

Liuliumei Co., Ltd.
(Incorporated in the People's Republic of China)

Audited Financial Statements

31 December 2023, 2024 and 2025

LIULIUMEI CO., LTD.

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Independent auditor's report
To the directors of Liuliumei Co., Ltd.
(Incorporated in People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Liuliumei Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 (the "Relevant Periods"), and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, 2024 and 2025 and of the Group's consolidated financial performance and its consolidated cash flows for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in note 2.1 to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements, which also include the Interim Comparative Information, that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements for the Relevant Periods as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Restriction on distribution and use

These consolidated financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of the Company and should not be distributed to or used by parties other than the Company.

A handwritten signature in black ink, which appears to read 'Ernst & Young', is written in a cursive style.

Certified Public Accountants
Hong Kong
5 June 2026



LIULIUMEI CO., LTD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Years ended 31 December 2023, 2024 and 2025

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
REVENUE	5	1,322,042	1,616,018	1,710,731
Cost of sales		<u>(792,331)</u>	<u>(1,033,553)</u>	<u>(1,102,031)</u>
Gross profit		529,711	582,465	608,700
Other income and gains, net	6	27,962	39,572	34,966
Selling and distribution expenses		(309,395)	(310,170)	(271,720)
Administrative expenses		(88,691)	(100,180)	(112,085)
Research and development expenses		(33,612)	(18,948)	(27,885)
Finance costs	8	(7,966)	(7,773)	(13,221)
Fair value (loss)/gain on financial liabilities at fair value through profit or loss ("FVTPL")		(6,026)	(1,625)	5,300
Impairment losses on trade receivables and other receivables, net		(719)	(2,143)	(2,481)
Other expenses		<u>(661)</u>	<u>(791)</u>	<u>(2,399)</u>
PROFIT BEFORE TAX	7	110,603	180,407	219,175
Income tax expense	11	<u>(11,372)</u>	<u>(32,688)</u>	<u>(37,087)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>99,231</u>	<u>147,719</u>	<u>182,088</u>
Attributable to: Owners of the Company		<u>99,231</u>	<u>147,719</u>	<u>182,088</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted (RMB)	13	<u>1.31</u>	<u>1.95</u>	<u>2.69</u>



LIULIUMEI CO., LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended 31 December 2023, 2024 and 2025

	Notes	As at 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	563,492	592,238	688,491
Right-of-use assets	15	90,897	86,494	85,668
Other intangible assets	16	2,856	2,385	1,836
Prepayments, other receivables and other assets	19	12,291	32,133	66,903
Deferred tax assets	25	46,100	21,612	14,344
Total non-current assets		715,636	734,862	857,242
CURRENT ASSETS				
Inventories	17	425,934	523,701	673,368
Trade and bills receivables	18	80,526	162,928	220,996
Prepayments, other receivables and other assets	19	69,330	115,236	115,646
Income tax recoverable		129	6,501	11,730
Financial assets at fair value through other comprehensive income ("FVOCI")		983	30	-
Pledged bank deposits	20	34,732	49,662	77,187
Cash and cash equivalents	20	67,392	78,047	33,904
Total current assets		679,026	936,105	1,132,831
CURRENT LIABILITIES				
Financial liabilities at FVTPL	24	262,535	171,109	-
Trade and bills payables	21	184,957	290,909	346,129
Other payables and accruals	22	280,979	258,675	258,884
Interest-bearing bank borrowings	23	180,197	321,333	475,393
Income tax payable		7,420	6,478	20,932
Lease liabilities	15	1,965	784	2,360
Total current liabilities		918,053	1,049,288	1,103,698
NET CURRENT (LIABILITIES)/ ASSETS		(239,027)	(113,183)	29,133
TOTAL ASSETS LESS CURRENT LIABILITIES		476,609	621,679	886,375

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LIULIUMEI CO., LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

31 December 2023, 2024 and 2025

Notes	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT LIABILITIES			
Financial liabilities at FVTPL	24	206,142	-
Lease liabilities	15	1,930	1,146
Deferred income		3,072	4,142
Total non-current liabilities		211,144	4,748
Net assets		265,465	881,627
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	75,665	75,665
Reserves	27	189,800	542,283
Total equity		265,465	881,627


Director


Director



LILIUIMEI CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended 31 December 2023, 2024 and 2025

Year ended 31 December 2023

	Share capital RMB'000 (note 26)	Capital reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Retained profits RMB'000	Total RMB'000
At 1 January 2023	75,665	21,015	12,408	56,809	165,897
Profit and total comprehensive income for the year	-	-	-	99,231	99,231
Equity-settled share-based payment expenses (note 28)	-	337	-	-	337
At 31 December 2023	<u>75,665</u>	<u>21,352*</u>	<u>12,408*</u>	<u>156,040*</u>	<u>265,465</u>

Year ended 31 December 2024

	Share capital RMB'000 (note 26)	Capital reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Retained profits RMB'000	Total RMB'000
At 1 January 2024	75,665	21,352	12,408	156,040	265,465
Profit and total comprehensive income for the year	-	-	-	147,719	147,719
Derecognition of redemption liabilities due to cancellation of redemption rights (note 24)	-	204,193	-	-	204,193
Equity-settled share-based payment expenses (note 28)	-	571	-	-	571
At 31 December 2024	<u>75,665</u>	<u>226,116*</u>	<u>12,408*</u>	<u>303,759*</u>	<u>617,948</u>



LIULIUMEI CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Years ended 31 December 2023, 2024 and 2025

Year ended 31 December 2025

	Share capital RMB'000 (note 26)	Capital reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Retained profits RMB'000	Total RMB'000
At 1 January 2025	75,665	226,116	12,408	303,759	617,948
Profit and total comprehensive income for the year	-	-	-	182,088	182,088
Equity-settled share-based payment expenses (note 28)	-	6,591	-	-	6,591
Issue of Series D1 Shares and Series D2 Shares (note 26)	2,270	72,730	-	-	75,000
Transfer of Series D1 and Series D2 Shares to capital reserve upon issuance of shares with preferential right	-	(75,000)	-	-	(75,000)
Derecognition of redemption liabilities due to cancellation of redemption rights (note 24)	-	75,000	-	-	75,000
Capital reduction of Series A Shares (note 26)	(10,588)	(250,221)	-	-	(260,809)
Derecognition of redemption liabilities due to capital reduction of Series A Shares (note 24)	-	260,809	-	-	260,809
At 31 December 2025	<u>67,347</u>	<u>316,025*</u>	<u>12,408*</u>	<u>485,847*</u>	<u>881,627</u>

* These reserve accounts comprise the reserves of RMB189,800,000, RMB542,283,000 and RMB814,280,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

LIULIUMEI CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 December 2023, 2024 and 2025

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		110,603	180,407	219,175
Adjustments for:				
Finance costs	8	7,966	7,773	13,221
Interest income	6	(665)	(547)	(479)
Fair value loss/(gain) on financial liabilities at FVTPL	7	6,026	1,625	(5,300)
Depreciation of property, plant and equipment	14	51,255	55,852	63,530
Depreciation of right-of-use assets	15(a)	3,939	4,403	4,557
Amortisation of other intangible assets	16	629	503	681
Impairment losses on trade receivables, net	18	705	1,823	1,883
Impairment of other receivables, net	19	14	320	598
Gain on disposal of items of property, plant and equipment	7	(14)	(12)	(26)
Equity-settled share-based payment expenses	28	337	571	6,591
Foreign exchange loss, net	7	146	309	1,564
Write-down of inventories to net realisable value	7	1,165	638	1,360
Government grants	6	(729)	(487)	(1,049)
		<u>181,377</u>	<u>253,178</u>	<u>306,306</u>
Increase in inventories		(64,073)	(98,405)	(151,027)
Increase in trade and bills receivables		(3,518)	(84,225)	(59,951)
Decrease/(increase) in prepayments, other receivables and other assets		8,652	(46,226)	(1,008)
Decrease/(increase) in pledge bank deposits		2,259	(14,930)	(27,525)
(Decrease)/increase in trade and bills payables		(8,135)	106,596	53,686
Increase/(decrease) in other payables and accruals		16,755	(16,647)	(25,892)
Cash generated from operations		<u>133,317</u>	<u>99,341</u>	<u>94,589</u>
Interest received		665	547	479
Income tax paid		(7,079)	(15,514)	(20,594)
Net cash flows from operating activities		<u>126,903</u>	<u>84,374</u>	<u>74,474</u>

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LIULIUMEI CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

31 December 2023, 2024 and 2025

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Net cash flows from operating activities		126,903	84,374	74,474
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(80,232)	(110,259)	(125,301)
Proceeds from disposal of items of property, plant and equipment		18	174	75
Purchase of other intangible assets		(270)	(32)	(132)
Purchase of leasehold land		(150)	-	-
Prepayment of leasehold land		-	-	(43,200)
Receipt of government grants for non-current assets		-	-	2,606
Net cash flows used in investing activities		(80,634)	(110,117)	(165,952)
CASH FLOWS FROM FINANCING ACTIVITIES				
Investments from investors		-	40,000	35,000
Payment for repurchase of shares issued to an investor	24	-	(135,000)	(125,809)
New bank loans		308,400	368,840	570,820
Repayment of bank loans		(351,750)	(227,760)	(416,810)
Interest paid		(8,235)	(7,717)	(13,171)
Principle portion of lease payments		(1,743)	(1,965)	(2,695)
Net cash flows (used in)/from financing activities		(53,328)	36,398	47,335
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,059)	10,655	(44,143)
Cash and cash equivalents at beginning of year		74,451	67,392	78,047
CASH AND CASH EQUIVALENTS AT END OF YEAR		67,392	78,047	33,904
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	20	102,124	127,709	111,091
Less: Pledged bank deposits	20	(34,732)	(49,662)	(77,187)
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	20	67,392	78,047	33,904



LIULIUMEI CO., LTD.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

31 December 2023, 2024 and 2025

	Notes	As at 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Investments in subsidiaries	37	290,326	341,729	341,729
Property, plant and equipment	14	278,710	276,447	285,383
Right-of-use assets		22,370	21,739	22,194
Other intangible assets		2,791	2,352	1,495
Prepayments, other receivables and other assets	19	2,246	6,218	46,685
Deferred tax assets		3,476	2,071	-
Total non-current assets		599,919	650,556	697,486
CURRENT ASSETS				
Inventories	17	122,298	151,449	216,716
Trade and bills receivables	18	57,860	84,032	84,966
Prepayments, other receivables and other assets	19	390,279	380,155	248,950
Financial assets at FVOCI		319	-	-
Pledged bank deposits	20	28,707	37,448	62,741
Cash and cash equivalents	20	48,361	46,603	6,881
Total current assets		647,824	699,687	620,254
CURRENT LIABILITIES				
Financial liabilities at FVTPL	24	262,535	171,109	-
Trade and bills payables	21	102,721	159,876	200,738
Other payables and accruals	22	530,276	596,623	502,400
Interest-bearing bank borrowings	23	122,601	174,172	256,212
Income tax payable		1,707	3,546	2,710
Lease liabilities		-	-	465
Total current liabilities		1,019,840	1,105,326	962,525
NET CURRENT LIABILITIES		(372,016)	(405,639)	(342,271)
TOTAL ASSETS LESS CURRENT LIABILITIES		227,903	244,917	355,215
NON-CURRENT LIABILITIES				
Financial liabilities at FVTPL	24	206,142	-	-
Deferred income		1,585	1,138	2,694
Deferred tax liabilities		-	-	149
Total non-current liabilities		207,727	1,138	2,843
Net assets		20,176	243,779	352,372
EQUITY				
Share capital	26	75,665	75,665	67,347
Reserves	27	(55,489)	168,114	285,025
Total equity		20,176	243,779	352,372

NOTES TO FINANCIAL STATEMENTS

Years ended 31 December 2023, 2024 and 2025

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at Economic Development Zone, Fanchang County, Wuhu City, Anhui Province, PRC.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") were involved in the manufacture and sale of consumer goods in the PRC. The ultimate controlling shareholder of the Group is Mr. Yang Fan.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name*	Date of registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fujian Qingmei Town Co., Ltd. (福建青梅小镇有限公司) ***	26 September 2016 PRC/Chinese mainland	RMB100,000,000	100%	-	Procurement and preliminary processing of agricultural products
Anhui Liuliumei New Retail Co., Ltd. (Formerly known as Anhui Liuliu Orchard New Retail Marketing Co., Ltd.) (安徽溜溜梅新零售有限公司 (曾用名: 安徽溜溜果园新零售营销有限公司))***	23 August 2018 PRC/ Chinese mainland	RMB10,000,000	100%	-	Sale of food
Anhui Liuliumei Sales Co., Ltd. (Formerly known as Anhui Liuliu Orchard Sales Co., Ltd.) (安徽溜溜梅销售有限公司 (曾用名: 安徽溜溜果园销售有限公司))**	2 July 2018 PRC/ Chinese mainland	RMB10,000,000	100%	-	Sale of food
Fujian Liuliu Orchard Food Co., Ltd. (福建溜溜果园食品有限公司) **	25 May 2009 PRC/ Chinese mainland	RMB15,000,000	100%	-	Processing of agricultural products
Fujian Liuliumei Agricultural Technology Co., Ltd. (福建溜溜梅农业科技有限公司) ***	17 December 2014 PRC/ Chinese mainland	RMB10,000,000	100%	-	Procurement and preliminary processing of agricultural products
Anhui Liuliu Plum Research Institute Co., Ltd. (安徽溜溜梅研究院有限公司) **	28 November 2016 PRC/ Chinese mainland	RMB10,000,000	100%	-	Research and development of new products
Anhui Liuliumei Agriculture Co., Ltd. (Formerly known as Anhui Liuliumei Agricultural Technology Co., Ltd.) (安徽溜溜梅农业有限公司 (曾用名: 安徽溜溜梅农业科技有限公司))**	11 March 2015 PRC/ Chinese mainland	RMB10,000,000	100%	-	Procurement and preliminary processing of agricultural products
Qingmei Town Development Co., Ltd. (青梅小镇发展有限公司) ***	29 December 2016 PRC/ Chinese mainland	RMB20,000,000	100%	-	Promotion of plum culture
Zhaoran Liuliu Orchard Food Co., Ltd. (诏安溜溜果园食品有限公司) **	27 September 2010 PRC/ Chinese mainland	RMB22,000,000	100%	-	Processing of agricultural products
Anhui Liuliumei Food Co., Ltd. (Formerly known as Anhui Liuliu Orchard Ecommerce Co., Ltd.) (安徽溜溜食品有限公司 (曾用名: 安徽溜溜果园电子商务有限公司)**	18 April 1999 PRC/ Chinese mainland	RMB5,000,000	100%	-	Manufacture of food
Guangxi Liuliumei Agricultural Technology Co., Ltd. (广西溜溜梅农业科技有限公司) ***	5 June 2020 PRC/ Chinese mainland	RMB10,000,000	100%	-	Procurement and preliminary processing of agricultural products

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31 December 2023, 2024 and 2025

1. CORPORATE INFORMATION (continued)

Name*	Date of registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangxi Liuliu Orchard Industrial Park Co., Ltd. (广西溜溜果园产业园有限公司) ***	22 April 2019 PRC/ Chinese mainland	RMB50,000,000	100%	-	Processing of agricultural products
Anhui Plum Natural Food Co., Ltd. (Formerly known as Anhui Liuliumei Biotechnology Co., Ltd.) (安徽西梅纤生天然食品有限公司 (曾用名: 安徽溜溜梅生物科技有限公司) ***)	16 May 2024 PRC/ Chinese mainland	RMB10,000,000	100%	-	Manufacture of food
Wuhu Plum Jelly Natural Food Technology Co., Ltd. (芜湖梅冻天然食品科技有限公司) **	24 February 2022 PRC/ Chinese mainland	RMB50,000,000	100%	-	Manufacture of food
Zhangzhou Nida Agricultural Technology Co., Ltd. (漳州市尼塔农业科技有限公司)	1 April 2026 PRC/ Chinese mainland	RMB10,000,000	100%	-	Procurement and preliminary processing of agricultural products
Anhui Zhongnongan Inspection and Testing Center Co., Ltd. (安徽中农安检验检测中心有限公司) ***	26 December 2016 PRC/ Chinese mainland	RMB10,000,000	-	100%	Inspection and testing of food

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** The statutory financial statements of these companies for the years ended 31 December 2023 and 2024 prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP") and regulations were audited by Da Hua CPAs LLP. (大华会计师事务所(特殊普通合伙)), certified public accountants registered in the PRC.

*** The statutory financial statements of these companies for the year ended 31 December 2024 prepared in accordance with PRC GAAP and regulations were audited by Da Hua CPAs LLP., certified public accountants registered in the PRC.

No statutory audited financial statements of these companies have been prepared for the year ended 31 December 2025.

2.1 BASIS OF PREPARATION

The financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. They have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group throughout the Relevant Periods.

The financial statements have been prepared under the historical cost convention, except for financial assets at FVOCI and financial liabilities at FVTPL which have been measured at fair value.

Basis of consolidation

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

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IFRS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards - Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

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

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures in a note and includes new requirements for aggregation and disaggregation of financial information. Narrow scope amendments have been made to IAS 7 *Statement of Cash Flows*, and some requirements previously included within IAS 1 have been moved to IAS 8, which has been renamed IAS 8 *Basis of Preparation of Financial Statements*. The new requirements are expected to impact the Group's presentation in the statement of profit or loss and other comprehensive income and disclosures of the Group's financial performance. Currently, the Group considers that these new and revised IFRS Accounting Standards would not have a significant impact on the Group's financial performance and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

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

or

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

Property, plant and equipment and depreciation

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)Property, plant and equipment and depreciation (continued)

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

<u>Category</u>	<u>Principal annual rate</u>	<u>Estimated residual value rate</u>
Buildings	4.75%	5.00%
Plant and machinery	9.50% to 31.67%	5.00%
Furniture and fixtures	19.00% to 47.50%	5.00%
Motor vehicles	19.00% to 47.50%	5.00%
Electronic equipment	19.00% to 31.67%	5.00%
Building improvement	20.00% to 50.00%	-

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

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

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

Intangible assets (other than goodwill)

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years. The software's useful life is based on the period over which future economic benefits will be obtained by the Group. The technological lifespan of the software which can produce economic benefits is 5 years.

Licences

Purchased licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years, which is the licence period.

Research and development costs

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	5 to 50 years
Office premises	2 to 5 years

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

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office premises, pickling pools and warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases to office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI, and FVTPL.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVOCI (debt instruments)

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, which apply the simplified approach as detailed below.

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

Write-off

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 proceedings. 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 are recognised in profit or loss.

Simplified approach

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include financial liabilities at FVTPL, lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The costs of transporting finished goods to customers are recognised in selling and distribution expenses when incurred.

Some contracts for the sale of goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(a) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sale of goods (continued)

(b) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Other income

Sale of scraps and raw materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the scraps and raw materials. Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

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

Share-based payments

The Company operates share incentive plans. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is estimated using different methods for each of the incentive plans, further details of which are given in note 28 to the financial statements.

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

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

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

Dividends

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

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The Group applies judgement in evaluating whether or not all attaching conditions will be complied with, taking into account of all relevant factors, and the information available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of goods with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to the volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group updates its assessment of expected volume rebates accordingly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of actual rebate entitlements in the future.

Provision for expected credit losses on trade receivables and financial assets included in prepayments, other receivables and other assets

The Group uses external credit ratings and historical credit loss experience of the industry to calculate ECLs for trade receivables under simplified approach and for financial assets included in prepayments, other receivables and other assets under general approach.

The observed default rates of the industry are adjusted with forward-looking information. For instance, if forecast economic conditions (i.e., total retail sales of social consumer goods) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At the end of each of the reporting periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and financial assets included in prepayments, other receivables and other assets is disclosed in notes 18 and 19 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are set forth in note 14, note 15, note 16 and note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)Estimation uncertainty (continued)Provision for inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group's provision for its inventories is based on estimates of the realisable value with reference to the ageing and condition of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed on regular basis for provision, if appropriate. Further details of the inventories are set out in note 17 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

During the Relevant Periods, the Group was principally engaged in the manufacturing and sale of consumer goods in Chinese mainland.

Geographical information

No geographical information is presented as the Group's revenue from external customers was mainly derived from its operations in Chinese mainland and no non-current assets of the Group were located outside Chinese mainland during the Relevant Periods.

Information about major customers

Revenue from each major customer accounting for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	NA*	228,568	233,775
Customer B	NA*	193,365	280,258

* The corresponding revenue of the customers is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the Relevant Periods.

5. REVENUE

Revenue represents income from the sale of consumer goods during the Relevant Periods.

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Sale of goods	<u>1,322,042</u>	<u>1,616,018</u>	<u>1,710,731</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Type of goods			
Sale of goods	<u>1,322,042</u>	<u>1,616,018</u>	<u>1,710,731</u>
Geographical markets			
Chinese mainland	1,321,685	1,613,518	1,709,848
Overseas	<u>357</u>	<u>2,500</u>	<u>883</u>
Total	<u>1,322,042</u>	<u>1,616,018</u>	<u>1,710,731</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>1,322,042</u>	<u>1,616,018</u>	<u>1,710,731</u>

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of these periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at beginning of the reporting period:			
Sale of goods	<u>108,844</u>	<u>122,252</u>	<u>73,226</u>

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5. REVENUE (continued)Performance obligations

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

Sale of goods

The performance obligation is satisfied when the customer takes possession of and accepts the products and payment is generally made in advance or within 30 to 60 days of customer's acceptance.

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year or less.

6. OTHER INCOME AND GAINS, NET

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income, net			
Government grants and subsidies			
Related to income	(i) 18,780	33,326	22,611
Related to assets	(ii) 729	487	1,049
Sale of scraps and raw materials			
Proceeds income related to scraps and raw materials	15,362	14,070	12,255
Cost related to scraps and raw materials	(9,005)	(10,137)	(6,564)
Bank interest income	665	547	479
Others	312	514	4,470
Total other income, net	<u>26,843</u>	<u>38,807</u>	<u>34,300</u>
Gains			
Gain on disposal of items of property, plant and equipment	14	12	26
Compensation	<u>1,105</u>	<u>753</u>	<u>640</u>
Total gains	<u>1,119</u>	<u>765</u>	<u>666</u>
Total other income and gains, net	<u>27,962</u>	<u>39,572</u>	<u>34,966</u>

- (i) The government grants and subsidies related to income were rewarded for the Group's contribution to the local economic growth. These grants related to income are recognised in profit or loss where there is reasonable assurance that the grants will be received or upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.
- (ii) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognised as deferred income upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

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7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Cost of inventories sold*		792,331	1,033,553	1,102,031
Depreciation of property, plant and equipment	14	51,255	55,852	63,530
Depreciation of right-of-use assets	15(a)	3,939	4,403	4,557
Lease payments not included in the measurement of lease liabilities	15(c)	2,910	3,749	4,374
Amortisation of other intangible assets**	16	629	503	681
Transportation expenses		53,744	64,607	60,536
Research and development costs***		33,612	18,948	27,885
Listing expenses		-	5,794	12,678
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration as set out in note 9):				
Wages and salaries		210,564	243,817	243,451
Equity-settled share-based payment expenses		250	386	3,765
Pension scheme contributions****		16,707	18,565	17,440
Other employee benefits		9,298	8,178	7,166
Total		236,819	270,946	271,822
Foreign exchange differences, net		146	309	1,564
Fair value loss/(gain) on financial liabilities at FVTPL		6,026	1,625	(5,300)
Write-down of inventories to net realisable value		1,165	638	1,360
Impairment losses on trade receivables, net	18	705	1,823	1,883
Impairment of other receivables, net	19	14	320	598
Gain on disposal of items of property, plant and equipment	6	(14)	(12)	(26)

* Cost of inventories sold includes expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Amounts of RMB103,126,000, RMB141,018,000 and RMB151,312,000 of employee benefit expenses were included in "cost of inventories sold" for the years ended 31 December 2023, 2024 and 2025, respectively.

** The amortisation of other intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

***Research and development costs include expenses relating to depreciation of property, plant and equipment and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Amounts of RMB8,281,000, RMB7,475,000 and RMB8,514,000 of employee benefit expenses were included in "research and development costs" for the years ended 31 December 2023, 2024 and 2025, respectively.

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

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Interest on bank loans	7,817	7,652	13,080
Interest on lease liabilities	149	121	141
Total	<u>7,966</u>	<u>7,773</u>	<u>13,221</u>

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees	-	-	530
Other emoluments:			
Salaries, allowances and benefits in kind	2,251	3,004	4,161
Performance related bonuses*	506	526	519
Pension scheme contributions	102	199	259
Equity-settled share-based payment expenses	87	185	2,826
Subtotal	<u>2,946</u>	<u>3,914</u>	<u>7,765</u>
Total	<u>2,946</u>	<u>3,914</u>	<u>8,295</u>

* Certain executive directors or supervisors of the Company are entitled to bonus payments which are related to the operating profit of the Group.

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9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**(a) Independent non-executive directors**

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

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Mr. Lu Jian (I)	-	-	80
Mr. Liu Feng (I)	-	-	300
Mr. Xiong Hui (I)	-	-	150
Total	<u>-</u>	<u>-</u>	<u>530</u>

(I) The Company appointed Mr. Liu Feng, Mr. Xiong Hui, Mr. Lu Jian as independent non-executive directors effective from 15 January 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

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9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, a non-executive director, the chief executive and supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2023						
Chief executive:						
Mr. Yang Fan	-	758	284	-	39	1,081
Executive directors:						
Ms. Li Huimin	-	127	-	-	8	135
Mr. Ning Pengfei (II)	-	104	-	29	13	146
Ms. Hu Yan	-	335	67	8	12	422
Mr. Ruan Quanbin	-	440	101	21	12	574
Subtotal	-	1,006	168	58	45	1,277
Supervisors:						
Ms. Zheng Qimei	-	168	-	12	8	188
Ms. Zhang Wenxia	-	319	54	17	10	400
Mr. Xu Lianzheng	-	-	-	-	-	-
Subtotal	-	487	54	29	18	588
Total	-	2,251	506	87	102	2,946

(II) The Company appointed Ning Pengfei as executive director effective from 15 September 2023.

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9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, a non-executive director, the chief executive and supervisors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2024						
Chief executive:						
Mr. Yang Fan	-	866	125	-	39	1,030
Executive directors:						
Ms. Li Huimin	-	134	6	-	12	152
Mr. Ning Pengfei	-	546	66	127	39	778
Ms. Hu Yan	-	371	59	8	27	465
Mr. Ruan Quanbin	-	499	170	21	39	729
Subtotal	-	1,550	301	156	117	2,124
Supervisors:						
Ms. Zheng Qimei	-	197	6	12	18	233
Ms. Zhang Wenxia	-	391	94	17	25	527
Mr. Xu Lianzheng	-	-	-	-	-	-
Subtotal	-	588	100	29	43	760
Total	-	3,004	526	185	199	3,914

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9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, a non-executive director, the chief executive and supervisors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2025						
Chief executive:						
Mr. Yang Fan	-	997	73	-	41	1,111
Executive directors:						
Ms. Li Huimin (IV)	-	5	2	-	1	8
Mr. Ning Pengfei	-	554	87	308	41	990
Ms. Hu Yan	-	440	28	41	37	546
Mr. Gou Bin (III)	-	1,018	93	1,839	38	2,988
Mr. Mei Huixiang (III)	-	833	152	565	64	1,614
Mr. Ruan Quanbin (IV)	-	18	40	1	3	62
Subtotal	-	2,868	402	2,754	184	6,208
Non-executive director:						
Mr. Xu Lianzheng (III)	-	-	-	-	-	-
Supervisors:						
Ms. Zheng Qimei (VI)	-	7	5	6	1	19
Mr. Xu Lianzheng (VI)	-	-	-	-	-	-
Mr. Hu Xiang (V)	-	-	-	-	-	-
Mr. Li Bing (V)	-	-	-	-	-	-
Ms. Zhang Wenxia	-	289	39	66	33	427
Subtotal	-	296	44	72	34	446
Total	-	4,161	519	2,826	259	7,765

(III) The Company appointed Mr. Gou Bin, Mr. Mei Huixiang as executive directors effective from 15 January 2025 and appointed Mr. Xu Lianzheng as a non-executive director effective from 15 January 2025.

(IV) Ms. Li Huimin and Mr. Ruan Quanbin resigned as executive directors of the Company effective from 15 January 2025.

(V) The Company appointed Mr. Hu Xiang, and Mr. Li Bing as supervisors effective from 15 January 2025.

(VI) Ms. Zheng Qimei and Mr. Xu Lianzheng resigned as supervisors of the Company effective from 14 January 2025.

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

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2023, 2024 and 2025 included one director, one director and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the years ended 31 December 2023, 2024 and 2025 of the remaining four, four and two highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Salaries, allowances and benefits in kind	3,227	3,681	1,780
Performance related bonuses	424	538	325
Equity-settled share-based payment expenses	22	71	2,168
Pension scheme contributions	109	164	109
Total	<u>3,782</u>	<u>4,454</u>	<u>4,382</u>

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

	Year ended 31 December		
	2023	2024	2025
Nil to HK\$500,000	-	-	-
HK\$500,001 to HK\$1,000,000	2	-	-
HK\$1,000,001 to HK\$1,500,000	2	4	-
HK\$1,500,001 to HK\$2,000,000	-	-	1
HK\$2,000,001 to HK\$2,500,000	-	-	-
HK\$2,500,001 to HK\$3,000,000	-	-	-
HK\$3,000,001 to HK\$3,500,000	-	-	1
Total	<u>4</u>	<u>4</u>	<u>2</u>

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11. INCOME TAX

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current - Chinese mainland:			
Charge for the years	10,400	8,200	29,819
Deferred (note 25)	<u>972</u>	<u>24,488</u>	<u>7,268</u>
Total	<u>11,372</u>	<u>32,688</u>	<u>37,087</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Profit before tax	110,603	180,407	219,175
Tax at the statutory tax rate of 25% (I)	27,651	45,102	54,794
Effect of different tax rate (II)	(1,501)	(1,659)	(1,951)
Expenses not deductible for tax	1,904	754	356
Income not subject to tax	-	-	(1,325)
Effect of tax concessions (III)	(9,318)	(7,663)	(8,281)
Tax losses utilised from previous periods	-	(520)	(38)
Tax losses not recognised	322	815	-
Tax incentive for research and development expenses (IV)	<u>(7,686)</u>	<u>(4,141)</u>	<u>(6,468)</u>
Tax charge at the Group's effective tax rate	<u>11,372</u>	<u>32,688</u>	<u>37,087</u>

11. INCOME TAX (continued)

- (I) The Company and the subsidiaries of the Group established in the PRC were subject to the PRC Corporate Income Tax at 25% for each of the Relevant Periods.
- (II) Certain of the Group's subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 5% during the years ended 31 December 2023, 2024 and 2025, respectively.

A subsidiary of the Group in Chinese mainland was approved as a High and New Technology Enterprise in 2022 and renewed in 2025, and it was entitled to a preferential corporate income tax rate of 15% for the years ended 31 December 2023, 2024 and 2025. This qualification is subject to review by the relevant tax authority in the PRC every three years.

- (III) Certain subsidiaries were granted tax exemptions in accordance with the policy of "The notice of preferential tax policy for preliminary processing of agriculture products".
- (IV) According to relevant laws and regulations, enterprises engaging in research and development activities are entitled to claim a 200% deduction as tax-deductible expenses when determining their taxable profits for the year (the "Super Deduction"). Management has made their best estimate for the Super Deduction to be claimed in ascertaining their assessable profits during the Relevant Periods.

12. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the Relevant Periods.

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

The calculation of basic earnings per share amounts during the years ended 31 December 2023, 2024 and 2025 is based on the profit attributable to ordinary equity holders of the Company for the years ended 31 December 2023, 2024 and 2025 and the weighted average number of ordinary shares of 75,665,000 outstanding during the years ended 31 December 2023, 2024 and the weighted average number of ordinary shares of 67,669,000 outstanding during the year ended 31 December 2025.

The Group had no potentially dilutive ordinary shares in issue throughout the Relevant Periods.

31 December 2023, 2024 and 2025

14. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Building improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023								
At 1 January 2023:								
Cost	501,807	11,958	188,582	35,992	6,783	8,255	10,002	763,379
Accumulated depreciation	<u>(130,207)</u>	<u>(5,996)</u>	<u>(76,508)</u>	<u>(18,721)</u>	<u>(5,941)</u>	<u>(6,075)</u>	<u>-</u>	<u>(243,448)</u>
Net carrying amount	<u>371,600</u>	<u>5,962</u>	<u>112,074</u>	<u>17,271</u>	<u>842</u>	<u>2,180</u>	<u>10,002</u>	<u>519,931</u>
At 1 January 2023, net of accumulated depreciation	371,600	5,962	112,074	17,271	842	2,180	10,002	519,931
Additions	-	421	7,156	1,379	330	834	84,700	94,820
Disposals	-	-	-	-	(3)	(1)	-	(4)
Depreciation provided during the year	(24,315)	(2,217)	(18,258)	(5,340)	(268)	(857)	-	(51,255)
Transfers	<u>21,501</u>	<u>-</u>	<u>43,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,340)</u>	<u>-</u>
At 31 December 2023, net of accumulated depreciation	<u>368,786</u>	<u>4,166</u>	<u>144,811</u>	<u>13,310</u>	<u>901</u>	<u>2,156</u>	<u>29,362</u>	<u>563,492</u>
At 31 December 2023:								
Cost	523,308	12,379	239,569	37,371	7,054	9,085	29,362	858,128
Accumulated depreciation	<u>(154,522)</u>	<u>(8,213)</u>	<u>(94,758)</u>	<u>(24,061)</u>	<u>(6,153)</u>	<u>(6,929)</u>	<u>-</u>	<u>(294,636)</u>
Net carrying amount	<u>368,786</u>	<u>4,166</u>	<u>144,811</u>	<u>13,310</u>	<u>901</u>	<u>2,156</u>	<u>29,362</u>	<u>563,492</u>

31 December 2023, 2024 and 2025

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings RMB'000	Building improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024								
At 1 January 2024:								
Cost	523,308	12,379	239,569	37,371	7,054	9,085	29,362	858,128
Accumulated depreciation	(154,522)	(8,213)	(94,758)	(24,061)	(6,153)	(6,929)	-	(294,636)
Net carrying amount	<u>368,786</u>	<u>4,166</u>	<u>144,811</u>	<u>13,310</u>	<u>901</u>	<u>2,156</u>	<u>29,362</u>	<u>563,492</u>
At 1 January 2024, net of accumulated depreciation	368,786	4,166	144,811	13,310	901	2,156	29,362	563,492
Additions	-	41	11,239	998	1,270	891	70,321	84,760
Disposals	-	-	(150)	-	(12)	-	-	(162)
Depreciation provided during the year	(25,397)	(1,931)	(22,601)	(4,891)	(251)	(781)	-	(55,852)
Transfers	8,925	582	37,380	-	-	-	(46,887)	-
At 31 December 2024, net of accumulated depreciation	<u>352,314</u>	<u>2,858</u>	<u>170,679</u>	<u>9,417</u>	<u>1,908</u>	<u>2,266</u>	<u>52,796</u>	<u>592,238</u>
At 31 December 2024:								
Cost	532,233	13,002	287,424	38,369	8,077	9,976	52,796	941,877
Accumulated depreciation	(179,919)	(10,144)	(116,745)	(28,952)	(6,169)	(7,710)	-	(349,639)
Net carrying amount	<u>352,314</u>	<u>2,858</u>	<u>170,679</u>	<u>9,417</u>	<u>1,908</u>	<u>2,266</u>	<u>52,796</u>	<u>592,238</u>

31 December 2023, 2024 and 2025

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings RMB'000	Building improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025								
At 1 January 2025:								
Cost	532,233	13,002	287,424	38,369	8,077	9,976	52,796	941,877
Accumulated depreciation	(179,919)	(10,144)	(116,745)	(28,952)	(6,169)	(7,710)	-	(349,639)
Net carrying amount	<u>352,314</u>	<u>2,858</u>	<u>170,679</u>	<u>9,417</u>	<u>1,908</u>	<u>2,266</u>	<u>52,796</u>	<u>592,238</u>
At 1 January 2025, net of accumulated depreciation	352,314	2,858	170,679	9,417	1,908	2,266	52,796	592,238
Additions	365	2,651	25,135	432	2,305	939	128,005	159,832
Disposals	-	-	(32)	(2)	(14)	(1)	-	(49)
Depreciation provided during the year	(26,133)	(4,463)	(26,773)	(4,914)	(578)	(669)	-	(63,530)
Transfers	<u>23,381</u>	<u>587</u>	<u>36,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,558)</u>	<u>-</u>
At 31 December 2025, net of accumulated depreciation	<u>349,927</u>	<u>1,633</u>	<u>205,599</u>	<u>4,933</u>	<u>3,621</u>	<u>2,535</u>	<u>120,243</u>	<u>688,491</u>
At 31 December 2025:								
Cost	555,979	10,612	348,597	38,799	10,099	10,865	120,243	1,095,194
Accumulated depreciation	(206,052)	(8,979)	(142,998)	(33,866)	(6,478)	(8,330)	-	(406,703)
Net carrying amount	<u>349,927</u>	<u>1,633</u>	<u>205,599</u>	<u>4,933</u>	<u>3,621</u>	<u>2,535</u>	<u>120,243</u>	<u>688,491</u>

Certain buildings had not completed property registration. The carrying amounts of these buildings as at 31 December 2023, 2024 and 2025 were RMB24,186,000, RMB22,827,000 and RMB17,759,000, respectively.

31 December 2023, 2024 and 2025

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Building improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023								
At 1 January 2023:								
Cost	255,064	1,181	110,341	11,013	3,286	4,859	4,648	390,392
Accumulated depreciation	(67,861)	(270)	(37,467)	(9,443)	(3,031)	(3,478)	-	(121,550)
Net carrying amount	<u>187,203</u>	<u>911</u>	<u>72,874</u>	<u>1,570</u>	<u>255</u>	<u>1,381</u>	<u>4,648</u>	<u>268,842</u>
At 1 January 2023, net of accumulated depreciation	187,203	911	72,874	1,570	255	1,381	4,648	268,842
Additions	-	65	2,204	230	108	81	30,802	33,490
Disposals	-	-	-	-	-	(1)	-	(1)
Depreciation provided during the year	(12,200)	(148)	(10,225)	(479)	(111)	(458)	-	(23,621)
Transfers	10,135	-	7,175	-	-	-	(17,310)	-
At 31 December 2023, net of accumulated depreciation	<u>185,138</u>	<u>828</u>	<u>72,028</u>	<u>1,321</u>	<u>252</u>	<u>1,003</u>	<u>18,140</u>	<u>278,710</u>
At 31 December 2023:								
Cost	265,199	1,246	119,720	11,243	3,389	4,937	18,140	423,874
Accumulated depreciation	(80,061)	(418)	(47,692)	(9,922)	(3,137)	(3,934)	-	(145,164)
Net carrying amount	<u>185,138</u>	<u>828</u>	<u>72,028</u>	<u>1,321</u>	<u>252</u>	<u>1,003</u>	<u>18,140</u>	<u>278,710</u>

31 December 2023, 2024 and 2025

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Building improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024								
At 1 January 2024:								
Cost	265,199	1,246	119,720	11,243	3,389	4,937	18,140	423,874
Accumulated depreciation	(80,061)	(418)	(47,692)	(9,922)	(3,137)	(3,934)	-	(145,164)
Net carrying amount	<u>185,138</u>	<u>828</u>	<u>72,028</u>	<u>1,321</u>	<u>252</u>	<u>1,003</u>	<u>18,140</u>	<u>278,710</u>
At 1 January 2024, net of accumulated depreciation	185,138	828	72,028	1,321	252	1,003	18,140	278,710
Additions	-	-	1,418	14	296	335	20,266	22,329
Disposals	-	-	-	-	(12)	-	-	(12)
Depreciation provided during the year	(12,759)	(153)	(10,965)	(232)	(56)	(415)	-	(24,580)
Transfers	4,146	-	13,582	-	-	-	(17,728)	-
At 31 December 2024, net of accumulated depreciation	<u>176,525</u>	<u>675</u>	<u>76,063</u>	<u>1,103</u>	<u>480</u>	<u>923</u>	<u>20,678</u>	<u>276,447</u>
At 31 December 2024:								
Cost	269,345	1,246	134,720	11,257	3,438	5,272	20,678	445,956
Accumulated depreciation	(92,820)	(571)	(58,657)	(10,154)	(2,958)	(4,349)	-	(169,509)
Net carrying amount	<u>176,525</u>	<u>675</u>	<u>76,063</u>	<u>1,103</u>	<u>480</u>	<u>923</u>	<u>20,678</u>	<u>276,447</u>

31 December 2023, 2024 and 2025

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Building improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025								
At 1 January 2025:								
Cost	269,345	1,246	134,720	11,257	3,438	5,272	20,678	445,956
Accumulated depreciation	(92,820)	(571)	(58,657)	(10,154)	(2,958)	(4,349)	-	(169,509)
Net carrying amount	<u>176,525</u>	<u>675</u>	<u>76,063</u>	<u>1,103</u>	<u>480</u>	<u>923</u>	<u>20,678</u>	<u>276,447</u>
At 1 January 2025, net of accumulated depreciation	176,525	675	76,063	1,103	480	923	20,678	276,447
Additions	1,019	461	6,195	140	1,225	233	25,853	35,126
Disposals	-	-	(5)	-	(14)	-	-	(19)
Depreciation provided during the year	(12,837)	(614)	(12,119)	(218)	(127)	(256)	-	(26,171)
Transfers	5,241	-	7,743	-	-	-	(12,984)	-
At 31 December 2025, net of accumulated depreciation	<u>169,948</u>	<u>522</u>	<u>77,877</u>	<u>1,025</u>	<u>1,564</u>	<u>900</u>	<u>33,547</u>	<u>285,383</u>
At 31 December 2025:								
Cost	275,605	1,246	148,563	11,397	4,380	5,505	33,547	480,243
Accumulated depreciation	(105,657)	(724)	(70,686)	(10,372)	(2,816)	(4,605)	-	(194,860)
Net carrying amount	<u>169,948</u>	<u>522</u>	<u>77,877</u>	<u>1,025</u>	<u>1,564</u>	<u>900</u>	<u>33,547</u>	<u>285,383</u>

31 December 2023, 2024 and 2025

15. LEASES**The Group as a lessee**

The Group has lease contracts for various items of office premises, equipment and others used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 5 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms of 2 to 5 years. Other lease agreements generally have lease terms of 12 months or less and are individually of low value.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Office premises RMB'000	Total RMB'000
As at 1 January 2023	88,750	2,127	90,877
Additions	150	3,856	4,006
Decrease as a result of lease modifications	-	(47)	(47)
Depreciation charge	(2,128)	(1,811)	(3,939)
As at 31 December 2023 and 1 January 2024	86,772	4,125	90,897
Depreciation charge	(2,311)	(2,092)	(4,403)
As at 31 December 2024 and 1 January 2025	84,461	2,033	86,494
Additions	-	3,731	3,731
Depreciation charge	(2,310)	(2,247)	(4,557)
As at 31 December 2025	<u>82,151</u>	<u>3,517</u>	<u>85,668</u>

31 December 2023, 2024 and 2025

15. LEASES (continued)**(b) Lease liabilities**

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Carrying amount at the beginning of the year	1,829	3,895	1,930
New leases	3,856	-	3,731
Accretion of interest recognised during the year	149	121	141
Payments	(1,892)	(2,086)	(2,836)
Lease modifications	(47)	-	-
	<u>3,895</u>	<u>1,930</u>	<u>2,966</u>
Carrying amount at the end of the year	<u>3,895</u>	<u>1,930</u>	<u>2,966</u>
Analysed into:			
Current portion	1,965	784	2,360
Non-current portion	<u>1,930</u>	<u>1,146</u>	<u>606</u>

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Interest on lease liabilities	149	121	141
Depreciation charge of right-of-use assets	3,939	4,403	4,557
Expenses relating to short-term leases and leases of low-value assets (included in cost of sales, selling and distribution expenses or administrative expenses)	<u>2,910</u>	<u>3,749</u>	<u>4,374</u>
Total amount recognised in profit or loss	<u>6,998</u>	<u>8,273</u>	<u>9,072</u>

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

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16. OTHER INTANGIBLE ASSETS

Group	Software RMB'000	Licences RMB'000	Total RMB'000
31 December 2023			
At 1 January 2023:			
Cost	4,653	1,159	5,812
Accumulated amortisation	<u>(2,245)</u>	<u>(352)</u>	<u>(2,597)</u>
Net carrying amount	<u>2,408</u>	<u>807</u>	<u>3,215</u>
At 1 January 2023, net of accumulated amortisation	2,408	807	3,215
Additions	266	4	270
Amortisation provided during the year	<u>(526)</u>	<u>(103)</u>	<u>(629)</u>
At 31 December 2023	<u>2,148</u>	<u>708</u>	<u>2,856</u>
At 31 December 2023:			
Cost	4,919	1,163	6,082
Accumulated amortisation	<u>(2,771)</u>	<u>(455)</u>	<u>(3,226)</u>
Net carrying amount	<u>2,148</u>	<u>708</u>	<u>2,856</u>
Group			
	Software RMB'000	Licences RMB'000	Total RMB'000
31 December 2024			
At 1 January 2024:			
Cost	4,919	1,163	6,082
Accumulated amortisation	<u>(2,771)</u>	<u>(455)</u>	<u>(3,226)</u>
Net carrying amount	<u>2,148</u>	<u>708</u>	<u>2,856</u>
At 1 January 2024, net of accumulated amortisation	2,148	708	2,856
Additions	-	32	32
Amortisation provided during the year	<u>(439)</u>	<u>(64)</u>	<u>(503)</u>
At 31 December 2024	<u>1,709</u>	<u>676</u>	<u>2,385</u>
At 31 December 2024:			
Cost	4,919	1,195	6,114
Accumulated amortisation	<u>(3,210)</u>	<u>(519)</u>	<u>(3,729)</u>
Net carrying amount	<u>1,709</u>	<u>676</u>	<u>2,385</u>

31 December 2023, 2024 and 2025

16. OTHER INTANGIBLE ASSETS (continued)

Group	Software RMB'000	Licences RMB'000	Total RMB'000
31 December 2025			
At 1 January 2025:			
Cost	4,919	1,195	6,114
Accumulated amortisation	<u>(3,210)</u>	<u>(519)</u>	<u>(3,729)</u>
Net carrying amount	<u>1,709</u>	<u>676</u>	<u>2,385</u>
At 1 January 2025, net of accumulated amortisation	1,709	676	2,385
Additions	132	-	132
Amortisation provided during the year	<u>(673)</u>	<u>(8)</u>	<u>(681)</u>
At 31 December 2025	<u>1,168</u>	<u>668</u>	<u>1,836</u>
At 31 December 2025:			
Cost	5,051	1,195	6,246
Accumulated amortisation	<u>(3,883)</u>	<u>(527)</u>	<u>(4,410)</u>
Net carrying amount	<u>1,168</u>	<u>668</u>	<u>1,836</u>

31 December 2023, 2024 and 2025

17. INVENTORIES

Group	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	52,305	77,472	66,664
Work in progress	306,122	338,019	546,342
Finished goods and goods in transit	67,507	108,210	60,362
Total	425,934	523,701	673,368
Company	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	24,533	27,241	16,247
Work in progress	74,339	84,210	183,851
Finished goods and goods in transit	23,426	39,998	16,618
Total	122,298	151,449	216,716

18. TRADE AND BILLS RECEIVABLES

Group	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables	84,013	168,283	228,395
Impairment	(5,499)	(7,322)	(9,205)
Trade receivables, net	78,514	160,961	219,190
Bills receivable	2,012	1,967	1,806
Trade and bills receivables	80,526	162,928	220,996

The Group's trading terms with some customers are on credit. The credit term is generally one month, extending up to 30 to 60 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

All bills receivable of the Group are bank acceptance bills aged within 6 months. The Group considers that there is no material credit risk in the bank acceptance bills held by the Group.

31 December 2023, 2024 and 2025

18. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the invoice date and net of allowance, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 3 months	44,481	127,960	172,586
3 to 6 months	5,875	4,359	32,322
6 to 12 months	7,832	7,807	9,478
Over one year	20,326	20,835	4,804
Total	78,514	160,961	219,190

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	4,847	5,499	7,322
Impairment losses, net (note 7)	705	1,823	1,883
Amount written off as uncollectible	(53)	-	-
At end of year	5,499	7,322	9,205

An impairment test is performed at the end of each of the reporting periods by referencing to an external credit rating from Standard & Poor's or Moody's or assigning an internal credit rating with reference to the historical record of the Group and comparing it with companies with published ratings to determine the probability of default. Loss given default is estimated based on market information and is adjusted to reflect the effect of credit enhancement and other information of the specific debtors. The loss rate is then adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

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18. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables:

Class of credit rating	Notes	Expected credit	Gross	Expected
		loss rate	carrying amount	credit losses
		%	RMB'000	RMB'000
31 December 2023				
Class 1	(I)	0.38	25,750	98
Class 2	(II)	3.19	54,605	1,743
Class 3	(III)	100.00	3,658	3,658
Total			84,013	5,499

Class of credit rating	Notes	Expected credit	Gross	Expected
		loss rate	carrying amount	credit losses
		%	RMB'000	RMB'000
31 December 2024				
Class 1	(I)	0.08	42,761	33
Class 2	(II)	2.98	121,867	3,634
Class 3	(III)	100.00	3,655	3,655
Total			168,283	7,322

Class of credit rating	Notes	Expected credit	Gross	Expected
		loss rate	carrying amount	credit losses
		%	RMB'000	RMB'000
31 December 2025				
Class 1	(I)	0.06	60,228	37
Class 2	(II)	2.97	163,868	4,869
Class 3	(III)	100.00	4,299	4,299
Total			228,395	9,205

- (I) Class 1 customers receive external credit ratings equal to or above B from Standard & Poor's or Aa2 from Moody's.
- (II) Class 2 customers receive no external credit ratings. The management assigns an internal credit rating with reference to the historical record of the Group and compares it with companies with published ratings to determine in the probability of default.
- (III) Class 3 customers have no recent transactions with the Group. Receivables were past due and the Group has substantial evidence indicating that the receivables are irrecoverable.

18. TRADE AND BILLS RECEIVABLES (continued)

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in Chinese mainland (the “Endorsed Bills”) with carrying amounts of RMB2,012,000, RMB1,967,000 and RMB1,806,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the Company’s directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in Chinese mainland (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB29,977,000, RMB28,628,000 and RMB49,078,000, respectively. The Derecognised Bills had a maturity of one to nine months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023, 2024 and 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the years or cumulatively. The endorsement has been made evenly throughout the years.

The aggregate amounts of the trade payables settled by the bills receivable to which the suppliers have recourse and were matured were RMB25,655,000, RMB39,455,000, and RMB35,473,000 during the years ended 31 December 2023, 2024 and 2025, respectively.

31 December 2023, 2024 and 2025

18. TRADE AND BILLS RECEIVABLES (continued)**Company**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables	58,904	85,555	86,314
Impairment	(2,258)	(2,411)	(1,721)
Trade receivables, net	56,646	83,144	84,593
Bills receivable	1,214	888	373
Trade and bills receivables	57,860	84,032	84,966

An ageing analysis of the trade receivables of the Company as at the end of each of the Relevant Periods, based on the invoice date and net of allowance, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 3 months	25,238	54,620	52,963
3 to 6 months	5,729	3,027	23,319
6 to 12 months	7,523	5,639	6,370
Over one year	18,156	19,858	1,941
Total	56,646	83,144	84,593

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	1,946	2,258	2,411
Impairment losses/(write-back of impairment), net	362	153	(690)
Amount written off as uncollectible	(50)	-	-
At end of year	2,258	2,411	1,721

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19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**Group**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Prepayments to suppliers	27,363	35,274	32,558
Prepayments for non-current assets	12,291	32,133	66,903
Value-added tax recoverable	16,147	15,286	27,481
Advertising endorsement fee	7,556	10,595	1,537
Deposits	5,200	16,363	7,422
Receivables from employees	5,430	4,633	4,728
Other receivables	7,969	32,328	40,058
Deferred listing expense	-	1,412	3,115
	<u>81,956</u>	<u>148,024</u>	<u>183,802</u>
Impairment allowance	<u>(335)</u>	<u>(655)</u>	<u>(1,253)</u>
Total	<u>81,621</u>	<u>147,369</u>	<u>182,549</u>
Analysed into:			
Current portion	69,330	115,236	115,646
Non-current portion	<u>12,291</u>	<u>32,133</u>	<u>66,903</u>

The movements in the loss allowance for impairment of deposits and other receivables are as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	321	335	655
Impairment losses, net	<u>14</u>	<u>320</u>	<u>598</u>
At end of year	<u>335</u>	<u>655</u>	<u>1,253</u>

An impairment analysis is performed at the end of each of the reporting periods by considering the probability of default of the industry. As at 31 December 2023, 2024 and 2025, the probability of default applied ranged from 0.001% to 5.08%, 0.001% to 4.35% and 0.001% to 5.19%, respectively, and the loss given default was estimated to be 70.30%, 70.30% and 70.30%, respectively. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

31 December 2023, 2024 and 2025

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)**Company**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Prepayments to suppliers	13,909	15,782	16,981
Prepayments for non-current assets	2,246	6,218	46,685
Advertising endorsement fee	-	-	248
Deposits	706	10,832	457
Receivables from employees	661	793	803
Amounts due from subsidiaries*	373,233	342,608	215,971
Deferred listing expense	-	1,412	3,115
Other receivables	1,824	8,992	11,706
	<u>392,579</u>	<u>386,637</u>	<u>295,966</u>
Impairment allowance	<u>(54)</u>	<u>(264)</u>	<u>(331)</u>
Total	<u>392,525</u>	<u>386,373</u>	<u>295,635</u>
Analysed into:			
Current portion	390,279	380,155	248,950
Non-current portion	<u>2,246</u>	<u>6,218</u>	<u>46,685</u>

*Amounts due from subsidiaries mainly represent excess operating cash transferred from the Company to the subsidiaries and are unsecured, interest-free and repayable on demand.

The movements in the loss allowance for impairment of deposits, amounts due from subsidiaries and other receivables are as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year	72	54	264
(Write-back of impairment)/ impairment losses, net	<u>(18)</u>	<u>210</u>	<u>67</u>
At end of year	<u>54</u>	<u>264</u>	<u>331</u>

Where applicable, an impairment analysis is performed at the end of each of the reporting periods by considering the probability of default of the industry. As at 31 December 2023, 2024 and 2025, the probability of default applied ranged from 0.001% to 4.95%, 0.001% to 4.35% and 0.001% to 5.19%, respectively, and the loss given default was estimated to be 70.30%, 70.30% and 70.30%, respectively. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

31 December 2023, 2024 and 2025

20. CASH AND CASH EQUIVALENTS**Group**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash and bank balances	102,124	127,709	111,091
Less: Pledged bank deposits	<u>34,732</u>	<u>49,662</u>	<u>77,187</u>
Cash and cash equivalents	<u>67,392</u>	<u>78,047</u>	<u>33,904</u>

At 31 December 2023, 2024 and 2025, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB101,612,000, RMB125,735,000 and RMB100,459,000, respectively. The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits are pledged to banks for the issuance of the Group’s bills payable and letters of credit.

Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash and bank balances	77,068	84,051	69,622
Less: Pledged bank deposits	<u>28,707</u>	<u>37,448</u>	<u>62,741</u>
Cash and cash equivalents	<u>48,361</u>	<u>46,603</u>	<u>6,881</u>

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21. TRADE AND BILLS PAYABLES**Group**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade payables	128,792	213,148	239,060
Bills payable	56,165	77,761	107,069
Total	184,957	290,909	346,129

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 3 months	115,920	199,770	197,133
3 to 6 months	11,095	11,364	35,343
6 to 12 months	374	300	5,048
Over one year	1,403	1,714	1,536
Total	128,792	213,148	239,060

Trade payables are non-interest-bearing and are normally repaid within 3 months, and bills payable are aged within 6 months based on the time of purchase.

Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade payables	51,520	91,364	100,244
Amounts due to subsidiaries*	1,061	7,963	841
Bills payable	50,140	60,549	99,653
Total	102,721	159,876	200,738

* As at 31 December 2023, 2024 and 2025, amounts due to subsidiaries are unsecured, interest-free and repayable on demand and are trade in nature.

31 December 2023, 2024 and 2025

21. TRADE AND BILLS PAYABLES (continued)

An ageing analysis of the trade payables and amounts due to subsidiaries as at the end of each of the reporting periods, based on the invoice date, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 3 months	42,746	87,868	87,530
3 to 6 months	9,309	10,963	8,464
6 to 12 months	110	101	4,747
Over one year	416	395	344
Total	<u>52,581</u>	<u>99,327</u>	<u>101,085</u>

22. OTHER PAYABLES AND ACCRUALS**Group**

	Notes	As at 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Contract liabilities	(a)	122,252	73,226	83,809
Payables for purchase of property, plant and equipment		43,367	37,710	63,811
Payroll payables		30,505	37,121	20,047
Other tax payables		25,579	27,564	27,137
Deposits		21,589	21,402	16,594
Accrued expenses		19,100	37,740	16,719
Due to related parties (note 33)		28	28	-
Other payables	(b)	<u>18,559</u>	<u>23,884</u>	<u>30,767</u>
Total		<u>280,979</u>	<u>258,675</u>	<u>258,884</u>

Notes:

(a) Details of contract liabilities are as follows:

	As at	As at 31 December		
	1 January	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>				
Sale of goods	<u>108,844</u>	<u>122,252</u>	<u>73,226</u>	<u>83,809</u>

31 December 2023, 2024 and 2025

22. OTHER PAYABLES AND ACCRUALS (continued)

The amounts of consideration received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within one year when the goods are accepted by customers. Contract liabilities mainly arise from the advance payments received from distributors while the underlying goods are yet to be provided. The increase in contract liabilities in 2023 was in line with the growth of the Group's business to distributors. The decrease in contract liabilities in 2024 was mainly due to the shift in sales focus to direct channels and a decrease in sales to distributors in 2024. The increase in contract liabilities in 2025 was mainly due to the increase in advanced payments received from distributors near the end of 31 December 2025.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Accrued expenses	1,949	1,292	1,396
Payables for purchase of property, plant and equipment	24,613	19,912	28,732
Payroll payables	13,388	14,121	6,602
Other tax payables	5,593	9,566	7,857
Amounts due to subsidiaries*	478,893	537,974	439,907
Contract liabilities (note (a))	821	1,496	1,872
Deposits	1,564	2,081	1,640
Due to related parties	28	28	-
Other payables	3,427	10,153	14,394
Total	530,276	596,623	502,400

* Amounts due to subsidiaries arise from excess operating cash of subsidiaries transferred to the Company and are unsecured, interest-free and repayment on demand.

(a) Details of contract liabilities are as follows:

	As at 1 January	As at 31 December		
	2023 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
<i>Short-term advances received from customers</i>				
Sale of goods	1,933	821	1,496	1,872

The amounts of consideration received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within one year when the goods are accepted by customers.

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23. INTEREST-BEARING BANK BORROWINGS**Group**

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	2.90 - 4.57	2024	180,197
	As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	2.05 - 4.57	2025	321,333
	As at 31 December 2025		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	1.80 - 3.80	2026	475,393
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year	180,197	321,333	475,393
Total	180,197	321,333	475,393

At 31 December 2023 and 2024, all of these bank loans were guaranteed by subsidiaries of the Group and the controlling shareholder and his spouse. At 31 December 2025, bank loans of RMB225,223,000 were guaranteed by the subsidiaries of the Group and bank loans of RMB250,170,000 were guaranteed by subsidiaries of the Group and the controlling shareholder and his spouse.

31 December 2023, 2024 and 2025

23. INTEREST-BEARING BANK BORROWINGS (continued)**Company**

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	<u>2.90 - 4.57</u>	<u>2024</u>	<u>122,601</u>

	As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	<u>2.05 - 4.57</u>	<u>2025</u>	<u>174,172</u>

	As at 31 December 2025		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	<u>1.80 - 3.80</u>	<u>2026</u>	<u>256,212</u>

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Analysed into:			
Bank loans repayable:			
Within one year	<u>122,601</u>	<u>174,172</u>	<u>256,212</u>
Total	<u>122,601</u>	<u>174,172</u>	<u>256,212</u>

24. FINANCIAL LIABILITIES AT FVTPL**Group and Company**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Redeemable ordinary shares	<u>468,677</u>	<u>171,109</u>	<u>-</u>
Analysed into:			
Current portion	262,535	171,109	-
Non-current portion	<u>206,142</u>	<u>-</u>	<u>-</u>

24. FINANCIAL LIABILITIES AT FVTPL (continued)

Certain independent investors subscribed to or acquired the Company's ordinary shares with preferential rights that were designated as financial liabilities at FVTPL and were subsequently measured at fair value.

In June 2015, the Company entered into an investment agreement with an independent investor, Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership) (北京红杉信远股权投资中心(有限合伙)), pursuant to which the investor made a total investment of RMB135,000,000 in the Company as consideration for subscription of the Company's 10,588,000 ordinary shares ("**Series A Shares**"). The Company had received all investment funds for the Series A Shares by June 2015.

In October 2016, the Company entered into an investment agreement with an independent investor, Mr. Li Qing, pursuant to which the investor made a total investment of RMB102,632,000 in the Company as consideration for subscription of the Company's 3,715,000 ordinary shares ("**Series B Shares**"). The Company had received all investment funds for Series B Shares by October 2016. In December 2019, the investor transferred all his equity to another independent investor, Shenzhen Junrong Partnership (Limited Partnership) (深圳君荣实业合伙企业(有限合伙)), at a consideration of RMB118,500,000.

In August 2020, an independent investor, Changsha Nuoxiang Jinhong Equity Investment Partnership Enterprise (Limited Partnership) (长沙诺享瑾鸿股权投资合伙企业(有限合伙)), acquired a 1.2% equity interest ("**Series C1 Shares**") in the Company from Mr. Yang Fan, the controlling shareholder. The consideration of RMB28,800,000 was in the form of cash, which was fully received in October 2020 by Mr. Yang Fan.

In December 2020, the Company entered into an investment agreement with an independent investor, Changsha Nuoxiang Dongchen Equity Investment Partnership Enterprise (Limited Partnership) (长沙诺享东辰股权投资合伙企业(有限合伙)), pursuant to which the investor made a total investment of RMB43,992,000 in the Company as consideration for subscription of the Company's 1,362,000 ordinary shares ("**Series C2 Shares**"). The Company had received full consideration by December 2020.

In January 2021, all shareholders of the Company signed a supplementary investment agreement. The investors of Series A Shares, Series B Shares, Series C1 Shares and Series C2 Shares were granted certain preferential rights, including, but not limited to, redemption rights, anti-dilution rights and liquidation rights. The investments from the investors shall be redeemed by the controlling shareholder, a third party designated by the controlling shareholder or the Company, at the option of the investors, upon the occurrence of certain contingent events, including a qualified initial public offering ("IPO") by 29 December 2023.

In November 2023, the investors of Series C1 Shares and Series C2 Shares signed a supplementary agreement to modify relevant terms of redemption rights. The investments shall be redeemed by the controlling shareholder, a third party designated by the controlling shareholder or the Company if a qualified IPO has not been consummated by 30 June 2025.

In December 2023, the investor of Series B Shares signed a supplementary agreement to modify relevant terms of redemption rights. The investments shall be redeemed by the controlling shareholder, a third party designated by the controlling shareholder or the Company if a qualified IPO has not been consummated by 30 December 2025.

24. FINANCIAL LIABILITIES AT FVTPL (continued)

In June 2024, the Company entered into an agreement pursuant to which the Series A Shares investor exercised the redemption right and required the Company to repurchase 10,588,000 ordinary shares through a capital reduction. In November 2024, the Company paid RMB135,000,000 to the investor to redeem certain ordinary shares from the Company and the remaining consideration of RMB125,809,000 was settled in January 2025. The redemption liabilities of Series A Shares were fully settled in January 2025.

In June 2024, the Company entered into a supplemental agreement (“Termination Agreement”) with investors of Series B Shares, Series C1 Shares and Series C2 Shares. The redemption rights and other preferential rights granted by the Company to these three investors were terminated effective from the date of execution or signing the relevant supplemental agreement and shall not be reinstated under any circumstances.

In December 2024, the Company entered into an investment agreement with two independent investors, Wuhu Hua’an Zhanxin Equity Investment Fund Partnership (Limited Partnership) (芜湖华安战新股权投资基金合伙企业(有限合伙)) (“**Series D1 Shares**”) and Wuhu Fanchang District Xingnong Industrial Investment Fund Co., Ltd. (芜湖市繁昌区兴农产业投资基金有限公司) (“**Series D2 Shares**”), pursuant to which the Series D1 Shares investor made a total investment of RMB40,000,000 as consideration for subscription of the Company’s 1,211,000 ordinary shares and Series D2 Shares investor made a total investment of RMB35,000,000 as consideration for subscription of the Company’s 1,059,000 ordinary shares. The Company had received full consideration of Series D1 Shares and Series D2 Shares by December 2024 and January 2025, respectively.

According to the investment agreements effective during the Relevant Periods, the key features of the preferential rights, namely liquidation rights, anti-dilution rights and redemption rights, are summarised as follows:

(a) Liquidation rights

Series A Shares/Series B Shares/Series C1 and C2 Shares

In the event of any liquidation, dissolution or termination of the Company, after paying the liquidation expenses, employees’ wages and labour insurance expenses, taxes owed and the Company’s debts in accordance with the law, the remaining assets obtained after the liquidation of the Company shall be distributed in the following order: (i) Series C2 Shares holder has the right to priority distribution according to the proportion of the Company’s equity held at that time; (ii) Series C1 Shares holder has the right to priority distribution according to the proportion of the Company’s equity held at that time; (iii) Series B Shares holder has the right to priority distribution according to the proportion of the Company’s equity held at that time, (iv) Series A Shares holder has the right to obtain the amount equivalent to 100% of the investment paid and the undistributed profit corresponding to the shares obtained based on shareholding.

Series D1 and D2 Shares

There is no liquidation priority in this agreement.

(b) Anti-dilution rights

Series A Shares/Series B Shares/Series C1 and C2 Shares

If the Company issues new shares, any new instruments that are convertible into shares, or increases its paid-in capital at a price lower than the price paid by the investors of Series A Shares, Series B Shares, Series C1 Shares and Series C2 Shares on a per paid-in capital basis, the investors have a right to require the Company to issue additional paid-in capital at nil consideration or the lowest issue price permitted by law to the investors, and the investors also have a right to require the controlling shareholders to transfer shares to the investors at nil consideration or at the lowest issue price permitted by law, so that the total amount paid by the investors, divided by the total amount of paid-in capital obtained, is equal to the price per paid-in capital in the new issuance.

24. FINANCIAL LIABILITIES AT FVTPL (continued)

(b) Anti-dilution rights (continued)

Series D1 and D2 Shares

If the Company issues new shares or increases its paid-in capital at a price lower than the price paid by the investors of Series D1 and Series D2 Shares on a per paid-in capital basis, the investors have a right to require the controlling shareholder to transfer shares at nil consideration, or require the Company to issue additional shares at the lowest price permitted by law to the investors, and the investors also have a right to require the controlling shareholders or the Company to refund the price difference between the original paid-in capital price and the new paid-in capital price based on the respective shareholding in the Company, so that the total amount paid by the investors, divided by the total amount of paid-in capital obtained, is equal to the price per paid-in capital in the new issuance.

(c) Redemption rights

Series A Shares/Series B Shares/Series C1 and C2 Shares

The investments from the investors shall be redeemed by the Company, certain shareholders (or third party designated by certain shareholders), at the option of the investors, upon the occurrence of certain contingent events, including: (i) a qualified IPO has not been consummated by a certain date, or (ii) major violations of investment agreements by the Group or the controlling shareholders of the Company, with failure to remedy such acts within the required time limit. The repurchase price is the original investment principal from the Series A Shares and Series B Shares investors plus a simple interest rate of 10% per annum and reduced by the accumulated dividends distributed to the Series A Shares and Series B Shares investors based on their respective shareholdings in the Company, while the repurchase price for Series C1 Shares and Series C2 Shares investors is the original investment principal plus a simple interest rate of 8% per annum and reduced by the accumulated dividends distributed or compensation paid to the Series C1 Shares and Series C2 Shares investors based on their respective shareholdings in the Company.

Series D1 and D2 Shares

The investments from the investors shall be redeemed by the Company, the controlling shareholder or his spouse, at the option of the investors, upon the occurrence of certain contingent events, including a qualified IPO has not been consummated by 31 December 2025. The repurchase price is the investment principal based on their respective shareholdings in the Company plus a simple interest rate of 6% per annum and reduced by the accumulated investment income paid or dividends distributed to the investors.

Presentation and classification

The Company recognised the Series A Shares, Series D1 Shares, Series D2 Shares, and for Series B Shares, Series C1 Shares and Series C2 Shares, prior to the execution of the Termination Agreement, issued to the investors as financial liabilities at FVTPL and classified them as liabilities, because not all triggering payment events mentioned in the key terms above were within the control of the Company and these financial instruments did not meet the definition of equity for the Company. Financial liabilities are measured at fair value and any changes in the fair value of the financial liabilities were recorded in "Fair value loss on financial liabilities at FVTPL" in the consolidated statements of profit or loss and other comprehensive income. The directors of the Company considered that the changes in the fair value of the Series A Shares, Series B Shares, Series C1 Shares, Series C2 Shares, Series D1 Shares and Series D2 Shares attributable to the changes in credit risk of the Group were minimal.

Upon the execution of the Termination Agreement, the redemption rights and other preferential rights granted by the Company to Series B Shares, Series C1 Shares and Series C2 Shares investors were terminated. The financial liabilities at FVTPL were then derecognised and reclassified to capital reserve as the substance of the transaction is a shareholder's transaction.

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24. FINANCIAL LIABILITIES AT FVTPL (continued)

The movements in the financial liabilities at FVTPL are as follows:

	Series A Shares RMB'000	Series B Shares RMB'000	Series C1 Shares and Series C2 Shares RMB'000	Series D1 Shares RMB'000	Series D2 Shares RMB'000	Total RMB'000
At 1 January 2023	256,978	131,741	73,932	-	-	462,651
Changes in fair value	5,557	360	109	-	-	6,026
At 31 December 2023 and 1 January 2024	262,535	132,101	74,041	-	-	468,677
Changes in fair value	3,574	(1,456)	(493)	-	-	1,625
Payment for repurchase of shares issued to an investor	(135,000)	-	-	-	-	(135,000)
Termination of preferential rights (Note a)	-	(130,645)	(73,548)	-	-	(204,193)
Issuance of shares to a new investor (Note b)	-	-	-	40,000	-	40,000
At 31 December 2024 and 1 January 2025	131,109	-	-	40,000	-	171,109
Changes in fair value	(5,300)	-	-	-	-	(5,300)
Payment for repurchase of shares issued to an investor	(125,809)	-	-	-	-	(125,809)
Issuance of shares to a new investor (Note b)	-	-	-	-	35,000	35,000
Termination of preferential rights (Note a)	-	-	-	(40,000)	(35,000)	(75,000)
At 31 December 2025	-	-	-	-	-	-

Notes:

- (a) In June 2024, the liquidation preferences, redemption rights and anti-dilution rights attached to the Series B Shares, Series C1 Shares and Series C2 Shares granted by the Company were terminated. In March 2025, the redemption rights and anti-dilution rights attached to the Series D1 and Series D2 granted by the Company were terminated. Financial liabilities at FVTPL were then derecognised and reclassified to capital reserve as the substance of the transaction is a shareholder's transaction.
- (b) In December 2024, the Company entered into an investment agreement with two independent investors in respect of the Series D1 Shares and Series D2 Shares. The Company had received full consideration of Series D1 Shares and Series D2 Shares by December 2024 and January 2025, respectively. The Company held a shareholders' meeting and approved the resolution to increase the registered capital and completed accordingly the business registration in January 2025 and February 2025, respectively.

24. FINANCIAL LIABILITIES AT FVTPL (continued)

For Series A Shares, Series B Shares, Series C1 and C2 Shares, the Company applied the discounted cash flow method (“DCF”) to determine the underlying share value of the Company and performed an equity allocation based on the hybrid method to arrive at the fair value of the investors’ shares at the end of each of the Relevant Periods with reference to valuation reports carried out by PG Advisory (“PGA”), an independent qualified valuer. The hybrid method is a hybrid between the probability-weighted expected return method (“PWERM”) and the option pricing method (“OPM”), estimating the probability-weighted value across multiple scenarios while using the OPM to estimate the allocation of value within one or more of those scenarios.

In addition to the underlying share value of the Company determined by the DCF, other key valuation assumptions used in the OPM model to determine the fair value are as follows:

	As at 31 December	
	2023	2024
Risk-free interest rate	2.2%	1.5%
Discount for lack of marketability (“DLOM”)	10.1%	8.0%
Volatility	37.2%	35.8%

The investment consideration of Series D1 Shares was received by the Company on 26 December 2024. The Company applied the recent transaction price valuation method to determine the fair value of the financial liabilities at FVTPL at 31 December 2024 and at the date of termination of preferential rights for Series D1 Shares.

The investment consideration of Series D2 Shares was received by the Company on 3 January 2025. The Company applied the recent transaction price valuation method to determine the fair value of the financial liabilities at FVTPL at the date of termination of preferential rights for Series D2 Shares.

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25. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Unrealised profits for intercompany transactions RMB'000	Impairment of assets RMB'000	Deferred income RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	35,306	7,149	3,764	950	457	1,176	48,802
Deferred tax (charged)/credited to profit or loss during the year (note 11)	(6,715)	596	(262)	(182)	516	5,387	(660)
Gross deferred tax assets at 31 December 2023	<u>28,591</u>	<u>7,745</u>	<u>3,502</u>	<u>768</u>	<u>973</u>	<u>6,563</u>	<u>48,142</u>
At 1 January 2024	28,591	7,745	3,502	768	973	6,563	48,142
Deferred tax (charged)/credited to profit or loss during the year (note 11)	(17,785)	1,240	453	(122)	(491)	(2,869)	(19,574)
Gross deferred tax assets at 31 December 2024	<u>10,806</u>	<u>8,985</u>	<u>3,955</u>	<u>646</u>	<u>482</u>	<u>3,694</u>	<u>28,568</u>
At 1 January 2025	10,806	8,985	3,955	646	482	3,694	28,568
Deferred tax (charged)/credited to profit or loss during the year (note 11)	(7,420)	1,386	701	389	259	3,219	(1,466)
Gross deferred tax assets at 31 December 2025	<u>3,386</u>	<u>10,371</u>	<u>4,656</u>	<u>1,035</u>	<u>741</u>	<u>6,913</u>	<u>27,102</u>

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25. DEFERRED TAX (continued)Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Right-of- use assets RMB'000	Total RMB'000
At 1 January 2023	1,198	532	1,730
Deferred tax (credited)/charged to profit or loss during the year (note 11)	<u>(187)</u>	<u>499</u>	<u>312</u>
Gross deferred tax liabilities at 31 December 2023	<u>1,011</u>	<u>1,031</u>	<u>2,042</u>
At 1 January 2024	1,011	1,031	2,042
Deferred tax charged/(credited) to profit or loss during the year (note 11)	<u>5,437</u>	<u>(523)</u>	<u>4,914</u>
Gross deferred tax liabilities at 31 December 2024	<u>6,448</u>	<u>508</u>	<u>6,956</u>
At 1 January 2025	6,448	508	6,956
Deferred tax charged to profit or loss during the year (note 11)	<u>5,431</u>	<u>371</u>	<u>5,802</u>
Gross deferred tax liabilities at 31 December 2025	<u>11,879</u>	<u>879</u>	<u>12,758</u>

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	<u>46,100</u>	<u>21,612</u>	<u>14,344</u>

Deferred tax assets have not been recognised in respect of tax losses of RMB5,177,000, RMB10,237,000 and RMB9,347,000, respectively, which arose in Chinese mainland and were available for offsetting against future taxable profits in one to five years at 31 December 2023, 2024 and 2025, as it is not considered probable that taxable profits will be available against which the above items can be utilised.

26. SHARE CAPITALShares

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Issued and fully paid:			
Ordinary shares with a par value of RMB1.00 each	<u>75,665</u>	<u>75,665</u>	<u>67,347</u>

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024, and 1 January 2025	<u>75,665,000</u>	<u>75,665</u>
Investment redeemed by an investor (Note (a))	(10,588,000)	(10,588)
Issue of shares (Note (b))	<u>2,270,000</u>	<u>2,270</u>
At 31 December 2025	<u><u>67,347,000</u></u>	<u><u>67,347</u></u>

Notes:

- (a) In June 2024, the Company entered into an agreement pursuant to which the Series A Shares investor exercised the redemption right to repurchase the Series A Shares of 10,588,000 ordinary shares from the Company through a capital reduction. In November 2024, the Company paid RMB135,000,000 to the investor to redeem certain ordinary shares from the Company and the remaining consideration of RMB125,809,000 was settled in January 2025. The redemption liabilities of Series A Shares were fully settled in January 2025. In January 2025, the Company completed the registration of this capital reduction with relevant authority.
- (b) In January 2025, the general meeting of shareholders approved the resolution to increase the registered capital of the Company by 1,211,000 ordinary shares with an amount of RMB40,000,000 for Series D1 Shares and 1,059,000 ordinary shares with an amount of RMB35,000,000 for Series D2 Shares. The Company received full consideration for the Series D1 Shares and Series D2 Shares in December 2024 and January 2025, respectively. In February 2025, the Company completed the registration of the increase in registered capital with relevant authority. The Company increased its share capital by 1,211,000 ordinary shares for Series D1 Shares investor and 1,059,000 ordinary shares for Series D2 Shares investor.

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27. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page I-7 to page I-8 of the financial statements.

(a) Capital reserve

The capital reserve represents capital contribution from shareholders of the Group and share-based payment reserves. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the financial statements.

(b) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after this conversion is not less than 25% of the registered capital of the Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Company

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	(Accumulated loss)/retained profits RMB'000	Total RMB'000
At 1 January 2023	75,665	19,541	12,408	(95,475)	12,139
Profit and total comprehensive income for the year	-	-	-	7,700	7,700
Equity-settled share-based payment expenses	-	337	-	-	337
At 31 December 2023	<u>75,665</u>	<u>19,878</u>	<u>12,408</u>	<u>(87,775)</u>	<u>20,176</u>

31 December 2023, 2024 and 2025

27. RESERVES (continued)

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	(Accumulated loss)/retained profits RMB'000	Total RMB'000
At 1 January 2024	75,665	19,878	12,408	(87,775)	20,176
Profit and total comprehensive income for the year	-	-	-	18,839	18,839
Derecognition of redemption liabilities due to cancellation of redemption rights	-	204,193	-	-	204,193
Equity-settled share-based payment expenses	-	571	-	-	571
At 31 December 2024	<u>75,665</u>	<u>224,642</u>	<u>12,408</u>	<u>(68,936)</u>	<u>243,779</u>
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	(Accumulated loss)/retained profits RMB'000	Total RMB'000
At 1 January 2025	75,665	224,642	12,408	(68,936)	243,779
Profit and total comprehensive income for the year	-	-	-	27,002	27,002
Equity-settled share-based payment expenses	-	6,591	-	-	6,591
Issue of Series D1 Shares and Series D2 Shares (note 26)	2,270	72,730	-	-	75,000
Transfer of Series D1 and Series D2 Shares to capital reserve upon issuance of shares with preferential right	-	(75,000)	-	-	(75,000)
Derecognition of redemption liabilities due to cancellation of redemption rights (note 24)	-	75,000	-	-	75,000
Capital reduction of Series A Shares (note 26)	(10,588)	(250,221)	-	-	(260,809)
Derecognition of redemption liabilities due to capital reduction of Series A Shares (note 24)	-	260,809	-	-	260,809
At 31 December 2025	<u>67,347</u>	<u>314,551</u>	<u>12,408</u>	<u>(41,934)</u>	<u>352,372</u>

28. SHARE-BASED PAYMENTS

In June 2015, Anhui Jurun Investment Co., Ltd., a company wholly owned by the controlling shareholder of the Company, Mr. Yang Fan, and his spouse Ms Li Huimin, transferred 2,400,000 shares of the Company to Wuhu Kailai Star Investment Partnership Enterprise (Limited Partnership) (芜湖凯莱之星投资合伙企业(有限合伙)) (“Kailai Star”) at a price of RMB3 per share, with a total transfer consideration of RMB7,200,000. As at this equity transfer date, the Company was 100% owned by the controlling shareholder and his spouse.

The Group adopted share incentive plans for the purpose of attracting and retaining directors, senior management, employees who promote the success of the Group’s operations. Kailai Star was established as an employee shareholding platform to grant restricted shares to employees. Out of 67,347,000 issued ordinary shares of the Company, 2,400,000 shares were held by Kailai Star.

On 20 August 2015 (the date of grant), 350,000 restricted shares were granted to 15 eligible participants at a price of RMB3 per share. The fair value of restricted shares granted was RMB3.44 per share at the grant date. During the years ended 31 December 2023, 2024 and 2025, no shares were forfeited. At 31 December 2023, 2024 and 2025, the Company had 145,000, 145,000 and 145,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the backsolve method, taking into account the terms and conditions upon which the restricted shares were granted.

On 21 June 2018 (the date of grant), 371,000 restricted shares were granted to 22 eligible participants at a price of RMB6 per share. The fair value of restricted shares granted was RMB11.28 per share at the grant date. During the years ended 31 December 2023, 2024 and 2025, no shares were forfeited. At 31 December 2023, 2024 and 2025, the Company had 92,000, 92,000 and 92,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the interpolation method, taking into account the terms and conditions upon which the restricted shares were granted.

On 15 January 2020 (the date of grant), 166,000 restricted shares were granted to 19 eligible participants at a price of RMB6 per share. The fair value of restricted shares granted was RMB17.68 per share at the grant date. During the years ended 31 December 2023, 2024 and 2025, 10,000 shares, no shares, and no shares were forfeited, respectively, because of the resignation of employees. At 31 December 2023, 2024 and 2025, the Company had 100,000, 100,000 and 100,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the market approach - comparable companies multiples approach, taking into account the terms and conditions upon which the restricted shares were granted.

On 8 October 2023 (the date of grant), 237,000 restricted shares were granted to 12 eligible participants at a price of RMB6 or RMB8 per share. The fair value of restricted shares granted was RMB18.21 per share at the grant date. During the years ended 31 December 2023, 2024 and 2025, no shares were forfeited. During the year ended 31 December 2025, 10,000 restricted shares granted to employees were cancelled during the vesting period. At 31 December 2023, 2024 and 2025, the Company had 237,000, 237,000 and 227,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the hybrid method between the PWERM and the OPM, taking into account the terms and conditions upon which the restricted shares were granted.

28. SHARE-BASED PAYMENTS (continued)

In January 2025, the Group granted equity incentive awards to 37 employees. After taking into account the number of employees eligible for the above share incentive plans, the number of partners of Kailai Star would exceed the upper limit stipulated in Kailai Star' partnership agreement. Mr. Yang Fan, the controlling shareholder of the Company, transferred 41.67% equity interests in Kailai Star (corresponding to 1,000,000 shares of the Company) for consideration of RMB3,000,000 to Wuhu Liuliu Star Enterprise Management Partnership (Limited Partnership) (芜湖溜溜之星企业管理合伙企业(有限合伙)) ("Liuliu Star"), which was established in January 2025 as an employee shareholding platform to grant restricted shares to employees.

On 20 January 2025 (the date of grant), 997,000 restricted shares were granted to 37 eligible participants at a price of RMB6 or RMB8 per share. The fair value of restricted shares granted was RMB26.39 per share at the grant date. During the year ended 31 December 2025, 100,000 shares were forfeited because of the resignation of employees, and 200,000 shares granted to employees were cancelled during the vesting period. At 31 December 2025, the Company had 697,000 restricted shares. The fair value of the shares granted was estimated as at the date of grant using the backsolve method, taking into account the terms and conditions upon which the restricted shares were granted.

For the restricted shares granted in 2015, 2018 and 2020, the vesting conditions of the restricted shares requires that, incentive employees shall unconditionally transfer their shares to Mr. Yang Fan, the controlling shareholder of the Company, or a third party designated by him, at the original consideration, under any of the following circumstances: (i) within 5 years from the date the employee obtain the restricted shares of the Company, if any employees of the Group leaves for any reason; (ii) other circumstances, including but limited to, if being incompetent, being unqualified, infringement on the interests of the Group, violation of non-competition obligations and illegal crime.

For the restricted shares granted in 2023, the vesting condition of the restricted shares requires that, incentive employees shall unconditionally transfer their shares to Mr. Yang Fan, the controlling shareholder of the Company, or a third party designated by him, at the original consideration, under any of the following circumstances: (i) the earlier of either within 5 years from the date the employees obtain the restricted shares of the Company or 36 months before the successful IPO of the Company, if any employee of the Group leaves for any reason; (ii) other circumstances, including but limited to, being incompetent, being unqualified, infringement on the interests of the Group, violation of non-competition obligations and illegal crime.

For these four incentive plans, if a qualified IPO has not been consummated by a certain date, the controlling shareholder agrees to repurchase these restricted shares at their original price. If the Company has a successful IPO, the restricted shares held by the employees could be transferred under the restriction period and restriction conditions stipulated by laws and regulations and agreements with Kailai Star. In addition, without the approval of the controlling shareholder, the employees of the Group shall not transfer restricted shares of the Company granted to other participants of the incentive plans or other third parties other than participants; and shall not make any agreement with any third party on the disposal of the restricted shares (including but not limited to the transfer of shares, pledge or transfer of income rights).

28. SHARE-BASED PAYMENTS (continued)

For the restricted shares granted in 2025, the lock-up period for the Company's restricted shares shall commence on the grant date and end 24 months after the successful IPO of the Company. Upon the expiration of the lock-up period and the Company's Chairman confirmation from that the unlocking conditions have been met and the Company's shares have listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for 24 months, the Company may process the unlocking procedures for the restricted shares in accordance with the incentive plan. The incentive employees' right to dispose of the restricted shares during the aforementioned post-unlock sale period shall not be affected by whether their employment relationship with the Company remains in effect.

Upon the implementation of the incentive plan in January 2025, the incentive plans for restricted shares granted in 2015, 2018, 2020 and 2023 have been modified to align with the incentive plan of 2025. The modification of incentive plan does not have material impact to the Group's financial statements.

After taking into account the best estimation of the IPO, the management determined the vesting period of the relevant restricted shares based on the above service requirements. As such, the share-based payment expenses are recognised over the vesting period. During the years ended 31 December 2023, 2024 and 2025, share-based payment expenses of RMB337,000, RMB571,000, and RMB6,591,000 were charged to profit or loss, respectively.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Major non-cash transactions**

During the Relevant Periods, the Group had non-cash additions of right-of-use assets of RMB3,856,000, nil and RMB3,731,000, and additions to lease liabilities of RMB3,856,000, nil and RMB3,731,000, respectively, in respect of lease arrangements.

(b) Changes in liabilities arising from financing activities

	Financial Liabilities at FVTPL RMB'000	Interest- bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	462,651	223,816	1,829
Changes from financing cash flows	-	(51,436)	(1,892)
Interest expense	-	7,817	149
New leases	-	-	3,856
Lease modifications	-	-	(47)
Fair value changes	6,026	-	-
At 31 December 2023 and 1 January 2024	<u>468,677</u>	<u>180,197</u>	<u>3,895</u>

31 December 2023, 2024 and 2025

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS(continued)

(b) Changes in liabilities arising from financing activities (continued)

	Financial Liabilities at FVTPL RMB'000	Interest- bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2023 and 1 January 2024	468,677	180,197	3,895
Changes from financing cash flows	(95,000)	133,484	(2,086)
Interest expense	-	7,652	121
Fair value changes	1,625	-	-
Derecognition of redemption liabilities due to termination of preferential rights	(204,193)	-	-
At 31 December 2024 and 1 January 2025	171,109	321,333	1,930
Changes from financing cash flows	(90,809)	140,980	(2,836)
Fair value changes	(5,300)	-	-
Interest expense	-	13,080	141
New leases	-	-	3,731
Derecognition of redemption liabilities due to termination of preferential rights	(75,000)	-	-
At 31 December 2025	-	475,393	2,966

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within operating activities	2,910	3,749	4,374
Within investing activities	150	-	-
Within financing activities	1,892	2,086	2,836
Total	<u>4,952</u>	<u>5,835</u>	<u>7,210</u>

30. CONTINGENT LIABILITIES

As at 31 December 2023, 2024 and 2025, neither the Group nor the Company had any significant contingent liabilities.

31. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable and the letter of credits are included in note 20 to the financial statements.

32. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Contracted, but not provided for purchase of property, plant and equipment	<u>46,129</u>	<u>34,285</u>	<u>77,816</u>

31 December 2023, 2024 and 2025

33. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Relevant Periods:

(a) Transactions with a related party:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchases of products from an entity controlled by a family member closely related to the controlling shareholder of the Company (Note)	<u>242</u>	<u>885</u>	<u>961</u>

Note: The purchases from the related party were made according to the published prices and conditions offered by the related party to its major customers.

(b) Outstanding balances with related parties:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other payables due to an entity controlled by a family member closely related to the controlling shareholder of the Company*	<u>28</u>	<u>28</u>	<u>-</u>

*These balances with the related party are non-trade in nature.

The outstanding balances with related parties are unsecured, interest-free and repayable on demand.

(c) Guarantees provided by related parties:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Guarantees provided by the controlling shareholder and his spouse for the Group's bank loans	<u>180,197</u>	<u>321,333</u>	<u>250,170</u>

As of 31 December 2025, the Group has agreed with banks to irrevocably discharge the controlling shareholder and his spouse from all loan guarantee obligations of RMB250,170,000 in respect of the Group's bank borrowings and accrued interest thereon upon the commencement of trading of the Company's shares on the Stock Exchange, and the Group shall provide other alternative assets as guarantee.

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33. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Salaries, allowances and benefits in kind	2,251	3,004	6,977
Performance related bonuses	506	526	879
Equity-settled share-based payment expenses	87	185	4,993
Pension scheme contributions	102	199	404
Total compensation paid to key management personnel	<u>2,946</u>	<u>3,914</u>	<u>13,253</u>

Further details of directors' and supervisors' emoluments are included in note 9 to the financial statements.

(e) Redemption rights or other preferential rights

Upon the effective date of the Termination Agreement, the Company is no longer a party to, and does not guarantee or bear any obligation in respect of, the redemption rights borne solely by the shareholders or any third party designated by them. In the opinion of the directors, there are no side agreements or arrangements relating to such redemption rights or other preferential rights.

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34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Financial assets at amortised cost		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	80,526	162,928	220,996
Financial assets included in prepayments, other receivables and other assets	12,834	48,036	46,227
Pledged bank deposits	34,732	49,662	77,187
Cash and cash equivalents	67,392	78,047	33,904
Total	195,484	338,673	378,314
	Financial assets at FVOCI		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets at FVOCI	983	30	-

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills payables	184,957	290,909	346,129
Financial liabilities included in other payables and accruals	83,543	83,024	111,172
Interest-bearing bank borrowings	180,197	321,333	475,393
Lease liabilities	3,895	1,930	2,966
Total	452,592	697,196	935,660
	Financial liabilities at FVTPL - designated as such upon initial recognition		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL	468,677	171,109	-

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values are as follows:

	Carrying amount As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets			
Financial assets at FVOCI	983	30	-
Financial liabilities			
Financial liabilities at FVTPL	468,677	171,109	-
	Fair value As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets			
Financial assets at FVOCI	983	30	-
Financial liabilities			
Financial liabilities at FVTPL	468,677	171,109	-

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the financial assets at FVOCI have been calculated by discounting the expected future cash flows. The financial assets at FVOCI which are bills receivable from certain prestigious banks, are held by the Group with a dual focus: collecting the expected cash flows and exploring opportunities for sale. The changes in fair value as at 31 December 2023 and 2024 were assessed to be insignificant.

The fair values of the redemption liabilities on equity shares measured at FVTPL are determined using the discounted cash flow model or recent transaction price valuation method. Further details are set out in note 24 to the financial statements.

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)**Fair value hierarchy**

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

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
	Financial assets at FVOCI	-	983		-
		<u>-</u>	<u>983</u>		<u>-</u>

As at 31 December 2024

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
	Financial assets at FVOCI	-	30		-
		<u>-</u>	<u>30</u>		<u>-</u>

As at 31 December 2025

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
	Financial assets at FVOCI	-	-		-
		<u>-</u>	<u>-</u>		<u>-</u>

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)**Fair value hierarchy (continued)**

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

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at FVTPL	-	-	468,677	468,677

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at FVTPL	-	40,000	131,109	171,109

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at FVTPL	-	-	-	-

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities.

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

Below is a summary of significant unobservable inputs to the valuation of financial liabilities at FVTPL with an analysis as at 31 December 2023 and 2024.

	Valuation technique	Significant unobservable input	Weighted average	Sensitivity of fair value to the input
Financial Liabilities at FVTPL	Discounted cash flow method	Risk-free interest rate	2024: 1.5%	2024: 1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by RMB3,060,000/RMB2,376,000
			2023: 2.2%	2023: 1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by RMB3,723,000/RMB4,678,000
		DLOM	2024: 8.0%	2024: 1% increase/decrease in DLOM would result in decrease/increase in fair value by RMB4,904,000/RMB3,753,000
			2023: 10.1%	2023: 1% increase/decrease in DLOM would result in decrease/increase in fair value by RMB4,939,000/RMB4,339,000
		Volatility	2024: 35.8%	2024: 1% increase/decrease in volatility would result in increase/decrease in fair value by RMB556,000/RMB551,000
			2023: 37.2%	2023: 1% increase/decrease in volatility would result in increase/decrease in fair value by RMB699,000/RMB707,000

The DLOM represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial liabilities at FVTPL, interest-bearing bank borrowings, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term obligations with fixed interest rates.

After the assessment, the directors of the Company consider the Group's exposure to interest rate risk to be not significant.

Credit risk

At the end of each of the Relevant Periods, the Group had concentration of credit risk as 74.13%, 71.31% and 72.16% of the Group's trade receivables and trade receivables were due from the Group's five largest customers, respectively. The Group's cash and cash equivalents are mainly deposited with state-owned banks and other medium or large-sized listed banks in Chinese mainland. The carrying amounts of trade and bills receivables, financial assets included in prepayments, other receivables and other assets, pledged bank deposits, cash and cash equivalents included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed through customer/counterparty analysis. In addition, receivable balances are monitored on an ongoing basis.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Credit risk (continued)****Maximum exposure and year-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023, 2024 and 2025.

As at 31 December 2023

	12-month	Lifetime ECLs			Simplified approach	Total
	ECLs	Stage 2	Stage 3	Stage 1		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	-	-	-	84,013	84,013	
Bills receivable	2,012	-	-	-	2,012	
Financial assets at FVOCI	983	-	-	-	983	
Financial assets included in prepayments, other receivables and other assets - Normal**	13,169	-	-	-	13,169	
Pledged bank deposits	34,732	-	-	-	34,732	
Cash and cash equivalents - Not yet past due	67,392	-	-	-	67,392	
Total	118,288	-	-	84,013	202,301	

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Credit risk (continued)****Maximum exposure and year-end staging (continued)*

As at 31 December 2024

	12-month	Lifetime ECLs			Simplified approach RMB'000	Total RMB'000
	ECLs	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000		
Trade receivables*	-	-	-	168,283	168,283	
Bills receivable	1,967	-	-	-	1,967	
Financial assets at FVOCI	30	-	-	-	30	
Financial assets included in prepayments, other receivables and other assets - Normal**	48,691	-	-	-	48,691	
Pledged bank deposits	49,662	-	-	-	49,662	
Cash and cash equivalents - Not yet past due	78,047	-	-	-	78,047	
Total	178,397	-	-	168,283	346,680	

As at 31 December 2025

	12-month	Lifetime ECLs			Simplified approach RMB'000	Total RMB'000
	ECLs	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000		
Trade receivables*	-	-	-	228,395	228,395	
Bills receivable	1,806	-	-	-	1,806	
Financial assets included in prepayments, other receivables and other assets - Normal**	47,480	-	-	-	47,480	
Pledged bank deposits	77,187	-	-	-	77,187	
Cash and cash equivalents - Not yet past due	33,904	-	-	-	33,904	
Total	160,377	-	-	228,395	388,772	

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Liquidity risk***

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

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

	Within 1 year	Within 2 to 5	Over 5 years	Total
	RMB'000	years	RMB'000	RMB'000
		RMB'000	RMB'000	RMB'000
31 December 2023				
Trade and bills payables	184,957	-	-	184,957
Financial liabilities included in other payables and accruals	83,543	-	-	83,543
Interest-bearing bank borrowings	182,464	-	-	182,464
Lease liabilities	2,086	2,055	-	4,141
Financial liabilities at FVTPL	250,952	290,844	-	541,796
Total	704,002	292,899	-	996,901
31 December 2024				
Trade and bills payables	290,909	-	-	290,909
Financial liabilities included in other payables and accruals	83,024	-	-	83,024
Interest-bearing bank borrowings	326,844	-	-	326,844
Lease liabilities	853	1,202	-	2,055
Financial liabilities at FVTPL	172,080	-	-	172,080
Total	873,710	1,202	-	874,912
31 December 2025				
Trade and bills payables	346,129	-	-	346,129
Financial liabilities included in other payables and accruals	111,172	-	-	111,172
Interest-bearing bank borrowings	480,362	-	-	480,362
Lease liabilities	2,432	625	-	3,057
Total	940,095	625	-	940,720

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Capital management***

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using an asset-liability ratio, which is total liabilities divided by total assets. The asset-liability ratio as at the end of each of the reporting periods were as follows:

The debt-to-asset ratio at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Total liabilities	1,129,197	1,053,019	1,108,446
Total assets	1,394,662	1,670,967	1,990,073
Debt-to-asset ratio	80.97%	63.02%	55.70%

37. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Investments, at cost	290,326	341,729	341,729

All subsidiaries are set out in note 1.

38. EVENTS AFTER THE RELEVANT PERIODS

On 1 April 2026, the Company established a new wholly-owned subsidiary, Zhangzhou Nida Agricultural Technology Co., Ltd, with a registered share capital of RMB10,000,000. The subsidiary is primarily engaged in procurement and preliminary processing of agricultural products.

In April 2026, the Group obtained new unutilised banking facilities from banks amounting to RMB92,790,000.

On 10 May 2026, the Company declared dividends of RMB67,347,000 to its shareholders based on their equity interests in the Company as of 31 March 2026, which was fully paid on 12 May 2026.

39. SUBSEQUENT FINANCIAL STATEMENTS

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