciliation of undiscounted lease receipts to net investment in leases

(3) Selling profit or loss recognised on finance leases by a manufacturer or dealer lessor

☐ Applicable ✔ Not applicable

60. DATA RESOURCES

None

61. OTHERS

None

VIII. RESEARCH AND DEVELOPMENT EXPENDITURE

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Employee benefit expenses	**61,537,422.13**	60,272,682.50
Depreciation and amortisation	**6,847,535.76**	6,083,324.69
Material costs	**5,444,516.12**	5,210,418.42
R&D sample and mould costs	**3,797,890.86**	2,964,176.73
R&D processing expenses	**3,784,098.43**	1,286,074.98
Others	**4,233,999.30**	5,584,118.60
Total	**85,645,462.60**	81,400,795.92
Of which: Expensed R&D expenditure	**85,645,462.60**	81,400,795.92

IX. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combinations not under common control

None

2. Business combinations under common control

None

3. Reverse acquisitions

Basic information on the transaction, basis for determining that the transaction constitutes a reverse acquisition, whether the assets and liabilities retained by the listed company constitute a business and the basis therefor, determination of the combination cost, and the amount and calculation of the adjustment to equity when accounted for as an equity transaction:

IX. CHANGES IN THE SCOPE OF CONSOLIDATION (Continued)

4. Disposal of subsidiaries

Whether there were any transactions or events resulting in loss of control over a subsidiary during the current period
☐ Yes ✔ No

Whether an investment in a subsidiary was disposed of in stages through multiple transactions and control was lost during the current period
☐ Yes ✔ No

5. Changes in the scope of consolidation for other reasons

Information on changes in the scope of consolidation for other reasons, such as the establishment or liquidation of subsidiaries:

Subsidiaries established in 2026:

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Percentage of capital contribution (%)	Percentage of voting rights (%)
Shenzhen Zhaowei Derun Trading Co., Ltd.	10,000,000.00	Shenzhen, Guangdong	Shenzhen, Guangdong	Trading	100	100
Wealth Steady Advance No. 978 FOF Asset Management Plan	29,990,102.22	Shenzhen	Shenzhen	Asset management plan	100	100
CICC Wealth Private Selection No. 11318 FOF Asset Management Plan	50,000,000.00	Shenzhen	Shenzhen	Asset management plan	100	100

6. Others

None

X. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

None

(1) Composition of the Group

Unit: RMB

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Percentage of shareholding Direct	Percentage of shareholding Indirect	Method of acquisition
ZhaoWei Machinery & Electronics (HongKong) Co., Limited	16,655,040.00	Hong Kong Special Administrative Region	Hong Kong Special Administrative Region	Trading	100.00%		Established by investment
Dongguan Zhaowei Machinery & Electronics Co., Ltd.	230,000,000.00	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing	100.00%		Established by investment
ZW Drive GmbH	700,000.00	Germany	Germany	Trading		100.00%	Established by investment
Suzhou Zhaowei Drive Co., Ltd.	100,000,000.00	Suzhou, Jiangsu	Suzhou, Jiangsu	Manufacturing	100.00%		Established by investment
Suzhou Zhaowei Venture Capital Co., Ltd.	50,000,000.00	Suzhou, Jiangsu	Suzhou, Jiangsu	Venture capital		100.00%	Established by investment
Suzhou Zhaowei Industrial Technology Co., Ltd.	30,000,000.00	Suzhou, Jiangsu	Suzhou, Jiangsu	Manufacturing	100.00%		Established by investment
Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd.	50,000,000.00	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing	100.00%		Established by investment
ZW Drive.Inc	3,000,000.00	United States	United States	Trading		100.00%	Established by investment
Huatai WEFUND Private FOF No. 316 Single-asset Management Plan	29,448,966.65	Shanghai	Shanghai	Asset management plan	100.00%		Established by investment
CITIC Securities Asset Management Wealth Anxiang No. 252 Single-asset Management Plan	87,921,244.15	Beijing	Beijing	Asset management plan	100.00%		Established by investment
Huatai WEFUND Entrepreneur Zhiyuan Private FOF No. 26 Single-asset Management Plan	49,113,149.85	Shanghai	Shanghai	Asset management plan	100.00%		Established by investment
Zowway (Thailand) Co., Ltd.	2,000,000.00	Thailand	Thailand	Manufacturing		100.00%	Established by investment
Zowway Technology (Hong Kong) Co., Limited	50,000.00	Hong Kong Special Administrative Region	Hong Kong Special Administrative Region	Investment holding		100.00%	Established by investment
Shenzhen Zhaowei Derun Trading Co., Ltd.	10,000,000.00	Shenzhen, Guangdong	Shenzhen, Guangdong	Trading	100.00%		Established by investment
Wealth Steady Advance No. 978 FOF Asset Management Plan	29,990,102.22	Shenzhen	Shenzhen	Asset management plan	100.00%		Established by investment
CICC Wealth Private Selection No. 11318 FOF Asset Management Plan	50,000,000.00	Shenzhen	Shenzhen	Asset management plan	100.00%		Established by investment

X. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Explanation of differences between shareholding percentages and voting-right percentages in subsidiaries:

Basis for control over investees in which the Company holds half or less of the voting rights, and for absence of control over investees in which the Company holds more than half of the voting rights:

Basis for control over material structured entities included in the scope of consolidation:

As the Company invested its own funds in all interests of certain structured entities, bears substantially all or all of the risks of the products and is entitled to substantially all or all of the variable returns from the products, the Company includes those structured entities in the scope of consolidation of its financial statements.

Basis for determining whether the Company is acting as principal or agent:

Other information:

ZhaoWei Machinery & Electronics (HongKong) Co., Limited, with a registered capital denominated in Hong Kong dollars equivalent to RMB16.6550 million;

ZW Drive GmbH, with a registered capital denominated in Euros equivalent to RMB0.7 million;

ZW Drive. Inc, with a registered capital denominated in U.S. dollars equivalent to RMB3 million;

Zowway (Thailand) Co., Ltd., with a registered capital denominated in Thai baht equivalent to RMB2 million;

Zowway Technology (Hong Kong) Co., Limited, with a registered capital denominated in U.S. dollars equivalent to RMB0.05 million.

X. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2) Financial or other support provided to structured entities included in the scope of the consolidated financial statements

None

2. Transactions resulting in changes in ownership interests in subsidiaries without loss of control

None

3. Interests in joint ventures or associates

None

(1) Material joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	Nature of business	Percentage of shareholding Direct	Indirect	Accounting treatment for investments in joint ventures or associates
Lingke Huizhi Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application services	13.80%		Equity method

Explanation of differences between shareholding percentages and voting-right percentages in joint ventures or associates:

Basis for significant influence where less than 20% of voting rights is held, or lack of significant influence where 20% or more of voting rights is held:

The Company holds a 13.7980% equity interest and 13.7980% of the voting rights in Lingke Huizhi. One of the five members of Lingke Huizhi's board is appointed by Zhaowei Machinery & Electronics and is able to influence its material production and operating matters. Taking these factors together, Zhaowei Machinery & Electronics has significant influence over Lingke Huizhi.

X. INTERESTS IN OTHER ENTITIES (Continued)

2. Interests in joint ventures or associates (Continued)

(2) Principal financial information of a material associate

Unit: RMB

	Closing balance/ amount for the current period Lingke Huizhi Technology Co., Ltd.	Opening balance/ amount for the previous period Lingke Huizhi Technology Co., Ltd.
Current assets	**352,523,163.29**	166,842,148.50
Non-current assets	**82,269,257.67**	75,169,748.74
Total assets	**434,792,420.96**	242,011,897.24
Current liabilities	**313,963,094.82**	139,465,674.88
Non-current liabilities	**6,625,057.26**	4,707,289.28
Total liabilities	**320,588,152.08**	144,172,964.16
Minority interests		
Equity attributable to owners of the parent	**114,204,268.88**	97,838,933.08
Share of net assets calculated based on the percentage interest	**15,757,927.86**	13,916,707.68
Adjustments	**45,025,836.51**	47,343,397.54
– Goodwill	**50,518,532.94**	51,707,288.18
– Unrealised profit on intragroup transactions	**-2,496.36**	-4,584.33
– Others	**-5,490,200.07**	-4,359,306.31
Carrying amount of equity investments in associates	**60,783,764.37**	61,260,105.21
Fair value of equity investments in associates for which quoted prices are available		
Operating revenue	**91,863,932.37**	41,287,422.00
Net profit	**-6,589,666.14**	-18,583,332.43
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	**-6,589,666.14**	-18,583,332.43
Dividends received from associates during the year		

X. INTERESTS IN OTHER ENTITIES (Continued)

4. Material joint operations

None

5. Interests in structured entities not included in the scope of the consolidated financial statements

None

6. Others

None

XI. GOVERNMENT GRANTS

1. Government grants recognised as receivable at the end of the Reporting Period

☐ Applicable ✔ Not applicable

Reasons why the expected amount of government grants was not received at the expected time
☐ Applicable ✔ Not applicable

2. Liability items involving government grants

☐ Applicable ✔ Not applicable

XI. GOVERNMENT GRANTS (Continued)

3. Government grants recognised in profit or loss for the current period

☐ Applicable ✔ Not applicable

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Various risks arising from financial instruments

In the course of its operations, the Company is exposed to various financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and other price risk). These financial risks and the risk management policies adopted by the Company to mitigate such risks are set out below:

The Board is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and related guidelines, and overseeing the implementation of risk management measures. The Company has established risk management policies to identify and analyse the risks to which it is exposed. These policies set out specific requirements for particular risks and cover market risk, credit risk and liquidity risk management, among other areas. The Company regularly assesses changes in the market environment and its operating activities to determine whether its risk management policies and systems need to be updated. Risk management is carried out by the Risk Management Committee in accordance with policies approved by the Board. The Risk Management Committee works closely with other business departments of the Company to identify, evaluate and mitigate relevant risks. The Company's internal audit department periodically reviews risk management controls and procedures and reports the results to the Audit Committee of the Company.

The Company diversifies the risks associated with financial instruments through appropriate diversification of investments and business portfolios, and reduces the concentration of risks in any single industry, specific region or specific counterparty by formulating corresponding risk management policies.

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Various risks arising from financial instruments (Continued)

(1) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to fulfil its contractual obligations.

The Company's credit risk arises principally from monetary funds, notes receivable, accounts receivable, receivables financing, contract assets, other receivables, debt investments, other debt investments and financial guarantee contracts, as well as investments in debt instruments measured at fair value through profit or loss and derivative financial assets that are not within the scope of the impairment assessment. At the balance sheet date, the carrying amount of the Company's financial assets represents its maximum exposure to credit risk.

The Company's cash and cash equivalents mainly comprise bank deposits placed with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings. The Company considers that such deposits are not subject to significant credit risk and that material losses arising from bank defaults are unlikely.

In addition, the Company has established relevant policies to control its exposure to credit risk in respect of notes receivable, accounts receivable, receivables financing, contract assets and other receivables. The Company assesses customers' creditworthiness and sets corresponding credit periods based on their financial condition, the availability of third-party guarantees, credit history and other factors, including current market conditions. The Company regularly monitors customers' credit records. For customers with poor credit records, the Company adopts measures such as written demands for payment, shortening credit periods or cancelling credit terms to ensure that the Company's overall credit risk remains within a controllable range.

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Various risks arising from financial instruments (Continued)

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations settled by delivering cash or another financial asset.

The Company's policy is to maintain sufficient cash to meet liabilities as they fall due. Liquidity risk is centrally managed by the Company's finance department. By monitoring cash balances, readily realisable marketable securities and rolling forecasts of cash flows for the next 12 months, the finance department ensures that the Company has sufficient funds to repay its liabilities under all reasonably foreseeable circumstances. It also continuously monitors the Company's compliance with borrowing agreements and obtains commitments from major financial institutions to provide sufficient standby funding to meet short-term and long-term funding requirements.

The Company's financial liabilities, presented by maturity based on undiscounted contractual cash flows, are as follows:

	Closing balances				
Items	Within one year	1–5 years	Over 5 years	Total undiscounted contractual amount	Carrying amount
Short-term loans	130,207,311.25	–	–	130,207,311.25	130,207,311.25
Notes payable	171,152,762.64	171,152,762.64	171,152,762.64		
Accounts payable	312,523,989.75	–	–	312,523,989.75	312,523,989.75
Employee benefits payable	45,592,661.88	–	–	45,592,661.88	45,592,661.88
Taxes payable	14,622,144.53	–	–	14,622,144.53	14,622,144.53
Dividends payable	420,774.98	–	–	420,774.98	420,774.98
Other payables	44,458,845.19	–	–	44,458,845.19	44,458,845.19
Non-current liabilities due within one year	5,787,582.10	–	–	5,787,582.10	5,787,582.10
Lease liabilities	–	4,787,117.80	–	4,787,117.80	4,787,117.80
Total	724,766,072.32	4,787,117.80	–	729,553,190.12	729,553,190.12

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Various risks arising from financial instruments (Continued)

(2) Liquidity risk (Continued)

	Balance at the end of the previous year				
Items	**Within one year**	**1–5 years**	**Over 5 years**	**Total undiscounted contractual amount**	**Carrying amount**
Short-term loans	169,637,511.43	–	–	169,637,511.43	169,637,511.43
Notes payable	160,699,579.68	–	–	160,699,579.68	160,699,579.68
Accounts payable	238,394,993.97	–	–	238,394,993.97	238,394,993.97
Employee benefits payable	73,483,921.02	–	–	73,483,921.02	73,483,921.02
Taxes payable	16,567,540.35	–	–	16,567,540.35	16,567,540.35
Dividends payable	178,937.25	–	–	178,937.25	178,937.25
Other payables	61,108,257.47	–	–	61,108,257.47	61,108,257.47
Non-current liabilities due within one year	4,102,731.73	–	–	4,102,731.73	4,102,731.73
Lease liabilities	–	3,177,511.32	–	3,177,511.32	3,177,511.32
Total	724,173,472.90	3,177,511.32	–	727,350,984.22	727,350,984.22

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including foreign exchange risk, interest rate risk and other price risk.

(1) Interest rate risk

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

Fixed-rate and floating-rate interest-bearing financial instruments expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the proportion of fixed-rate and floating-rate instruments based on market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring. Where necessary, the Company uses interest rate swaps to hedge interest rate risk.

The Company's exposure to interest rate risk mainly arises from bank borrowings. As at 30 June 2026, all of the Company's bank borrowings had been fully settled.

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Various risks arising from financial instruments (Continued)

(3) Market risk (Continued)

(2) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company continuously monitors the scale of its foreign currency transactions and foreign currency assets and liabilities in order to minimise its exposure to foreign exchange risk. The Company may also enter into forward foreign exchange contracts or currency swap contracts to hedge foreign exchange risk. The Company did not enter into any forward foreign exchange contracts or currency swap contracts during the current or previous period.

The Company's exposure to foreign exchange risk mainly arises from financial assets and financial liabilities denominated in U.S. dollars. The amounts of foreign-currency financial assets and financial liabilities translated into Renminbi are set out below:

	Closing balances			Balance at the end of the previous year		
Items	U.S. dollars	Other foreign currencies	Total	U.S. dollars	Other foreign currencies	Total
Financial assets			–			–
Monetary funds	392,521,667.66	29,250,957.88	421,772,625.54	123,456,814.93	21,777,084.12	145,233,899.05
Accounts receivable	5,240,535.37	6,584,753.44	11,825,288.81	15,019,094.36	9,031,337.30	24,050,431.66
Other receivables	92,825.21	118,072.58	210,897.79	65,877.01	125,193.02	191,070.03
Subtotal	397,855,028.25	35,953,783.90	433,808,812.15	138,541,786.30	30,933,614.44	169,475,400.74
			–			–
Financial liabilities			–			
Accounts payable	–	617,548.59	617,548.59	701,450.97	703,483.64	1,404,934.61
Other payables	1,143,080.36	239,544.43	1,382,624.79	15,222.55	67,334.25	82,556.80
Subtotal	1,143,080.36	857,093.01	2,000,173.38	716,673.52	770,817.89	1,487,491.41

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Various risks arising from financial instruments (Continued)

(3) Market risk (Continued)

(2) Foreign exchange risk (Continued)

As at 30 June 2026, with all other variables held constant, the impact on the Company's net profit if Renminbi had appreciated or depreciated by 5% against the U.S. dollar would have been as follows. Management considers that 5% reasonably reflects

the reasonably possible range of movements in Renminbi against the U.S. dollar.

Change in exchange rate	Impact on net profit 2026.06.30
Increase of 5%	-18,351,867.15
Decrease of 5%	18,351,867.15

(3) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from foreign exchange risk or interest rate risk.

The Company's other price risk mainly arises from investments in various equity instruments and consists of the risk of changes in equity instrument prices.

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Financial assets

(1) Classification by method of transfer

✔Applicable ☐ Not applicable

Unit: RMB

Method of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition status	Basis for determining derecognition status
Discounting or endorsement	Unmatured bank acceptance bills included in notes receivable	25,159,781.21	Not derecognised	As the bank acceptance bills included in notes receivable were accepted by banks with lower credit ratings and were subject to relatively high credit risk and delayed-payment risk, the Company determined that it had retained substantially all the risks and rewards of ownership of the bills.
Discounting or endorsement	Unmatured bank acceptance bills included in receivables financing	126,472,897.02	Derecognised	As the bank acceptance bills included in receivables financing were accepted by banks with higher credit ratings, were subject to minimal credit risk and delayed-payment risk, and the interest rate risk relating to the bills had been transferred to the banks, the Company determined that substantially all the risks and rewards of ownership of the bills had been transferred.
Total		151,632,678.23		

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Financial assets (Continued)

(2) Financial assets derecognised as a result of transfer

✔ Applicable ☐ Not applicable

Unit: RMB

Items	Method of transfer of financial assets	Amount of financial assets derecognised	Gain or loss relating to derecognition
Receivables financing	Discounting or endorsement	126,472,897.02	-402,135.90
Total		126,472,897.02	-402,135.90

(3) Transferred financial assets with continuing involvement

✔Applicable ☐ Not applicable

Unit: RMB

Items	Method of asset transfer	Amount of assets arising from continuing involvement	Amount of liabilities arising from continuing involvement
Notes receivables	Discounting or endorsement	25,159,781.21	25,159,781.21
Total		25,159,781.21	25,159,781.21

Other information

XIII. FAIR VALUE DISCLOSURES

1. Fair values of assets and liabilities measured at fair value at the end of the Reporting Period

Unit: RMB

Items	Fair value at the end of the Reporting Period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurements	–	–	–	–
(I) Financial assets held for trading			1,171,543,047.78	1,171,543,047.78
2. Financial assets designated as at fair value through profit or loss			1,171,543,047.78	1,171,543,047.78
(III) Other equity instrument investments			35,413,461.70	35,413,461.70
Receivables financing			41,375,641.29	41,375,641.29
Other non-current financial assets			1,500,000.00	1,500,000.00
Total assets measured at fair value on a recurring basis			1,249,832,150.77	1,249,832,150.77
II. Non-recurring fair value measurements	–	–	–	–

XIII. FAIR VALUE DISCLOSURES (Continued)

2. Basis for determining quoted market prices for items measured at Level 1 fair value on a recurring and non-recurring basis

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

3. Valuation techniques and qualitative and quantitative information on significant parameters used for items measured at Level 2 fair value on a recurring and non-recurring basis

Level 2 inputs are inputs other than Level 1 inputs that are observable, either directly or indirectly, for the relevant asset or liability.

4. Valuation techniques and qualitative and quantitative information on significant parameters used for items measured at Level 3 fair value on a recurring and non-recurring basis

None

5. Reconciliation between the opening and closing carrying amounts and sensitivity analysis of unobservable parameters for items measured at Level 3 fair value on a recurring basis

Level 3 inputs are unobservable inputs for the relevant asset or liability.

6. For recurring fair value measurements, reasons for transfers between levels during the period and the policy for determining when transfers are deemed to have occurred

The level in which a fair value measurement is categorised is determined by the lowest-level input that is significant to the fair value measurement in its entirety.

7. Changes in valuation techniques during the period and reasons for such changes

None

8. Fair values of financial assets and financial liabilities not measured at fair value

None

9. Others

None

XIV. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

1. Information on the Company's parent company

Name of parent	Place of registration	Nature of business	Registered capital	Shareholding of the parent in the Company	Voting rights of the parent in the Company
Shenzhen Qianhai Zhaowei Financial Holding Co., Ltd.	Shenzhen , Guangdong	Investment holding	RMB10 million	31.81%	31.81%

Explanation of information on the Company's parent company

Mr. Li Haizhou and Ms. Xie Yanling hold 55% and 45%, respectively, of the equity interest in Shenzhen Qianhai Zhaowei Investment Co., Ltd. The de facto controllers of the Company are Mr. Li Haizhou and Ms. Xie Yanling.

The ultimate controlling parties of the Company are Mr. Li Haizhou and Ms. Xie Yanling.

Other information:

2. Information on the Company's subsidiaries

For details of the Company's subsidiaries, see Note VIII, Interests in Other Entities.

XIV. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

3. Information on the Company's joint ventures and associates

For details of the Company's material joint ventures or associates, see Note VIII, Interests in Other Entities.

Other joint ventures or associates with which the Company had related-party transactions during the current period, or with which balances arose from related-party transactions during the current or previous periods, are as follows:

Name of joint venture or associate	Relationship with the Company
Lingke Huizhi Technology Co., Ltd.	Associate
Jiangsu Lingke Huizhi Technology Co., Ltd.	Subsidiary of an associate

Other information

4. Information on other related parties

Name of other related party	Relationship between other related party and the Company
Gongqingcheng Juzhaode Investment Management Partnership Enterprise (Limited Partnership)	Other shareholder of the Company
Gongqingcheng Qingmo Venture Capital Partnership Enterprise (Limited Partnership)	Other shareholder holding 5% or more of the Company's shares
Shenzhen Tiaotao Technology Co., Ltd.	A controlled subsidiary of Shenzhen Qianhai Zhaowei Investment Co., Ltd.
Genrui Biotech Inc.	A company in which independent Director Ms. Guo Xinmei serves as a director
Shenzhen Xingde Information Technology Co., Ltd.	A company in which independent Director Mr. Lin Sen serves as executive director and general manager
ChainUp Hong Kong Limited	Independent Director Mr. Lin Sen serves as chief financial officer

XIV. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

5. Related-party transactions

(1) Related-party transactions involving purchases and sales of goods and provision and receipt of services

Purchases of goods/receipt of services

Unit: RMB

Related party	Nature of related-party transaction	Amount for the current period	Approved transaction limit	Whether the transaction limit was exceeded	Amount for the previous period
Lingke Huizhi Technology Co., Ltd.	Purchases of goods/receipt of services	**501,357.72**		No	1,534,633.10

Sales of goods/provision of services

Unit: RMB

Related party	Nature of related-party transaction	Amount for the current period	Amount for the previous period
Jiangsu Lingke Huizhi Technology Co., Ltd.	Sales of goods	**4,593,550.57**	391,277.19
Lingke Huizhi Technology Co., Ltd.	Sales of goods	**100,000.00**	

XIV. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

5. Related-party transactions (Continued)

(2) Remuneration of key management personnel (Continued)

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Remuneration of key management personnel	**5,125,472.24**	4,631,221.43

(3) Other related-party transactions

None

6. Amounts due from/to related parties

(1) Receivable items

Unit: RMB

		Closing balances		Opening balances	
Item name	Related party	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances
Accounts receivable	Jiangsu Lingke Huizhi Technology Co., Ltd.	**3,925,923.97**	**196,296.20**	1,386,130.32	69,306.52

XIV. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(2) Payable items

Unit: RMB

Item name	Related party	Closing carrying balance	Opening carrying balance
Other payables	Lingke Huizhi Technology Co., Ltd.	**1,115,000.00**	1,115,000.00
Accounts payable	Lingke Huizhi Technology Co., Ltd.	**161,712.35**	61,176.00

7. Commitments made by related parties

None

8. Others

None

XV. SHARE-BASED PAYMENTS

1. Overview of share-based payments

✔ Applicable ☐ Not applicable

Unit: RMB

Category of grantees	Granted during the period Number	Granted during the period Amount	Exercised during the period Number	Exercised during the period Amount	Unlocked during the period Number	Unlocked during the period Amount	Lapsed during the period Number	Lapsed during the period Amount
Participants in the 2024 Share Option and Restricted Share Incentive Scheme			81,550.00	81,550.00				
Total			81,550.00	81,550.00				

Share options or other equity instruments outstanding at the end of the Reporting Period

✔ Applicable ☐ Not applicable

Category of grantees	Share options outstanding at the end of the Reporting Period: Range of exercise prices	Share options outstanding at the end of the Reporting Period: Remaining contractual term	Other equity instruments outstanding at the end of the Reporting Period: Range of exercise prices	Other equity instruments outstanding at the end of the Reporting Period: Remaining contractual term
Participants in the 2024 Share Option and Restricted Share Incentive Scheme	42.42	2 months		

Other information

XV. SHARE-BASED PAYMENTS (Continued)

2. Equity-settled share-based payments

✔ Applicable ☐ Not applicable

Unit: RMB

Method of determining the fair value of equity instruments at the grant date	Restricted shares: the fair value is determined based on the share price and grant price at the grant date; share options: the fair value at the grant date is determined using the Black-Scholes option pricing model.
Significant parameters used in determining the fair value of equity instruments at the grant date	At each balance sheet date during the vesting period, the Company revises the number of equity instruments expected to vest based on the latest available subsequent information, including changes in the number of participants expected to vest and the achievement of performance targets.
Basis for determining the number of equity instruments expected to vest	Not applicable
Reasons for material differences between estimates for the current period and those for the previous period	Not applicable
Cumulative amount of equity-settled share-based payments recognised in capital reserve	44,753,115.73
Total expenses recognised for equity-settled share-based payments during the period	2,642,204.98

3. Cash-settled share-based payments

☐ Applicable ✔ Not applicable

XV. SHARE-BASED PAYMENTS (Continued)

4. Share-based payment expenses during the period

✔Applicable ☐ Not applicable

Unit: RMB

Category of grantees	Expenses for equity-settled share-based payments	Expenses for cash-settled share-based payments
Participants in the 2024 Share Option and Restricted Share Incentive Scheme	2,642,204.98	
Total	2,642,204.98	

5. Others

None

XVI. COMMITMENTS AND CONTINGENCIES

1. Material commitments

Material commitments existing at the balance sheet date

The Company had no material commitments requiring disclosure.

XVI. COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

(1) Material contingencies existing at the balance sheet date

The Company had no material commitments requiring disclosure.

(2) Explanation where the Company has no material contingencies requiring disclosure

The Company had no material contingencies requiring disclosure.

3. Others

None

XVII. EVENTS AFTER THE BALANCE SHEET DATE

1. Material non-adjusting events

None

2. Profit distribution

None

3. Sales returns

None

4. Other events after the balance sheet date

None

XVIII. OTHER MATERIAL MATTERS

1. Corrections of prior-period accounting errors

None

(1) Retrospective restatement

None

(2) Prospective application

None

2. Debt restructuring

None

3. Asset swaps

None

(1) Exchange of non-monetary assets

None

(2) Other asset swaps

None

XVIII. OTHER MATERIAL MATTERS (Continued)

4. Annuity plans

None

5. Discontinued operations

None

6. Segment information

None

(1) Basis for determining reportable segments and accounting policies

None

(2) Financial information of reportable segments

None

(3) Where the Company has no reportable segments or is unable to disclose the total assets and total liabilities of each reportable segment, the reasons shall be explained

None

(4) Other explanations

None

7. Other material transactions and events affecting investors' decisions

None

8. Others

None

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT

1. Accounts receivable

None

(1) Disclosure by ageing

None

Unit: RMB

Ageing	Closing carrying balance	Opening carrying balance
Within one year (inclusive)	**611,348,734.61**	570,776,123.29
1 to 2 years	**20,260,913.29**	3,237,986.82
2 to 3 years	**4,772,505.57**	3,905,534.70
Over 3 years	**1,381,442.92**	182,977.80
3 to 4 years	**222,922.97**	122,231.53
4 to 5 years	**1,158,519.95**	60,746.27
Total	**637,763,596.39**	578,102,622.61

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

1. Accounts receivable (Continued)

(2) Disclosure by method of determining loss allowances

Unit: RMB

	Closing balances					Opening balances				
	Gross carrying amount		Loss allowances			Gross carrying amount		Loss allowances		
Category	Amount	Percentage	Amount	Provision rate	Carrying amount	Amount	Percentage	Amount	Provision rate	Carrying amount
Accounts receivable subject to loss allowances on an individual basis	3,290,019.08	0.52%	3,290,019.08	100.00%		3,290,019.08	0.57%	3,290,019.08	100.00%	
Of which:										
Individually significant accounts receivable subject to separate loss allowances	3,274,941.10	0.51%	3,274,941.10	100.00%		3,274,941.10	0.57%	3,274,941.10	100.00%	
Individually insignificant accounts receivable subject to separate loss allowances	15,077.98	0.00%	15,077.98	100.00%		15,077.98	0.00%	15,077.98	100.00%	
Accounts receivable subject to allowances on a collective basis	634,473,577.31	99.48%	25,865,236.90	4.08%	608,608,340.41	574,812,603.53	99.43%	24,322,034.20	4.23%	550,490,569.33
Of which:										
Intragroup balances portfolio	137,525,728.37	21.56%	0.00	0.00%	137,525,728.37	94,220,314.73	16.30%	0.00	0.00%	94,220,314.73
Ageing portfolio	496,947,848.94	77.92%	25,865,236.90	5.20%	471,082,612.04	480,592,288.80	83.13%	24,322,034.20	5.06%	456,270,254.60
Total	637,763,596.39	100.00%	29,155,255.98	4.57%	608,608,340.41	578,102,622.61	100.00%	27,612,053.28	4.78%	550,490,569.33

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

1. Accounts receivable (Continued)

(2) Disclosure by method of determining loss allowances (Continued)

Name of category subject to loss allowances on an individual basis: individually significant accounts receivable subject to separate loss allowances

Unit: RMB

	Opening balances		Closing balances			
Name	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Provision rate	Basis for provision
Flanders Technology (Shenzhen) Co., Ltd.	3,274,941.10	3,274,941.10	3,274,941.10	3,274,941.10	100.00%	Expected to be irrecoverable
Total	3,274,941.10	3,274,941.10	3,274,941.10	3,274,941.10		

Name of category subject to loss allowances on an individual basis: individually insignificant accounts receivable subject to separate loss allowances

Unit: RMB

	Opening balances		Closing balances			
Name	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Provision rate	Basis for provision
Dongguan Flander Communication Technology Co., Ltd.	15,077.98	15,077.98	15,077.98	15,077.98	100.00%	Expected to be irrecoverable
Total	15,077.98	15,077.98	15,077.98	15,077.98		

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

1. Accounts receivable (Continued)

(2) Disclosure by method of determining loss allowances (Continued)

Name of category subject to loss allowances on a collective basis: ageing portfolio

Unit: RMB

Name	Closing balances		
	Gross carrying amount	Loss allowances	Provision rate
Within one year	492,418,099.75	24,620,905.09	5.00%
1 to 2 years	3,819,112.95	763,822.59	20.00%
2 to 3 years	545,810.43	327,486.26	60.00%
3 to 4 years	59,014.27	47,211.42	80.00%
Over 4 years	105,811.54	105,811.54	100.00%
Total	496,947,848.94	25,865,236.90	

Description of the basis for determining the portfolio:

Where loss allowances for accounts receivable are made under the general expected credit loss model:

☐ Applicable ✔ Not applicable

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

1. Accounts receivable (Continued)

(3) Loss allowances recognised, recovered or reversed during the current period

Loss allowances recognised during the current period:

Unit: RMB

		Changes during the current period				
Category	Opening balances	Provision	Recovery or reversal	Write-off	Others	Closing balances
Loss allowances	27,612,053.28	1,543,202.70				**29,155,255.98**
Total	27,612,053.28	1,543,202.70				**29,155,255.98**

(4) Accounts receivable actually written off during the current period

None

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

1. Accounts receivable (Continued)

(5) Information on the top five debtors by closing balance of accounts receivable and contract assets

Unit: RMB

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Percentage of the aggregate closing balance of accounts receivable and contract assets	Closing balance of loss allowances for accounts receivable and contract assets
Largest	119,855,361.29		119,855,361.29	18.79%	0.00
Second largest	36,960,105.45		36,960,105.45	5.80%	1,884,305.27
Third largest	31,377,252.61		31,377,252.61	4.92%	1,568,862.63
Fourth largest	27,160,701.84		27,160,701.84	4.26%	1,358,035.09
Fifth largest	23,409,146.24		23,409,146.24	3.67%	1,171,822.31
Total	238,762,567.43		238,762,567.43	37.44%	5,983,025.30

2. Other receivables

Unit: RMB

Items	Closing balances	Opening balances
Other receivables	**433,930,032.04**	420,276,952.89
Total	**433,930,032.04**	420,276,952.89

(1) Other receivables

None

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

1) *Classification of other receivables by nature*

Unit: RMB

Nature of balance	Closing carrying balance	Opening carrying balance
Deposits and guarantees	**1,628,646.05**	1,675,406.24
Receivables from internal entities	**430,592,960.59**	416,960,869.47
Other receivables	**2,374,933.78**	2,506,401.24
Total	**434,596,540.42**	421,142,676.95

2) *Disclosure by ageing*

Unit: RMB

Ageing	Closing carrying balance	Opening carrying balance
Within one year (inclusive)	**182,160,495.62**	164,180,798.94
1 to 2 years	**98,534,592.61**	75,144,200.33
2 to 3 years	**144,232,844.90**	181,304,737.58
Over 3 years	**9,668,607.29**	512,940.10
3 to 4 years	**9,442,607.29**	0.00
4 to 5 years	**10,000.00**	512,940.10
Over 5 years	**216,000.00**	
Total	**434,596,540.42**	421,142,676.95

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) Disclosure by method of determining loss allowances

Unit: RMB

	Closing balances					Opening balances				
	Gross carrying amount		Loss allowances			Gross carrying amount		Loss allowances		
Category	Amount	Percentage	Amount	Provision rate	Carrying amount	Amount	Percentage	Amount	Provision rate	Carrying amount
Of which:										
Loss allowances on a collective basis	434,596,540.42	100.00%	666,508.38	0.15%	433,930,032.04	421,142,676.95	100.00%	865,724.06	0.21%	420,276,952.89
Of which:										
Intragroup balances portfolio	430,592,960.59	99.16%			430,592,960.59	416,960,869.47	99.01%			416,960,869.47
Ageing portfolio	4,003,579.83	0.84%	666,508.38	16.65%	3,337,071.45	4,181,807.48	0.99%	865,724.06	20.70%	3,316,083.42
Total	434,596,540.42	100.00%	666,508.38	0.15%	433,930,032.04	421,142,676.95	100.00%	865,724.06	0.21%	420,276,952.89

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

3) *Disclosure by method of determining loss allowances (Continued)*

Name of category for which loss allowances are provided on a portfolio basis:

Unit: RMB

Name	Closing balances		
	Gross carrying amount	Loss allowances	Provision rate
Within one year	2,915,309.23	145,765.46	5.00%
1 to 2 years	556,548.60	111,309.72	20.00%
2 to 3 years	305,722.00	183,433.20	60.00%
3 to 4 years		0.00	80.00%
Over 4 years	226,000.00	226,000.00	100.00%
Total	4,003,579.83	666,508.38	

Description of the basis for determining the portfolio:

Loss allowances determined under the general expected credit loss model:

Unit: RMB

Loss allowances	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Balance as at 1 January 2026	865,724.06			865,724.06
Balance as at 1 January 2026 in the current period				
Reversal during the current period	199,215.68			199,215.68
Balance as at 30 June 2026	666,508.38			666,508.38

Basis for classification into stages and provision rates for loss allowances

Material changes in gross carrying amounts giving rise to changes in loss allowances during the current period

☐ Applicable ✔ Not applicable

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

4) *Loss allowances recognised, recovered or reversed during the current period*

Loss allowances recognised during the current period:

Unit: RMB

		Changes during the current period				
Category	**Opening balances**	**Provision**	**Recovery or reversal**	**Transfer or write-off**	**Others**	**Closing balances**
Loss allowances	865,724.06		199,215.68			
Total	865,724.06		199,215.68			

5) *Other receivables actually written off during the current period*

None

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

2. Other receivables (Continued)

(1) Other receivables (Continued)

6) *Information on the top five debtors by closing balance of other receivables*

Unit: RMB

Name of entity	Nature of balance	Closing balances	Ageing	Percentage of the aggregate closing balance of other receivables	Closing balance of loss allowances
Largest	Receivables from internal entities	350,357,657.52	1–4 years	80.62%	0.00
Second largest	Receivables from internal entities	57,479,712.15	Within one year	13.23%	0.00
Third largest	Receivables from internal entities	22,704,959.75	Within one year	5.22%	0.00
Fourth largest	Other receivables	907,002.80	Within one year	0.21%	45,350.14
Fifth largest	Deposits and guarantees	656,548.60	RMB556,548.60 aged 1 to 2 years and RMB100,000.00 aged over 5 years	0.15%	211,309.72
Total		432,105,880.82		99.43%	256,659.86

7) *Amounts presented as other receivables due to centralised fund management*

None

3. Long-term equity investments

Unit: RMB

Items	Closing balances			Opening balances		
	Gross carrying amount	Impairment allowances	Carrying amount	Gross carrying amount	Impairment allowances	Carrying amount
Investments in subsidiaries	634,197,121.45		634,197,121.45	514,204,981.66		514,204,981.66
Investments in associates and joint ventures	60,785,195.41		60,785,195.41	61,259,039.89		61,259,039.89
Total	694,982,316.86		694,982,316.86	575,464,021.55		575,464,021.55

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

3. Long-term equity investments (Continued)

(1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance (carrying amount)	Opening balance of impairment allowances	Changes during the current period				Closing balance (carrying amount)	Closing balance of impairment allowances
			Additional investment	Reduction in investment	Impairment allowances recognised	Others		
ZhaoWei Machinery & Electronics (HongKong) Co., Limited	13,535,460.00						13,535,460.00	
Dongguan Zhaowei Machinery & Electronics Co., Ltd.	230,000,000.00						230,000,000.00	
Suzhou Zhaowei Drive Co., Ltd.	100,000,000.00						100,000,000.00	
Suzhou Zhaowei Industrial Technology Co., Ltd.	20,019,614.21					-10,319.84	20,009,294.37	
Shenzhen Zhaowei Dexterous Hand Technology Co., Ltd.	20,000,000.00						20,000,000.00	
Shenzhen Zhaowei Derun Trading Co., Ltd.						2,459.63	2,459.63	
Huatai WEFUND Private FOF No. 316 Single-asset Management Plan	10,170,000.00		20,000,000.00				30,170,000.00	
CITIC Securities Asset Management Wealth Anxiang No. 252 Single-asset Management Plan	90,479,907.45						90,479,907.45	
Nomura Orient International Tongchuang No. 9 Single-asset Management Plan								
Nomura Orient International Tongchuang No. 12 Single-asset Management Plan								
Huatai WEFUND Entrepreneur Zhiyuan Private FOF No. 26 Single-asset Management Plan	30,000,000.00		20,000,000.00				50,000,000.00	
Wealth Steady Advance No. 978 FOF			30,000,000.00				30,000,000.00	
CICC Wealth Private Selection No. 11318 FOF			50,000,000.00				50,000,000.00	
Total	514,204,981.66		120,000,000.00	0.00		-7,860.21	634,197,121.45	

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

3. Long-term equity investments (Continued)

(2) Investments in associates and joint ventures

Unit: RMB

			Changes during the current period									
Investee	Opening balance (carrying amount)	Opening balance of impairment allowances	Additional investment	Reduction in investment	Investment profit or loss recognised under the equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Impairment allowances recognised	Others	Closing balance (carrying amount)	Closing balance of impairment allowances
I. Joint ventures												
II. Associates												
Lingke Huizhi Technology Co., Ltd.	61,259,039.89				-1,067,699.97		593,855.49				60,785,195.41	
Subtotal	61,259,039.89				-1,067,699.97		593,855.49				60,785,195.41	
Total	61,259,039.89				-1,067,699.97		593,855.49				60,785,195.41	

Recoverable amount determined based on fair value less costs of disposal
☐ Applicable ✔ Not applicable

Recoverable amount determined based on the present value of estimated future cash flows
☐ Applicable ✔ Not applicable

Reasons for material differences between the above information and information used in impairment tests in prior years or external information

Reasons for material differences between information used in the Company's impairment tests in prior years and the actual circumstances in those years

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

3. Long-term equity investments (Continued)

(3) Other explanations (Continued)

Nones

4. Operating revenue and operating costs

Unit: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	**670,128,047.28**	**521,277,780.46**	679,134,569.57	511,911,731.47
Other operations	**68,947,737.47**	**66,646,386.24**	62,296,125.97	60,527,871.07
Total	**739,075,784.75**	**587,924,166.70**	741,430,695.54	572,439,602.54

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

4. Operating revenue and operating costs (Continued)

Disaggregation of operating revenue and operating costs:

Unit: RMB

	Segment 1		Segment 2				Total	
Contract classification	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70
Of which:								
Micro transmission systems	383,372,444.81	335,803,887.60					383,372,444.81	335,803,887.60
Precision components	270,865,881.00	173,612,190.50					270,865,881.00	173,612,190.50
Precision moulds and other products	84,837,458.95	78,508,088.60					84,837,458.95	78,508,088.60
By geographical market	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70
Of which:								
Domestic	658,431,424.57	537,533,925.79					658,431,424.57	537,533,925.79
Overseas	80,644,360.18	50,390,240.91					80,644,360.18	50,390,240.91
Market or customer type								
Of which:								
Contract type								
Of which:								
By timing of transfer of goods	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70
Of which:								
Recognised at a point in time	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70
By contract term								
Of which:								
By sales channel	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70
Of which:								
Direct sales	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70
Total	739,075,784.75	587,924,166.70					739,075,784.75	587,924,166.70

XIX. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT (Continued)

4. Operating revenue and operating costs (Continued)

Information relating to the transaction price allocated to the remaining performance obligations:

At the end of the Reporting Period, revenue corresponding to performance obligations under signed contracts that had not yet been satisfied or had not been fully satisfied amounted to RMB0.00, of which RMB0.00, RMB0.00 and RMB0.00 are expected to be recognised as revenue in year 0, year 0 and year 0, respectively.

5. Investment income

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments accounted for using the cost method	**3,200,000.00**	100,000,000.00
Income from long-term equity investments accounted for using the equity method	**-1,067,699.97**	-2,641,507.42
Investment income from wealth management products	**17,077,626.38**	15,663,377.85
Total	**19,209,926.41**	113,021,870.43

6. Others

None

XX. SUPPLEMENTARY INFORMATION

1. Statement of non-recurring profit or loss for the current period

✔ Applicable ☐ Not applicable

Unit: RMB

Items	Amount	Explanation
Gains or losses on disposal of non-current assets	-4,206.86	
Government grants recognised in profit or loss for the current period, other than government grants that are closely related to the Company's ordinary activities, comply with national policies and are received in fixed amounts or quantities according to defined criteria and have a continuing impact on the Company's profit or loss	7,662,776.63	Government grants included in other income
Gains or losses arising from changes in the fair value of financial assets and financial liabilities held by non-financial enterprises, and gains or losses arising from the disposal of financial assets and financial liabilities, other than effective hedging activities relating to the Company's ordinary activities	16,565,590.25	Investment income from wealth management products
Other non-operating income and expenses other than the above items	-713,333.44	
Less: Effect of income tax	3,049,063.66	
Total	20,461,762.92	–

XX. SUPPLEMENTARY INFORMATION (Continued)

1. Statement of non-recurring profit or loss for the current period (Continued)

Details of other profit or loss items that meet the definition of non-recurring profit or loss:
☐ Applicable ✔ Not applicable

The Company had no other profit or loss items that met the definition of non-recurring profit or loss.

Explanation of items listed as non-recurring profit or loss in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss that are classified as recurring profit or loss

☐ Applicable ✔ Not applicable

2. Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets	Earnings per share Basic earnings per share (RMB/share)	Earnings per share Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	1.72%	0.30	0.29
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.25%	0.21	0.21

3. Differences in accounting data under domestic and overseas accounting standards

None

XX. SUPPLEMENTARY INFORMATION (Continued)

3. Differences in accounting data under domestic and overseas accounting standards (Continued)

(1) Differences in net profit and net assets between financial reports disclosed in accordance with International Accounting Standards and those disclosed in accordance with Chinese Accounting Standards

☐ Applicable ✔ Not applicable

(2) Differences in net profit and net assets between financial reports disclosed in accordance with overseas accounting standards and those disclosed in accordance with Chinese Accounting Standards

☐ Applicable ✔ Not applicable

(3) Explanation of the reasons for differences in accounting data under domestic and overseas accounting standards; where data audited by an overseas audit institution is reconciled, the name of that overseas institution shall be stated

None

4. Others

None