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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FORTIOR TECHNOLOGY (SHENZHEN) CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

INTRODUCTION

We report on the historical financial information of Fortior Technology (Shenzhen) Co., Ltd. (the **"Company"**) and its subsidiaries (together, the **"Group"**) set out on pages 3 to 94, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 (the **"Relevant Periods"**), and the consolidated statements of financial position of the Group, and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and material accounting policy information and other explanatory information (together, the **"Historical Financial Information"**). The Historical Financial Information set out on pages 3 to 94 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2025 (the **"Prospectus"**) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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



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

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

30 June 2025

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
REVENUE	5	322,973	411,359	600,325
Cost of sales		<u>(137,774)</u>	<u>(192,678)</u>	<u>(284,303)</u>
Gross profit		185,199	218,681	316,022
Other income and gains	6	58,967	84,376	83,307
Selling and distribution expenses		(12,605)	(18,396)	(24,670)
Administrative expenses		(24,543)	(27,193)	(35,621)
Research and development costs		(63,845)	(84,674)	(116,730)
Impairment losses on financial assets, net		35	(143)	27
Other expenses		(2)	(1,780)	(785)
Finance costs	8	<u>(62)</u>	<u>(490)</u>	<u>(513)</u>
PROFIT BEFORE TAX	7	143,144	170,381	221,037
Income tax (expense)/credit	11	<u>(1,143)</u>	<u>4,466</u>	<u>1,325</u>
PROFIT FOR THE YEAR		<u>142,001</u>	<u>174,847</u>	<u>222,362</u>
Attributable to:				
Owners of the parent		<u>142,001</u>	<u>174,847</u>	<u>222,362</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13			
Basic				
– for profit for the year		<u>RMB1.68</u>	<u>RMB1.89</u>	<u>RMB2.41</u>
Diluted				
– for profit for the year		<u>RMB1.68</u>	<u>RMB1.89</u>	<u>RMB2.40</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>142,001</u>	<u>174,847</u>	<u>222,362</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations	<u>320</u>	<u>(1,087)</u>	<u>223</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>320</u>	<u>(1,087)</u>	<u>223</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	<u>-</u>	<u>-</u>	<u>(165)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>-</u>	<u>-</u>	<u>(165)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>320</u>	<u>(1,087)</u>	<u>58</u>
Total comprehensive income for the year, net of tax	<u>142,321</u>	<u>173,760</u>	<u>222,420</u>
Attributable to:			
Owners of the parent	<u>142,321</u>	<u>173,760</u>	<u>222,420</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	5,069	10,903	147,636
Right-of-use assets	15	8,581	7,259	16,150
Intangible assets	16	3,016	8,295	9,054
Equity investments designated at fair value through other comprehensive income	18	—	—	716
Debt investments at fair value through other comprehensive income	19	110,938	461,012	794,344
Deferred tax assets	30	1,755	10,099	15,603
Other non-current assets	20	15,689	25,674	29,567
Total non-current assets		145,048	523,242	1,013,070
CURRENT ASSETS				
Inventories	21	156,227	172,999	160,483
Trade receivables	22	1,428	5,771	5,638
Prepayments, deposits and other receivables	23	55,602	38,889	49,998
Financial assets at fair value through profit or loss	24	1,467,624	1,070,565	824,396
Debt investments at fair value through other comprehensive income	19	—	10,724	181,818
Time deposits	25	27,417	62,802	116,493
Cash and cash equivalents	25	519,585	608,696	297,355
Total current assets		2,227,883	1,970,446	1,636,181
CURRENT LIABILITIES				
Trade and bills payables	26	8,324	12,270	7,325
Contract liabilities	27	508	1,030	1,275
Other payables and accruals	28	78,589	75,784	66,461
Lease liabilities	15	3,219	3,895	3,640
Tax payable		—	—	253
Total current liabilities		90,640	92,979	78,954
NET CURRENT ASSETS		2,137,243	1,877,467	1,557,227
TOTAL ASSETS LESS CURRENT LIABILITIES		2,282,291	2,400,709	2,570,297

		As at 31 December		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Other payables and accruals	28	18,410	1,649	—
Lease liabilities	15	5,454	3,717	12,434
Deferred income	29	2,395	3,452	4,928
Deferred tax liabilities	30	973	773	—
Total non-current liabilities		27,232	9,591	17,362
Net assets		2,255,059	2,391,118	2,552,935
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	92,363	92,363	92,363
Treasury shares	31	—	—	(193)
Reserves	33	2,162,696	2,298,755	2,460,765
Total equity attributable to owners of the parent		2,255,059	2,391,118	2,552,935
Non-controlling interests		—	—	—
Total equity		2,255,059	2,391,118	2,552,935

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital RMB'000 (Note 31)	Capital reserve RMB'000 (Note 33)	Share option reserve RMB'000 (Note 33)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (Note 33)	Exchange fluctuation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2021 and 1 January 2022	69,272	156,651	-	-	(63)	19,803	175,788	421,451
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income for the year:	-	-	-	-	-	-	142,001	142,001
Exchange differences on translation of foreign operations	-	-	-	-	320	-	-	320
Total comprehensive income for the year	-	-	-	-	320	-	142,001	142,321
Dividends declared	-	-	-	-	-	-	(40,640)	(40,640)
Share-based payments	-	-	3,465	-	-	-	-	3,465
Issue of shares	23,091	1,705,371	-	-	-	-	-	1,728,462
Transferred from retained profits	-	-	-	-	-	14,692	(14,692)	-
At 31 December 2022	92,363	1,862,022	3,465	-	257	34,495	262,457	2,255,059

Year ended 31 December 2023

	Share capital RMB'000 (Note 31)	Capital reserve RMB'000 (Note 33)	Share option reserve RMB'000 (Note 33)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (Note 33)	Exchange fluctuation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2022 and 1 January 2023	92,363	1,862,022	3,465	-	257	34,495	262,457	2,255,059
Profit for the year	-	-	-	-	-	-	174,847	174,847
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	-	(1,087)	-	-	(1,087)
Total comprehensive income/(loss) for the year	-	-	-	-	(1,087)	-	174,847	173,760
Dividends declared	-	-	-	-	-	-	(44,334)	(44,334)
Share-based payments	-	-	6,633	-	-	-	-	6,633
Transferred from retained profits	-	-	-	-	-	19,204	(19,204)	-
At 31 December 2023	92,363	1,862,022	10,098	-	(830)	53,699	373,766	2,391,118

Year ended 31 December 2024

	Share capital RMB'000 (Note 31)	Treasury shares RMB'000 (Note 31)	Capital reserve RMB'000 (Note 33)	Share option reserve RMB'000 (Note 33)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (Note 33)	Exchange fluctuation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained profits RMB'000	Total equity RMB'000
At 31 December 2023 and 1 January 2024	92,363	-	1,862,022	10,098	-	(830)	53,699	373,766	2,391,118
Profit for the year	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(165)	-	-	-	(165)
Exchange differences on translation of foreign operations	-	-	-	-	-	223	-	-	223
Total comprehensive income/(loss) for the year	-	-	-	-	(165)	223	-	222,362	222,420
Dividends declared	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	15,690	-	-	-	(56,272)	(56,272)
Shares repurchased	-	(193)	(19,828)	-	-	-	-	-	15,690
Transferred from retained profits	-	-	-	-	-	-	2,163	(2,163)	(20,021)
At 31 December 2024	92,363	(193)	1,842,194*	25,788*	(165)*	(607)*	55,862*	537,693*	2,552,935

* The reserve accounts comprise the consolidated reserves of RMB2,162,696,000, RMB2,298,755,000 and RMB2,460,765,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		143,144	170,381	221,037
Adjustments for:				
Bank interest income	7	(4,935)	(8,094)	(9,196)
Other interest income from debt investments at fair value through other comprehensive income	7	(2,977)	(9,110)	(21,359)
Finance costs	8	62	490	513
Fair value (gains)/losses on financial assets at fair value through profit or loss	7	(6,424)	1,359	(6,864)
Investment income from financial assets at fair value through profit or loss	7	(25,014)	(42,231)	(19,964)
Foreign exchange gains		(1,697)	(722)	(1,127)
Loss on disposal of items of property, plant and equipment	7	2	3	1
Gain on disposal of items of right-of-use assets		(62)	(7)	(68)
Depreciation of property and equipment	7	1,787	2,127	4,417
Depreciation of right-of-use assets	7	3,232	4,071	3,997
Amortisation of intangible assets	7	1,119	2,472	3,611
(Impairment losses)/ reversal of impairment losses on financial assets, net	7	(35)	143	(27)
Write-down of inventories to net realisable value	7	252	1,286	3,582
Equity-settled share-based payments	7	3,453	3,242	12,273
		<u>111,907</u>	<u>125,410</u>	<u>190,826</u>
(Increase)/decrease in inventories		(95,803)	(18,060)	8,933
(Increase)/decrease in trade receivables		1,376	(4,477)	137
(Increase)/decrease in prepayments, deposits and other receivables		(6,297)	17,147	639
Increase/(decrease) in trade and bills payables		4,409	3,947	(5,013)
Increase/(decrease) in other payables and accruals		14,886	(18,884)	(15,911)
Increase/(decrease) in deferred income		<u>2,342</u>	<u>1,056</u>	<u>1,477</u>
Cash generated from operations		32,820	106,139	181,088
Interest received		4,555	6,319	5,039
Income tax paid		<u>(2,542)</u>	<u>(1,115)</u>	<u>(1,397)</u>
Net cash flows from operating activities		<u>34,833</u>	<u>111,343</u>	<u>184,730</u>

<i>Notes</i>	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of wealth management products and structured deposits	4,659,832	5,546,616	3,713,037
Investment income from financial assets at fair value through profit or loss	25,014	42,231	19,964
Proceeds from time deposits	21,369	39,232	266,995
Proceeds from debt investments at fair value through other comprehensive income	108,875	–	10,000
Purchases of property, plant and equipment	(3,601)	(7,305)	(147,795)
Additions of intangible assets	(1,530)	(5,081)	(2,868)
Payment for cooperative building construction	(10,949)	(12,950)	(2,519)
Purchases of wealth management products and structured deposits	(6,120,242)	(5,150,473)	(3,460,253)
Purchases of equity investments at fair value through other comprehensive income	–	–	(900)
Purchases of time deposits	(48,066)	(74,008)	(318,808)
Purchases of debt investments at fair value through other comprehensive income	(219,212)	(351,687)	(494,133)
Interest received from time deposits and debt investments at fair value through other comprehensive income	2,502	1,486	4,971
Net cash flows (used in)/from investing activities	(1,586,008)	28,061	(412,309)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	1,721,955	–	–
Dividends paid	(40,640)	(44,334)	(56,272)
Lease payments	(3,369)	(4,333)	(4,240)
Payment for deferred listing expenses	–	–	(834)
Settlements under instalment payables	–	(577)	(2,555)
Repurchase of shares	–	–	(20,021)
Net cash flows from/(used in) financing activities	1,677,946	(49,244)	(83,922)

	<i>Notes</i>	Year ended 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>126,771</u>	<u>90,160</u>	<u>(311,501)</u>
Cash and cash equivalents at beginning of year		391,773	519,585	608,696
Effect of foreign exchange rate changes, net		<u>1,041</u>	<u>(1,049)</u>	<u>160</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>519,585</u></u>	<u><u>608,696</u></u>	<u><u>297,355</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows	25	<u><u>519,585</u></u>	<u><u>608,696</u></u>	<u><u>297,355</u></u>

STATEMENTS OF FINANCIAL POSITION THE COMPANY

	Notes	As at 31 December		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	4,674	10,586	14,006
Right-of-use assets	15	7,849	6,731	15,180
Intangible assets	16	3,016	4,510	7,016
Investments in subsidiaries	17	52,583	84,080	236,747
Equity investments designated at fair value through other comprehensive income	18	-	-	716
Debt investments at fair value through other comprehensive income	19	110,938	461,012	794,344
Deferred tax assets	29	822	4,001	6,836
Other non-current assets	20	15,677	25,674	29,313
Total non-current assets		195,559	596,594	1,104,158
CURRENT ASSETS				
Inventories	21	155,295	126,988	131,226
Trade receivables	22	1,428	11,255	5,894
Prepayments, deposits and other receivables	23	56,703	40,036	54,505
Financial assets at fair value through profit or loss	24	1,423,394	1,060,885	770,290
Debt investments at fair value through other comprehensive income	19	-	10,724	181,818
Time deposits	25	27,417	47,813	109,258
Cash and cash equivalents	25	487,669	580,058	255,906
Total current assets		2,151,906	1,877,759	1,508,897
CURRENT LIABILITIES				
Trade and bills payables	26	8,323	12,038	6,409
Contract liabilities	27	477	659	998
Other payables and accruals	28	73,907	68,222	52,760
Lease liabilities	15	2,811	3,430	3,272
Total current liabilities		85,518	84,349	63,439
NET CURRENT ASSETS		2,066,388	1,793,410	1,445,458
TOTAL ASSETS LESS CURRENT LIABILITIES		2,261,947	2,390,004	2,549,616

	<i>Notes</i>	As at 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES				
Other payables and accruals	28	18,410	–	–
Lease liabilities	15	5,241	3,717	11,970
Deferred income	29	2,395	3,452	4,928
Deferred tax liabilities	30	932	657	–
		<u>26,978</u>	<u>7,826</u>	<u>16,898</u>
Total non-current liabilities		<u>26,978</u>	<u>7,826</u>	<u>16,898</u>
Net assets		<u>2,234,969</u>	<u>2,382,178</u>	<u>2,532,718</u>
EQUITY				
Share capital	31	92,363	92,363	92,363
Treasury shares	31	–	–	(193)
Reserves	33	2,142,606	2,289,815	2,440,548
		<u>2,234,969</u>	<u>2,382,178</u>	<u>2,532,718</u>
Total equity		<u>2,234,969</u>	<u>2,382,178</u>	<u>2,532,718</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in People's Republic of China ("PRC") on 21 May 2010. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688279) on 20 April 2022. The registered address of the Company is 203rd Building 11, Software Park (Phase II), 1 Keji Central Road II, Gaoxin Central Zone, Nanshan District, Shenzhen, Guangdong, PRC. The Company is ultimately controlled by Mr. BI CHAO, Mr. BI LEI and Ms. Gao Shuai who are acting in concert.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the development and commercialisation of BLDC (Brushless DC) motor control and drive products and solutions.

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

Name	Date and place of incorporation/registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fortior Technology (Qingdao) Co., Ltd. (峰岷科技(青岛)有限公司) (Note (a), (b), (c))	11 October 2019 Mainland China	RMB25,000,000	100	—	R&D, design and sales
Fortior Technology (Shanghai) Co., Ltd. (峰岷科技(上海)有限公司) (Note (a), (b), (c))	8 June 2018 Mainland China	RMB170,000,000	100	—	R&D, design and sales

Notes:

- The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.
- The statutory financial statements of these entities for the years ended 31 December 2022 and 2023 prepared in accordance with generally accepted accounting principles and financial regulations in the PRC were audited by Da Hua CPAs LLP, a certified public accounting firm registered in the PRC.
- The statutory financial statements of these entities for the year ended 31 December 2024 prepared in accordance with generally accepted accounting principles and financial regulations in the PRC were audited by ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP, a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB").

All IFRSs effective for the accounting period commencing on/before 1 January 2024, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

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

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IAS 21	<i>Lack of Exchangeability²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments³</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity³</i>
Annual Improvements to IFRS Accounting Standards – Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7⁴</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements⁴</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures⁴</i>

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will have an impact on the presentation and disclosure of the Group's financial statements but will not have a significant financial effect on the Group's operating results and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

Property, plant and equipment and depreciation

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

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

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

Buildings	
Leasehold improvements	3.17%
Machine equipment	20% to 50%
Furniture and fixtures	9.50% to 19%
Electronic equipment	19%
	31.67%

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

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

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

Intangible assets (other than goodwill)

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

IP licenses

Purchased IP licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful life of 3 to 10 years.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Plant and properties	1 to 5 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

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

A lease with a term of not more than 12 months at the inception of the lease term and without any purchase option is recognised as a short-term lease; lease comprising an individual lease asset in brand new conditions and with low value is recognised as a low-value asset lease. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and other payables.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

Sale of products

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

Other income

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

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

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

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

Contract cost

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

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

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

Share-based payments

The Company operates a share incentive plan. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

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

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

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

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

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

Other employee benefits

Pension scheme

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

Events after the reporting period

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

Dividends

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

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

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

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed and how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

Characteristics of contractual cash flow

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics, and judgement is required to determine whether they are "solely payments of principal and interest on the principal amount outstanding". The Group needs to determine whether the resulting cash flows from those of an instrument with modified time value of money element are significantly different from an instrument that has an unmodified time value of money element when assessing modification to time value of money element, and the Group needs to determine whether the fair value of the prepayment feature is insignificant when assessing a financial asset with a prepayment feature.

Research and development expenses

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

Estimation uncertainty

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

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes a provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each year and makes a provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each year. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventory amount in the year in which such estimates have been changed.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised as well as the tax rate that is expected to apply to the period when the liability is settled, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 30 to the Historical Financial Information.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay,” which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Share-based payment

The Group makes the best estimate of the number of exercisable equity instruments at the end of the reporting period during the vesting period based on the fair value on the grant date and the latest subsequent information obtained, and includes the services obtained in the current period in relevant costs or expenses. The fair value of the share awards to employees is determined by a black-scholes model at the date they are granted. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the management of the Group. Further details are included in note 32 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment being the segment which principally engages in the development and commercialisation of BLDC (Brushless DC) motor control and drive products and solutions.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mainland China*	304,149	394,836	563,146
Other countries/regions**	18,824	16,523	37,179
Total revenue	322,973	411,359	600,325

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

* Mainland China means the People's Republic of China excluding Hong Kong, Macau and Taiwan, China.

** Other countries/regions primarily including (i) Taiwan, China, (ii) India and (iii) Hong Kong.

(b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of non-current assets is presented.

Information about a major customer

Revenue derived from a single customer which accounted for 10% or more of the Group's total revenue is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Customer A	67,381	71,889	89,910
Customer B	42,752	N/A*	N/A*

* Less than 10% of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Sale of products RMB'000
Types of goods	
MCU	232,343
ASIC	19,697
HVIC	56,261
MOSFET	7,828
IPM	4,751
Others	2,093
	<hr/>
Total revenue from contracts with customers	322,973 <hr/>
Geographical markets	
Mainland China	304,149
Other countries/areas	18,824
	<hr/>
Total revenue from contracts with customers	322,973 <hr/>
Timing of revenue recognition	
Goods transferred at a point in time	322,973 <hr/>

For the year ended 31 December 2023

Segments	Sale of products RMB'000
Types of goods	
MCU	274,748
ASIC	48,254
HVIC	66,395
MOSFET	3,655
IPM	16,929
Others	1,378
	<hr/>
Total revenue from contracts with customers	411,359 <hr/>
Geographical markets	
Mainland China	394,836
Other countries/areas	16,523
	<hr/>
Total revenue from contracts with customers	411,359 <hr/>
Timing of revenue recognition	
Goods transferred at a point in time	411,359 <hr/>

For the year ended 31 December 2024

Segments	Sale of products <i>RMB'000</i>
Types of goods	
MCU	384,574
ASIC	84,748
HVIC	84,268
MOSFET	2,331
IPM	43,369
Others	1,035
	<hr/>
Total revenue from contracts with customers	600,325
	<hr/>
Geographical markets	
Mainland China	563,146
Other countries/areas	37,179
	<hr/>
Total revenue from contracts with customers	600,325
	<hr/>
Timing of revenue recognition	
Goods transferred at a point in time	600,325
	<hr/>

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of year:			
Sale of products	1,975	508	1,030
	<hr/>	<hr/>	<hr/>

(a) *Performance obligations*

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon delivery and acceptance of the chips products and the payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	44,471	50,966	60,167

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income			
Bank interest income	4,935	8,094	9,196
Other interest income from debt investments at fair value through other comprehensive income	2,977	9,110	21,359
Investment income from financial assets at fair value through profit or loss	25,014	42,231	19,964
Government grants *	16,920	24,325	25,118
	49,846	83,760	75,637
Other gains			
Fair value gains on financial assets at fair value through profit or loss	6,424	—	6,864
Foreign exchange gains	2,373	—	—
Others	324	616	806
	9,121	616	7,670
	58,967	84,376	83,307

* The Group has received certain government grants related to assets and income. Certain of the grants have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions.

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Cost of inventories sold *		137,774	192,678	284,303
Depreciation of property, plant and equipment	14	1,787	2,127	4,417
Depreciation of right-of-use assets	15	3,232	4,071	3,997
Amortisation of intangible assets **	16	1,119	2,472	3,611
Research and development costs		63,845	84,674	116,730
Lease payments not included in the measurement of lease liabilities		362	529	517
Auditor's remuneration		1,165	1,312	1,460
Employee benefit expense (excluding directors' and chief executive's remuneration):				
Salaries, bonuses and other benefits		58,285	78,878	101,637
Pension scheme contributions, social welfare and other welfare ***		8,069	10,670	13,718
Equity-settled share-based payments		3,453	3,242	11,933
		69,807	92,790	127,288
Impairment of financial assets:				
Impairment/(reversal of impairment) on trade receivables	22	(41)	134	(4)
Impairment on other receivables	23	6	9	(23)
		(35)	143	(27)
Fair value (gains)/losses:				
Financial assets at fair value through profit or loss		(6,424)	1,359	(6,864)
Foreign exchange (gains)/losses		(2,373)	347	783
Bank interest income	6	(4,935)	(8,094)	(9,196)
Other interest income from debt investments at fair value through other comprehensive income	6	(2,977)	(9,110)	(21,359)
Government grants	6	(16,920)	(24,325)	(25,118)
Investment income from financial assets at fair value through profit or loss	6	(25,014)	(42,231)	(19,964)
Write-down of inventories to net realisable value *		252	1,286	3,582
Loss on disposal of items of property, plant and equipment		2	3	1

* Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

** The amortisation of intangible assets is included in "Selling and distribution expenses," "Administrative expenses," and "Research and development expenses" in the consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest expenses on lease liabilities	275	443	283
Other finance cost	(213)	47	230
	<u>62</u>	<u>490</u>	<u>513</u>

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of each director and supervisor as recorded during each of the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fees	200	200	241
Other emoluments:			
Salaries, allowances and benefits in kind	3,221	4,061	4,332
Performance related bonuses	1,755	1,980	5,190
Pension scheme contributions	305	326	335
Share-based payments	–	–	340
	<u>5,481</u>	<u>6,567</u>	<u>10,438</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mr. Wang Jianxin (note (a))	100	100	120
Mr. Shen Jianxin (note (b))	100	100	73
Ms. Niu Shuangxia (note (c))	–	–	48
	<u>200</u>	<u>200</u>	<u>241</u>

(b) Executive directors, director and supervisors

Year ended 31 December 2022

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors				
Mr. Bi Lei	1,365	936	93	2,394
Mr. Bi Chao	719	240	—	959
Non-Executive Director				
Mr. Wang Lin	—	—	—	—
Supervisors				
Ms. Wang Yuhong (<i>note (d)</i>)	302	276	57	635
Ms. Liu Haimci	468	250	94	812
Ms. Huang Xiaoying (<i>note (g)</i>)	126	53	31	210
Mr. Xie Zhengkai (<i>note (e)</i>)	241	—	30	271
	<u>3,221</u>	<u>1,755</u>	<u>305</u>	<u>5,281</u>

Year ended 31 December 2023

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors				
Mr. Bi Lei	2,019	960	99	3,078
Mr. Bi Chao	779	293	—	1,072
Non-Executive Director				
Mr. Wang Lin	—	—	—	—
Supervisors				
Ms. Wang Yuhong (<i>note (d)</i>)	572	330	100	1,002
Ms. Liu Haimci	570	330	100	1,000
Mr. Bai Yuhong (<i>note (f)</i>)	63	67	12	142
Ms. Huang Xiaoying (<i>note (g)</i>)	58	—	15	73
	<u>4,061</u>	<u>1,980</u>	<u>326</u>	<u>6,367</u>

Year ended 31 December 2024

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Bi Lei	2,058	960	102	255	3,375
Mr. Bi Chao	836	2,540	—	85	3,461
Non-Executive Director					
Mr. Wang Lin	—	—	—	—	—
Supervisors					
Ms. Wang Yuhong	678	872	103	—	1,653
Ms. Liu Haimei	634	746	103	—	1,483
Mr. Bai Yuhong	126	72	27	—	225
	<u>4,332</u>	<u>5,190</u>	<u>335</u>	<u>340</u>	<u>10,197</u>

Notes:

- (a) Mr. Wang Jianxin was appointed as an independent non-executive director of the Company with effect from 16 June 2020 and resigned on 22 April 2025.
- (b) Mr. Shen Jianxin was appointed as an independent non-executive director of the Company with effect from 16 June 2020 and resigned on 8 August 2024.
- (c) Ms. Niu Shuangxia was appointed as an independent non-executive director of the Company with effect from 8 August 2024.
- (d) Ms. Wang Yuhong was appointed as a supervisor of the Company with effect from 1 June 2022.
- (e) Mr. Xie Zhengkai resigned as a supervisor of the Company on 1 June 2022.
- (f) Mr. Bai Yuhong was appointed as a supervisor of the Company with effect from 15 June 2023.
- (g) Ms. Huang Xiaoying resigned as a supervisor of the Company on 15 June 2023.
- (h) Mr. Lin Mingyao was appointed as an independent non-executive director of the Company with effect from 22 April 2025.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included 2, 1, 2 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 3, 4, 3 highest paid employees who are neither a director of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,787	4,753	4,042
Performance related bonuses	1,736	2,320	1,928
Pension scheme contributions	257	377	295
Share-based payments	208	556	1,640
	<u>4,988</u>	<u>8,006</u>	<u>7,905</u>

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

	Year ended 31 December		
	2022	2023	2024
HK\$1,000,001 to HK\$1,500,000	1	–	–
HK\$1,500,001 to HK\$2,000,000	1	3	1
HK\$2,000,001 to HK\$2,500,000	1	–	1
HK\$3,000,001 to HK\$3,500,000	–	1	–
HK\$4,000,001 to HK\$4,500,000	–	–	1
	<u>3</u>	<u>4</u>	<u>3</u>

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration, and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

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

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

The Company was accredited as a “High and New Technology Enterprise” in 2022, and therefore the Company was entitled to a preferential CIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pursuant to Guofa [2020] No. 8 “Several Policies to Promote the High-Quality Development of Integrated Circuit Industry and Software Industry in the New Period”(新時期促進集成電路產業和軟件產業高質量發展的若干政策), key integrated circuit design enterprises encouraged by the government shall, from the profit-making year, be exempted from enterprise income tax from the first to the fifth year, and a reduction of enterprise income tax at a rate of 10% in the succeeding years. The Company, as a qualified key integrated circuit design enterprise encouraged by the government, was exempted from income tax during the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC every year.

Fortior Technology (Shanghai) Co., Ltd. was accredited as a “High and New Technology Enterprise” in 2021 and entitled to a preferential income tax rate of 15%. The qualification is subject to review by the relevant tax authority in the PRC for every three years. Fortior Technology (Shanghai) Co., Ltd. has successfully passed the review of “High and New Technology Enterprise” in 2024 and was subject to income tax rate of 15% during the Relevant Periods.

Pursuant to Caishui [2021] No. 8 “Announcement of the State Taxation Administration on Matters Related to the Implementation of Income Tax Preferential Policies for Supporting the Development of Small Meagre-profit Enterprises and Self-employed Businesses”(國家稅務總局關於落實支持小型微利企業和個體工商戶發展所得稅優惠政策有關事項的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 12.5% of taxable income less than RMB1,000,000, from 1 January 2021 to 31 December 2022.

Pursuant to Caishui [2022] No. 13 “Announcement on Further Implementing the Income Tax Preferential Policies for Small Meagre-profit Enterprises”(關於進一步實施小微企業所得稅優惠政策的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income exceeding RMB1,000,000 but less than RMB3,000,000 from 1 January 2022 to 31 December 2024.

Pursuant to Caishui [2023] No. 6 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses”(關於小微企業和個體工商戶所得稅優惠政策的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB1,000,000 from 1 January 2023 to 31 December 2024.

Pursuant to Caishui [2023] No. 12 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses”(關於小微企業和個體工商戶所得稅優惠政策的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB3,000,000 from 1 January 2023 to 31 December 2027.

The major components of the income tax expense/(credit) for the year are as follows:

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Current tax expense			
Mainland China	1,061	—	1,486
Under provision in prior years from Mainland China	—	671	—
Total	1,061	671	1,486
Deferred tax expense/(credit)			
Mainland China	627	(4,322)	(1,509)
Elsewhere	(545)	(815)	(1,302)
Total	82	(5,137)	(2,811)
Total tax charge/(credit) for the year	1,143	(4,466)	(1,325)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	Year ended 31 December					
	2022 RMB'000	%	2023 RMB'000	%	2024 RMB'000	%
Profit before tax	143,144		170,381		221,037	
Tax charge at the preferential tax rate of 15%	21,472	15.0	25,557	15.0	33,156	15.0
Effect of different tax rates enacted by local authorities	(13,343)	(9.3)	(17,558)	(10.3)	(18,178)	(8.2)
Adjustments in respect of current tax of previous periods	—	—	671	0.4	—	—
Super deduction for research and development expenses	(7,142)	(5.0)	(13,342)	(7.8)	(17,384)	(7.9)
Effect on deferred tax of change in tax rates	—	—	—	—	867	0.4
Income not subject to tax	(1)	—	(19)	—	(58)	—
Expenses not deductible for tax	157	0.1	225	0.1	272	0.1
Tax charge/(credit) at the Group's effective rate	1,143	0.8	(4,466)	(2.6)	(1,325)	(0.6)

According to the EIT Law, the Company is entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 75% from 1 January 2022 to 30 September 2022, and it increased to 100% from 1 October 2022 to 31 December 2022 and further increased to 120% from 1 January 2023 to 31 December 2027.

12. DIVIDENDS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Dividends declared by the Company	40,640	44,334	56,272

On 1 June 2022, the Company's shareholders approved the 2021 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB40,640,000 (inclusive of tax) was subsequently paid in June 2022 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2021 profit distribution plan, which amounted to a dividend of RMB4.4 (inclusive of tax) for every 10 shares of the Company.

On 23 May 2023, the Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB44,334,000 (inclusive of tax) was subsequently paid in June 2023 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2022 profit distribution plan, which amounted to a dividend of RMB4.8 (inclusive of tax) for every 10 shares of the Company.

On 22 May 2024, the Company's shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB56,272,000 (inclusive of tax) were subsequently paid in June 2024 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2023 profit distribution plan, which amounted to a dividend of RMB6.1 (inclusive of tax) for every 10 shares of the Company.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares outstanding (excluding treasury shares) during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic earnings per share is based on:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to ordinary equity holders of the parent	142,001	174,847	222,362

	Number of shares Year ended 31 December		
	2022	2023	2024
Number of shares			
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	84,666,430	92,363,380	92,247,547
Effect of dilution – weighted average number of ordinary shares:			
Type II restricted shares*	–	–	463.076
Total	84,666,430	92,363,380	92,710,623

* The number of the outstanding restricted shares contingently issuable was not included in the diluted earnings per share calculation for 2022 and 2023 as the earnings based contingencies were not met as at the end of the years.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machine equipment RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	2,843	4,299	274	1,677	9,093
Accumulated depreciation	(305)	(2,275)	(260)	(967)	(3,807)
Net carrying amount	2,538	2,024	14	710	5,286
At 1 January 2022, net of accumulated depreciation	2,538	2,024	14	710	5,286
Additions	–	1,440	–	123	1,563
Disposals	–	(2)	–	–	(2)
Depreciation provided during the year	(270)	(1,032)	–	(485)	(1,787)
Exchange realignment	–	5	–	4	9
At 31 December 2022, net of accumulated depreciation	2,268	2,435	14	352	5,069
At 31 December 2022:					
Cost	2,843	5,724	274	1,805	10,646
Accumulated depreciation	(575)	(3,289)	(260)	(1,453)	(5,577)
Net carrying amount	2,268	2,435	14	352	5,069

	Machine equipment RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	2,843	5,724	274	1,805	10,646
Accumulated depreciation	(575)	(3,289)	(260)	(1,453)	(5,577)
Net carrying amount	2,268	2,435	14	352	5,069
At 1 January 2023, net of accumulated depreciation	2,268	2,435	14	352	5,069
Additions	4,393	2,952	—	617	7,962
Disposals	—	(3)	—	—	(3)
Depreciation provided during the year	(364)	(1,496)	—	(267)	(2,127)
Exchange realignment	—	1	—	1	2
At 31 December 2023, net of accumulated depreciation	6,297	3,889	14	703	10,903
At 31 December 2023:					
Cost	7,236	8,667	274	2,423	18,600
Accumulated depreciation	(939)	(4,778)	(260)	(1,720)	(7,697)
Net carrying amount	6,297	3,889	14	703	10,903

	Buildings RMB'000	Machine equipment RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	-	7,236	8,667	274	2,423	18,600
Accumulated depreciation	-	(939)	(4,778)	(260)	(1,720)	(7,697)
Net carrying amount	-	6,297	3,889	14	703	10,903
At 1 January 2024, net of accumulated depreciation	-	6,297	3,889	14	703	10,903
Additions	134,436	1,915	4,313	48	438	141,150
Disposals	-	-	(1)	-	-	(1)
Depreciation provided during the year	(1,419)	(769)	(1,927)	-	(302)	(4,417)
Exchange realignment	-	-	-	-	-	-
At 31 December 2024, net of accumulated depreciation	133,107	7,443	6,275	62	839	147,636
At 31 December 2024:						
Cost	134,436	9,151	12,958	322	2,863	159,730
Accumulated depreciation	(1,419)	(1,708)	(6,683)	(260)	(2,024)	(12,094)
Net carrying amount	133,017	7,443	6,275	62	839	147,636

The Company

	Machine equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022					
At 1 January 2022:					
Cost	2,843	3,907	274	1,677	8,701
Accumulated depreciation	(305)	(2,160)	(260)	(967)	(3,692)
Net carrying amount	<u>2,538</u>	<u>1,747</u>	<u>14</u>	<u>710</u>	<u>5,009</u>
At 1 January 2022, net of accumulated depreciation	2,538	1,747	14	710	5,009
Additions	–	1,286	–	20	1,306
Disposals	–	(2)	–	–	(2)
Depreciation provided during the year	(270)	(892)	–	(477)	(1,639)
At 31 December 2022, net of accumulated depreciation	<u>2,268</u>	<u>2,139</u>	<u>14</u>	<u>253</u>	<u>4,674</u>
At 31 December 2022:					
Cost	2,843	5,173	274	1,697	9,987
Accumulated depreciation	(575)	(3,034)	(260)	(1,444)	(5,313)
Net carrying amount	<u>2,268</u>	<u>2,139</u>	<u>14</u>	<u>253</u>	<u>4,674</u>

	Machine equipment RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	2,843	5,173	274	1,697	9,987
Accumulated depreciation	(575)	(3,034)	(260)	(1,444)	(5,313)
Net carrying amount	2,268	2,139	14	253	4,674
At 1 January 2023, net of accumulated depreciation	2,268	2,139	14	253	4,674
Additions	4,393	2,792	-	617	7,802
Disposals	-	-	-	-	-
Depreciation provided during the year	(364)	(1,314)	-	(212)	(1,890)
At 31 December 2023, net of accumulated depreciation	6,297	3,617	14	658	10,586
At 31 December 2023:					
Cost	7,236	7,956	274	2,315	17,781
Accumulated depreciation	(939)	(4,339)	(260)	(1,657)	(7,195)
Net carrying amount	6,297	3,617	14	658	10,586

	Machine equipment RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2024					
At 1 January 2024:					
Cost	7,236	7,956	274	2,315	17,781
Accumulated depreciation	(939)	(4,339)	(260)	(1,657)	(7,195)
Net carrying amount	6,297	3,617	14	658	10,586
At 1 January 2024, net of accumulated depreciation	6,297	3,617	14	658	10,586
Additions	1,195	4,176	48	73	6,212
Disposals	-	(1)	-	-	(1)
Depreciation provided during the year	(769)	(1,785)	-	(237)	(2,791)
At 31 December 2024, net of accumulated depreciation	7,443	6,007	62	494	14,006
At 31 December 2024:					
Cost	9,151	12,108	322	2,388	23,969
Accumulated depreciation	(1,708)	(6,101)	(260)	(1,894)	(9,963)
Net carrying amount	7,443	6,007	62	494	14,006

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties. Leases of plant and properties generally have lease terms with from 12 months to 60 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

The Group

Plant and properties RMB'000

31 December 2022

At 1 January 2022:

Cost	6,695
Accumulated depreciation	(2,705)

Net carrying amount	3,990
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At 1 January 2022, net of accumulated depreciation	3,990
Additions	7,987
Depreciation provided during the year	(3,232)
Disposals	(164)

At 31 December 2022, net of accumulated depreciation	8,581
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At 31 December 2022:

Cost	10,957
Accumulated depreciation	(2,376)

Net carrying amount	8,581
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The Group

**Plant and
properties**
RMB'000

31 December 2023

At 1 January 2023:	
Cost	10,957
Accumulated depreciation	(2,376)

Net carrying amount	8,581
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At 1 January 2023, net of accumulated depreciation	8,581
Additions	2,955
Depreciation provided during the year	(4,071)
Disposals	(206)

At 31 December 2023, net of accumulated depreciation	7,259
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At 31 December 2023:	
Cost	13,194
Accumulated depreciation	(5,935)

Net carrying amount	7,259
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**Plant and
properties**
RMB'000

31 December 2024

At 1 January 2024:	
Cost	13,194
Accumulated depreciation	(5,935)

Net carrying amount	7,259
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At 1 January 2024, net of accumulated depreciation	7,259
Additions	13,526
Depreciation provided during the year	(3,997)
Disposals	(638)

At 31 December 2024, net of accumulated depreciation	16,150
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At 31 December 2024:	
Cost	23,035
Accumulated depreciation	(6,885)

Net carrying amount	16,150
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The Company

**Plant and
properties**
RMB'000

31 December 2022

At 1 January 2022:	
Cost	5,834
Accumulated depreciation	(2,567)
Net carrying amount	3,267
At 1 January 2022, net of accumulated depreciation	3,267
Additions	7,415
Depreciation provided during the year	(2,833)
At 31 December 2022, net of accumulated depreciation	7,849
At 31 December 2022:	
Cost	9,742
Accumulated depreciation	(1,893)
Net carrying amount	7,849

**Plant and
properties**
RMB'000

31 December 2023

At 1 January 2023:	
Cost	9,742
Accumulated depreciation	(1,893)
Net carrying amount	7,849
At 1 January 2023, net of accumulated depreciation	7,849
Additions	2,447
Depreciation provided during the year	(3,359)
Disposals	(206)
At 31 December 2023, net of accumulated depreciation	6,731
At 31 December 2023:	
Cost	11,636
Accumulated depreciation	(4,905)
Net carrying amount	6,731

The Company

**Plant and
properties**
RMB'000

31 December 2024

At 1 January 2024:	
Cost	11,636
Accumulated depreciation	(4,905)
Net carrying amount	6,731
At 1 January 2024, net of accumulated depreciation	6,731
Additions	12,449
Depreciation provided during the year	(3,362)
Disposals	(638)
At 31 December 2024, net of accumulated depreciation	15,180
At 31 December 2024:	
Cost	21,958
Accumulated depreciation	(6,778)
Net carrying amount	15,180

(b) Lease liabilities

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

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of year	3,896	8,673	7,612
Additions	7,802	2,811	12,895
Accretion of interest recognised during the year	275	443	283
Early termination	(163)	(213)	(706)
Payments	(3,137)	(4,102)	(4,010)
At the end of year	8,673	7,612	16,074
Analysed into:			
Current portion	3,219	3,895	3,640
Non-current portion	5,454	3,717	12,434

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of year	3,317	8,052	7,147
Additions	7,342	2,416	11,818
Accretion of interest recognised during the year	252	402	267
Early termination	—	(213)	(706)
Payments	(2,859)	(3,510)	(3,284)
At the end of year	8,052	7,147	15,242
Analysed into:			
Current portion	2,811	3,430	3,272
Non-current portion	5,241	3,717	11,970

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

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	275	443	283
Depreciation charge of right-of-use assets	3,232	4,071	3,997
Expense relating to short-term leases/leases of low-value assets	362	529	517
Total amount recognised in profit or loss	3,869	5,043	4,797

The Company

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	252	402	267
Depreciation charge of right-of-use assets	2,833	3,359	3,362
Expense relating to short-term leases/leases of low-value assets	84	52	52
Total amount recognised in profit or loss	3,169	3,813	3,681

16. INTANGIBLE ASSETS

The Group

	Software RMB'000	IP licenses RMB'000	Total RMB'000
31 December 2022			
At 1 January 2022:			
Cost	2,139	1,092	3,231
Accumulated amortisation	(661)	(755)	(1,416)
Net carrying amount	1,478	337	1,815
Cost at 1 January 2022, net of accumulated amortisation	1,478	337	1,815
Additions	2,148	172	2,320
Amortisation provided during the year	(996)	(123)	(1,119)
At 31 December 2022	2,630	386	3,016
At 31 December 2022:			
Cost	4,287	1,319	5,606
Accumulated amortisation	(1,657)	(933)	(2,590)
Net carrying amount	2,630	386	3,016
	Software RMB'000	IP licenses RMB'000	Total RMB'000
31 December 2023			
At 1 January 2023:			
Cost	4,287	1,319	5,606
Accumulated amortisation	(1,657)	(933)	(2,590)
Net carrying amount	2,630	386	3,016
Cost at 1 January 2023, net of accumulated amortisation	2,630	386	3,016
Additions	7,751	—	7,751
Amortisation provided during the year	(2,323)	(149)	(2,472)
At 31 December 2023	8,058	237	8,295
At 31 December 2023:			
Cost	12,038	1,330	13,368
Accumulated amortisation	(3,980)	(1,093)	(5,073)
Net carrying amount	8,058	237	8,295

	Software RMB'000	IP licenses RMB'000	Total RMB'000
31 December 2024			
At 1 January 2024:			
Cost	12,038	1,330	13,368
Accumulated amortisation	(3,980)	(1,093)	(5,073)
Net carrying amount	8,058	237	8,295
Cost at 1 January 2024, net of accumulated amortisation	8,058	237	8,295
Additions	72	4,298	4,370
Amortisation provided during the year	(3,297)	(314)	(3,611)
At 31 December 2024	4,833	4,221	9,054
At 31 December 2024:			
Cost	12,110	4,973	17,083
Accumulated amortisation	(7,277)	(752)	(8,029)
Net carrying amount	4,833	4,221	9,054

The Company

	Software RMB'000	IP licenses RMB'000	Total RMB'000
31 December 2022			
At 1 January 2022:			
Cost	2,139	503	2,642
Accumulated amortisation	(661)	(166)	(827)
Net carrying amount	1,478	337	1,815
Cost at 1 January 2022, net of accumulated amortisation	1,478	337	1,815
Additions	2,148	172	2,320
Amortisation provided during the year	(996)	(123)	(1,119)
At 31 December 2022	2,630	386	3,016
At 31 December 2022:			
Cost	4,287	675	4,962
Accumulated amortisation	(1,657)	(289)	(1,946)
Net carrying amount	2,630	386	3,016

	Software RMB'000	IP licenses RMB'000	Total RMB'000
31 December 2023			
At 1 January 2023:			
Cost	4,287	675	4,962
Accumulated amortisation	(1,657)	(289)	(1,946)
Net carrying amount	2,630	386	3,016
Cost at 1 January 2023, net of accumulated amortisation	2,630	386	3,016
Additions	2,802	—	2,802
Amortisation provided during the year	(1,159)	(149)	(1,308)
At 31 December 2023	4,273	237	4,510
At 31 December 2023:			
Cost	7,089	675	7,764
Accumulated amortisation	(2,816)	(438)	(3,254)
Net carrying amount	4,273	237	4,510
	Software RMB'000	IP licenses RMB'000	Total RMB'000
31 December 2024			
At 1 January 2024:			
Cost	7,089	675	7,764
Accumulated amortisation	(2,816)	(438)	(3,254)
Net carrying amount	4,273	237	4,510
Cost at 1 January 2024, net of accumulated amortisation	4,273	237	4,510
Additions	72	4,298	4,370
Amortisation provided during the year	(1,550)	(314)	(1,864)
At 31 December 2024	2,795	4,221	7,016
At 31 December 2024:			
Cost	7,161	4,973	12,134
Accumulated amortisation	(4,366)	(752)	(5,118)
Net carrying amount	2,795	4,221	7,016

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	52,583	84,080	236,747

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value:			
Shenzhen Guochuang Embodied Intelligent Robot Co., Ltd	-	-	716

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

19. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Non-current asset			
Negotiable Certificate of Deposit	110,938	461,012	794,344
Current asset			
Negotiable Certificate of Deposit	-	10,724	181,818

The above certificate deposits are issued by banks in Mainland China. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling.

20. OTHER NON-CURRENT ASSET

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayment for outsourced processing fees	2,832	2,124	708
Prepayment for purchase of property plant and equipment	1,908	255	3,242
Cooperative building construction*	10,949	23,295	25,617
	<u>15,689</u>	<u>25,674</u>	<u>29,567</u>

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayment for outsourced processing fees	2,832	2,124	708
Prepayment for purchase of property plant and equipment	1,896	255	2,988
Cooperative building construction*	10,949	23,295	25,617
	<u>15,677</u>	<u>25,674</u>	<u>29,321</u>

* It represented the payments for the construction costs of the land and the buildings which are jointly owned by the Group and other independent third parties. Pursuant to the Joint Land Bidding Agreement, upon successful acquisition of the target land parcel, all participating parties jointly fund the cooperative development and construction of the project. Each party shares the costs required for the project's full completion and operational commencement based on the agreed proportion. As the land remains collectively owned and does not meet the definition of an identifiable asset, the allocated construction costs of the land and the buildings borne by the Group are classified as non-current assets and separately disclosed.

21. INVENTORIES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	90,966	88,194	56,628
Finished goods	43,790	34,857	46,460
Outsourced Processing Materials	21,471	49,948	57,300
Goods in transit	—	—	95
	<u>156,227</u>	<u>172,999</u>	<u>160,483</u>

The inventories are net of a write-down of approximately RMB2,341,000, RMB3,205,000 and RMB5,800,000 as at 31 December 2022, 2023 and 2024, respectively.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	91,002	73,709	52,869
Finished goods	42,981	11,343	27,391
Outsourced Processing Materials	21,312	41,936	50,871
Goods in transit	—	—	95
	<u>155,295</u>	<u>126,988</u>	<u>131,226</u>

The inventories are net of a write-down of approximately RMB2,341,000, RMB2,292,000 and RMB3,893,000 as at 31 December 2022, 2023 and 2024, respectively.

22. TRADE RECEIVABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables	1,472	5,949	5,812
Allowance for expected credit losses	(44)	(178)	(174)
	<u>1,428</u>	<u>5,771</u>	<u>5,638</u>

The Group's trading terms with its customers are mainly received in advance, and only a few customers are on credit. The credit period is generally within 30 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the billing date and net of allowance for expected credit losses, is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within one year	<u>1,428</u>	<u>5,771</u>	<u>5,638</u>

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of year	85	44	178
Impairment losses, net (note 7)	<u>(41)</u>	<u>134</u>	<u>(4)</u>
At the end of year	<u>44</u>	<u>178</u>	<u>174</u>

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

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

Set out below is the information during the Relevant Periods about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December		
	2022	2023	2024
	<i>Current</i>	<i>Current</i>	<i>Current</i>
Expected credit loss rate	3.00%	3.00%	3.00%
Gross carrying amount (<i>RMB'000</i>)	1,472	5,949	5,812
Expected credit losses (<i>RMB'000</i>)	44	178	174

The Company

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables due from subsidiaries	—	5,605	403
Trade receivables due from third parties	1,472	5,824	5,660
Allowance for expected credit losses	(44)	(174)	(169)
	<u>1,428</u>	<u>11,255</u>	<u>5,894</u>

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year	57	44	174
Impairment losses, net	(13)	130	(5)
At the end of year	<u>44</u>	<u>174</u>	<u>169</u>

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments	24,196	5,705	7,727
Deposits and other receivables*	1,434	1,797	3,090
VAT recoverable	28,594	31,199	27,670
Prepaid tax	1,442	261	–
Deferred listing expenses	–	–	11,561
	<u>55,666</u>	<u>38,962</u>	<u>50,048</u>
Less: Impairment of other receivables **	<u>(64)</u>	<u>(73)</u>	<u>(50)</u>
	<u>55,602</u>	<u>38,889</u>	<u>49,998</u>

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

** As at 31 December 2022, 2023 and 2024, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

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

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of year	58	64	73
Impairment losses, net (note 7)	<u>6</u>	<u>9</u>	<u>(23)</u>
At the end of year	<u>64</u>	<u>73</u>	<u>50</u>

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments	24,127	5,635	6,820
Deposits and other receivables	1,092	1,498	1,798
VAT recoverable	28,494	24,203	20,679
Amount due from subsidiaries	3,047	8,765	13,680
Deferred listing expenses	-	-	11,561
	56,760	40,101	54,538
Less: Impairment of other receivables	(57)	(65)	(33)
	56,703	40,036	54,505

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

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of year	53	57	65
Impairment losses, net	4	8	(32)
At the end of year	57	65	33

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wealth management products	47,479	7,679	41,913
Structured Deposits	1,420,145	1,062,886	782,483
	<u>1,467,624</u>	<u>1,070,565</u>	<u>824,396</u>

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wealth management products	10,257	—	27,875
Structured Deposits	1,413,137	1,060,885	742,415
	<u>1,423,394</u>	<u>1,060,885</u>	<u>770,290</u>

The wealth management products and structured deposits were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	519,585	608,696	297,355
Time deposits	27,417	62,802	116,493
	<u>547,002</u>	<u>671,498</u>	<u>413,848</u>
Less:			
Time deposits	(27,417)	(62,802)	(116,493)
	<u>519,585</u>	<u>608,696</u>	<u>297,355</u>
	<u><u>519,585</u></u>	<u><u>608,696</u></u>	<u><u>297,355</u></u>

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in			
– RMB	510,305	590,964	280,128
– USD	9,267	14,070	14,721
– Others	13	3,662	2,506
	<u>519,585</u>	<u>608,696</u>	<u>297,355</u>
	<u><u>519,585</u></u>	<u><u>608,696</u></u>	<u><u>297,355</u></u>

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	487,669	580,058	255,906
Time deposits	27,417	47,813	109,258
	515,086	627,871	365,164
Less:			
Time deposits	(27,417)	(47,813)	(109,258)
	487,669	580,058	255,906
	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in			
– RMB	482,945	578,189	255,743
– USD	4,724	1,869	163
	487,669	580,058	255,906

26. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bills payable	—	—	68
Trade payables	8,324	12,270	7,257
	<u>8,324</u>	<u>12,270</u>	<u>7,325</u>

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the date of goods received from the suppliers, is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within one year	<u>8,324</u>	<u>12,270</u>	<u>7,325</u>

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bills payable	—	—	68
Trade payables	8,323	12,038	6,341
	<u>8,323</u>	<u>12,038</u>	<u>6,409</u>

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the date of goods received from the suppliers, is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within one year	<u>8,323</u>	<u>12,038</u>	<u>6,409</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 days.

27. CONTRACT LIABILITIES

The Group

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Sale of products	508	1,030	1,275

The Company

The Company recognised the following revenue-related contract liabilities:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Sale of products	477	659	998

Contract liabilities include short-term advances received to deliver products.

28. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current liabilities			
Deposits payable	49,302	38,430	4,832
Payroll payables	21,085	27,652	37,483
Accruals and other payables	4,871	3,934	17,855
Instalments payable due within one year	544	2,151	1,701
Other tax payables	2,787	3,617	4,590
	<u>78,589</u>	<u>75,784</u>	<u>66,461</u>
Non-current liabilities			
Deposits payable	17,842	-	-
Instalments payable for purchase of intangible assets	568	1,649	-
	<u>18,410</u>	<u>1,649</u>	<u>-</u>

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current liabilities			
Deposits payable	49,302	38,430	4,832
Payroll payables	17,011	22,259	27,341
Accruals and other payables	4,353	3,616	17,369
Instalments payable due within one year	544	578	-
Other tax payables	2,697	3,339	3,218
	<u>73,907</u>	<u>68,222</u>	<u>52,760</u>
Non-current liabilities			
Deposits payable	17,842	-	-
Instalments payable for purchase of intangible assets	568	-	-
	<u>18,410</u>	<u>-</u>	<u>-</u>

Instalments payable relates to the purchase of intangible assets which are payable in three instalments over three years. Deposits payable represents the deposits received from the customers to secure the production capacity, which will be returned to the customers proportionally when future sales occur. Other than that, other payables included in the above balances are non-interest-bearing and have no fixed terms of settlement.

29. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Government grants	<u>2,395</u>	<u>3,452</u>	<u>4,928</u>

The movements of deferred income for the Relevant Periods are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At beginning of the year	53	2,395	3,452
Grants received during the year	2,700	2,000	4,500
Amounts released to profit or loss during the year	<u>(358)</u>	<u>(943)</u>	<u>(3,024)</u>
At end of the year	<u>2,395</u>	<u>3,452</u>	<u>4,928</u>

30. DEFERRED TAX

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

The Group

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Unrealised internal trading profits RMB'000	Tax losses RMB'000	Share incentive plan RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	21	329	348	123	-	588	-	1,409
Deferred tax (charged)/credited to the statement of profit or loss during the year	(5)	22	(203)	567	519	727	-	1,627
At 31 December 2022	16	351	145	690	519	1,315	-	3,036
At 1 January 2023	16	351	145	690	519	1,315	-	3,036
Deferred tax credited/(charged) to the statement of profit or loss during the year	22	283	1,609	2,540	471	(136)	1	4,790
Deferred tax credited to share option reserve during the year	-	-	-	-	3,387	-	-	3,387
At 31 December 2023	38	634	1,754	3,230	4,377	1,179	1	11,213
At 1 January 2024	38	634	1,754	3,230	4,377	1,179	1	11,213
Deferred tax (charged)/credited to the statement of profit or loss during the year	(15)	235	(527)	1,565	1,062	494	503	3,317
Deferred tax credited to share option reserve during the year	-	-	-	-	3,416	-	-	3,416
Deferred tax credited to other comprehensive income during the year	-	-	-	-	-	-	18	18
At 31 December 2024	23	869	1,227	4,795	8,855	1,673	522	17,964

The Company

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Share incentive plan RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	17	328	—	498	—	843
Deferred tax (charged)/credited to the statement of profit or loss during the year	(2)	23	423	712	—	1,156
At 31 December 2022	15	351	423	1,210	—	1,999
At 1 January 2023	15	351	423	1,210	—	1,999
Deferred tax credited/(charged) to the statement of profit or loss during the year	21	(7)	379	(137)	1	257
Deferred tax credited to share option reserve during the year	—	—	2,756	—	—	2,756
At 31 December 2023	36	344	3,558	1,073	1	5,012
At 1 January 2024	36	344	3,558	1,073	1	5,012
Deferred tax (charged)/credited to the statement of profit or loss during the year	(16)	46	693	453	492	1,668
Deferred tax credited to share option reserve during the year	—	—	2,332	—	—	2,332
Deferred tax credited to other comprehensive income during the year	—	—	—	—	18	18
At 31 December 2024	20	390	6,583	1,526	511	9,030

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

The Group

	Fair value adjustments of financial assets at fair value through profit and loss RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	—	581	—	581
Deferred tax charged to the statement of profit or loss during the year	965	700	8	1,673
At 31 December 2022	965	1,281	8	2,254
At 1 January 2023	965	1,281	8	2,254
Deferred tax (credited)/charged to the statement of profit or loss during the year	(205)	(168)	6	(367)
At 31 December 2023	760	1,113	14	1,887
At 1 January 2024	760	1,113	14	1,887
Deferred tax (credited)/charged to the statement of profit or loss during the year	(68)	550	(8)	474
At 31 December 2024	692	1,663	6	2,361

The Company

	Fair value adjustments of financial assets at fair value through profit and loss RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	—	489	—	489
Deferred tax charged to the statement of profit or loss during the year	929	688	3	1,620
At 31 December 2022	929	1,177	3	2,109
At 1 January 2023	929	1,177	3	2,109
Deferred tax credited to the statement of profit or loss during the year	(271)	(167)	(3)	(441)
At 31 December 2023	658	1,010	—	1,668
At 1 January 2024	658	1,010	—	1,668
Deferred tax charged to the statement of profit or loss during the year	18	508	—	526
At 31 December 2024	676	1,518	—	2,194

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

The Group

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	1,755	10,099	15,603
Net deferred tax liabilities recognised in the consolidated statement of financial position	973	773	-

The Company

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the statement of financial position	822	4,001	6,836
Net deferred tax liabilities recognised in the statement of financial position	932	657	-

31. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid:			
A shares	92,363	92,363	92,363

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	69,272,530	69,272
Issue of A shares	23,090,850	23,091
At 31 December 2022 and 1 January 2023	92,363,380	92,363
At 31 December 2023 and 1 January 2024	92,363,380	92,363
At 31 December 2024	92,363,380	92,363

(b) Treasury shares

The Group and the Company

	Number of shares in issue	Treasury shares RMB'000
At 31 December 2022 and 2023 and 1 January 2024	–	–
A shares repurchased	193,000	193
At 31 December 2024	193,000	193

As at 31 December 2024, the Company repurchased 193,000 issued A shares at a consideration of RMB20,021,000.

32. EQUITY INCENTIVE PLAN

(1) 2022 Equity incentive plan

The Company operates an equity incentive plan which became effective on 2 September 2022 and will remain in force for five years from that date. The board approved a total of 2,471,000 type II restricted shares, and the grant price for each share is RMB56.00. It was confirmed that 133 participants were granted 2,361,000 type II restricted shares, and 110,000 type II restricted shares were reserved. On 3 August 2023, the Second Meeting of the Second Session of the Board of Directors approved the grant of 110,000 reserved restricted shares to four participants.

Type II restricted shares refer to A shares granted to the participants pursuant to which the participants have the right to subscribe new A shares of the Company upon the satisfaction of certain vesting conditions.

The vesting periods and vesting arrangements for the initially granted restricted shares are as follows:

Vesting arrangements	Vesting periods	The percentage of vested/The total granted shares	Vesting conditions
First vesting period*	From the first trading day 12 months after the date of the first grant to the first grant end of the last trading day within 24 months	20%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2022 is not less than 20%
Second vesting period*	From the first trading day 24 months after the date of the first grant to the first grant end of the last trading day within 36 months	40%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2023 is not less than 40%
Third vesting period	From the first trading day 36 months after the date of the first grant to the first grant end of the last trading day within 48 months	40%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2024 is not less than 60%

The vesting periods and vesting arrangements for the reserved restricted shares are as follows:

Vesting arrangements	Vesting periods	The percentage of vested/The total granted shares	Vesting conditions
First vesting period*	From the first trading day 12 months after the date of the first grant to the first grant end of the last trading day within 24 months	50%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2023 is not less than 40%
Second vesting period	From the first trading day 24 months after the date of the first grant to the first grant end of the last trading day within 36 months	50%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2024 is not less than 60%

* These vesting conditions were not met and related granted shares were forfeited accordingly.

(2) 2024 Equity incentive plan

The Company operates an equity incentive plan which became effective on 22 November 2024 and will remain in force for five years from that date. The board of directors approved a total of 1,629,000 type II restricted shares, and the grant price for each share is RMB70.00. It was confirmed that 221 participants were granted 1,599,000 type II restricted shares, and 30,000 type II restricted shares were reserved.

Type II restricted shares refer to A shares granted to the participants pursuant to which the participants have the right to subscribe new A shares of the Company upon the satisfaction of certain vesting conditions.

The vesting periods and vesting arrangements for the initially granted restricted shares are as follows:

Vesting arrangements	Vesting periods	The percentage of vested/The total granted shares	Vesting conditions
First vesting period	From the first trading day 12 months after the date of the first grant to the first grant end of the last trading day within 24 months	30%	Based on the revenue of 2023, the growth rate of revenue of 2024 is not less than 30%
Second vesting period	From the first trading day 24 months after the date of the first grant to the first grant end of the last trading day within 36 months	30%	Based on the revenue of 2023, the growth rate of revenue of 2025 is not less than 60%
Third vesting period	From the first trading day 36 months after the date of the first grant to the first grant end of the last trading day within 48 months	40%	Based on the revenue of 2023, the growth rate of revenue of 2026 is not less than 85%

(3) The following restricted shares were outstanding under 2022 and 2024 Equity incentive plan during the Relevant Periods:

	2022		Year ended 31 December 2023		2024	
	Weighted average exercise price RMB per share	Number of options '000	Weighted average exercise price RMB per share	Number of options '000	Weighted average exercise price RMB per share	Number of options '000
At 1 January	—	—	56.00	1,869	55.52	965
Granted during the year	56.00	2,361	55.52	110	70.00	1,599
Forfeited during the year	56.00	(492)	55.52	(1,014)	55.47	(49)
At the end of the year	56.00	1,869	55.52*	965	64.50*	2,515

(4) The following restricted shares were outstanding under the Scheme during the Relevant Periods:

	Number of options '000	Exercise price * RMB per share	Exercise period
As at 31 December 2022			
	934	56.00	2-9-24 to 1-9-25
	935	56.00	2-9-25 to 1-9-26
	<u>1,869</u>		
As at 31 December 2023			
	910	55.52	2-9-25 to 1-9-26
	55	55.52	3-8-25 to 2-8-26
	<u>965</u>		
As at 31 December 2024			
	861	54.91	2-9-25 to 1-9-26
	55	54.91	3-8-25 to 2-8-26
	480	70.00	22-11-25 to 21-11-26
	480	70.00	22-11-26 to 21-11-27
	639	70.00	22-11-27 to 21-11-28
	<u>2,515</u>		

* The exercise price per share was adjusted for the dividends entitlement for 2023 and 2024 respectively.

(5) Details of equity-settled share-based payments during the Relevant Periods are as follows:

The fair value of equity-settled restricted shares granted was estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the shares were granted. The following table lists the inputs to the model used:

	As at 2 September 2022	As at 3 August 2023	As at 22 November 2023
Share price at the grant date	RMB64.40	RMB107.00	RMB134.70
Expected volatility (%)	15.65-17.13	12.99-14.92	15.97-19.39
Risk-free interest rate (%)	1.50-2.75	1.50-2.10	1.50-2.75
Expected life of options (years)	1-3	1-2	1-3

During the years ended 31 December 2022, 2023 and 2024, the Group recorded share-based payment expenses of RMB3,453,000, RMB3,242,000 and RMB12,273,000, respectively.

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the Historical Financial Information.

(i) *Capital reserve*

The capital reserve mainly represents the difference between the value of share capital and the consideration received.

(ii) *Statutory surplus reserve*

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

(iii) *Share option reserve*

The share option reserve comprises the fair value of restricted shares granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the Historical Financial Information. The amount will either be transferred to the capital reserve account when the related options are exercised or be transferred to retained profits should the related options expire after the vesting period.

(iv) *Exchange fluctuation reserve*

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from the Group's presentation currency.

(v) *Fair value reserve*

The fair value reserve represents the fair value movement of equity investment designated at fair value through other comprehensive income.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

	Capital reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Fair value reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	156,651	–	–	18,516	166,641	341,808
Profit for the year	–	–	–	–	132,602	132,602
Total comprehensive income for the year	–	–	–	–	132,603	132,603
Dividends declared to shareholders	–	–	–	–	(40,640)	(40,640)
Share-based payments	–	3,465	–	–	–	3,465
Issue of shares	1,705,371	–	–	–	–	1,705,371
Transferred from retained profits	–	–	–	13,260	(13,260)	–
At 31 December 2022	1,862,022	3,465	–	31,776	245,343	2,142,606
	Capital reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Fair value reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023	1,862,022	3,465	–	31,776	245,343	2,142,606
Profit for the year	–	–	–	–	185,540	185,540
Total comprehensive income for the year	–	–	–	–	185,540	185,540
Dividends declared to shareholders	–	–	–	–	(44,334)	(44,334)
Share-based payments	–	6,003	–	–	–	6,003
Transferred from retained profits	–	–	–	18,554	(18,554)	–
At 31 December 2023	1,862,022	9,468	–	50,330	367,995	2,289,815

	Capital reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Fair value reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	1,862,022	9,468	—	50,330	367,995	2,289,815
Profit for the year	—	—	—	—	212,393	212,393
Other comprehensive income for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income	—	—	(165)	—	—	(165)
Total comprehensive income for the year	—	—	(165)	—	212,393	212,228
Dividends declared to shareholders	—	—	—	—	(56,272)	(56,272)
Share-based payments	—	14,605	—	—	—	14,605
Shares repurchased	(19,828)	—	—	—	—	(19,828)
At 31 December 2024	1,842,194	24,073	(165)	50,330	524,116	2,440,548

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,802,000, RMB2,811,000 and RMB12,895,000, respectively, in respect of lease arrangements for office premises.

During the years ended 31 December 2022, 2023 and 2024, the Group had non-cash additions to intangible assets and other payables of RMB1,005,000, RMB3,222,000 and nil, respectively, in respect of software.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Instalment payables (including due within one year) RMB'000
At 1 January 2022	3,896	—
Additions	7,802	1,005
Changes from financing cash flows	(3,137)	—
Accretion of interest	275	—
Early termination of lease liabilities	(163)	—
Foreign exchange movement	—	107
At 31 December 2022	8,673	1,112
At 1 January 2023	8,673	1,112
Additions	2,811	3,222
Changes from financing cash flows	(4,102)	(577)
Accretion of interest	443	48
Early termination of lease liabilities	(213)	—
Foreign exchange movement	—	(5)
At 31 December 2023	7,612	3,800
At 1 January 2024	7,612	3,800
Additions	12,685	—
Changes from financing cash flows	(4,010)	(2,331)
Accretion of interest	283	230
Early termination of lease liabilities	(706)	—
Foreign exchange movement	—	2
At 31 December 2024	16,074	1,701

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

The total cash outflow for leases included in the statement of cash flows are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within operating activities	365	526	510
Within financing activities	3,369	4,333	4,240
Total	3,734	4,859	4,750

35. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	1,645	1,099	2,562
Cooperative building construction	10,949	99,919	64,952
	12,594	101,018	67,514

36. RELATED PARTY TRANSACTIONS

(a) **Compensation of key management personnel of the Group**

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,882	3,754	3,852
Performance related bonuses	1,508	1,595	3,900
Pension scheme contributions	269	293	250
Share-based payments	111	90	435
	4,770	5,732	8,437

Supervisors' emoluments are not included in the above amounts. Further details of directors' and supervisors' emoluments are included in note 9 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

The Group

Financial assets

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	1,467,624	1,070,565	824,396
Financial assets at fair value through other comprehensive income:			
Debt investments at fair value through other comprehensive income	110,938	471,736	976,162
Equity investments designated at fair value through other comprehensive income	—	—	716
	110,938	471,736	976,878
At amortised cost:			
Cash and cash equivalents	519,585	608,696	297,355
Time deposits	27,417	62,802	116,493
Trade receivables	1,428	5,771	5,638
Financial assets included in prepayments, deposits and other receivables	1,370	1,724	3,040
	549,800	678,993	422,526

The Company

Financial assets

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	1,423,394	1,060,885	770,290
Financial assets at fair value through other comprehensive income:			
Debt investments at fair value through other comprehensive income	110,938	471,736	976,162
Equity investments designated at fair value through other comprehensive income	-	-	716
	110,938	471,736	976,878
At amortised cost:			
Cash and cash equivalents	487,669	580,058	255,906
Time deposits	27,417	47,813	109,258
Trade receivables	1,428	11,255	5,894
Financial assets included in prepayments, deposits and other receivables	4,082	10,198	15,445
	520,596	649,324	386,503

Financial liabilities***The Group***

Financial liabilities	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At amortised cost:			
Trade and bills payables	8,324	12,270	7,325
Financial liabilities included in other payables and accruals	73,127	46,164	24,388
Lease liabilities	8,673	7,612	16,074
	<u>90,124</u>	<u>66,046</u>	<u>47,787</u>

The Company

Financial liabilities	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At amortised cost:			
Trade and bills payables	8,323	12,038	6,409
Financial liabilities included in other payables and accruals	72,609	42,624	22,201
Lease liabilities	8,052	7,147	15,242
	<u>88,984</u>	<u>61,809</u>	<u>43,852</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2022, 2023 and 2024, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the finance director and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group invests in unlisted investments, which represent wealth management products, structured deposits and negotiable certificate of deposits issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using an asset-based approach. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The Group

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

As at 31 December 2022

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	110,938	–	110,938
Financial assets at fair value through profit or loss	–	1,467,624	–	1,467,624
Total	–	1,578,562	–	1,578,562

As at 31 December 2023

	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Debt investments at fair value through other comprehensive income	—	471,736	—	471,736
Financial assets at fair value through profit or loss	—	1,070,565	—	1,070,565
Total	—	1,542,301	—	1,542,301

As at 31 December 2024

	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Equity investments designated at fair value through other comprehensive income	—	—	716	716
Debt investments at fair value through other comprehensive income	—	976,162	—	976,162
Financial assets at fair value through profit or loss	—	824,396	—	824,396
Total	—	1,800,558	716	1,801,274

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December 2024 <i>RMB'000</i>
Equity investments designated at fair value through other comprehensive income	—
At beginning of the year	900
Purchases	(184)
Total losses recognised in other comprehensive income	—
At end of the year	716

The Company

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments.

As at 31 December 2022

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	110,938	–	110,938
Financial assets at fair value through profit or loss	–	1,423,394	–	1,423,394
Total	–	1,534,332	–	1,534,332

As at 31 December 2023

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	471,736	–	471,736
Financial assets at fair value through profit or loss	–	1,060,885	–	1,060,885
Total	–	1,532,621	–	1,532,621

As at 31 December 2024

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	716	716
Debt investments at fair value through other comprehensive income	–	976,162	–	976,162
Financial assets at fair value through profit or loss	–	770,290	–	770,290
Total	–	1,746,452	716	1,747,168

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss, and investments at fair value through other comprehensive income. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, other receivables and other payables, which arise directly from its operations.

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax.

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
RMB/USD			
Strengthened 5%	(1,529)	(3,545)	(5,470)
Weakened 5%	1,529	3,545	5,470

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and staging as at the end of each of the Relevant Periods

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2022

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	-	-	-	1,472	1,472
Financial assets included in prepayments, deposits and other receivables	1,434	-	-	-	1,434
- Normal**	-	-	-	-	-
- Doubtful**	27,417	-	-	-	27,417
Time deposits	519,585	-	-	-	519,585
Cash and cash equivalents	548,436	-	-	1,472	549,908

At 31 December 2023

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	-	-	-	5,949	5,949
Financial assets included in prepayments, deposits and other receivables	-	-	-	-	-
- Normal**	1,797	-	-	-	1,797
- Doubtful**	-	-	-	-	-
Time deposits	62,802	-	-	-	62,802
Cash and cash equivalents	608,696	-	-	-	608,696
	<u>673,295</u>	<u>-</u>	<u>-</u>	<u>5,949</u>	<u>679,244</u>

At 31 December 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	-	-	-	5,812	5,812
Financial assets included in prepayments, deposits and other receivables	-	-	-	-	-
- Normal**	3,090	-	-	-	3,090
- Doubtful**	-	-	-	-	-
Time deposits	116,493	-	-	-	116,493
Cash and cash equivalents	297,355	-	-	-	297,355
	<u>416,938</u>	<u>-</u>	<u>-</u>	<u>5,812</u>	<u>422,750</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the Historical Financial Information. At the end of each of the Relevant Periods, the Group had no significant concentrations of credit risk.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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

	As at 31 December 2022		
	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	8,324	—	8,324
Financial liabilities included in other payables and accruals	54,765	18,434	73,199
Lease liabilities	3,556	5,688	9,244
	<u>66,645</u>	<u>24,122</u>	<u>90,767</u>

	As at 31 December 2023		
	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	12,270	—	12,270
Financial liabilities included in other payables and accruals	44,693	1,727	46,420
Lease liabilities	4,164	3,869	8,033
	<u>61,127</u>	<u>5,596</u>	<u>66,723</u>

	As at 31 December 2024		
	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	7,325	—	7,325
Financial liabilities included in other payables and accruals	24,414	—	24,414
Lease liabilities	4,176	13,107	17,283
	<u>35,915</u>	<u>13,107</u>	<u>49,022</u>

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Total assets	2,372,931	2,493,688	2,649,251
Total liabilities	117,872	102,570	96,316
Asset-liability ratio	5%	4%	4%

40. EVENT AFTER THE RELEVANT PERIOD

- (1) On February 28, 2025, the Company and Sanhua Holding Group Co., Ltd. jointly established Zhejiang Sanhua Jingqu Future Technology Co., LTD (浙江三花精軀未來科技有限公司). The registered capital of Zhejiang Sanhua Jingqu Future Technology Co., LTD is RMB30 million, the Company's shareholding percentage is 36%. On 6 March 2025, the Company paid RMB10.8 million for the investment.
- (2) On April 1, 2025, the Company resolved to subscribe for RMB28 million in the total capital in Shanghai Huake Zhixin Venture Capital Partnership (Limited Partnership) (上海華科致芯創業投資合夥企業(有限合夥), "Huake Zhixin") as a limited partner. Such subscription amount, which was determined after arm's-length negotiation, represents 9.06% of the equity interest in Huake Zhixin upon completion. On 6 May 2025, the Company paid RMB8.4 million for the investment.
- (3) On 9 April 2025, the board of directors approved the grant of 30,000 reserved restricted shares to four participants, according to 2024 Equity incentive plan.
- (4) On 22 April 2025, the Company's shareholders approved the payment of 2024 dividend of RMB0.78 for every ordinary share of the Company.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2024.