

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI SUNMI TECHNOLOGY CO., LTD., DEUTSCHE SECURITIES ASIA LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND ABCI CAPITAL LIMITED**Introduction**

We report on the historical financial information of Shanghai Sunmi Technology Co., Ltd.* ("上海商米科技集团股份有限公司") (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-97, which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-97 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated April 21, 2026 (the "document") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

** English name is for identification purpose.*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

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

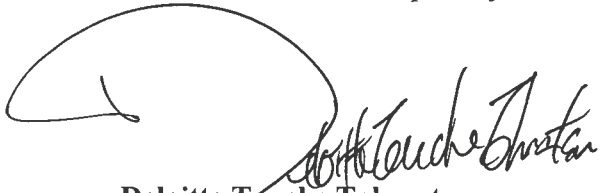
Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 15 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 21, 2026

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Revenue	6	3,070,569	3,456,377	3,811,858
Cost of sales		(2,249,409)	(2,459,046)	(2,618,912)
Gross profit		821,160	997,331	1,192,946
Other income	8	50,569	94,855	91,871
Other gains and losses	9	8,038	39,550	(28,951)
Distribution and selling expenses		(321,878)	(360,985)	(411,627)
Administrative expenses		(84,996)	(135,076)	(120,702)
Research and development expenses		(353,647)	(394,453)	(422,767)
Impairment losses under expected credit loss ("ECL") model, net of reversal		(2,290)	(3,910)	(5,322)
Listing expenses		-	-	(26,156)
Finance costs	10	(16,641)	(30,103)	(31,721)
Profit before tax	11	100,315	207,209	237,571
Income tax credit (expense)	12	913	(26,166)	(14,970)
Profit for the year		101,228	181,043	222,601

	NOTES	Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Other comprehensive income (expense)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		7,952	(4,940)	10,156
Other comprehensive income (expense) for the year, net of income tax		7,952	(4,940)	10,156
Total comprehensive income for the year		109,180	176,103	232,757
Profit for the year attributable to:				
Owners of the Company		101,227	181,043	222,601
Non-controlling interests		1	*	*
		101,228	181,043	222,601
Total comprehensive income for the year attributable to:				
Owners of the Company		109,179	176,103	232,757
Non-controlling interests		1	*	*
		109,180	176,103	232,757
EARNINGS PER SHARE				
Basic (in RMB)	14	0.28	0.50	0.62

* Amount is less than RMB1,000.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31,		
		2023	2024	2025
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Non-Current Assets				
Property and equipment	16	27,664	30,095	42,112
Right-of-use assets	17	72,364	53,363	73,315
Other intangible assets	19	17,498	67,977	51,197
Financial assets at fair value through profit or loss ("FVTPL")	23	48,747	52,196	200,393
Prepayment for purchase of non-current assets		4,674	6,946	9,068
Term deposits with an original maturity over one year	28	–	70,000	683,468
Deferred tax assets	20	95,278	74,756	67,799
Other receivables	22	9,383	10,183	12,079
		<u>275,608</u>	<u>365,516</u>	<u>1,139,431</u>
Current Assets				
Inventories	21	407,758	501,737	773,265
Trade and other receivables	22	1,083,271	1,573,246	1,804,880
Contract costs	27	1,613	429	1,506
Tax recoverable		4,816	4,363	4,392
Bills receivables measured at fair value through other comprehensive income ("FVTOCI")	24	11,714	3,289	7,998
Term deposits with an original maturity over three months but within one year	28	134,217	57,500	92,720
Restricted bank deposits	28	121,688	79,344	57,332
Cash and cash equivalents	28	1,420,835	1,817,848	1,470,895
		<u>3,185,912</u>	<u>4,037,756</u>	<u>4,212,988</u>
Current Liabilities				
Trade and other payables	29	820,132	1,426,338	1,653,346
Income tax payable		1,208	1,676	11,301
Bank borrowings	30	685,101	938,485	1,396,362
Deferred income	31	3,732	4,921	1,994

APPENDIX I
ACCOUNTANTS' REPORT

	NOTES	As at December 31,		
		2023	2024	2025
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Lease liabilities	32	24,447	25,412	23,715
Provisions	33	14,933	12,941	15,271
Contract liabilities	26	85,995	80,529	79,705
		<u>1,635,548</u>	<u>2,490,302</u>	<u>3,181,694</u>
Net current assets		<u>1,550,364</u>	<u>1,547,454</u>	<u>1,031,294</u>
Total assets less current liabilities		<u>1,825,972</u>	<u>1,912,970</u>	<u>2,170,725</u>
Non-Current Liabilities				
Other payables	29	–	40,618	27,259
Deferred tax liabilities	20	607	741	1,087
Deferred income	31	3,106	3,285	2,500
Lease liabilities	32	46,739	28,579	47,382
		<u>50,452</u>	<u>73,223</u>	<u>78,228</u>
Net assets		<u>1,775,520</u>	<u>1,839,747</u>	<u>2,092,497</u>
Capital and Reserves				
Share capital	34	360,000	360,000	360,000
Reserves		<u>1,415,519</u>	<u>1,479,746</u>	<u>1,732,496</u>
Equity attributable to owners of the Company		1,775,519	1,839,746	2,092,496
Non-controlling interests		<u>1</u>	<u>1</u>	<u>1</u>
Total Equity		<u>1,775,520</u>	<u>1,839,747</u>	<u>2,092,497</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property and equipment	16	24,793	22,228	28,299
Right-of-use assets	17	67,978	44,700	35,544
Investments in subsidiaries	18	90,330	211,978	257,381
Other intangible assets	19	17,406	66,813	49,264
Financial assets at FVTPL	23	21,882	17,548	420
Prepayment for purchase of non-current assets		4,543	5,330	7,628
Term deposits with an original maturity over one year	28	–	–	100,856
Deferred tax assets	20	82,526	60,157	52,621
Other receivables	22	9,383	9,432	8,215
		<u>318,841</u>	<u>438,186</u>	<u>540,228</u>
Current Assets				
Inventories	21	369,178	450,945	636,262
Trade and other receivables	22	1,550,319	2,386,355	3,513,385
Contract costs	27	887	429	47
Bills receivables measured at FVTOCI	24	11,714	3,289	7,998
Term deposits with an original maturity over three months but within one year	28	63,036	50,000	60,000
Restricted bank deposits	28	121,470	71,844	47,309
Cash and cash equivalents	28	1,061,423	984,135	695,165
		<u>3,178,027</u>	<u>3,946,997</u>	<u>4,960,166</u>
Current Liabilities				
Trade and other payables	29	853,008	1,392,616	1,884,702
Bank borrowings	30	685,101	895,981	1,382,559
Deferred income	31	3,732	4,921	1,994
Lease liabilities	32	22,619	22,195	11,194
Provisions	33	14,594	12,654	15,069
Contract liabilities	26	57,675	32,569	27,803
		<u>1,636,729</u>	<u>2,360,936</u>	<u>3,323,321</u>
Net Current Assets		1,541,298	1,586,061	1,636,845
Total Assets Less Current Liabilities		1,860,139	2,024,247	2,177,073
Non-Current Liabilities				
Other payables	29	–	40,618	27,259
Deferred income	31	3,106	3,285	2,500
Lease liabilities	32	46,209	24,391	23,727
		<u>49,315</u>	<u>68,294</u>	<u>53,486</u>
Net assets		1,810,824	1,955,953	2,123,587
Capital and Reserves				
Share capital	34	360,000	360,000	360,000
Reserves	35	1,450,824	1,595,953	1,763,587
Total Equity		1,810,824	1,955,953	2,123,587

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Foreign currency translation reserve	Share-based payments reserve	Statutory surplus reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	360,000	876,480	337	141,450	27,998	255,874	1,662,139	*	1,662,139
Profit for the year	–	–	–	–	–	101,227	101,227	1	101,228
Other comprehensive income for the year	–	–	7,952	–	–	–	7,952	*	7,952
Total comprehensive income for the year	–	–	7,952	–	–	101,227	109,179	1	109,180
Appropriation to statutory reserve (Note)	–	–	–	–	15,366	(15,366)	–	–	–
Recognition of equity settled share-based payments (Note 36)	–	–	–	4,201	–	–	4,201	–	4,201
Transfer upon vesting of shares granted (Note 36)	–	59,018	–	(59,018)	–	–	–	–	–
As at December 31, 2023	360,000	935,498	8,289	86,633	43,364	341,735	1,775,519	1	1,775,520

APPENDIX I

ACCOUNTANTS' REPORT

	Attributable to the Owners of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Share-based payments reserve	Statutory surplus reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	–	–	–	–	–	181,043	181,043	*	181,043
Other comprehensive expense for the year	–	–	(4,940)	–	–	–	(4,940)	*	(4,940)
Total comprehensive income for the year	–	–	(4,940)	–	–	181,043	176,103	*	176,103
Appropriation to statutory reserve (Note)	–	–	–	–	25,700	(25,700)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	(151,200)	(151,200)	–	(151,200)
Recognition of equity settled share-based payments (Note 36)	–	–	–	39,324	–	–	39,324	–	39,324
Transfer upon vesting of shares granted (Note 36)	–	79,411	–	(79,411)	–	–	–	–	–
As at December 31, 2024	<u>360,000</u>	<u>1,014,909</u>	<u>3,349</u>	<u>46,546</u>	<u>69,064</u>	<u>345,878</u>	<u>1,839,746</u>	<u>1</u>	<u>1,839,747</u>
Profit for the year	–	–	–	–	–	222,601	222,601	*	222,601
Other comprehensive income for the year	–	–	10,156	–	–	–	10,156	*	10,156
Total comprehensive income for the year	–	–	10,156	–	–	222,601	232,757	*	232,757
Appropriation to statutory reserve (Note)	–	–	–	–	14,764	(14,764)	–	–	–
Recognition of equity settled share-based payments (Note 36)	–	–	–	19,993	–	–	19,993	–	19,993
Transfer upon vesting of shares granted (Note 36)	–	29,180	–	(29,180)	–	–	–	–	–
As at December 31, 2025	<u>360,000</u>	<u>1,044,089</u>	<u>13,505</u>	<u>37,359</u>	<u>83,828</u>	<u>553,715</u>	<u>2,092,496</u>	<u>1</u>	<u>2,092,497</u>

Note: In accordance with the Company Law of the People's Republic of China (the "PRC") and the Company's Articles of Association, the Company is required to appropriate 10% of profit after tax for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve has reached to more than 50% of the registered capital. As at December 31, 2025, the Company's statutory surplus reserve has not reached 50% of the registered capital.

* *Amount is less than RMB1,000.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES			
Profit before tax	100,315	207,209	237,571
Adjustments for:			
Interest income	(33,867)	(63,664)	(47,751)
Interest expense on bank borrowing	12,294	26,649	28,915
Interest expense on lease liabilities	4,347	3,454	2,806
Government grants related to assets	(6,533)	(3,732)	(3,712)
Depreciation of property and equipment	19,165	18,175	21,194
Depreciation of right-of-use assets	27,216	27,875	26,041
Amortization of other intangible assets	7,064	21,785	22,239
Fair value (gain) loss on other financial investments	(6,559)	1,692	(1,576)
Fair value gain on derivative financial instruments	(744)	–	–
Fair value gain on callable notes	–	–	(1,117)
Fair value gain on structured deposit	–	–	(624)
Impairment loss under ECL, net of reversal	2,290	3,910	5,322
Provision of inventories	515	4,339	5,554
Net foreign exchange losses (gains)	1,839	(3,835)	15,918
Losses on disposal of property and equipment	13	122	120
Losses (gains) on early termination of leases	26	(35)	(456)
Share-based payment expenses	4,201	39,324	19,993
Operating cash flow before movements in working capital	131,582	283,268	330,437
Decrease (increase) in inventories	133,563	(98,318)	(277,082)
Decrease (increase) in contract costs	22,227	1,184	(1,077)
Increase in trade and other receivables	(281,904)	(499,007)	(227,523)
(Increase) decrease in bills receivables measured at FVTOCI	(2,101)	(630)	1,163
(Increase) decrease in restricted bank deposits	(18,410)	42,344	22,012
(Decrease) increase in provisions	(14,514)	(1,992)	2,330
Increase in trade and other payables	164,550	439,050	362,841
Decrease in contract liabilities	(45,610)	(5,466)	(824)
Cash generated from operations	89,383	160,433	212,277
Income tax paid	(6,489)	(4,589)	(2,463)
NET CASH GENERATED FROM OPERATING ACTIVITIES	82,894	155,844	209,814

	Year ended December 31,		
	2023	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
INVESTING ACTIVITIES			
Interest income received	28,518	68,760	37,268
Payment for rental deposits	(1,097)	(800)	(4,683)
Refund of rental deposits	135	–	2,787
Purchase of property and equipment	(23,408)	(21,158)	(36,917)
Purchase of other intangible asset	(8,364)	(4,879)	(4,936)
Purchase of other financial investments	(5,000)	(5,141)	(5,179)
Purchase of callable notes	–	–	(140,576)
Proceeds on disposal of property and equipment	413	–	36
Proceeds on disposal of other intangible asset	–	319	29
Government grants related to assets received	5,490	5,100	–
Purchase of structured deposit	(11,310)	–	(520,000)
Proceeds from disposal of structured deposit	15,078	–	520,624
Gross cash outflows from forward exchange contracts	(240,683)	–	–
Gross cash inflows from forward exchange contracts	228,924	–	–
Withdrawal of term deposits	55,953	136,220	189,130
Placement of term deposits	(176,005)	(127,500)	(827,630)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	<u>(131,356)</u>	<u>50,921</u>	<u>(790,047)</u>
FINANCING ACTIVITIES			
Dividend paid	–	–	(132,540)
Deferred issue cost paid	–	–	(3,855)
Repayment of lease liabilities	(29,704)	(29,508)	(31,943)
Payment for acquisition of other intangible assets with financing component	–	(1,730)	(25,158)
New bank borrowings raised	740,230	1,102,426	1,411,222
Repayment of bank borrowings	(351,824)	(849,133)	(953,530)
Bank interest paid	(12,333)	(26,558)	(28,730)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>346,369</u>	<u>195,497</u>	<u>235,466</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	297,907	402,263	(344,767)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,117,013	1,420,835	1,817,848
Effects of exchange rate changes	5,915	(5,250)	(2,186)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,420,835</u></u>	<u><u>1,817,848</u></u>	<u><u>1,470,895</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was established in the People's Republic of China (the "PRC") on December 11, 2013, as a limited liability company. On June 28, 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The respective address of the registered office and the principal place of business of the Company are set out in the section headed ("Corporate Information") to the document.

The Group is primarily engaged in the design, research and development, production, and sales of smart devices, along with the provision of related services. Particulars and principal activities of the subsidiaries are disclosed in Note 42.

Throughout the Track Record Period, the Group is controlled by Mr. Lin Zhe, who is the founder of the Group.

The Historical Financial Information are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards.

The statutory financial statements of the Company for the year ended December 31, 2023 were prepared in accordance with Chinese Accounting Standard for Business Enterprise ("CASBE") and were audited by Beijing Jiaxindasheng Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC. The statutory financial statements of the Company for the year ended December 31, 2024 were prepared in accordance with CASBE and were audited by Shanghai Deyi Zhiyuan Certified Public Accountants (General Partnership), certified public accountants registered in the PRC. No statutory audit report has been issued for the Company's financial statements for the year ended December 31, 2025.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2025 throughout the Track Record Period.

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

At the date of this report, the Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature — dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³

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

² Effective for annual periods beginning on or after January 1, 2026.

³ Effective for annual periods beginning on or after January 1, 2027.

Except for new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of these amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in subsidiaries

Investments in subsidiaries are included in the statements of financial position of the Company at cost less any identified impairment loss, if any.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 6, 26 and 27.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 Leases at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee***Allocation of consideration to components of a contract***

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premise that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Right-of-use assets

The cost of right-of-use assets include:

- the amounts of the initial measurement of the lease liabilities; and
- any lease payments made at or before the commencement date.

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

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

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

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include fixed payments (including in-substance fixed payments).

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

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

Lease modifications

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

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

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Employee benefits***Retirement benefit costs***

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Share-based payments***Equity-settled share-based payment transactions******Restricted shares units granted to employees***

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

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

When shares granted are vested, the amount previously recognized in the share-based payments reserve will be transferred to share premium.

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

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

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

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

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary

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

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

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss.

Property and equipment

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

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Intangible assets***Intangible assets acquired separately***

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

Internally-generated intangible assets - research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing

those goods or services that have not been recognized as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

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

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

Cash and cash equivalents

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

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

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

Inventories

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of smart devices are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

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

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

Financial assets

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

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

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Bills receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these bills receivables had been measured at amortised cost. All other changes in the carrying amount of these bills receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these bills receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets, including trade and other receivables, term deposits, restricted bank deposits and bank balances which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognized lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a

default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

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

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

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

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognized in profit or loss in the “other gains and losses” line item (Note 9) as part of the net foreign exchange gains (losses);
- For financial assets measured at FVTPL, exchange differences are recognized in profit or loss in the “other gains and losses” line item (Note 9) as part of the fair value gains on financial assets.

Derecognition of financial assets

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

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

Financial liabilities and equity***Classification as debt or equity***

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

Equity instruments

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

Financial liabilities

All financial liabilities the Group holds are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognized in the "other gains and losses" line item in profit or loss as part of net foreign exchange losses.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Deferred tax asset

As at December 31, 2023, 2024 and 2025, a deferred tax asset of RMB80,405,000, RMB56,617,000 and RMB43,698,000 in relation to unused tax losses for the Company and certain operating subsidiary has been recognized in the consolidated statements of financial position as disclosed in Note 20. No deferred tax asset has been recognized in respect of tax losses of RMB169,257,000, RMB335,693,000 and RMB488,439,000, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment may progress or evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Recognition of equity-settled share-based payment expenses

The share-based payment expenses are calculated using the fair value of the share rewards at the grant date. During the years ended December 31, 2023, 2024 and 2025, share-based payment expenses of RMB4,201,000, RMB39,324,000 and RMB19,993,000, respectively, are recognized. Discounted cash flow model is used to determine the fair value of the share with key assumptions including discount rate, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards at the grant date and hence the amount of compensation expenses the Group recognize in the Historical Financial Information. Details of the share-based payment expenses are disclosed in Note 36.

Fair value measurement of other financial instruments

As at December 31, 2023, 2024 and 2025, financial assets of investments in unlisted equity interest amounting to RMB48,747,000, RMB52,196,000 and RMB58,712,000 are measured at fair value. Fair values are estimated using valuation techniques that require significant unobservable inputs. Changes in key unobservable inputs could result in material adjustments to the fair value of these instruments. See Note 40 for further disclosures.

Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on aging analysis as grouping of debtors that have similar loss patterns taking into consideration the historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's and of the Company's trade receivables are disclosed in Note 22 and Note 40.

Write-down of inventories

The Group reviews the conditions of inventories and makes provision for obsolete and slow-moving inventory items by using the lower of cost and net realizable value. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and make the sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. The directors reassess these estimates at the end of the reporting period.

As at December 31, 2023, 2024 and 2025, the carrying amount of inventories of the Group is RMB407,758,000, RMB501,737,000 and RMB773,265,000, respectively, net of accumulated inventory provision of RMB12,085,000, RMB16,424,000 and RMB21,978,000, respectively.

6. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of smart devices			
Smart desktop devices	954,216	959,202	972,455
Smart mobile devices	659,879	808,764	1,001,734
Smart payment devices	1,222,771	1,463,896	1,536,646
Accessories and parts	170,953	206,131	262,235
	<u>3,007,819</u>	<u>3,437,993</u>	<u>3,773,070</u>
PaaS platform and customization services	62,750	18,384	38,788
	<u>3,070,569</u>	<u>3,456,377</u>	<u>3,811,858</u>
Geographical information			
Asia Pacific, Middle East & Africa	1,802,593	1,553,130	1,946,393
America	809,599	1,186,183	877,569
Europe	458,377	717,064	987,896
	<u>3,070,569</u>	<u>3,456,377</u>	<u>3,811,858</u>
Timing of revenue recognition			
At a point in time	3,068,055	3,454,303	3,807,916
Over time	2,514	2,074	3,942
	<u>3,070,569</u>	<u>3,456,377</u>	<u>3,811,858</u>

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

Sales of smart devices

The Group sells smart devices to customers. Revenue is recognized at a point in time when the control of the goods has transferred to the customers, mainly being when the goods are either picked up at site or delivered to the designated locations. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

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

Certain customers are required to make a percentage of total consideration as prepayments before the Group deliver the products. Contract liabilities are recognized when consideration is received in which revenue has yet not been recognized.

PaaS platform and customization services

PaaS platform and customization services mainly include revenue generated from:

(a) provision of customization services for hardware and software developed based on PaaS platform, which is charged to customers on a project basis. Revenue is recognized based on the terms stipulated in individual contract. During the Track Record Period, the revenue for customization service is recognized at a point in time when the service result is delivered to the customers or accepted by the customers.

(b) subscription of self-developed supporting software products, which the software subscription fees are charged to customers on an annual basis. During the Track Record Period, the revenue are recognised over time among the term of the subscription agreement.

Contract liabilities are recognised when consideration is received in which revenue has yet not been recognised.

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

Based on management's estimate as at December 31, 2023, 2024 and 2025, all the performance obligation are expected to be recognized as revenue for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the Track Record Period, the Group is primarily engaged in the sales of smart devices. The CODM assesses the operating performance and allocated the resources of the Group as a whole. Therefore, the CODM considers the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4 and no further analysis of the single segment is presented.

Information about major customers

During the years ended December 31, 2023, 2024 and 2025, revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	<u>505,365</u>	<u>758,908</u>	<u>620,617</u>

Geographical information

The Group's operations are mainly located on China mainland. Information about the Group's non-current assets is presented based on the geographical location of the assets. Non-current assets excluded financial instruments and deferred tax assets.

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China mainland	121,077	150,415	156,827
Overseas	1,123	7,966	18,865
	<u>122,200</u>	<u>158,381</u>	<u>175,692</u>

8. OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	33,867	63,664	47,751
Government grants related to income (note)	8,436	17,672	40,408
Government grants related to assets	6,533	3,732	3,712
Sundry income	1,733	9,787	–
	<u>50,569</u>	<u>94,855</u>	<u>91,871</u>

Note: The amount mainly represents various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's operating activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received.

9. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net foreign exchange (losses) gains	(816)	41,981	(37,217)
Fair value gains on derivative financial instruments	744	–	–
Fair value gains (losses) on other financial investments	6,559	(1,692)	1,576
Fair value gains on structured deposit	–	–	624
Fair value gain on callable notes	–	–	1,117
Others	1,551	(739)	4,949
	<u>8,038</u>	<u>39,550</u>	<u>(28,951)</u>

10. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on bank borrowings	12,294	26,649	28,915
Interest expenses on lease liabilities	4,347	3,454	2,806
	<u>16,641</u>	<u>30,103</u>	<u>31,721</u>

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Directors and supervisors' remuneration	12,213	14,456	11,033
Other employee benefits expenses:			
- Salaries, bonus and other allowances	462,002	527,080	564,538
- Retirement benefit scheme contributions	48,004	48,892	56,241
- Equity-settled share-based payment expenses	(1,268)	36,743	19,993
	<u>520,951</u>	<u>627,171</u>	<u>651,805</u>
Amount capitalized in contract cost	(17,332)	(916)	(8,830)
	<u>503,619</u>	<u>626,255</u>	<u>642,975</u>
- Depreciation of property and equipment	19,165	18,175	21,194
- Depreciation of right-of-use assets	27,216	27,875	26,041
- Amortization of other intangible assets	7,064	21,785	22,239
	<u>53,445</u>	<u>67,835</u>	<u>69,474</u>

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract cost recognized as an expense	39,559	2,100	7,754
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB515,000, RMB4,339,000 and RMB5,554,000 for each of the years ended December 31, 2023, 2024 and 2025, respectively)	2,184,478	2,402,727	2,559,200
Listing expenses (including Auditor's remuneration amounting to nil, nil and RMB5,899,000 for each of the years ended December 31, 2023, 2024 and 2025, respectively)	–	–	26,156

12. INCOME TAX (CREDIT) EXPENSE

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Income tax expenses comprise:			
Current tax:			
the PRC	138	119	6,553
Hong Kong	2,796	3,835	(4,498)
Singapore	(1)	593	4,113
France	369	391	554
USA	187	241	844
Others	99	331	101
	3,588	5,510	7,667
Deferred tax (Note 20)	(4,501)	20,656	7,303
	(913)	26,166	14,970

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Company have been accredited as a High-New Technology Enterprise (the "HNTE") by the Science and Technology Bureau of Shanghai and relevant authorities in November 2020. The HNTE qualification of the Company was renewed in November 2023 with the preferential tax rate period extended to November 2026. The Company was subject to a preferential income tax rate of 15.00% during the Track Record Period. Besides, Citaq Co., Ltd., a wholly-owned subsidiary of the Company, has been accredited as a HNTE in December 2022 and the HNTE qualification was renewed in December 2025 with the preferential tax rate period extended to December 2028, and subjected to the preferential income tax rate of 15.00% during the Track Record Period. Shanghai SunQuick Technology Co., Ltd. a wholly-owned subsidiary of the Company, has been accredited as a HNTE in December 2024 with a preferential tax rate period from 2024 to 2026.

Hangzhou Shanggong Equity Investment Co., Ltd., Shanghai Sunquick Technology Co., Ltd., Shanghai Sunmi Home Business Management Co., Ltd., Sunmax (Hangzhou) Co., Ltd., Sunmax Technology (Zhejiang) Co., Ltd. have been recognised as small and micro enterprises. According to the relevant provisions of announcement by the State Administration of Taxation, a preferential enterprise income tax rate of 20.00% was

applied to small and micro enterprise and a 75% discount on taxable income were further applicable for the portion of annual taxable income not exceeding RMB3,000,000 during the Track Record Period. Other subsidiaries in the PRC are subject to tax rate of 25.00% during the Track Record Period.

Under the two-tiered profits tax rates regime in Hong Kong Profits Tax, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.50% during the Track Record Period.

The tax rate of the subsidiaries in Singapore is 17.00% during the Track Record Period.

The tax rate of the subsidiaries in France is 25.00% during the Track Record Period.

The tax rate of the subsidiaries in USA is 21.00% during the Track Record Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	100,315	207,209	237,571
Tax at PRC EIT rate of 25%	25,079	51,802	59,393
Tax effect of expenses that are not deductible for tax purpose	1,903	14,298	13,683
Tax effect of income not taxable for tax purpose	(612)	(56)	(18,060)
Tax effect of tax losses not recognized	26,870	42,072	38,216
Utilization of tax losses previously not recognized	(354)	(389)	(29)
Tax effect of deductible temporary differences not recognized	41	934	1,187
Utilization of deductible temporary differences previously not recognized	–	(2)	(6)
Tax effect of extra deduction of research and development expenses (note)	(52,853)	(64,921)	(63,507)
Income tax at concessionary rate	1,832	(14,458)	(5,888)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,819)	(3,114)	(5,221)
Over provision in respect of prior years	–	–	(4,798)
Income tax (credit) expense recognised in profit or loss	(913)	26,166	14,970

Note: Pursuant to Caishui 2023 circular No. 7, the Company enjoyed super deduction of 200% on qualified research and development expenditures for the years ended December 31, 2023, 2024 and 2025; Shanghai SunQuick Technology Co., Ltd., Sunmax (Hangzhou) Co., Ltd. enjoyed super deduction of 200% on qualified research and development expenditures for the years ended December 31, 2024 and 2025.

Pursuant to Caishui 2022 circular No. 16 and Caishui 2023 circular No. 7, Citaq Co., Ltd. enjoyed super deduction of 200% on qualified research and development expenditures throughout the Track Record Period; SUNMI Technology (Zhejiang) Co., Ltd. enjoyed super deduction of 200% on qualified research and development expenditures throughout the years ended December 31, 2024 and 2025.

13. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors, supervisors and the chief executive officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming directors and supervisors of the Company) during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Date of appointment	Salaries and other benefits		Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2023							
Executive directors:							
Mr. Lin Zhe (chief executive officer)	June 16, 2019	–	1,921	68	–	–	1,989
Mr. Chen Xiaojing	June 16, 2019	–	750	68	457	284	1,559
Mr. Chen Guihong	June 16, 2019	–	849	68	721	–	1,638
Mr. Zhang Jinpu	October 9, 2020	–	1,321	68	4,291	–	5,680
Subtotal		–	4,841	272	5,469	284	10,866
Non-executive directors:							
Mr. Cao Kai	June 16, 2019	–	–	–	–	–	–
Mr. Jiang Wen	December 30, 2020	–	–	–	–	–	–
Subtotal		–	–	–	–	–	–
Independent non-executive directors:							
Mr. Gu Mengdi	March 8, 2021	120	–	–	–	–	120
Mr. Li Shihong	April 19, 2022	120	–	–	–	–	120
Ms. Peng Juan	April 19, 2022	120	–	–	–	–	120
Subtotal		360	–	–	–	–	360
Supervisors:							
Mr. Kong Min	June 16, 2019	–	919	68	–	–	987
Ms. Jia Wei	June 16, 2019	–	–	–	–	–	–
Ms. Zhang Lufang (Note i)	April 19, 2022	–	–	–	–	–	–
Ms. Gao Qi	June 29, 2023	–	–	–	–	–	–
Subtotal		–	919	68	–	–	987
Total		360	5,760	340	5,469	284	12,213

APPENDIX I

ACCOUNTANTS' REPORT

	Date of appointment	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2024							
Executive directors:							
Mr. Lin Zhe (chief executive officer)	June 16, 2019	–	1,919	71	–	2,116	4,106
Mr. Chen Xiaojing	June 16, 2019	–	749	71	349	409	1,578
Mr. Chen Guihong	June 16, 2019	–	849	71	722	203	1,845
Mr. Zhang Jinpu	October 9, 2020	–	1,326	71	1,162	992	3,551
Subtotal		–	4,843	284	2,233	3,720	11,080
Non-executive directors:							
Mr. Cao Kai	June 16, 2019	–	–	–	–	–	–
Mr. Jiang Wen	December 30, 2020	–	–	–	–	–	–
Subtotal		–	–	–	–	–	–
Independent non-executive directors:							
Mr. Gu Mengdi	March 8, 2021	120	–	–	–	–	120
Mr. Li Shihong	April 19, 2022	120	–	–	–	–	120
Ms. Peng Juan	April 19, 2022	120	–	–	–	–	120
Subtotal		360	–	–	–	–	360
Supervisors:							
Mr. Kong Min	June 16, 2019	–	917	71	–	700	1,688
Ms. Jia Wei (Note ii)	June 16, 2019	–	–	–	–	–	–
Ms. Gao Qi	June 29, 2023	–	–	–	–	–	–
Mr. Lin Bo (Note ii)	February 6, 2024	–	143	19	232	100	494
Mr. Zhang Shuxuan	June 9, 2024	–	323	28	116	367	834
Subtotal		–	1,383	118	348	1,167	3,016
Total		360	6,226	402	2,581	4,887	14,456

APPENDIX I

ACCOUNTANTS' REPORT

	Date of appointment	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2025							
Executive directors:							
Mr. Lin Zhe (chief executive officer)	June 16, 2019	–	3,248	69	–	2,083	5,400
Mr. Chen Xiaojing	June 16, 2019	–	749	71	–	368	1,188
Mr. Chen Guihong	June 16, 2019	–	840	71	–	277	1,188
Mr. Zhang Jinpu	October 9, 2020	–	1,317	71	–	631	2,019
Subtotal		–	6,154	282	–	3,359	9,795
Non-executive directors:							
Mr. Cao Kai (Note iii)	June 16, 2019	–	–	–	–	–	–
Mr. Jiang Wen (Note iii)	December 30, 2020	–	–	–	–	–	–
Mr. Wang Huan (Note iv)	May 15, 2025	–	–	–	–	–	–
Ms. Zhang Yi (Note iv)	May 15, 2025	–	–	–	–	–	–
Subtotal		–	–	–	–	–	–
Independent non-executive directors:							
Mr. Gu Mengdi (Note v)	March 8, 2021	40	–	–	–	–	40
Mr. Li Shihong	April 19, 2022	120	–	–	–	–	120
Ms. Peng Juan (Note v)	April 19, 2022	40	–	–	–	–	40
Ms. Wang Xia (Note iv)	May 15, 2025	80	–	–	–	–	80
Mr. POON Wing Shing, Anthony (Note iv)	May 15, 2025	79	–	–	–	–	79
Subtotal		359	–	–	–	–	359
Supervisors: (Note ii)							
Mr. Kong Min	June 16, 2019	–	465	35	–	74	574
Ms. Gao Qi	June 29, 2023	–	–	–	–	–	–
Mr. Zhang Shuxuan	June 9, 2024	–	278	27	–	–	305
Subtotal		–	743	62	–	74	879
Total		359	6,897	344	–	3,433	11,033

Notes:

- (i) Ms. Zhang Lufang resigned as supervisor in 2023.
- (ii) Ms. Jia Wei and Mr. Lin Bo resigned as supervisors in 2024. All the rest supervisors retired upon the expiry of their respective terms in May 2025. The Group subsequently abolished the Board of Supervisors.

- (iii) Mr. Cao Kai and Mr. Jiang Wen retired as non-executive directors upon the expiry of their respective terms in 2025.
- (iv) Mr. Wang Huan and Ms. Zhang Yi were appointed as non-executive directors in 2025; Ms. Wang Xia and Mr. Poon Wing Shing, Anthony were appointed as independent non-executive directors in 2025.
- (v) Mr. Gu Mengdi and Ms. Peng Juan retired as independent non-executive directors upon the expiry of their respective terms in 2025.
- (vi) None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the years ended December 31, 2023, 2024 and 2025.
- (vii) During the years ended December 31, 2023, 2024 and 2025, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.
- (viii) Prior to the Track Record Period, certain directors and supervisors were granted restricted shares units, in respect of their services to the Group under the 2019 Share Incentive Plan of the Company. Details of the 2019 Share Incentive Plan are set out in Note 36.
- (ix) The emoluments of executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of independent non-executive directors shown above were for their services as directors of the Company and its subsidiaries, if applicable. The emoluments of supervisors shown above were for their services as supervisors of the Company and its subsidiaries, if applicable.

FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include one, one, and one director of the Company whose emoluments are set out above for the years ended December 31, 2023, 2024 and 2025. The emoluments of the remaining four, four, and four highest paid employees for each of the year ended December 31, 2023, 2024 and 2025, respectively, are as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	4,400	4,452	6,410
Retirement benefit scheme contributions	191	239	459
Share-based payments	4,726	7,152	6,333
Discretionary bonus	1,112	5,558	4,213
	<u>10,429</u>	<u>17,401</u>	<u>17,415</u>

The emoluments of these employees are within the following bands:

	Year ended December 31,		
	2023	2024	2025
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Hong Kong dollar (“HK\$”) 2,500,001 to HK\$3,000,000	3	–	–
HK\$3,000,001 to HK\$3,500,000	1	–	–
HK\$3,500,001 to HK\$4,000,000	–	–	1
HK\$4,000,001 to HK\$4,500,000	–	4	1
HK\$5,000,001 to HK\$5,500,000	–	–	2
HK\$5,500,001 to HK\$6,000,000	–	–	1
HK\$6,000,001 to HK\$6,500,000	1	1	–
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, certain non-director and non-chief executive highest paid employees were granted restricted share units, in respect of their services to the Group under the 2019 Share Incentive Plan as details in note 36.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company	<u>101,227</u>	<u>181,043</u>	<u>222,601</u>
	Year ended December 31,		
<i>Number of shares</i>	2023	2024	2025
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>

No diluted earnings per share were presented as there were no potential ordinary shares in issue during the years ended December 31, 2023, 2024 and 2025.

15. DIVIDENDS

During the years ended December 31, 2023, 2024 and 2025, the Company declared dividends amounting to nil, RMB151,200,000 and nil, respectively, to its shareholders. The corresponding dividend per share was nil, RMB0.42 and nil for the respective periods.

16. PROPERTY AND EQUIPMENT**The Group**

	Machinery and equipment	Office equipment and furniture	Moulds	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
As at January 1, 2023	28,521	1,744	59,292	5,627	–	95,184
Additions	4,182	–	8,842	–	2,401	15,425
Disposals	(527)	(228)	(898)	–	–	(1,653)
Transfer	–	–	–	2,401	(2,401)	–
Exchange rate realignment	3	4	–	–	–	7
As at December 31, 2023	32,179	1,520	67,236	8,028	–	108,963
Additions	7,619	150	7,884	–	5,076	20,729
Disposals	(1,055)	(261)	(1,349)	–	–	(2,665)
Transfer	–	–	–	5,076	(5,076)	–
Exchange rate realignment	(8)	1	–	–	–	(7)
As at December 31, 2024	38,735	1,410	73,771	13,104	–	127,020
Additions	11,844	6	16,925	–	4,616	33,391
Disposals	(1,136)	(112)	(1,766)	–	–	(3,014)
Transfer	–	–	–	4,616	(4,616)	–
Exchange rate realignment	43	31	–	(66)	–	8
As at December 31, 2025	49,486	1,335	88,930	17,654	–	157,405
ACCUMULATED DEPRECIATION						
As at January 1, 2023	17,426	1,351	40,289	2,306	–	61,372
Provided for the year	5,540	122	11,075	2,428	–	19,165
Eliminated on disposals	(436)	(203)	(588)	–	–	(1,227)
Exchange rate realignment	1	1	–	–	–	2
As at December 31, 2023	22,531	1,271	50,776	4,734	–	79,312
Provided for the year	5,084	108	9,332	3,651	–	18,175
Eliminated on disposals	(973)	(247)	(1,120)	–	–	(2,340)
Exchange rate realignment	(6)	–	–	–	–	(6)
As at December 31, 2024	26,636	1,132	58,988	8,385	–	95,141
Provided for the year	6,874	88	9,979	4,253	–	21,194
Eliminated on disposals	(993)	(106)	(1,759)	–	–	(2,858)
Exchange rate realignment	30	26	–	(24)	–	32
As at December 31, 2025	32,547	1,140	67,208	12,614	–	113,509

	Machinery and equipment	Office equipment and furniture	Moulds	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ACCUMULATED IMPAIRMENT						
As at January 1, 2023 and December 31, 2023	652	–	1,335	–	–	1,987
Eliminated on disposals	–	–	(203)	–	–	(203)
As at December 31, 2024 and December 31, 2025	652	–	1,132	–	–	1,784
CARRYING VALUES						
As at December 31, 2023	8,996	249	15,125	3,294	–	27,664
As at December 31, 2024	11,447	278	13,651	4,719	–	30,095
As at December 31, 2025	16,287	195	20,590	5,040	–	42,112

The Company

	Machinery and equipment	Office equipment and furniture	Moulds	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
As at January 1, 2023	27,195	1,324	55,277	4,658	–	88,454
Additions	4,026	–	8,463	–	992	13,481
Disposals	(426)	(228)	(852)	–	–	(1,506)
Transfer	–	–	–	992	(992)	–
As at December 31, 2023	30,795	1,096	62,888	5,650	–	100,429
Additions	4,532	–	7,729	–	848	13,109
Disposals	(915)	(249)	(1,349)	–	–	(2,513)
Transfer	–	–	–	848	(848)	–
As at December 31, 2024	34,412	847	69,268	6,498	–	111,025
Additions	5,550	–	15,384	–	267	21,201
Disposals	(1,113)	(112)	(1,625)	–	–	(2,850)
Transfer	–	–	–	267	(267)	–
As at December 31, 2025	38,849	735	83,027	6,765	–	129,376

	Machinery and equipment	Office equipment and furniture	Moulds	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION						
As at January 1, 2023	16,521	1,152	37,436	1,802	–	56,911
Provided for the year	5,308	60	10,545	1,963	–	17,876
Eliminated on disposals	(347)	(203)	(588)	–	–	(1,138)
As at December 31, 2023	21,482	1,009	47,393	3,765	–	73,649
Provided for the year	4,660	22	8,768	2,104	–	15,554
Eliminated on disposals	(853)	(236)	(1,101)	–	–	(2,190)
As at December 31, 2024	25,289	795	55,060	5,869	–	87,013
Provided for the year	4,935	9	9,507	532	–	14,983
Eliminated on disposals	(972)	(106)	(1,625)	–	–	(2,703)
As at December 31, 2025	29,252	698	62,942	6,401	–	99,293
ACCUMULATED IMPAIRMENT						
As at January 1, 2023 and December 31, 2023	652	–	1,335	–	–	1,987
Eliminated on disposals	–	–	(203)	–	–	(203)
As at December 31, 2024 and December 31, 2025	652	–	1,132	–	–	1,784
CARRYING VALUES						
As at December 31, 2023	8,661	87	14,160	1,885	–	24,793
As at December 31, 2024	8,471	52	13,076	629	–	22,228
As at December 31, 2025	8,945	37	18,953	364	–	28,299

The above items of property and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery and equipment	19.00%-33.33% per annum
Office equipment and furniture	19.00% per annum
Moulds	33.33% per annum
Leasehold improvements	Over the shorter of the lease term or 5 years

17. RIGHT-OF-USE ASSETS

The Group

	<u>Offices</u>	<u>Plant and warehouse</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CARRYING AMOUNT			
As at January 1, 2023	100,077	756	100,833
Additions	1,869	–	1,869
Depreciation charge	(26,867)	(349)	(27,216)
Modification	(3,122)	–	(3,122)
As at December 31, 2023	71,957	407	72,364
Additions	7,904	997	8,901
Depreciation charge	(27,161)	(714)	(27,875)
Exchange rate realignment	(27)	–	(27)
As at December 31, 2024	52,673	690	53,363
Additions	19,696	7,804	27,500
Modification	19,060	(489)	18,571
Depreciation charge	(24,351)	(1,690)	(26,041)
Exchange rate realignment	(78)	–	(78)
As at December 31, 2025	<u>67,000</u>	<u>6,315</u>	<u>73,315</u>
	Year ended December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	3,232	2,806	3,503
Total cash outflow for leases	<u>32,936</u>	<u>32,314</u>	<u>40,129</u>

The Company

	<u>Offices</u> <u>RMB'000</u>
CARRYING AMOUNT	
As at January 1, 2023	95,454
Depreciation charge	(24,675)
Modification	(2,801)
As at December 31, 2023	67,978
Depreciation charge	(23,278)
As at December 31, 2024	44,700
Additions	1,988
Modification	14,707
Derecognition	(9,346)
Depreciation charge	(16,505)
As at December 31, 2025	<u>35,544</u>

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Expense relating to short-term leases	891	16	223
Total cash outflow for leases	<u>27,897</u>	<u>25,303</u>	<u>21,436</u>

The Group regularly entered into short-term leases for offices. As at December 31, 2023, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the years ended December 31, 2023, 2024 and 2025, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of 1 to 18 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension or termination options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

Restrictions or covenants on leases

In addition, lease liabilities of RMB71,186,000, RMB53,991,000 and RMB71,097,000 are recognized with related right-of-use assets of RMB72,364,000, RMB53,363,000 and RMB73,315,000 as at December 31, 2023, 2024 and 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. These leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended December 31, 2023, lessors provided rent concessions to the Group through rent reductions for 50% over 23 months. These rent concessions were concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of RMB2,763,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognized.

18. INVESTMENTS IN SUBSIDIARIES**The Company**

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of investments	<u>90,330</u>	<u>211,978</u>	<u>257,381</u>

19. OTHER INTANGIBLE ASSETS

The Group

	<u>Software</u> <i>RMB'000</i>	<u>License</u> <i>RMB'000</i>	<u>Patents</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
COST				
As at January 1, 2023	21,528	–	–	21,528
Additions	<u>13,969</u>	<u>–</u>	<u>1,536</u>	<u>15,505</u>
As at December 31, 2023	35,497	–	1,536	37,033
Additions	14,702	57,881	–	72,583
Disposals	<u>(619)</u>	<u>–</u>	<u>–</u>	<u>(619)</u>
As at December 31, 2024	49,580	57,881	1,536	108,997
Additions	5,488	–	–	5,488
Disposals	<u>(36)</u>	<u>–</u>	<u>–</u>	<u>(36)</u>
As at December 31, 2025	<u>55,032</u>	<u>57,881</u>	<u>1,536</u>	<u>114,449</u>
ACCUMULATED AMORTIZATION				
As at January 1, 2023	12,471	–	–	12,471
Provided for the year	<u>6,985</u>	<u>–</u>	<u>79</u>	<u>7,064</u>
As at December 31, 2023	19,456	–	79	19,535
Provided for the year	9,902	11,576	307	21,785
Eliminated on disposals	<u>(300)</u>	<u>–</u>	<u>–</u>	<u>(300)</u>
As at December 31, 2024	29,058	11,576	386	41,020
Provided for the year	10,356	11,576	307	22,239
Eliminated on disposals	<u>(7)</u>	<u>–</u>	<u>–</u>	<u>(7)</u>
As at December 31, 2025	<u>39,407</u>	<u>23,152</u>	<u>693</u>	<u>63,252</u>
CARRYING VALUES				
As at December 31, 2023	<u>16,041</u>	<u>–</u>	<u>1,457</u>	<u>17,498</u>
As at December 31, 2024	<u>20,522</u>	<u>46,305</u>	<u>1,150</u>	<u>67,977</u>
As at December 31, 2025	<u>15,625</u>	<u>34,729</u>	<u>843</u>	<u>51,197</u>

The Company

	<u>Software</u>	<u>License</u>	<u>Patents</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
As at January 1, 2023	20,505	–	–	20,505
Additions	13,980	–	1,505	15,485
As at December 31, 2023	34,485	–	1,505	35,990
Additions	13,508	57,881	–	71,389
Disposals	(619)	–	–	(619)
As at December 31, 2024	47,374	57,881	1,505	106,760
Additions	3,888	–	–	3,888
As at December 31, 2025	51,262	57,881	1,505	110,648
ACCUMULATED AMORTIZATION				
As at January 1, 2023	11,553	–	–	11,553
Provided for the year	6,956	–	75	7,031
As at December 31, 2023	18,509	–	75	18,584
Provided for the year	9,786	11,576	301	21,663
Eliminated on disposals	(300)	–	–	(300)
As at December 31, 2024	27,995	11,576	376	39,947
Provided for the year	9,560	11,576	301	21,437
As at December 31, 2025	37,555	23,152	677	61,384
CARRYING VALUES				
As at December 31, 2023	15,976	–	1,430	17,406
As at December 31, 2024	19,379	46,305	1,129	66,813
As at December 31, 2025	13,707	34,729	828	49,264

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 3-5 years.

20. DEFERRED TAX ASSETS/LIABILITIES

The Group

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

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	95,278	74,756	67,799
Deferred tax liabilities	(607)	(741)	(1,087)
	<u>94,671</u>	<u>74,015</u>	<u>66,712</u>

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

	Right-of-use asset	Lease liabilities	Unrealised profit on internal transactions	Tax losses	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023	(14,956)	14,503	1,204	77,792	11,626	90,169
Credited/(charged) to profit or loss	4,265	(3,961)	4,973	2,613	(3,389)	4,501
Exchange adjustments	–	–	1	–	–	1
As at December 31, 2023	(10,691)	10,542	6,178	80,405	8,237	94,671
Credited/(charged) to profit or loss	3,612	(3,427)	1,587	(23,788)	1,360	(20,656)
As at December 31, 2024	(7,079)	7,115	7,765	56,617	9,597	74,015
(Charged)/credited to profit or loss	(2,163)	1,631	(1,186)	(12,919)	7,334	(7,303)
As at December 31, 2025	<u>(9,242)</u>	<u>8,746</u>	<u>6,579</u>	<u>43,698</u>	<u>16,931</u>	<u>66,712</u>

As at December 31, 2023, 2024 and 2025, the Group has unused tax losses of approximately RMB705,288,000, RMB713,139,000 and RMB782,078,000, respectively, available for offsetting against future profits. No deferred tax asset has been recognized in respect of tax losses of RMB169,257,000, RMB335,693,000 and RMB488,439,000 respectively, due to the unpredictability of future profit streams.

The unrecognized tax losses of the Group will be carried forward and expire in years as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2024	296	–	–
2025	76	14	–
2026	10,305	9,496	9,496
2027	51,099	50,408	50,396
2028	107,481	43,316	43,319
2029	–	87,621	87,524
2030	–	3	110,638
2031	–	2	2
2032	–	2	2
2033	–	64,165	64,165
2034	–	80,666	80,666
2035	–	–	42,231
	<u>169,257</u>	<u>335,693</u>	<u>488,439</u>

As at December 31, 2023, 2024 and 2025, the Group has deductible temporary differences of RMB176,293,000, RMB178,421,000 and RMB223,296,000, respectively. No deferred tax asset has been recognized in relation to deductible temporary difference of RMB206,000, RMB3,933,000 and RMB8,654,000 as at December 31, 2023, 2024 and 2025, respectively, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Company

For the purpose of presentation in the statements of financial position, deferred tax assets and liabilities have been offset.

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	93,755	67,244	57,953
Deferred tax liabilities	(11,229)	(7,087)	(5,332)
	<u>82,526</u>	<u>60,157</u>	<u>52,621</u>

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

	<u>Right-of-use assets</u>	<u>Lease liabilities</u>	<u>Tax losses</u>	<u>Others</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023	(14,318)	14,164	74,414	10,906	85,166
Credited/(charged) to profit or loss	<u>4,121</u>	<u>(3,840)</u>	<u>(286)</u>	<u>(2,635)</u>	<u>(2,640)</u>
As at December 31, 2023	(10,197)	10,324	74,128	8,271	82,526
Credited/(charged) to profit or loss	<u>3,492</u>	<u>(3,336)</u>	<u>(23,999)</u>	<u>1,474</u>	<u>(22,369)</u>
As at December 31, 2024	(6,705)	6,988	50,129	9,745	60,157
Credited/(charged) to profit or loss	<u>1,373</u>	<u>(1,750)</u>	<u>(14,694)</u>	<u>7,535</u>	<u>(7,536)</u>
As at December 31, 2025	<u>(5,332)</u>	<u>5,238</u>	<u>35,435</u>	<u>17,280</u>	<u>52,621</u>

As at December 31, 2023, 2024 and 2025, deferred tax asset has been recognized in respect of all tax losses and all deductible temporary differences.

21. INVENTORIES

The Group

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	185,974	186,165	442,089
Work in progress	10,173	7,884	5,544
Finished goods	<u>211,611</u>	<u>307,688</u>	<u>325,632</u>
	<u>407,758</u>	<u>501,737</u>	<u>773,265</u>

Inventories are net of a write-down of approximately RMB12,085,000, RMB16,424,000 and RMB21,978,000 as at December 31, 2023, 2024 and 2025, respectively.

The Company

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	158,278	152,040	328,450
Finished goods	<u>210,900</u>	<u>298,905</u>	<u>307,812</u>
	<u>369,178</u>	<u>450,945</u>	<u>636,262</u>

Inventories are net of a write-down of approximately RMB11,037,000, RMB14,846,000 and RMB18,824,000 as at December 31, 2023, 2024 and 2025, respectively.

22. TRADE AND OTHER RECEIVABLES

The Group

Details of trade and other receivables are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
- Related parties	2,232	34,971	15,412
- Third parties	637,947	1,019,556	1,136,769
Less: allowance for expected credit losses (Note 40)	(2,599)	(5,688)	(11,237)
	<u>637,580</u>	<u>1,048,839</u>	<u>1,140,944</u>
Other receivables			
- Related parties	53	103	103
- Third parties	304,965	398,737	336,735
Less: allowance for expected credit losses (Note 40)	(4,397)	(5,242)	(4,919)
	<u>300,621</u>	<u>393,598</u>	<u>331,919</u>
Bill receivables	–	–	1,807
Interest receivables	6,632	1,536	1,830
Prepayments to suppliers			
- Related parties	–	–	1,867
- Third parties	66,398	32,029	171,405
	<u>66,398</u>	<u>32,029</u>	<u>173,272</u>
Deferred issue costs	–	–	4,003
Value-added-tax (“VAT”) recoverable	9,241	5,863	10,196
VAT export refund receivable	61,394	87,169	140,654
Rental deposits	9,383	10,183	12,079
Advance to employees	322	339	255
Others	1,083	3,873	–
	<u>1,092,654</u>	<u>1,583,429</u>	<u>1,816,959</u>
Analyzed as:			
Non-current	9,383	10,183	12,079
Current	<u>1,083,271</u>	<u>1,573,246</u>	<u>1,804,880</u>
	<u>1,092,654</u>	<u>1,583,429</u>	<u>1,816,959</u>

As at January 1, 2023, trade receivables from contracts with customers, net of allowance for ECL, amounting to RMB406,259,000.

The Group normally grants a credit period of 30-120 days or a particular period agreed with customers effective from the date when the goods and services have been completed and accepted by customers.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods and services at the end of each reporting period:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 - 60 days	470,954	739,964	871,612
61 - 120 days	141,217	233,077	164,084
121 - 180 days	15,658	44,218	52,838
181 - 365 days	5,349	17,648	31,605
Over 365 days	4,402	13,932	20,805
	<u>637,580</u>	<u>1,048,839</u>	<u>1,140,944</u>

As at December 31, 2023, 2024 and 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB114,573,000, RMB187,153,000 and RMB85,324,000, which are past due as at the reporting date. Out of the past due balances, RMB13,713,000, RMB29,531,000 and RMB34,155,000 has been past due 90 days or more and is not considered as in default as the directors of the Company have considered the recoverable amount and credit quality of the relevant customers and concluded that the ECL is not significant to the Group.

The Group does not hold any collateral over these balances.

Trade and other receivables denominated in currencies other than the functional currency of the respective group entities which include intra-group balances at the end of each reporting period are mainly as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	1,258	7,836	157,627
United States dollar ("USD")	574,531	1,163,408	1,471,853
Euro ("EUR")	10,306	34,442	110,829
HKD	4,856	-	-
Singaporean dollar ("SGD")	-	765	1,915
	<u>-</u>	<u>765</u>	<u>1,915</u>

The Company

Details of trade and other receivables are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
- Subsidiaries	953,507	1,761,164	2,699,741
- Other related parties	2,232	34,971	15,412
- Third parties	195,194	65,084	143,554
Less: allowance for expected credit losses (Note 40)	(1,786)	(1,144)	(848)
	<u>1,149,147</u>	<u>1,860,075</u>	<u>2,857,859</u>
Other receivables			
- Subsidiaries (Note)	70,447	171,745	275,935
- Other related parties	50	50	50
- Third parties	272,400	329,798	320,702
Less: allowance for expected credit losses (Note 40)	(3,952)	(4,366)	(4,337)
	<u>338,945</u>	<u>497,227</u>	<u>592,350</u>
Bill receivables	–	–	1,807
Interest receivables	4,650	1,146	575
Prepayments to suppliers			
- Third parties	38,145	24,465	53,340
Deferred issue costs	–	–	4,003
VAT export refund receivable	18,610	3,340	3,337
Rental deposits	9,383	9,432	8,215
Advance to employees	157	99	114
Others	665	3	–
	<u>1,559,702</u>	<u>2,395,787</u>	<u>3,521,600</u>
Analyzed as:			
Non-current	9,383	9,432	8,215
Current	1,550,319	2,386,355	3,513,385
	<u>1,559,702</u>	<u>2,395,787</u>	<u>3,521,600</u>

Note: The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

As at January 1, 2023, trade receivables from contracts with customers, net of allowance for ECL, amounting to RMB708,161,000.

The Company normally grants a credit period of 30 -120 days or a particular period agreed with customers effective from the date when the goods and services have been completed and accepted by customers.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on revenue recognition dates:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 - 60 days	572,898	987,140	1,053,187
61 - 120 days	192,386	395,184	434,725
121 - 180 days	56,359	437,964	392,633
181 - 365 days	151,149	24,312	755,995
Over 365 days	176,355	15,475	221,319
	<u>1,149,147</u>	<u>1,860,075</u>	<u>2,857,859</u>

The Company does not hold any collateral over these balances.

Details of the assessment on the provision of ECL of trade and other receivables of the Group and of the Company as at December 31, 2023, 2024 and 2025 are set out in Note 40.

Trade and other receivables denominated in currencies other than the functional currency of the Company at the end of each reporting period are mainly as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	<u>354,778</u>	<u>8,210</u>	<u>5,397</u>

23. FINANCIAL INSTRUMENT AT FVTPL

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets measured at FVTPL:			
Other financial investments at FVTPL (Note a)	48,747	52,196	58,712
Other financial assets – callable notes (Note b)	–	–	141,681
Financial assets at FVTPL as non-current assets	<u>48,747</u>	<u>52,196</u>	<u>200,393</u>

Note a: The amounts represent unlisted equity interest in entities. The Group accounts these investments at FVTPL. Gains from changes in fair value amounting to RMB6,559,000, losses from changes in fair value amounting to RMB1,692,000 and gains from changes in fair value amounting to RMB1,576,000 is recognized during the years ended December 31, 2023, 2024 and 2025, respectively. Details of fair value measurements are set out in Note 40.

Note b: The Group invested in callable notes issued by a bank, with redemption levels ranging from 110% to 131.5% depending on the contractually specified redemption dates, which may be exercised at the option of the issuing bank. The redemption period is from September 2027 to September 2030. These investments are classified as financial assets at FVTPL.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets mandatorily measured at FVTPL:			
Other financial investments at FVTPL as non-current assets	<u>21,882</u>	<u>17,548</u>	<u>420</u>

24. BILLS RECEIVABLES MEASURED AT FVTOCI

As at December 31, 2023, 2024 and 2025, certain bills which were held by the Group and the Company were endorsed to suppliers or discounted to banks before the bills due for payment. Since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, these bills receivables were classified as “bills receivables measured at FVTOCI”.

All the bills receivables were with a maturity period of less than one year. The credit risk on bills receivables at FVTOCI is limited because the counterparties are with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant. Details of impairment assessment are set out in Note 40.

25. TRANSFERS OF FINANCIAL ASSETS

- (i) Transferred financial assets that were derecognized in their entirety

The bills accepted by banks with high credit quality were derecognized when they were endorsed to certain suppliers for settlement of trade payables or discounted to the banks. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed bills receivable is low because all endorsed or discounted bills receivables are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were derecognized on the consolidated statements of financial position. As at December 31, 2023, 2024 and 2025, the Group had derecognized bills endorsed to certain suppliers but not expired amounting to RMB2,170,000, RMB103,876,000 and RMB33,291,000, respectively.

- (ii) Transferred financial assets that were not derecognized in their entirety

As at December 31, 2023, 2024 and 2025, bills receivable with a total carrying amount of RMB9,054,000, nil and nil were endorsed to certain suppliers for settlement of trade payables. If the bills are not paid on maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognize the full carrying amount of bills receivables and has recognized the payables from the endorsement of the bills with full recourse.

26. CONTRACT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of smart devices	84,205	78,312	73,098
PaaS platform and customization services	1,790	2,217	6,607
	<u>85,995</u>	<u>80,529</u>	<u>79,705</u>

The Group may require certain customers to pay deposits in advance and to fully settle the remaining balance upon delivery.

Contract liabilities represented the trade deposits received from customers, which will be recognized as the Group's revenue when the control of the goods or services transfer to customers. Revenue of RMB131,605,000, RMB85,995,000 and RMB80,529,000 of the Group was recognized during each of the years ended December 31, 2023, 2024 and 2025, respectively, that was included in the contract liabilities at the beginning of the relevant year.

Contract liabilities that were expected to be settled within the Group's normal operating cycle are classified as current liabilities.

As at January 1, 2023, contract liabilities of the Group were RMB131,605,000.

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of smart devices	56,698	31,674	27,105
PaaS platform and customization services	977	895	698
	<u>57,675</u>	<u>32,569</u>	<u>27,803</u>

The Company may require certain customers to pay deposits in advance and to fully settle the remaining balance before or upon delivery.

Contract liabilities represented the trade deposits received from customers, which will be recognized as the Company's revenue when the control of the goods transfer to customers. Revenue of RMB114,022,000, RMB57,675,000 and RMB32,569,000 of the Company was recognized during each of the years ended December 31, 2023, 2024 and 2025, respectively, that was included in the contract liabilities at the beginning of the relevant year.

Contract liabilities that were expected to be settled within the Company's normal operating cycle are classified as current liabilities.

As at January 1, 2023, contract liabilities of the Company were RMB114,022,000.

27. CONTRACT COSTS

Details of contract costs are as follows:

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Costs to fulfill contracts	1,613	429	1,506

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Costs to fulfill contracts	887	429	47

Costs to fulfill contracts mainly comprise costs of labor costs, which are still ongoing at each of the end of the reporting period.

Contract costs are recognized as part of cost of sales in the consolidated statements of profit or loss and other comprehensive income in the period in which revenue is recognized.

The amount of capitalised costs recognized in profit or loss of the Group during each of the year ended December 31, 2023, 2024 and 2025 was RMB39,559,000, RMB2,100,000 and RMB7,754,000, respectively.

There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Track Record Period.

29. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables			
-Third parties	386,996	818,599	991,601
Other payables			
-Related parties	367	–	–
-Third parties	27,606	98,105	97,403
	27,973	98,105	97,403
Bills payables	298,849	191,114	352,325
Payroll payables	59,958	130,199	125,889
Other tax payables	20,466	32,070	55,117
Accrued expenses	23,963	43,858	45,700
Accrued listing expenses and issue costs	–	–	11,004
Dividend payable (Note 15)	–	151,200	–
Others	1,927	1,811	1,566
	106,314	359,138	239,276
	<u>820,132</u>	<u>1,466,956</u>	<u>1,680,605</u>
Analyzed as:			
Non-current	–	40,618	27,259
Current	820,132	1,426,338	1,653,346
	<u>820,132</u>	<u>1,466,956</u>	<u>1,680,605</u>

The average credit period on purchases of goods and services of the Group is 30 - 90 days.

The following is an aged analysis of trade payables, presented based on the date of goods and services received at the end of each reporting period:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 - 60 days	382,637	797,471	942,558
60 - 120 days	3,669	20,400	47,627
120 - 180 days	289	293	382
181 - 365 days	212	294	357
Over 365 days	189	141	677
	<u>386,996</u>	<u>818,599</u>	<u>991,601</u>

The following is an analysis of bills payable based on the bill maturity dates at the end of each reporting period.

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 180 days	<u>298,849</u>	<u>191,114</u>	<u>352,325</u>

At the end of each reporting period, the Group's bills payables were issued by banks and were secured by the Group's restricted bank deposits.

Trade and other payables denominated in currencies other than the functional currency of the respective group entities which include intra-group balances at the end of each reporting period are mainly as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	258,981	301,416	520,627
USD	27,601	47,958	150,471
EUR	9,710	67,582	49,786
Polish Zloty ("PLN")	143	852	570
Arab Emirates Dirham ("AED")	420	636	3,124
	<u>420</u>	<u>636</u>	<u>3,124</u>

The Company

	As at December 31,		
	2023	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables			
-Subsidiaries	19,682	311,746	831,646
-Third parties	<u>364,776</u>	<u>469,854</u>	<u>393,622</u>
	384,458	781,600	1,225,268
Other payables			
-Subsidiaries (Note)	60,194	72,777	171,413
-Other related parties	367	–	–
-Third parties	<u>23,925</u>	<u>88,611</u>	<u>86,988</u>
	84,486	161,388	258,401
Bills payables			
-Subsidiaries	–	–	33,336
-Third parties	<u>298,849</u>	<u>191,114</u>	<u>268,919</u>
	298,849	191,114	302,255
Payroll payables	45,432	89,057	73,414
Other tax payables	18,766	22,616	29,011
Accrued expenses	19,203	34,677	11,411
Accrued listing expenses and issue costs	–	–	11,004
Dividend payable (Note 15)	–	151,200	–
Others	<u>1,814</u>	<u>1,582</u>	<u>1,197</u>
	85,215	299,132	126,037
	<u>853,008</u>	<u>1,433,234</u>	<u>1,911,961</u>
Analyzed as:			
Non-current	–	40,618	27,259
Current	<u>853,008</u>	<u>1,392,616</u>	<u>1,884,702</u>
	<u>853,008</u>	<u>1,433,234</u>	<u>1,911,961</u>

Note: The amounts are non-trade in nature, unsecured, non-interest bearing, and repayable on demand.

The average credit period on purchases of goods and services of the Company is 30-90 days.

The following is an aged analysis of trade payables, presented based on the date of goods and services received at the end of each reporting period:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	381,228	739,692	1,005,299
60 – 120 days	2,649	40,965	172,020
120 – 180 days	205	520	105
181 – 365 days	289	290	24,606
Over 365 days	87	133	23,238
	<u>384,458</u>	<u>781,600</u>	<u>1,225,268</u>

The following is an analysis of bills payable based on the bill maturity dates at the end of each reporting period.

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 180 days	<u>298,849</u>	<u>191,114</u>	<u>302,255</u>

At the end of each reporting period, the Company's bills payables were issued by banks and were secured by the Company's restricted bank deposits.

Trade and other payables denominated in currencies other than the functional currency of the Company at the end of each reporting period are mainly as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	25,882	46,522	83,679
EUR	<u>4,682</u>	<u>62,769</u>	<u>36,566</u>

30. BANK BORROWINGS

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings:			
Unsecured and guaranteed (Note a)	541,458	614,889	–
Secured and unguaranteed (Note b)	–	37,500	8,800
Unsecured and unguaranteed	143,643	286,096	1,387,562
	<u>685,101</u>	<u>938,485</u>	<u>1,396,362</u>
Fixed-rate borrowings	<u>685,101</u>	<u>938,485</u>	<u>1,396,362</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Effective interest rate:			
Fixed-rate borrowings	2.80%-3.60%	2.40%-3.20%	2.11%-3.00%

As at December 31, 2023, 2024 and 2025, all the carrying amount of the above bank borrowings are repayable within one year.

Note a: As at December 31, 2023 and 2024, these bank borrowings of the Group are guaranteed by the controlling shareholder Mr. Lin Zhe and his spouse. The guarantee has been released before December 31, 2025.

Note b: During the year ended December 31, 2024 and 2025, the Group discounted certain bills amounting to RMB37,500,000 and RMB8,800,000 issued by Group entities in respect of certain intra-group transactions in full to bank to obtain financing. The amount of RMB37,500,000 and RMB8,800,000 as at December 31, 2024 and 2025 were treated as secured and unguaranteed borrowings from banks.

The Company

	As at December 31,		
	2023	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Bank borrowings:			
Unsecured and guaranteed (note)	541,458	609,885	–
Unsecured and unguaranteed	143,643	286,096	1,382,559
	<u>685,101</u>	<u>895,981</u>	<u>1,382,559</u>
Fixed-rate borrowings	<u>685,101</u>	<u>895,981</u>	<u>1,382,559</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company's borrowings are as follows:

	As at December 31,		
	2023	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Effective interest rate:			
Fixed-rate borrowings	2.80%-3.60%	2.40%-3.20%	2.11%-3.00%

As at December 31, 2023, 2024 and 2025, all the carrying amount of the above bank borrowings are repayable within one year.

Note: As at December 31, 2023 and 2024, these bank borrowings of the Company are guaranteed by the controlling shareholder Mr. Lin Zhe and his spouse. The guarantee has been released before December 31, 2025.

31. DEFERRED INCOME**The Group and the Company**

	As at December 31,		
	2023	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Subsidies related to property and equipment	6,838	8,206	4,494
Analyzed as:			
-current	3,732	4,921	1,994
-non-current	3,106	3,285	2,500
	<u>6,838</u>	<u>8,206</u>	<u>4,494</u>

The Group received government subsidies for capital expenditure incurred for purchasing equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

32. LEASE LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities payable:			
Within one year	24,447	25,412	23,715
Over one year but not exceeding two years	22,725	25,740	21,696
Over two years but not exceeding five years	24,014	2,839	25,214
Over five years	—	—	472
	<u>71,186</u>	<u>53,991</u>	<u>71,097</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(24,447)</u>	<u>(25,412)</u>	<u>(23,715)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>46,739</u>	<u>28,579</u>	<u>47,382</u>

The weighted average incremental borrowing rates applied to lease liabilities is 5.23%, 5.23% and 3.58% per annum for the years ended December 31, 2023, 2024 and 2025, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities payable:			
Within one year	22,619	22,195	11,194
Over one year but not exceeding two years	22,195	22,635	11,736
Over two years but not exceeding five years	24,014	1,756	11,991
	<u>68,828</u>	<u>46,586</u>	<u>34,921</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(22,619)</u>	<u>(22,195)</u>	<u>(11,194)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>46,209</u>	<u>24,391</u>	<u>23,727</u>

The weighted average incremental borrowing rates applied to lease liabilities is 5.23%, 5.23% and 3.58% per annum for the years ended December 31, 2023, 2024 and 2025, respectively.

33. PROVISIONS

The Group

	Warranty provision
	<i>RMB'000</i>
As at January 1, 2023	29,447
Additional provision during in the year	12,200
Utilization of provision	(26,714)
As at December 31, 2023	14,933
Additional provision during in the year	13,371
Utilization of provision	(15,363)
As at December 31, 2024	12,941
Additional provision during the year	15,892
Utilisation of provision	(13,562)
As at December 31, 2025	<u>15,271</u>

The Company

	Warranty provision
	<i>RMB'000</i>
As at January 1, 2023	26,170
Additional provision during the year	5,260
Utilization of provision	(16,836)
As at December 31, 2023	14,594
Additional provision during the year	8,131
Utilization of provision	(10,071)
As at December 31, 2024	12,654
Additional provision during the year	12,491
Utilisation of provision	(10,076)
As at December 31, 2025	<u>15,069</u>

The warranty provision represents management's best estimate of the Group's and of the Company's liability under assurance-type warranty granted on products for a period from one to three years, based on prior experience for defective products.

34. SHARE CAPITAL OF THE COMPANY

	<u>Number of shares</u>	<u>Shares capital</u> <i>RMB'000</i>
Ordinary shares of RMB1 each authorised, issued and fully paid		
As at January 1, 2023, December 31, 2023, 2024 and 2025	<u>360,000,000</u>	<u>360,000</u>

Pursuant to a shareholders' resolution in June 2019, the Company adopted its weighted voting rights structure with its registered share capital comprising of class A shares and class B shares. Each of the class A shares entitles the holders thereof to exercise ten votes and each of the class B shares entitles the holders thereof to exercise one vote, on any resolution tabled at the Company's general meetings, other than customary reserved matters on which the weighted voting rights attached to the class A shares shall be disregarded pursuant to the Company's then existing articles of association. All class A shares are beneficially owned by Mr. Lin Zhe, the founder of the Group.

35. RESERVES OF THE COMPANY

	<u>Share premium</u> <i>RMB'000</i>	<u>Share-based payments reserve</u> <i>RMB'000</i>	<u>Statutory surplus reserve</u> <i>RMB'000</i>	<u>Retained earnings</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
As at January 1, 2023	871,534	141,450	27,998	251,984	1,292,966
Profit and total comprehensive income for the year	–	–	–	153,657	153,657
Appropriation to statutory reserve	–	–	15,366	(15,366)	–
Recognition of equity settled share-based payments	–	4,201	–	–	4,201
Transfer upon vesting of shares granted	59,018	(59,018)	–	–	–
As at December 31, 2023	930,552	86,633	43,364	390,275	1,450,824
Profit and total comprehensive income for the year	–	–	–	257,005	257,005
Appropriation to statutory reserve	–	–	25,700	(25,700)	–
Dividend recognized as distribution	–	–	–	(151,200)	(151,200)
Recognition of equity settled share-based payments	–	39,324	–	–	39,324
Transfer upon vesting of shares granted	79,411	(79,411)	–	–	–

	Share premium	Share-based payments reserve	Statutory surplus reserve	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2024	1,009,963	46,546	69,064	470,380	1,595,953
Profit and total comprehensive income for the year	–	–	–	147,641	147,641
Appropriation to statutory reserve	–	–	14,764	(14,764)	–
Recognition of equity settled share-based payments	–	19,993	–	–	19,993
Transfer upon vesting of shares granted	29,180	(29,180)	–	–	–
As at December 31, 2025	<u>1,039,143</u>	<u>37,359</u>	<u>83,828</u>	<u>603,257</u>	<u>1,763,587</u>

36. SHARE-BASED PAYMENT TRANSACTIONS

In order to provide incentives to employees, senior management and directors, the Company had granted several batches of restricted shares units since 2014 according to the share-based compensation plan adopted in 2014 (“Original Plan”). On June 30, 2019, the Company established a new share-based compensation plan (“2019 Share Incentive Plan”) to replace the Original Plan. The 2019 Share Incentive Plan added the performance evaluation requirements as an additional vesting condition on top of the Original Plan with all other terms remained unchanged. The modification of vesting conditions is not beneficial to the grantees. Thus, the amount to be recognized for services received from the grantees continues to be measured based on the grant date fair value and vesting conditions of the Original Plan. The Company authorized a total of 28,877,670 shares for issuance under the 2019 Share Incentive Plan. Under this plan, the eligible grantees were granted restricted share units by holding which they can subscribe for partnership interest of the employee shareholding platforms to indirectly hold the shares of the Company.

As stipulated in the grant notices to the eligible grantees, the restricted shares units follow the vesting conditions as follows:

Category A: all the restricted shares units will vest on the second anniversary after the grant date. The fair value of per share at grant date is RMB20.97.

Category B: all the restricted shares units will vest on the third anniversary after the grant date. The fair value of per share at grant date ranges from RMB6.65 to RMB17.6.

Category C: all the restricted shares units will vest on the fifth anniversary after the grant date. The fair value of per share at grant date ranges from RMB4.61 to RMB23.08.

Category D: all the restricted shares units will vest on the tenth anniversary after the grant date. The fair value of per share at grant date is RMB2.07.

Category E: the vesting period is 5 years with 40% of the restricted shares units vesting on the second anniversary after the grant date and the remaining 60% of the restricted shares units vesting in 3 equal yearly installments from third anniversary to the fifth anniversary. The fair value of per share at grant date ranges from RMB17.17 to RMB21.47.

Category F: The vesting period is 4 years with 50% of the restricted shares units vesting on the second anniversary after the grant date and the remaining 50% of the restricted shares units vesting in 2 equal yearly installments from third anniversary to the fourth anniversary. The fair value of per share at grant date is RMB17.17 to RMB17.68.

The Group recognizes share-based payment expenses over the vesting period on a straight-line basis from the date the restricted shares units are granted to the eligible grantees. During the years ended December 31, 2023, 2024 and 2025, equity-settled share-based payment compensation expenses of RMB4,201,000, RMB39,324,000 and RMB19,993,000, respectively in relation to the above-mentioned share-based payment arrangements were charged to profit or loss.

Set out below are details of the movements of the restricted shares units granted under 2019 Share Incentive Plan during the Track Record Period:

	Number of shares		Weighted average fair value per share at grant date
	<i>Directors of the Company</i>	<i>Employees</i>	<i>RMB</i>
2019 Share Incentive Plan			
As at January 1, 2023	6,349,057	11,956,656	11.65
Granted	–	2,676,114	18.40
Vested	(2,139,087)	(3,821,716)	10.75
Forfeited	–	(2,461,802)	17.07
As at December 31, 2023	4,209,970	8,349,252	12.46
Granted	–	922,702	18.64
Vested	(4,209,970)	(4,443,156)	9.76
Forfeited	–	(252,646)	17.24
As at December 31, 2024	–	4,576,152	18.55
Granted	–	931,314	21.58
Vested	–	(1,652,125)	17.66
Forfeited	–	(205,942)	17.04
As at December 31, 2025	–	3,649,399	19.81

The grant date fair value of the restricted share unit was determined based on the difference between the grant date fair value per share (arrives from underlying equity value of the Company divides by the number of shares) of the Company and the subscription price of the restricted share unit. The Group applied the discounted cash flow method under the income approach to determine the underlying equity value of the Company. Best estimates of key assumptions, such as the discount rate, expected volatility and risk-free interest rate, are required to be determined by management. Key assumptions used in determining the fair value of shares under the share-based payment arrangements are as follows:

	Shares granted in		
	2023	2024	2025
Key assumptions			
Discount rate	13.50%	13.00%	13.00%
Risk-free interest rate	2.80%	1.90%-2.40%	1.90%
Volatility	45.89%	43.79%-48.91%	48.03%

The fair value of the restricted shares units was valued by directors of the Company with reference to valuation reports carried out by King Kee Appraisal and Advisory Limited, an independent qualified valuer. The address of the valuer is Unit 1705, 17th Floor, Bonham Trade Centre, 50-54 Bonham Strand East, Sheung Wan, Hong Kong.

37. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Other than as disclosed in Notes 22 and 29 in the Historical Financial Information, the Group has the following material transactions and balances with the related parties during the years ended December 31, 2023, 2024 and 2025.

The Group

Relationships	Nature of balances / transactions	As at Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
A group controls one of the shareholders of the Company, who has significant influence over the Company.	Purchase of materials and services	15,207	13,396	48,396
	Sales of goods and provide services	14,007	78,645	116,190
	Trade receivables (Note)	2,147	34,971	15,412
	Other receivables (Note)	–	50	50
	Prepayments (Note)	–	–	1,867

Note: The amounts are trade in nature, unsecured, and non-interest bearing.

(b) Compensation of key management personnel

The remuneration of the directors, supervisors and other key management personnel of the Group during the years ended December 31, 2023, 2024 and 2025 were as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Short-term benefits	6,812	7,445	8,871
Discretionary bonus (Note)	284	6,068	6,005
Retirement benefit scheme contributions	408	471	478
Share-based payments	5,582	3,276	2,269
	<u>13,086</u>	<u>17,260</u>	<u>17,623</u>

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

38. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group entered into new lease agreements or extended lease agreements for the use of leased properties. On the lease commencement and modifications, the Group recognized right-of-use assets of RMB1,869,000, RMB8,901,000 and RMB46,071,000 and lease liabilities of RMB1,869,000, RMB8,901,000 and RMB46,071,000 during the years ended December 31, 2023, 2024 and 2025, respectively.

During the year ended December 31, 2024, the Group entered into several intangible assets acquisitions contracts. On the contract effective date, the Group recognized intangible assets of RMB64,335,000 and other payables of RMB 64,335,000. The other payables are trade in nature, unsecured, non-interest bearing and due in five years with yearly payment.

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net asset, which includes bank balances and cash, restricted bank deposits and term deposits, net of bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, the new shares issues, the issue of new debts and redemption of existing debts.

40. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments****The Group**

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Amortised cost	2,630,956	3,478,848	3,791,187
Financial assets at FVTPL	48,747	52,196	200,393
Bills receivables measured at FVTOCI	11,714	3,289	7,998
	<u>2,691,417</u>	<u>3,534,333</u>	<u>4,000,578</u>
Financial liabilities			
Amortised cost	1,398,919	2,197,503	2,837,691

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Amortised cost	2,748,054	3,473,859	4,362,329
Financial assets at FVTPL	21,882	17,548	420
Bills receivables measured at FVTOCI	11,714	3,289	7,998
	<u>2,781,650</u>	<u>3,494,706</u>	<u>4,373,747</u>
Financial liabilities			
Amortised cost	1,452,894	2,181,283	3,168,483

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, bank balance, restricted bank deposits, term deposits, trade and other payables and bank borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Cash and cash equivalents, term deposits, restricted bank deposits, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities which include intra-group balances at the end of each reporting period are mainly as follows:

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
USD	1,394,399	1,824,963	1,954,972
EUR	10,861	39,698	147,067
RMB	4,401	9,223	158,370
HKD	5,603	281	641
SGD	–	1,054	1,922
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
RMB	258,981	301,416	520,627
USD	27,601	47,958	150,471
EUR	9,710	67,582	49,786
PLN	143	852	570
AED	420	636	3,124
	<u> </u>	<u> </u>	<u> </u>

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
USD	1,174,547	635,815	351,314
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
USD	25,882	46,522	83,679
EUR	4,682	62,769	36,566
	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in foreign currencies against respective entities' functional currencies, with which the Group and the Company may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where foreign currencies strengthen 5% against functional currencies. For a 5% weakening of foreign currencies against functional currencies, there would be an equal and opposite impact on profit for the year.

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impact on profit or loss	<u>47,543</u>	<u>62,267</u>	<u>65,594</u>

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impact on profit or loss	<u>48,607</u>	<u>22,365</u>	<u>9,841</u>

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to restricted bank deposits, term deposits, fixed-rate bank borrowings and lease liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from other financial investments at FVTPL. The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for other financial investments at FVTPL. If the equity value of the ordinary shares of investment had been changed based on the 5% higher/lower:

- The profit or loss of the Group for the years ended December 31, 2023, 2024 and 2025 would increase or decrease by approximately RMB2,072,000, RMB2,218,000 and RMB2,495,000, respectively.
- The profit or loss of the Company for the years ended December 31, 2023, 2024 and 2025 would increase or decrease by approximately RMB930,000, RMB746,000 and RMB18,000, respectively.

Credit risk

The carrying amounts of trade and other receivables, cash and cash equivalents, restricted bank deposits and term deposits included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Trade receivables

For trade receivables, the Group and the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed collectively, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on annual basis. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables are mainly amounts due from public companies and reputable and sizeable leading food delivery platforms and etc. In this regard, the management considers that the Group's credit risk is significantly reduced. As at December 31, 2023, 2024 and 2025, the credit loss rate of trade receivable for the Group are 0.41%, 0.54% and 0.98%, respectively.

The Group has concentration of credit risk of the trade receivables amounting to RMB214,163,000, RMB274,442,000 and RMB394,313,000, respectively, representing 33.59%, 26.17% and 34.56% of total trade receivables as at December 31, 2023, 2024 and 2025 from the Group's largest debtors. RMB345,315,000, RMB692,990,000 and RMB677,688,000 of the trade receivables was due from the five largest debtors, representing 54.16%, 66.07% and 59.40% of total trade receivables as at December 31, 2023, 2024 and 2025, respectively.

Other receivables

For other receivables, the management believes that there are no significant increase in credit risk of these amounts since initial recognition hence the Group and the Company has applied 12 month ECL in accordance to IFRS 9 to measure the loss allowance. The ECL on other receivables are grouped and collectively assessed for impairment, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year. As at December 31, 2023, 2024 and 2025, the credit loss rate of other receivables for the Group are 1.40%, 1.28% and 1.41%.

Bills receivables measured at FVTOCI

Bills receivables measured at FVTOCI include commercial acceptance bills and bank acceptance bills. The Group and the Company has applied 12m ECL in accordance with IFRS 9 to measure the loss allowance. The credit risk on commercial acceptance bills and bank acceptance bills measured at FVTOCI is limited because the counterparties are large-scale entities with high credit records, or banks with high credit-ratings assigned by credit rating agencies. The management of the Group believes that the Group's credit risk in bills receivables measured at FVTOCI are insignificant.

The credit risk on bank balances, restricted bank deposits and term deposits are limited because the counterparties are reputable financial institutions. The Group and the Company assesses 12m ECL for bank balances, restricted bank deposits and term deposits with reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies. Management considered the ECL on bank balances, restricted bank deposits and term deposits is insignificant.

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

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The Group

	Internal credit rating	12m or lifetime ECL	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
As at December 31, 2023				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	134,217	–
Cash and cash equivalents	Low risk	12m ECL	1,420,835	–
Restricted bank deposits	Low risk	12m ECL	121,688	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	640,179	2,599
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	6,632	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	314,401	4,397
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	11,714	–
			<u>2,649,666</u>	<u>6,996</u>
As at December 31, 2024				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	127,500	–
Cash and cash equivalents	Low risk	12m ECL	1,817,848	–
Restricted bank deposits	Low risk	12m ECL	79,344	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,054,527	5,688
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	1,536	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	409,023	5,242
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	3,289	–
			<u>3,493,067</u>	<u>10,930</u>

	Internal credit rating	12m or lifetime ECL	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
As at December 31, 2025				
Financial assets at amortised cost				
Term deposits	Low risk	12m ECL	776,188	–
Cash and cash equivalents	Low risk	12m ECL	1,470,895	–
Restricted bank deposits	Low risk	12m ECL	57,332	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,152,181	11,237
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	1,830	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	348,917	4,919
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	7,998	–
			<u>3,815,341</u>	<u>16,156</u>

The Company

	Internal credit rating	12m or lifetime ECL	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
As at December 31, 2023				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	63,036	–
Cash and cash equivalents	Low risk	12m ECL	1,061,423	–
Restricted bank deposits	Low risk	12m ECL	121,470	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,150,933	1,786
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	4,650	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	352,280	3,952
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	11,714	–
			<u>2,765,506</u>	<u>5,738</u>

	<u>Internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Gross carrying amount</u> <i>RMB'000</i>	<u>Impairment loss allowance</u> <i>RMB'000</i>
As at December 31, 2024				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	50,000	–
Cash and cash equivalents	Low risk	12m ECL	984,135	–
Restricted bank deposits	Low risk	12m ECL	71,844	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,861,219	1,144
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	1,146	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	511,025	4,366
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	3,289	–
			<u>3,482,658</u>	<u>5,510</u>
As at December 31, 2025				
Financial assets at amortised cost				
Term deposits	Low risk	12m ECL	160,856	–
Cash and cash equivalents	Low risk	12m ECL	695,165	–
Restricted bank deposits	Low risk	12m ECL	47,309	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	2,858,707	848
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	575	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	604,902	4,337
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	7,998	–
			<u>4,375,512</u>	<u>5,185</u>

Note: For trade receivables, the Group and the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group and the Company determines the ECL on trade receivables on a collective basis, grouped by the aging of the trade receivables.

The following table shows the movement in ECL that has been recognized for trade and other receivables.

The Group

	Trade receivables (Lifetime ECL)		Other receivables (12m ECL)	Total
	(not credit- impaired)	(credit- impaired)		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023	1,593	24	3,095	4,712
Impairment losses recognized, net of reversal	997	–	1,293	2,290
Write-off	–	(24)	–	(24)
Exchange rate realignment	9	–	9	18
As at December 31, 2023	2,599	–	4,397	6,996
Impairment losses recognized, net of reversal	3,069	–	841	3,910
Exchange rate realignment	20	–	4	24
As at December 31, 2024	5,688	–	5,242	10,930
Impairment losses recognised, net of reversal	5,643	–	(321)	5,322
Exchange rate realignment	(94)	–	(2)	(96)
As at December 31, 2025	<u>11,237</u>	<u>–</u>	<u>4,919</u>	<u>16,156</u>

The Company

	Trade receivables (Lifetime ECL)	Other receivables (12m ECL)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	As at January 1, 2023	1,069	2,478
Impairment losses recognized, net of reversal	717	1,474	2,191
As at December 31, 2023	1,786	3,952	5,738
Impairment losses recognized, net of reversal	(642)	414	(228)
As at December 31, 2024	1,144	4,366	5,510
Impairment losses recognised, net of reversal	(296)	(29)	(325)
As at December 31, 2025	<u>848</u>	<u>4,337</u>	<u>5,185</u>

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group/Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Over 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Trade and other payables	N/A	713,818	–	–	713,818	713,818
Bank borrowings	3.07	717,800	–	–	717,800	685,101
Lease liabilities	5.23	26,500	48,554	–	75,054	71,186
		<u>1,458,118</u>	<u>48,554</u>	<u>–</u>	<u>1,506,672</u>	<u>1,470,105</u>
As at December 31, 2024						
Trade and other payables	N/A	1,218,400	40,618	–	1,259,018	1,259,018
Bank borrowings	2.76	977,802	–	–	977,802	938,485
Lease liabilities	5.23	27,933	30,869	–	58,802	53,991
		<u>2,224,135</u>	<u>71,487</u>	<u>–</u>	<u>2,295,622</u>	<u>2,251,494</u>
As at December 31, 2025						
Trade and other payables	N/A	1,414,070	27,259	–	1,441,329	1,441,329
Bank borrowings	2.19	1,410,725	–	–	1,410,725	1,396,362
Lease liabilities	3.58	25,880	48,996	476	75,352	71,097
		<u>2,850,675</u>	<u>76,255</u>	<u>476</u>	<u>2,927,406</u>	<u>2,908,788</u>

The Company

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023					
Trade and other payables	N/A	767,793	–	767,793	767,793
Bank borrowings	3.07	717,800	–	717,800	685,101
Lease liabilities	5.23	24,361	48,278	72,639	68,828
		<u>1,509,954</u>	<u>48,278</u>	<u>1,558,232</u>	<u>1,521,722</u>
As at December 31, 2024					
Trade and other payables	N/A	1,244,685	40,617	1,285,302	1,285,302
Bank borrowings	2.76	934,056	–	934,056	895,981
Lease liabilities	5.23	24,048	26,705	50,753	46,586
		<u>2,202,789</u>	<u>67,322</u>	<u>2,270,111</u>	<u>2,227,869</u>
As at December 31, 2025					
Trade and other payables	N/A	1,758,665	27,259	1,785,924	1,785,924
Bank borrowings	2.18	1,396,869	–	1,396,869	1,382,559
Lease liabilities	3.58	12,242	24,610	36,852	34,921
		<u>3,167,776</u>	<u>51,869</u>	<u>3,219,645</u>	<u>3,203,404</u>

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Notes	Fair value as at December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		2023	2024	2025				
		RMB'000	RMB'000	RMB'000				
Financial assets at FVTPL– Other financial investments at FVTPL	23	48,747	52,196	58,712	Level 3	Back-solve model/ Market comparison approach – reference to enterprise value to sales multiple (“EV/Sales”)	DLOM- discount of lack of marketability/ EV/Sales (Note)	The higher the DLOM is, the lower the fair value is. The higher the EV/Sales is, the higher the fair value is.
Financial assets at FVTPL – other financial assets – callable notes	23	–	–	141,681	Level 2	Discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments.	N/A	N/A
Bills receivables measured at FVTOCI	24	11,714	3,289	7,998	Level 2	Discounted cash flow method. Future cash flows are estimated based on discount rate observed in the available market.	N/A	N/A

Note: A slight increase in the DLOM used in isolation would result in a decrease in the fair value measurement of the other financial investments, and vice versa. A 5% increase in the DLOM holding all other variables constant would decrease the carrying amount of the other financial investments for each of the year ended December 31, 2023, 2024 and 2025 by approximately RMB321,000, RMB1,008,000 and RMB626,000, respectively.

A slight increase in the EV/Sales used in isolation would result in an increase in the fair value measurement of the other financial investments, and vice versa. A 5% increase in the EV/Sales holding all other variables constant would increase the carrying amount of the other financial investments for each of the year ended December 31, 2023, 2024 and 2025 by approximately RMB 1,254,000, RMB 2,083,000 and nil, respectively.

(ii) Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL
	RMB'000
As at January 1, 2023	37,188
Purchase of financial assets	5,000
Fair value changes	6,559
As at December 31, 2023	48,747
Purchase of financial assets	5,141
Fair value changes	(1,692)
As at December 31, 2024	52,196
Purchase of financial assets	5,179
Fair value changes	1,576
Exchange rate realignment	(239)
As at December 31, 2025	<u>58,712</u>

Of the total gains or losses for the period included in profit or loss, RMB6,559,000 gain, RMB1,692,000 loss and RMB1,576,000 gain relates to financial assets at FVTPL- other financial investments at FVTPL held at December 31, 2023, 2024 and 2025, respectively. Fair value gains or losses on financial assets at FVTPL- other financial investments at FVTPL are included in 'other gains and losses'.

(d) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

41. RETIREMENT BENEFIT PLANS

The employees of the Company and the Company's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC entity is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total costs charged to profit or loss, amounting to RMB48,344,000, RMB49,294,000 and RMB56,585,000 for the years ended December 31, 2023, 2024 and 2025, respectively, representing contributions paid or payable to the retirement benefits scheme by the Group.

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at December 31, 2023, 2024, and 2025 and the date of this report, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/ incorporations	Issued and fully paid share/registered capital			Equity interest attributable to the Group				Principal activities
		As at December 31,			As at December 31,			The date of this report	
		2023	2024	2025	2023	2024	2025		
				%	%	%	%		
SUNMI Technology (Shenzhen) Co., Ltd. (Note i)	PRC, April 18, 2018	RMB1,000,000	RMB1,000,000	RMB1,000,000	100	100	100	100	After-sales service and repair
Citaaq Co., Ltd.(Note i)	PRC, June 10, 1996	RMB10,000,000	RMB10,000,000	RMB10,000,000	100	100	100	100	Development, production, and sales of smart devices
Guangdong Shangjie Information Technology Co., Ltd. (Note ii)	PRC, May 18, 2017	RMB12,570,000	RMB12,570,000	RMB12,570,000	100	100	100	100	Selling medical device
Hangzhou Shanggong Equity Investment Co., Ltd. (Note i)	PRC, September 6, 2017	RMB15,000,000	RMB15,000,000	RMB15,000,000	100	100	100	100	Investment management
Shanghai SunQuick Technology Co., Ltd. (Note iii)	PRC, September 21, 2018	RMB500,000	RMB500,000	RMB500,000	100	100	100	100	Software development
Shanghai Sunmi Home Business Management Co., Ltd. (Note i)	PRC, June 9, 2020	RMB500,000	RMB500,000	RMB500,000	100	100	100	100	"Merchant's Home" operations management
SUNMI Technology (Changzhou) Co., Ltd. (Note i)	PRC, August 4, 2020	RMB50,000	RMB50,000	RMB50,000	100	100	100	100	Inactive
SUNMAX (Hangzhou) Co., Ltd. (Note i)	PRC, March 26, 2021	RMB10,000,000	RMB10,000,000	RMB10,000,000	100	100	100	100	Software development
Shanghai Sunmi Tech & Trading Co., Ltd. (Note iv)	PRC, July 14, 2023	Nil	RMB10,000,000	RMB10,000,000	100	100	100	100	Selling and trading
SunTAQ Technology (Shanghai) Co., Ltd. (Note i)	PRC, November 27, 2023	Nil	Nil	Nil	100	100	100	100	Inactive
SUNMI Technology (Zhejiang) Co., Ltd. (Note i)	PRC, February 26, 2024	N/A	RMB40,000,000	RMB40,000,000	N/A	100	100	100	Development, production, and sales of smart devices
SUNMAX Technology (Zhejiang) Co., Ltd. (Note i)	PRC, April 26, 2024	N/A	Nil	RMB5,000,000	N/A	100	100	100	Software development
SunQuick Technology (Zhejiang) Co., Ltd. (Note i)	PRC, June 5, 2024	N/A	Nil	Nil	N/A	100	100	100	Software development
SUNMI Tech & Trading (Zhejiang) Co., Ltd. (Note i)	PRC, September 10, 2024	N/A	RMB215,000,000	RMB610,000,000	N/A	100	100	100	Selling and trading
SunVerse (Shanghai) Data Co., Ltd. (Note i)	PRC, September 18, 2024	N/A	Nil	Nil	N/A	100	100	100	Inactive
SUNMI Technology (Yunnan) Co., Ltd. (Note i)	PRC, November 15, 2024	N/A	RMB50,000,000	RMB50,000,000	N/A	100	100	100	Inactive
SUNMI INDIA PRIVATE LIMITED (Note v)	India, June 18, 2018	INR100,000	INR100,000	INR100,000	99.99	99.99	99.99	99.99	Selling and marketing
SUNMI TECHNOLOGY HK LIMITED (Note vi)	Hong Kong, July 2, 2019	USD1,500,000	USD1,500,000	USD1,500,000	100	100	100	100	Selling and trading
HKDS GLOBAL LIMITED (Note i)	Hong Kong, August 13, 2025	N/A	N/A	Nil	N/A	N/A	100	100	Inactive
SUNMI ZIJING LIMITED (Note i)	Hong Kong, October 6, 2025	N/A	N/A	Nil	N/A	N/A	100	100	Inactive

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place/country and date of establishment/ incorporations	Issued and fully paid share/registered capital			Equity interest attributable to the Group				Principal activities
		As at December 31,			As at December 31,			The date of this report	
		2023	2024	2025	2023	2024	2025		
				%	%	%	%		
SUNMI SINGAPORE PTE. LTD. (Note vii)	Singapore, April 22, 2020	USD10,000	USD10,000	USD10,000	100	100	100	100	Selling and marketing
SUNMI GLOBAL PTE. LTD. (Note i)	Singapore, August 16, 2023	USD1,500,000	USD1,500,000	USD1,500,000	100	100	100	100	Selling and trading
SUNMAX TECHNOLOGY PTE.LTD. (Note i)	Singapore, March 25, 2024	N/A	USD400,000	USD1,000,000	N/A	100	100	100	Selling and marketing
PT SUNMI TECHNOLOGY INDONESIA (Note i)	Indonesia, June 5, 2020	IDR2,500,000,000	IDR2,500,000,000	IDR2,500,000,000	100	100	100	100	Selling and marketing
SUNMI TECHNOLOGY JAPAN (Note i)	Japan, September 17, 2020	JPY5,000,000	JPY5,000,000	JPY5,000,000	100	100	100	100	Selling and marketing
SUNMI FRANCE S.A.S (Note viii)	France, January 30, 2019	EUR100,000	EUR100,000	EUR100,000	100	100	100	100	Selling and marketing
SUNMI RUSS, LIMITED LIABILITY COMPANY (Note i)	Russ, September 7, 2020	RUB500,000	RUB500,000	RUB500,000	100	100	100	100	Selling and marketing
SUNMI POLAND SP. Z O. O. (Note i)	Poland, May 21, 2021	PLN50,000	PLN50,000	PLN50,000	100	100	100	100	Selling and marketing
SUNMI HOLLAND B.V. (Note i)	Poland, May 27, 2020	EUR5,000	EUR5,000	EUR5,000	100	100	100	100	Selling and marketing
SUNMI UK LIMITED (Note i)	England, December 17, 2024	N/A	Nil	GBP20,000	N/A	100	100	100	Selling and marketing
SUNMI TECHNOLOGY DMCC (Note ix)	Dubai, July 16, 2020	AED50,000	AED50,000	AED50,000	100	100	100	100	Selling and marketing
SUNMI SOUTH AFRICA PTY LTD (Note i)	South Africa, July 20, 2020	ZAR100,000	ZAR100,000	ZER100,000	100	100	100	100	Selling and marketing
SUNMI MEXICO LIMITED, S. DE R.L. DE C.V. (Note i)	Mexico, September 22, 2020	Nil	Nil	Nil	100	100	100	100	Selling and marketing
Sunmi Technology US Inc. (Note i)	America, June 30, 2021	USD10,000	USD10,000	USD10,000	100	100	100	100	Selling and marketing
SUNMI ECUADOR LIMITED C.L. (Note i)	Ecuador, November 21, 2020	Nil	N/A	N/A	100	N/A	N/A	N/A	Inactive

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at December 31, 2023, 2024 and 2025.

Notes:

- (i) No audited statutory financial statements have been prepared for these subsidiaries for the years ended December 31, 2023, 2024 and 2025, as applicable, as there is no statutory audit requirement.
- (ii) The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with CASBE and were audited by Shanghai Huading Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC. The statutory financial statements of this subsidiary for the year ended December 31, 2024 were prepared in accordance with CASBE and were audited by Zhonghua Certified Public Accountants LLP, certified public accountants registered in the PRC. No audited statutory

financial statements have been issued for this subsidiary for the year ended December 31, 2025.

- (iii) The statutory financial statements of this subsidiary for the years ended December 31, 2023 and 2024 were prepared in accordance with CASBE and were audited by Shanghai DongCheng Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.
- (iv) The statutory financial statements of this subsidiary for the years ended December 31, 2023 and 2024 were prepared in accordance with CASBE and were audited by Zhonghua Certified Public Accountants LLP, certified public accountants registered in the PRC. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.
- (v) The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with Indian Accounting Standards and were audited by TB.Shah & Co, certified public accountants registered in the India. The statutory financial statements of this subsidiary for the year ended December 31, 2024 were prepared in accordance with Indian Accounting Standards and were audited by SOMANI REKHA&ASSOCIATES, certified public accountants registered in the India. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.
- (vi) The statutory financial statements of this subsidiary for the years ended December 31, 2023 and 2024 were prepared in accordance with HKFRS Accounting Standards and were audited by Uni Vision CPA, certified public accountants registered in the Hong Kong. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.
- (vii) The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with Financial Reporting Standards (“FRSs”) in Singapore and were audited by Reliance Audit PAC, certified public accountants registered in Singapore. The statutory financial statements of this subsidiary for the year ended December 31, 2024 were prepared in accordance with FRS and were audited by FORVIS MAZARS LLP, certified public accountants registered in Singapore. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.
- (viii) The statutory financial statements of this subsidiary for the years ended December 31, 2023 and 2024 were prepared in accordance with French accounting rules and principles and were audited by FIDEXTRA, certified public accountants registered in the France. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.
- (ix) The statutory financial statements of this subsidiary for the years ended December 31, 2023 were prepared in accordance with IFRS Accounting Standards and were audited by

ALYAH, certified public accountants registered in the Dubai. The statutory financial statements of this subsidiary for the year ended December 31, 2024 were prepared in accordance with IFRS and were audited by AONE CHARTERED ACCOUNTANTS L.L.C S.O.C, certified public accountants registered in Dubai. No audited statutory financial statements have been issued for this subsidiary for the year ended December 31, 2025.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<u>Lease liabilities</u>	<u>Bank borrowings</u>	<u>Other payables for acquisition of other intangible assets</u>	<u>Accrued issue cost</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023	97,770	296,734	–	–	394,504
Financing cash flows	(29,704)	376,073	–	–	346,369
New lease entered	1,869	–	–	–	1,869
Lease modified	(3,096)	–	–	–	(3,096)
Interest expenses	4,347	12,294	–	–	16,641
As at December 31, 2023	71,186	685,101	–	–	756,287
Financing cash flows	(29,508)	226,735	(1,730)	–	195,497
Acquisition of other intangible assets with financing component	–	–	68,256	–	68,256
New lease entered	8,901	–	–	–	8,901
Lease modified	(35)	–	–	–	(35)
Exchange rate realignment	(7)	–	(2,191)	–	(2,198)
Interest expenses	3,454	26,649	–	–	30,103
As at December 31, 2024	53,991	938,485	64,335	–	1,056,811
Financing cash flows	(31,943)	428,962	(25,158)	(3,855)	368,006
New lease entered	27,500	–	–	–	27,500
Lease modified	18,571	–	–	–	18,571
Exchange rate realignment	172	–	3,152	–	3,324
Interest expenses	2,806	28,915	–	–	31,721
Deferred issue cost	–	–	–	4,003	4,003
As at December 31, 2025	<u>71,097</u>	<u>1,396,362</u>	<u>42,329</u>	<u>148</u>	<u>1,509,936</u>

44. SUBSEQUENT EVENTS

There were no material events taken place subsequent to December 31, 2025.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2025.