RONGTA TECHNOLOGY (XIAMEN) GROUP CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2022, 2023 AND 2024

羅兵咸永道

Independent Auditor's Report

To the Board of Directors of Rongta Technology (Xiamen) Group Co., Ltd.

Opinion

What we have audited

The consolidated financial statements of Rongta Technology (Xiamen) Group Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 4 to 76, comprise:

- the consolidated statements of financial position as at 31 December 2022, 2023 and 2024;
- the company statements of financial position as at 31 December 2022, 2023 and 2024;
- the consolidated statements of comprehensive income for the years ended 31 December 2022, 2023 and 2024(the "Relevant Periods");
- the consolidated statements of changes in equity for the Relevant Periods;
- the consolidated statements of cash flows for the Relevant Periods; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 2023 and 2024 and the consolidated financial position of the Group as at 31 December 2022, 2023 and 2024, and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have also fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report (Continued)

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards, 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 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 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 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. We report our opinion solely to you, as a body, 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 ISAs 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 ISAs, we exercise professional judgment 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.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 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

The consolidated financial statements are prepared for the purpose of the preparation of historical financial information for inclusion in the prospectus of the Company in connection with the initial public offering of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the board of directors of the Company and should not be distributed to or used by any other parties for any purpose.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 May 2025

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Revenue	5	393,273	348,749	350,062
Cost of sales	6	(303,412)	(263,285)	(250,697)
Gross profit		89,861	85,464	99,365
Selling and marketing expenses	6	(24,789)	(22,531)	(25,013)
General and administrative expenses	6	(25,567)	(31,130)	(30,505)
Research and development expenses	16	(12,964)	(8,783)	(15,353)
Reversal of/(provision for) impairment losses on financial assets		6	(165)	173
Other income	8	12,858	10,404	16,883
Other gains/(losses) - net	9	4,374	(2,260)	1,193
Operating profit		43,779	30,999	46,743
Finance income	10	430	818	971
Finance costs	10	(1,831)	(2,263)	(2,829)
Finance costs - net		(1,401)	(1,445)	(1,858)
Profit before income tax		42,378	29,554	44,885
Income tax expense	11	(4,931)	(1,951)	(3,538)
Profit and total comprehensive income for the year, all attributable to owners of the Company		37,447	27,603	41,347
Earnings per share attributable to the owners of the Company				
Basic and diluted earnings per share (in RMB per share)	12	0.47	0.35	0.54

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statements of Financial Position

	Note	As at 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	85,465	84,283	84,444
Right-of-use assets	14	5,108	4,690	4,682
Investment properties	15	41,957	40,955	39,953
Intangible assets	16	12,823	19,761	23,021
Deferred tax assets	31	2,240	2,818	1,520
Other non-current assets	17	1,574	-	2,634
		149,167	152,507	156,254
Current assets				
Inventories	18	90,001	87,187	64,446
Trade and note receivables	19	24,306	60,181	66,166
Prepayments and other receivables	20	15,773	22,068	20,231
Amounts due from related parties	33(c)	39,036	32,492	-
Financial assets at fair value through profit or loss	22	56,542	11,504	22,422
Restricted cash	23	6,787	2,304	-
Cash and cash equivalents	23	23,427	15,141	7,609
		255,872	230,877	180,874
Total assets		405,039	383,384	337,128
EQUITY				
Equity attributable to owners of the Company				
Share capital	24	32,733	80,000	76,333
Reserves	26	88,346	45,149	20,044
Retained earnings		54,024	57,557	63,686
Total equity		175,103	182,706	160,063

Consolidated Statements of Financial Position (Continued)

	Note	As at 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	29	49,977	49,278	31,379
Lease liabilities	14	94	-	65
Deferred tax liabilities	31	7	-	439
		50,078	49,278	31,883
Current liabilities				
Trade payables	27	46,038	68,098	43,811
Accruals and other payables	28	43,108	20,866	23,802
Borrowings	29	60,224	37,483	57,942
Contract liabilities	5	14,945	10,307	7,715
Lease liabilities	14	325	96	126
Financial liabilities at fair value through profit or loss	22	-	2,114	-
Current income tax liabilities		4,218	1,436	786
Provision	30	11,000	11,000	11,000
		179,858	151,400	145,182
Total liabilities		229,936	200,678	177,065
Total equity and liabilities		405,039	383,384	337,128

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved and authorised for issue by the Board of Directors of the Conpany on 30 May 2025 and were signed on its behalf by:

Director

Director

Statements of Financial Position of the Company

	Note	As at 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	85,412	84,248	84,369
Right-of-use assets	14	4,832	4,593	4,682
Investment properties	15	41,957	40,955	39,953
Investments in subsidiaries	39	8,270	8,270	8,270
Intangible assets	16	12,823	19,761	23,021
Deferred tax assets	31	1,672	757	-
Other non-current assets	17	1,572	-	2,634
		156,538	158,584	162,929
Current assets				
Inventories	18	81,155	79,349	61,035
Trade and note receivables	19	41,533	84,482	70,803
Prepayments and other receivables	20	6,165	13,946	12,381
Amounts due from related parties	33(c)	39,036	32,492	-
Financial assets at fair value through profit or loss	22	53,751	11,504	8,451
Cash and cash equivalents	23	19,759	8,164	4,939
		241,399	229,937	157,609
Net current assets		75,478	92,281	43,727
Total assets		397,937	388,521	320,538
EQUITY				
Equity attributable to owners of the Company				
Share capital	24	32,733	80,000	76,333
Reserves	26	87,632	44,435	19,330
Retained earnings		61,674	77,152	79,110
Total equity		182,039	201,587	174,773

Statements of Financial Position of the Company (Continued)

	Note	2022	2023	2024
		As at 31 December		
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	29	49,977	49,278	31,379
Lease liabilities	14	-	-	65
Deferred tax liabilities	31	-	-	439
		49,977	49,278	31,883
Current liabilities				
Trade payables	27	46,027	68,865	44,290
Accruals and other payables	28	40,756	18,292	20,627
Borrowings	29	60,224	37,483	35,942
Contract liabilities	5	3,552	580	1,111
Lease liabilities	14	144	-	126
Current tax liabilities		4,218	1,436	786
Provision	30	11,000	11,000	11,000
		165,921	137,656	113,882
Total liabilities		215,898	186,934	145,765
Total equity and liabilities		397,937	388,521	320,538

The above statements of financial position of the Company should be read in conjunction with the accompanying notes.

The statements of financial position of the Company were approved and authorised for issue by the Board of Directors of the Company on 30 May 2025 and were signed on its behalf by:

Director

Director

Consolidated Statements of Changes in Equity

	Note	Equity attributable to owners of the Company Share capital	Reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		32,733	76,297	40,468	149,498
Comprehensive income:					
Profit for the year		-	-	37,447	37,447
Total comprehensive income		-	-	37,447	37,447
Transactions with owners:					
Appropriation to statutory reserve	26	-	3,891	(3,891)	-
Share-based compensation	25	-	8,158	-	8,158
Dividends distribution	37	-	-	(20,000)	(20,000)
Total transactions with owners		-	12,049	(23,891)	(11,842)
Balance at 31 December 2022 and 1 Jauary 2023		32,733	88,346	54,024	175,103
Comprehensive income:					
Profit for the year		-	-	27,603	27,603
Total comprehensive income		-	-	27,603	27,603
Transactions with owners:					
Appropriation to statutory reserve	26	-	4,070	(4,070)	-
Dividends distribution	37	-	-	(20,000)	(20,000)
Conversion of capital reserves into share capital	24	47,267	(47,267)	-	-
Total transactions with owners		47,267	(43,197)	(24,070)	(20,000)
Balance at 31 December 2023 and 1 January 2024		80,000	45,149	57,557	182,706
Comprehensive income:					
Profit for the year		-	-	41,347	41,347
Total comprehensive income		-	-	41,347	41,347
Transactions with owners:					
Appropriation to statutory reserve	26	-	3,718	(3,718)	-
Dividends distribution	37	-	-	(31,500)	(31,500)
Repurchase of ordinary shares	24	(3,667)	(28,823)	-	(32,490)
Total transactions with owners		(3,667)	(25,105)	(35,218)	(63,990)
Balance at 31 December 2024		76,333	20,044	63,686	160,063

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

	Note	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	32(a)	63,838	29,674	56,151
Interest received		40	164	930
Income tax paid		(3,442)	(5,317)	(2,451)
Net cash generated from operating activities		60,436	24,521	54,630
Cash flows from investing activities				
Purchase of property, plant and equipment		(37,952)	(14,894)	(8,114)
Payments of intangible assets		(7,746)	(10,834)	(8,503)
Purchase of financial assets at fair value through profit or loss	22	(564,752)	(311,120)	(270,945)
Proceeds from disposals of financial assets at fair value through profit or loss	22	556,453	354,719	257,075
Payments for deposits for foreign currency forward contracts	23	(12,526)	(2,054)	(392)
Proceeds from deposits for foreign currency forward contracts	23	5,739	6,537	2,696
(Loans to)/ collection from related parties	33(b)	(38,640)	7,219	43
Proceeds from disposals of property, plant and equipment	32(b)	126	9	7
Net cash (used in)/generated from investing activities		(99,298)	29,582	(28,133)
Cash flows from financing activities				
Proceeds from borrowings	32(d)	69,099	42,354	86,580
Repayment of borrowings	32(d)	(16,615)	(65,432)	(84,020)
Payment of interests on bank borrowings		(1,977)	(2,622)	(2,813)
Principal elements of lease payments	32(d)	(611)	(326)	(253)
Dividends paid to the Company's shareholders	37	(5,000)	(35,000)	(31,500)
Listing expenses		-	(1,719)	(2,291)
Net cash generated from /(used in) financing activities		44,896	(62,745)	(34,297)
Net increase/(decrease) in cash and cash equivalents		6,034	(8,642)	(7,800)
Cash and cash equivalents at beginning of year		15,995	23,427	15,141
Effects of exchange rate changes on cash and cash equivalents		1,398	356	268
Cash and cash equivalents at end of year	23	23,427	15,141	7,609

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information of the Group

Rongta Technology (Xiamen) Group Co., Ltd. (容大合眾(廈門)科技集團股份有限公司)(the "Company") was incorporated as a limited liability company in Xiamen city, Fujian province of the People's Republic of China (the "PRC") on 20 December 2010. The address of its registered office and headquarters of the Company is No 88 South Tonghui Road, Xiamen, Fujian Province, the PRC.

On 28 October 2019, the Company completed the conversion from a limited liability company into a joint stock company with limited liability in the PRC and changed its name from Xiamen Rongda Hezhong Electronic Technology Co., Ltd. (廈門容大合眾電子科技有限公司) to Rongta Technology (Xiamen) Group Co., Ltd. (容大合眾(廈門)科技集團股份公司). The directors of the Company regard Xiamen Rongxin Investment Co., Ltd. ("Xiamen Rongxin"), which is owned as to 99% by Mr. Xu Kaiming and 1% by Mr. Xu Kaihe, as the ultimate holding company, and Mr. Xu Kaiming as the ultimate controlling shareholder, of the Company.

The Company and its subsidiaries (together, the "Group") are principally engaged in manufacturing and selling of Automatic Identification and Data Capture (AIDC) devices including speciality printers, scales, point of sale ("POS") terminals and personal digital assistants ("PDAs") equipment and provision of related solutions (the "Listing Business") in the PRC.

The financial statements are presented in Renminbi ("RMB") unless otherwise stated.

2 Basis of preparation

2.1 (i) Compliance with International Financial Reporting Standards

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

(ii) Accounting policies

The accounting policies applied in the preparation of the Consolidated Financial Statements have been consistently applied to all the years presented, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transations in this Consolidated Financial Statements, a summary of the other accounting policies information has been set out in Note 40 to this Consolidated Financial Statements.

2.2 Historical cost convention

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

The preparation of the Consolidated Financial Statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 4.

2.3 Accounting policies

(a) New Standards, amendments to standards and interpretations

In preparation of the Consolidated Financial Statements, all of the new standards, amendments to standards and interpretations that are effective during the reporting period have been adopted by the Group and consistently applied throughout the reporting period.

2. Basis of preparation (Continiued)

2.3 Accounting policies (Continiued)

(b) New and amended standards and interpretations not yet effective and not been early adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the financial years during the reporting period and have not been early adopted by the Group. These new standards and interpretations are:

Standards and interpretations		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and measurement of financial instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements	Annual Improvements to IFRS Accounting Standards—Volume 11	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective, except as described below.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the consolidated financial statements of the Group.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 Financial risk management (Continiued)

3.1 Financial risk factors (Continiued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group primarily conducts its operations in the PRC with majority of activities settled in RMB. The Group also sells to customers in various overseas countries, and is exposed to foreign exchange risk, primarily the US dollar.

The Group manages its foreign exchange risk by closely monitoring the movement of foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group enters into foreign currency forward contracts to mitigate the foreign exchange risk of procurement denominated in USD (Note 3.3).

(i) Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at the end of the reporting period during the reporting period, expressed in RMB, was as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Assets denominated in USD:			
Trade receivables	11,988	15,666	21,530
Cash and cash equivalents	2,259	5,195	688
	14,247	20,861	22,218
Contracted amount of foreign currency forward contracts	49,449	64,447	-

The aggregate net foreign exchange gains recognized in profit or loss during the reporting period were:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Net foreign exchange gains included in other gains	3,331	947	2,133

The sensitivity analysis is set out below. As shown in the table above, the Group is primarily exposed to changes in RMB/USD exchange rates. The sensitivity of profit or loss to changes in exchange rates arises mainly from USD denominated trade receivables, cash and cash equivalents and foreign currency forward contracts. Below is the impact to the Group's pre-tax profit during the reporting period had USD strengthened/weakened by 10% against RMB with all other variables held constant:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Impact to post-tax profit, increase/(decrease):			
USD/RMB exchange rate – increase 10%	6,372	8,534	2,222
USD/RMB exchange rate – decrease 10%	(6,372)	(8,534)	(2,222)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest bearing assets included cash and cash equivalents, restricted cash (Note 23), amounts due from related parties (Note 33(c)) and financial assets at fair value through profit or loss (FVPL) (Note 22). Management also does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly and the interest on amounts due from related parties are at fixed interest rate.

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2022, 2023 and 2024, all of the Group's borrowings were at fixed interest rates. The Group does not use any financial instrument to hedge its exposure to interest rate risk.

(b) Credit risk

The Group is exposed to credit risk in relation to (i) cash and cash equivalents and restricted cash, (ii) trade receivables and notes receivables, and (iii) other financial assets at amortised cost including amounts due from related parties and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. These assessment of credit loss of these three types of financial assets are subject to the expected credit loss model.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage credit risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because the counterparties have strong capacity to meet their contractual cash flow obligations in the near term. The expected credit loss is close to zero.

(ii) Credit risk of trade and notes receivables

To manage credit risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and ageing to measure the expected credit losses. Trade and note receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group is engaged in manufacturing and selling of speciality printers, scales, POS terminals and PDAs equipment and provision of related solutions. The credit terms grant to sales to customers in the PRC are generally within 30 to 120 days from the invoice date.

Notes receivables are received for sales to customers in the PRC and most of the notes receivables of the Group are bank acceptance notes that with good credit rating. Therefore, the credit risk of notes receivables is regarded as minimal.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The Group calculates the expected loss rates of trade receivables based on the probability of default and the loss given default with reference to payment profiles of sales over a period of 24 months before the balance sheet date and the corresponding historical credit losses experienced within the reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of trade and notes receivables (continued)

When considering forward-looking information, the Group takes different economic scenarios into consideration. The Group sells to customers in the PRC and overeseas countries worldwise. The Group has identified the Gross Domestic Product ("GDP"), Consumer Price Index ("CPI") and Producer Price Index ("PPI") of the PRC that majority of the Group's customers are located to be the most relevant factors to determine the forward-looking information, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and would recognized impairment losses.

The expected credit loss allowance of trade and note receivables as at 31 December 2022, 2023 and 2024 are determined as follows:

	Current	Within 6 months	Between 6 and 12 months	Over 1 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022					
Gross carrying amount of trade and note receivables	18,328	5,482	854	136	24,800
Expected loss rate	0.02%	2.94%	32.08%	40.44%	1.99%
Total loss allowance	(4)	(161)	(274)	(55)	(494)
As at 31 December 2023					
Gross carrying amount of trade and note receivables	46,000	13,769	420	652	60,841
Expected loss rate	0.01%	1.40%	42.14%	43.87%	1.08%
Total loss allowance	(4)	(193)	(177)	(286)	(660)
As at 31 December 2024					
Gross carrying amount of trade and note receivables	57,590	7,545	1,306	137	66,578
Expected loss rate	0.02%	0.68%	20.83%	56.20%	0.62%
Total loss allowance	(12)	(51)	(272)	(77)	(412)

Movements on the Group's allowance of impairment loss for trade and note receivables are as follows:

	Year ended 31 December 2022	2023	2024
	RMB'000	RMB'000	RMB'000
Balance as at 1 January	551	494	660
(Decrease)/increase in loss allowance	(6)	165	(181)
Write-off in loss allowance	(51)	1	(67)
Balance as at 31 December	494	660	412

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Other financial assets at amortised cost

To manage credit risk arising from other financial assets at amortised cost, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The Group's other financial assets at amortised cost included other receivables (Note 20) and amounts due from related parties (Note 33(c)). The amounts due from related parties were amounts due from Mr. Xu Kaiming, the ultimate controlling shareholder of the Company, and a company owned by him. The credit loss is expected to be zero. The amounts due from related parties had been fully offset against payables to the ultimate controlling shareholder in March 2024 (Note 33(c)).

For the other receivables, to assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with that as at the date of initial recognition. The probability of default upon initial recognition of an asset and whether there has been significant increase in credit risk on an ongoing basis during the reporting period is assessed with reference to the below factors:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter parties' ability to meet its obligation;
- actual or expected significant changes in the operating results of the counter parties;
- significant changes in the expected performance and behaviour of the counter parties, including changes in the payment status of the counter parties.

As at 31 December 2022, 2023 and 2024, management assessed the credit risk of other receivables and provided for a loss allowance for expected credit loss of RMB 85,000, RMB 84,000 and RMB 92,000, respectively, under the 12 months expected losses method.

Movements on the Group's allowance of impairment of other receivables are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Balance as at 1 January	34	85	84
Increase/(decrease) in loss allowance	51	(1)	8
Balance as at 31 December	85	84	92

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022					
Trade payables (Note 27)	46,038	-	-	-	46,038
Accruals and other payables (excluding staff salaries and welfare payables and value added tax and other taxes payables) (Note 28)	32,796	-	-	-	32,796
Borrowings (Note 29)	60,224	7,139	21,419	21,419	110,201
Interest on borrowings	2,584	1,383	946	302	5,215
Lease liabilities (Note 14)	327	96	-	-	423
	141,969	8,618	22,365	21,721	194,673
As at 31 December 2023					
Trade payables (Note 27)	68,098	-	-	-	68,098
Accruals and other payables (excluding staff salaries and welfare payables and value added tax and other taxes payables) (Note 28)	6,736	-	-	-	6,736
Borrowings (Note 29)	37,483	27,859	21,419	-	86,761
Interest on borrowings	1,970	759	201	-	2,930
Lease liabilities (Note 14)	96	-	-	-	96
	114,383	28,618	21,620	-	164,621
As at 31 December 2024					
Trade payables (Note 27)	43,811	-	-	-	43,811
Accruals and other payables (excluding staff salaries and welfare payables and value added tax and other taxes payables) (Note 28)	7,254	-	-	-	7,254
Borrowings (Note 29)	57,942	31,379	-	-	89,321
Interest on borrowings	1,704	230	-	-	1,934
Lease liabilities (Note 14)	131	66	-	-	197
	110,842	31,675	-	-	142,517

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalent and restricted cash.

The net debt to equity ratios during the reporting period were as follow:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Borrowings (Note 29)	110,201	86,761	89,321
Lease liabilities (Note 14)	419	96	191
Less: Cash and cash equivalent and restricted cash (Note 23)	(30,214)	(17,445)	(7,609)
Net debt	80,406	69,412	81,903
Total equity	175,103	182,706	160,063
Net debt to equity ratio	46%	38%	51%

The increase and decrease in gearing ratio from 31 December 2022 to 31 December 2024 were resulted from the increase and decrease in borrowings and equity.

3.3 Fair value estimation

(a) Fair value measurements by level of the following fair value measurement hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the Consolidated Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value measurements by level of the following fair value measurement hierarchy (continued)

The following table presents the Group's assets that were measured at fair value as at 31 December 2022, 2023 and 2024:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Level 3			
Assets:			
Financial assets at FVPL			
-Wealth management products	55,031	11,504	22,422
-Foreign currency forward contracts	1,511	-	-
	56,542	11,504	22,422
Liabilities:			
Financial liabilities at FVPL			
-Foreign currency forward contracts	-	(2,114)	-

The Group's financial assets at FVPL as at 31 December 2022, 2023 and 2024 were wealth management products acquired from banks.

The carrying values of the Group's financial assests and financial liabilities at amortised cost (Note 19, 20, 27 and 28), approximated their fair value as at 31 December 2022, 2023 and 2024 due to their short term maturitie

(b) Valuation techniques used to determine fair values

The fair values of wealth management products were estimated by using a discounted cash flow approach using the expected return based on management judgment and estimates.

The fair value of foreign currency forward contracts in Level 3 financial liabilities at FVPL was estimated by using quoted price provided by banks.

There were no changes in valuation techniques during the reporting period.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Valuation techniques used to determine fair values (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

	Fair values As at 31 December			Unobservable inputs	Range of inputs As at 31 December			Relationships of unobservable inputs to fair values
	2022	2023	2024		2022	2023	2024	
	RMB'000	RMB'000	RMB'000		%	%	%	
Financial assets at FVPL								The higher the expected rate of return, the higher the fair value
-Wealth management products	55,031	11,504	22,422	Expected rate of return	1.75-2.14	2.61-2.93	2.23–2.67	

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to price risk of FVPL at the end of each reporting period. If prices of the respective instruments held by the Group had been 10% higher/lower as at 31 December 2022, 2023 and 2024 with all other variable held constant, the Group's pre-tax profit would have been approximately RMB4,726,000 RMB5,654,000, and RMB4,885,000 higher/lower as a result of gains/losses on financial instruments classified as FVPL.

4 Critical accounting estimates and judgements

The preparation of Consolidated Financial Statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives and residual values of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and investment properties. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and investment properties of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values. Periodic reviews could result in a change in useful lives and residual values and therefore, changes in depreciation expenses in the future periods.

4 Critical accounting estimates and judgements (continued)

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount 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.

(c) Provision for impairment of inventories

The Group's management reviews the condition of inventories at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the future sales projection, latest market prices and current market conditions. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realizable value.

(d) Provision for impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. The impairment provisions for trade receivables are based on assumptions about risk default and the expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income. Details of the assessment of loss allowance for trade receivables during the reporting period are disclosed in Note 3.1(b) and the carrying amounts of the Group's trade receivables are disclosed in note 20.

(e) Income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences, impairment loss and tax losses are recognized as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will affect the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed. Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realized or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

4 Critical accounting estimates and judgements (continued)

(f) Estimation of provision for potential litgation claim

The Group considered the current process of the legal cases and the legal opinion of lawyers and exercises considerable judgment in measuring and recognizing provisions and contingent liabilities related to potential or outstanding legal claims. Judgment is necessary in assessing the likelihood that a liability will arise, and to quantify the possible range of the final settlement. Provisions are recognized when the Group has a present obligation, the loss is considered probable and can be reliably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of inhouse or external legal counsels.

(g) Capitalisation and expensing of internal development expenditures

The Group capitalizes expenditures incurred on projects relating to development of products as intangible assets when the recognition criteria are met. Significant judgement is involved in assessing whether the criteria set out in the accounting standards required for capitalisation of such costs have been met, including the technical feasibility, the likelihood of future economic benefits to the Group, and whether the expenditures attributing to the assets during development can be reliably measured. Notwithstanding that the Group has used all available information to make this estimation and judgement, inherent uncertainty exists and the capitalized expenditures may have to be expensed if there are significant changes from previous estimates.

5 Revenue and segments information

(a) Description of segments and principal activities

During the reporting period, the Group is principally engaged in manufacturing and selling of speciality printers, scales, POS terminals and PDA equipment and provision of related solutions in the PRC.

The chief operating decision-maker of the Company has been identified as the chairman and executive directors of the Company. The decision-maker reviews the operating results of the business as one operating segment to make strategic decisions and decisions about resources to be allocated. Revenue and profit/(loss) before income tax are the measures reported to the chairman and executive directors for the purpose of resources allocation and performance assessment.

All of the Group's business and operations are conducted in the PRC with sales made to customers in the PRC and overseas countries. The Group's non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

(b) Breakdown of revenue

The breakdown of revenue by product and services and timing of revenue recognition are set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Printing equipment	304,408	261,082	243,373
Scales	35,761	47,250	53,087
POS terminals and PDA	23,583	16,497	33,564
Accessories and other purchased products	25,591	15,333	17,849
Others	3,930	8,587	2,189
	393,273	348,749	350,062
Timing of revenue recognition:			
Point in time	393,273	348,749	350,062

5 Revenue and segments information (continued)

(b) Breakdown of revenue (continued)

The breakdown of revenue by regions based on the location of the customers is set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The PRC	214,756	190,054	185,272
Overseas countries	178,517	158,695	164,790
	393,273	348,749	350,062

(c) Information about major customers

For the reporting period, revenue derived from customers who individually accounted for more than 10% of the Group's total revenue is set out below:

	Year ended 31 December		
	2022	2023	2024
Customer 1	22.88%	17.95%	11.78%

(d) Contract liabilities

The Group

The Group recognized the following revenue-related contract liabilities:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contract liabilities	14,945	10,307	7,715

The contract liabilities of the Group recognized are related to the non-refundable advance payments from customers of the Group. A contract liability is the Group's obligation to a customer for which the Group has received consideration from the customer. A contract liability is recognized when the customer pays consideration but before the Group delivers goods to the customer.

Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the period, recognized in each reporting period relates to carried-forward contract liabilities:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liability balance at the beginning of the year	22,063	14,945	10,307

5 Revenue and segments information (continued)

(d) Contract liabilities (continued)

The Company

The Company recognized the following revenue-related contract liabilities:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contract liabilities	3,552	580	1,111

(e) Unsatisfied performance obligations

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

(f) Revenue recognition accounting policies

(i) Sales of products

Revenue from sales of printers, scales, POS terminals and PDA equipment, accessories and purchased productsis recognized when control of the products has been transferred to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products according to contract or terms of sales. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales of products is based on the price specified in the sales contracts and is shown net of value-added tax and after eliminating sales within the Group. No element of financing is deemed present as the sales are made with a credit term.

The Group provides distributors with sales rebate, and the relevant revenue is recognized based on contract consideration net of the rebate amount estimated.

A receivable is recognized when the control of products is transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The periods and terms of product quality warranty are provided in according with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

(ii) Others

Others mainly include development and certification services and others. These services are usually completed within a short period of time, the revenue generated from the services mentioned above is recognized upon completion of the services.

5 Revenue and segments information (continued)

(f) Revenue recognition accounting policies (continued)

(iii) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

6 Expenses by nature

The detailed analysis of expenses by nature of cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses is as follow:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	249,595	207,481	202,118
Changes in inventories of finished goods and work in progress	1,702	10,288	11,029
Employee benefit expenses (Note 7)	80,139	69,559	76,886
Consulting and professional fee	5,422	6,112	3,651
Depreciation of property, plant and equipment (Note 13)	3,592	3,892	4,258
Depreciation of right-of-use assets (Note 14)	717	418	375
Amortisation of intangible assets (Note 16)	2,336	3,896	5,243
Adervertising and other marketing expenses	4,208	5,542	6,660
Outsourcing labor cost	4,099	1,658	1,207
Other taxes and levies	2,568	3,502	3,636
Short-term lease rental expenses	1,083	72	53
Provision for/(reversal of) impairment of inventories	5,534	925	(3,296)
Auditor's remuneration	12	-	-
Listing expenses	-	8,605	8,293
Other expenses	13,471	14,507	9,911
Total expenses incurred	374,478	336,457	330,024
Less: development expenditures capitalized in intangible assests (Note 16)	(7,746)	(10,728)	(8,456)
Total expenses charged to profit or loss	366,732	325,729	321,568

7 Employee benefit expenses

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	61,935	59,336	63,357
Pension costs - defined contribution plans (b)	3,552	3,648	4,417
Housing funds, medical insurances and other social insurances (c)	2,775	3,851	3,855
Other employment benefits	3,719	2,724	5,257
Share-based compensation (Note 25)	8,158	-	-
Total staff compensation expense	80,139	69,559	76,886

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Pension obligations

The Group participates in defined contribution pension plans organized by the governments in the PRC. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

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

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

7 Employee benefit expenses (continued)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022, 2023 and 2024 included 4, 3 and 3 directors and supervisors, respectively, whose emoluments are reflected in the analysis presented in Note 34. The emoluments payable to the remaining 1, 2 and 2 highest paid individuals during the reporting period are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	288	1,098	465
Pension costs - defined contribution plans	38	74	16
Housing fund, medical insurance and other social benefits	39	68	83
Share-based compensation	66	-	-
	431	1,240	564

The number of highest paid non-director individuals whose remuneration for the reporting period fell within the following bands are as follows:

	Year ended 31 December		
	2022	2023	2024
Salary band			
Within HKD 1,000,000	1	2	2

8 Other income

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Government grants (a)	11,224	6,681	13,485
Rental income	2,474	5,345	5,223
Rental cost	(840)	(1,622)	(1,825)
	12,858	10,404	16,883

(a) Government grants recognized during the reporting period were mainly incentives and subsidies received from government authorities by the Group's subsidiaries for the subsidiaries' contributions to the local employment market, improvement in production efficiency and others.

9 Other gains/(losses) - net

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Exchange gain - net	3,331	947	2,133
Gain from changes in fair values of wealth management products	476	347	469
Gain/(loss) from changes in fair values of foreign currency forward contracts	511	(3,900)	(1,307)
Net loss on disposals of property, plant and equipment	(98)	-	(84)
Others	154	346	(18)
	4,374	(2,260)	1,193

10 Finance income and costs - net

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Finance income			
-Interest income on bank deposits	34	143	930
-Interest income on amounts due from related parties (Note 33(b))	396	675	41
	430	818	971
Finance costs			
-Interest expenses on bank borrowings	(2,033)	(2,259)	(2,813)
-Interest expenses on lease liabilities	(25)	(4)	(16)
	(2,058)	(2,263)	(2,829)
Amounts capitalized in qualifying assets of construction in progress	227	-	-
	(1,831)	(2,263)	(2,829)
Finance costs - net	(1,401)	(1,445)	(1,858)

11 Income tax expense

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current income tax expense			
-PRC income tax	4,584	2,536	1,801
Deferred income tax expense (Note 31)	347	(585)	1,737
	4,931	1,951	3,538

11 Income tax expense (continued)

The Group's principal applicable income tax and tax rates are as follows:

(a) PRC corporate income tax ("CIT")

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The CIT rate of the Company in the PRC is 15% and the CIT rate of its subsidiaries in the PRC is 20% during the reporting period.

In 2020, the Company was granted the status of High-technology Enterprise by the local tax bureau in Xiamen, and has been entitled to high-technology enterprises' favourable income tax rate of 15% since then. The validity of the qualification was 3 years. The Company maintained the qualification through renewal in 2023 which will be in effect for years 2024 to 2026. Therefore, the Company's applicable tax rate during the reporting period was 15%.

The subsidiaries of the Company in the PRC are all qualified as "Small and Low-profit Enterprise ("SLE")" and are entitled to preferential income tax treatment during the Reporting period. Pursuant to the 'Notice of Preferential Tax Reduction and Exemption Policies for Small Scale VAT Taxpayer' (Cai Shui [2019] 13, Cai Shui [2022] 13 and Cai Shui [2023] 6) issued by the State Administration of Taxation of the PRC, the income tax of a SLE company's annual taxable income would be calculated as: (i) for the first portion of taxable income up to RMB 1 million, 25% of it is subject to income tax and at a preferential rate of 20%, (ii) for the portion of taxable income more than RMB 1 million but not more than RMB 3 million, 50% of it is subject to income tax and at a rate of 20%. This preferential tax treatment has been applicable throughout the reporting period.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profit of the Group as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before income tax	42,378	29,554	44,885
Tax calculated at the applicable statutory tax rate of 25%	10,594	7,388	11,221
Adjustment for tax effect of:			
- Preferential income tax rate impact	(4,109)	(2,480)	(4,458)
- Preferential additional deduction for research and development expenditure	(2,906)	(3,021)	(3,066)
- Expense not deductable for income tax purposes	1,289	27	39
- Unused tax losses and temporary difference for which no deferred tax asset has been recognized	63	37	76
-Adjustements for current income tax of prior periods	-	-	(274)
Income tax expense	4,931	1,951	3,538

12 Earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of shares during the reporting period.

The Company did not have any potential ordinary shares outstanding during the reporting period. Diluted earnings per share is equal to basic earnings per share.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2022	**2023**	**2024**
Profit attributable to owners of the Company (RMB'000)	37,447	27,603	41,347
Weighted average number of ordinary shares in issue (thousand)	80,000	80,000	77,250
Basic and diluted earnings per share (RMB)	0.47	0.35	0.54

Upon approval at the meeting of the Board of Directors held on 15 June 2023, the Company increased its registered capital by RMB 47,267,200 by way of conversion of the capital reserve of the Company for the same amount. After the conversion, the Company's issued share capital was adjusted to RMB 80,000,000, and the total number of shares reached 80,000,000. The conversion of capital reserve to issued share capital is taken to be effective from 1 January 2022 for the purpose of caculating earnings per share.

13 Property, plant and equipment

The Group

	Building	Machinery and equipment	Office furniture and fixtures	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022						
Opening net book amount	-	3,905	348	202	92,146	96,601
Additions	-	1,387	1,174	113	29,390	32,064
Transferred from construction in progress	80,928	699	525	-	(82,152)	-
Disposals	-	(185)	(38)	(1)	-	(224)
Transferred to investment properties (Note 15)	-	-	-	-	(39,384)	(39,384)
Depreciation charge (Note 6)	(1,259)	(1,927)	(339)	(67)	-	(3,592)
Closing net book amount	79,669	3,879	1,670	247	-	85,465
At 31 December 2022						
Cost	80,928	19,815	3,186	1,181	-	105,110
Accumulated depreciation	(1,259)	(15,936)	(1,516)	(934)	-	(19,645)
Net book amount	79,669	3,879	1,670	247	-	85,465

13 Property, plant and equipment (continued)

The Group (continued)

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023					
Opening net book amount	79,669	3,879	1,670	247	85,465
Additions	215	1,975	174	355	2,719
Disposals	-	(6)	(3)	-	(9)
Depreciation charge (Note 6)	(1,927)	(1,368)	(450)	(147)	(3,892)
Closing net book amount	77,957	4,480	1,391	455	84,283
At 31 December 2023					
Cost	81,144	21,286	3,320	1,536	107,286
Accumulated depreciation	(3,187)	(16,806)	(1,929)	(1,081)	(23,003)
Net book amount	77,957	4,480	1,391	455	84,283

13 Property, plant and equipment (continued)

The Group (continued)

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024						
Opening net book amount	77,957	4,480	1,391	455	-	84,283
Additions	-	3,946	491	-	73	4,510
Disposals	-	(89)	(2)	-	-	(91)
Depreciation charge (Note 6)	(1,932)	(1,620)	(542)	(150)	(14)	(4,258)
Closing net book amount	76,025	6,717	1,338	305	59	84,444
At 31 December 2024						
Cost	81,144	25,274	3,717	1,536	73	111,744
Accumulated depreciation	(5,119)	(18,557)	(2,379)	(1,231)	(14)	(27,300)
Net book amount	76,025	6,717	1,338	305	59	84,444

13 Property, plant and equipment (continued)

The Group (continued)

(a) The Group's depreciation of property, plant and equipment was charged to the following financial statement line items in the consolidated statements of comprehensive income during the reporting period:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of sales	2,215	1,899	2,203
General and administrative expenses	1,011	1,426	1,510
Selling and marketing expenses	124	164	175
Research and development expenses	242	403	370
	3,592	3,892	4,258

(b) The construction in progress during the year ended 31 December 2022 represented the construction of the Group's headquarters at No. 88 Tonghui Road, Xiamen, Fujian Province of the PRC. There are three blocks of buildings of which one block is used as the Group's office and research and development centre, one block is used as the Group's production factory and warehouse and certain area of it is leased out, and the remaining block is fully leased out. The leased out block and areas are accounted for as investment properties (Note 15) of the Group. The construction of the buildings was completed in year 2022 and the construction in progress was transferred to buildings under property, plant and equipment and investment properties accordingly.

(c) Assets pledged

As at 31 December 2022, 2023 and 2024, the buildings of the Group were pledged to secure certain bank borrowings of the Group (Note 29).

(d) Accounting policies of property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives as follows:

Building	40 years
Machinery and equipment	3-10 years
Office furniture and fixtures	3-5 years
Vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4b).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss (Note 9).

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for intended use.

13 Property, plant and equipment(continued)

The Company

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Construction in progress (a)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022						
Opening net book amount	-	3,905	303	202	92,146	96,556
Additions	-	1,387	1,147	113	29,390	32,037
Transferred from construction in progress	80,928	699	525	-	(82,152)	-
Disposals	-	(185)	(37)	(1)	-	(223)
Transferred to investment properties (Note 15)	-	-	-	-	(39,384)	(39,384)
Depreciation charge	(1,259)	(1,927)	(321)	(67)	-	(3,574)
Closing net book amount	79,669	3,879	1,617	247	-	85,412
At 31 December 2022						
Cost	80,928	19,815	3,032	1,181	-	104,956
Accumulated depreciation	(1,259)	(15,936)	(1,415)	(934)	-	(19,544)
Net book amount	79,669	3,879	1,617	247	-	85,412

13 Property, plant and equipment (continued)

The Company (continued)

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023					
Opening net book amount	79,669	3,879	1,616	247	85,411
Additions	216	1,975	173	355	2,719
Disposals	-	(6)	(2)	-	(8)
Depreciation charge	(1,928)	(1,368)	(431)	(147)	(3,874)
Closing net book amount	77,957	4,480	1,356	455	84,248
At 31 December 2023					
Cost	81,144	21,285	3,166	1,536	107,131
Accumulated depreciation	(3,187)	(16,805)	(1,810)	(1,081)	(22,883)
Net book amount	77,957	4,480	1,356	455	84,248

13 Property, plant and equipment (continued)

The Company (continued)

	Buildings	Machinery and equipment	Office furniture and fixtures	Vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024						
Opening net book amount	77,957	4,480	1,356	455	-	84,248
Additions	-	3,946	434	-	73	4,453
Disposals	-	(89)	(1)	-	-	(90)
Depreciation charge	(1,933)	(1,620)	(526)	(150)	(14)	(4,242)
Closing net book amount	76,024	6,717	1,263	305	59	84,369
At 31 December 2024						
Reclassification	81,144	25,274	3,511	1,536	73	111,538
Cost	(5,120)	(18,557)	(2,248)	(1,231)	(14)	(27,169)
Accumulated depreciation						
Net book amount	76,024	6,717	1,263	305	59	84,369

As at 31 December 2022, 2023 and 2024 , the Group's buildings were pledged to sesure certain bank borrowings of the Company (Note 29).

14 Right-of-use assets and lease liabilities

The Group

(a) Amounts recognized in the consolidated statements of financial position

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Right-of-use assets			
- Land use rights	4,679	4,581	4,483
- Leased properties	429	109	199
Total right-of-use assets	5,108	4,690	4,682
Lease liabilities			
- Current	325	96	126
- Non-current	94	-	65
Total lease liabilities	419	96	191

Movements in right-of-use assets in the reporting period are analysed as follows:

	Land use rights	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022			
Opening net book amount	8,043	592	8,635
Additions	-	439	439
Transferred to investment properties (Note 15)	(3,249)	-	(3,249)
Depreciation charge (Note 6)	(115)	(602)	(717)
Closing net book amount	4,679	429	5,108
Year ended 31 December 2023			
Opening net book amount	4,679	429	5,108
Depreciation charge (Note 6)	(98)	(320)	(418)
Closing net book amount	4,581	109	4,690
Year ended 31 December 2024			
Opening net book amount	4,581	109	4,690
Additions	-	851	851
Termination	-	(484)	(484)
Depreciation charge (Note 6)	(98)	(277)	(375)
Closing net book amount	4,483	199	4,682

14 Right-of-use assets and lease liabilities (continued)

The Company

	As at 31 December 2022	2023	2024
	RMB'000	RMB'000	RMB'000
Right-of-use assets			
- Land use rights	4,679	4,581	4,483
- Leased properties	153	12	199
Total right-of-use assets	4,832	4,593	4,682
Lease liabilities			
- Current	144	-	126
- Non-current	-	-	65
Total lease liabilities	144	-	191

Movements in right-of-use assets during the reporting period are analysed as follows:

	Land use rights	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022			
Opening net book amount	8,043	-	8,043
Additions	-	282	282
Transferred to investment properties	(3,249)	-	(3,249)
Depreciation charge	(115)	(129)	(244)
Closing net book amount	4,679	153	4,832
Year ended 31 December 2023			
Opening net book amount	4,679	153	4,832
Depreciation charge	(98)	(141)	(239)
Closing net book amount	4,581	12	4,593
Year ended 31 December 2024			
Opening net book amount	4,581	12	4,593
Additions	-	492	492
Disposals	-	(183)	(183)
Depreciation charge	(98)	(122)	(220)
Closing net book amount	4,483	199	4,682

(a) The Group's leasing activities

Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group's land use rights refer to the land on which the Group's headquarters at No. 88 Tonghui Road, Xiamen, Fujian Province of the PRC is situated. The land use rights have a lease period of 50 years. The premiums paid for such rights are recorded as right-of-use assets, and are amortised over the lease periods of 50 years using the straight-line method.

14 Right-of-use assets and lease liabilities (continued)

(a) The Group's leasing activities (continued)

Lease of properties

The Group leases factory buildings and office buildings as lessee. Rental contracts of properties are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Details of the accounting policies on leases are set out in Note 40.6.

(b) Asset pledged

As at 31 December 2022, 2023 and 2024, the Group's land use rights included in right-of-use assets with carrying amount of RMB 4,679,000, RMB 4,581,000 and RMB 4,483,000 respectively, were pledged to secure certain bank borrowings of the Group (Note 29).

In addition, due to an litigation case where the Group was the defendant, the Group's land use rights were seized for three years starting from 11 February 2022.

15 Investment properties

The Group and the Company

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January	-	41,957	40,955
Transfer from construction in progress (Note 13) and right-of-use assets (Note 14)	42,633	-	-
Depreciation (Note 6)	(676)	(1,002)	(1,002)
At 31 December	41,957	40,955	39,953
Cost as at 31 December	42,633	42,633	42,633
Accumulated depreciation	(676)	(1,678)	(2,680)
At 31 December	41,957	40,955	39,953

(a) The investment properties consist one block of the building and certain floor areas of another building at the Group's headquarters that are held for leasing. The construction of the buildings was completed in 2022 and the relevant costs were transferred from land use right under right-of-use assets and construction in progress under property, plant and equipment to investment properties accordingly.

(b) The Group has engaged an independent professional valuer to determine the fair value of the investment properties. The valuation of the investment properties as at 31 December 2024 was RMB 50,297,000. The directors of the Company have assessed and estimated the fair value of the investment properties as at 31 December 2023 and 31 December 2024 to be the same as the valuation amount as at 31 December 2022 given that there was no major changes in market value of the industrial properties in Xiamen during the years.

(c) Amounts recognized in profit or loss for investment properties

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Other income - rental income	2,474	5,345	5,223
Other costs - depreciation of investment properties	(676)	(1,002)	(1,002)
Other costs - direct operating expenses from property that generated rental income	(164)	(620)	(823)

15 Investment properties (continued)

(d) Assets pledged

As at 31 December 2022, 2023 and 2024, the Group's investment properties were pledged to secure certain bank borrowings of the Group (Note 29).

(e) Depreciation methods

The Group depreciates investment properties with a limited useful life using the straight-line method over the following periods:

Buildings	40 years
Land-use rights	50 years

16 Intangible assets

The Group and the Company

	Development expenditures	Computer software	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022			
Opening net book amount	7,021	392	7,413
Additions	7,746	-	7,746
Amortisation charge (Note 6)	(2,006)	(330)	(2,336)
Closing net book amount	12,761	62	12,823
Year ended 31 December 2023			
Opening net book amount	12,761	62	12,823
Additions	10,728	106	10,834
Amortisation charge (Note 6)	(3,872)	(24)	(3,896)
Closing net book amount	19,617	144	19,761
Year ended 31 December 2024			
Opening net book amount	19,617	144	19,761
Additions	8,456	47	8,503
Amortisation charge (Note 6)	(5,198)	(45)	(5,243)
Closing net book amount	22,875	146	23,021

(a) The Group's amortisation of intangible assets was charged to the following financial statement line items in the consolidated statements of comprehensive income during the reporting period:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of sales – development expenditures	2,006	3,872	5,198
Administrative expenses – computer software	330	24	45
	2,336	3,896	5,243

16 Intangible assets (continued)

(a) The Group's amortisation of intangible assets was included in the following categories in the consolidated statements of comprehensive income during the reporting period (continued):

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	5-10 years
Development Expenditures	3-5 years

(b) Accounting policy for research and development expenditures

Research expenditures are charged to the consolidated statements of comprehensive income as expenses in the period the expenditure is incurred. Development expenditures are recognized as assets if they can be clearly assigned to a newly developed product or process and all the following can be demonstrated:

- The technical feasibility to complete the development project so that it will be available for use or sale;
- The intention to complete the development project to use it;
- The ability to use the output of the development project;
- The manner-in-which the development project will generate probable future economic benefits to the Group;
- The availability of adequate technical, financial, and other resources to complete the development project and use or sell the intangible asset; and
- The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset relating to development expenditures is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use or sale. The costs capitalized in intangible assets include employee costs, costs of raw materials, depreciations and other expenses incurred in the creation of the asset. Development expenditures not satisfying the above criteria are recognized in the consolidated statements of profit or loss as incurred.

Capitalized development costs are amortised using a straight-line method over the expected useful lives ranging between 3 to 5 years.

16 Intangible assets (continued)

The Group incurred the following expenditures in research and development activities:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Research and development expenses incurred:			
Employee benefits	15,974	17,986	19,809
Cost of raw materials	2,082	830	1,089
Depreciation	391	556	507
Others	3,610	1,491	2,404
	22,057	20,863	23,809
Less: Development expenditures capitalized as intangible assets:	(7,746)	(10,728)	(8,456)
Amount charged to profit or loss	14,311	10,135	15,353
Add: amortisation of development expenditures capitalized as intangible assets	2,006	3,872	5,198
Total research and development related expenditures charged to profit or loss	16,317	14,007	20,551

The total research and development related expenditures charged to profit or loss are included in the following categories in the consolidated statements of comprehensive income during the years ended 31 December 2022, 2023 and 2024:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of sales	3,353	5,224	5,198
Research and evelopment expenses	12,964	8,783	15,353
	16,317	14,007	20,551

(c) Impairment test for intangible assets not yet available for use

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Intangible assets not yet available for use	4,463	8,154	4,107

Intangible asset not yet available for use is derived from the capitalised development expenditures incurred in research and development projects that have not yet been completed. The Company has carried out an impairment review of the carrying amount of intangible asset not yet available for use as at 31 December 2022, 2023 and 2024.

The recoverable amount of the intangible asset not yet available for use is determined based on value in use calculations. The calculation of the recoverable amount of the intangible asset not yet available for use uses cash flow projections based on the financial estimates made by management of the Company, with reference to the timing of commercial operation of the products and the prevailing market conditions. The recoverable amount of the intangible assets not yet available for use based on the estimated value-in-use calculations was higher than the carrying amount at 31 December 2022, 2023 and 2024. Accordingly, no provision for impairment loss for intangible assets not yet available for use is considered necessary.

16 Intangible assets (continued)

(c) Impairment test for intangible assets not yet available for use (continued)

The following table sets forth key assumptions on which management has based its cash flow projections to undertake impairment testing of intangible assets not yet available for use as at 31 December 2022, 2023 and 2024:

	As at 31 December		
	2022	**2023**	**2024**
Revenue growth rate	0%-14.60%	0%-18.92%	13.10%-13.62%
Pre-tax discount rate	14.60%	14.00%	14.00%

Management has determined the values assigned to each of the above key assumptions as follows:

Revenue growth rate: based on past performance and management's expectations of market development;
Pre-tax discount rate: reflect specific risks relating to the operation of the business in the PRC.

Based on the result of the impairment testing, the proportion of the estimated recoverable amount of the intangible assets not yet available for use exceeded its carrying amount ("the headroom") to its carrying amount was as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Intangible assets not yet available for use	41.97%-783.36%	35.46%-234.7%	40.28%-578.94%

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amounts of the intangible assets not yet available for use to exceed its recoverable amount.

The management of the Company concluded that no provision for impairment on the intangible assets not yet available for use has to be recognised as at 31 December 2022, 2023 and 2024.

17 Other non-current assets

The Group's and the Company's non-current assets represented prepayments for the purchase of property, plant and equipment. The prepayments would be transferred to the relevant assets when the assets were received.

18 Inventories

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	52,402	60,734	44,431
Work-in-progress	1,563	93	779
Finished goods	48,624	39,806	28,091
Less: provision for impairment of inventories	(12,588)	(13,446)	(8,855)
	90,001	87,187	64,446

During the reporting period, the cost of inventories recognized as an expense and included in cost of sales amounted to RMB 251,297,000, RMB 217,769,000 and RMB 218,932,000 for the years ended 2022, 2023 and 2024 respectively.

Provision is made for slow moving and obsolete inventories, including where the net realizable value is lower than its carrying value, and is recorded in cost of sales in the consolidated statements of comprehensive income. The net provision/(reversal) of impairment for inventories as recognized for the reporting period amounted to approximately RMB5,534,000, RMB 925,000, and RMB (3,296,000), respectively.

Accounting policies of inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as cost of sales in the period in which the reversal occurs.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	52,402	60,734	44,431
Work-in-progress	1,563	93	779
Finished goods	39,778	31,968	24,680
Less: provision for impairment of inventories	(12,588)	(13,446)	(8,855)
	81,155	79,349	61,035

19 Trade and note receivables

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Notes receivable	2,005	2,908	937
Trade receivables			
- Third parties	22,795	57,933	65,641
	24,800	60,841	66,578
Less: provison for impairment	(494)	(660)	(412)
	24,306	60,181	66,166

As at 31 December 2022, 2023 and 2024, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 180 days	21,805	56,861	64,198
181-360 days	854	420	1,306
Over 360 days	136	652	137
	22,795	57,933	65,641

For trade receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records, past experience, as well as forward looking information.

The Group applies the simplified approach to provide for expected credit loss, which was a lifetime expected loss allowance for all trade receivables as prescribed by IFRS 9. Details of the assessment of expected loss rates of the Group's trade receivables are set out in Note 3.1 (b)(ii).

The carrying value of trade and notes receivables approximated their fair values as at the balance sheet dates due to their short term nature and were dominiated in RMB.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Notes receivable	2,005	2,908	-
Trade receivables			
- From Subsidiaries	27,805	49,638	38,077
- Third parties	11,976	32,086	32,751
	41,786	84,632	70,828
Less: provison for impairment	(253)	(150)	(25)
	41,533	84,482	70,803

19 Trade and note receivables (continued)

The Company (continued)

As at the reporting period, the aging analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 180 days	39,105	81,414	70,828
181-360 days	676	-	-
Over 360 days	-	310	-
	39,781	81,724	70,828

The carrying amounts of trade and notes receivables approximated their fair values as at the balance sheet dates due to their short term nature and were denominated in RMB.

20 Prepayments and other receivables

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for purchase of raw materials	1,378	4,006	1,938
Prepayments for expenses	1,837	239	1,593
Prepayments for listing expenses	-	2,678	5,342
Value added tax recoverable	8,778	11,468	7,771
Other receivables - refundable deposits receivable	887	1,064	621
Others	2,978	2,697	3,058
Less: provision for impairment	(85)	(84)	(92)
	15,773	22,068	20,231

The carrying amounts of other receivables approximated their fair values and were dominiated in RMB.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for purchase of raw materials	1,378	4,006	1,938
Prepayments for expenses	1,308	32	686
Prepayments for listing expenses	-	2,678	5,342
Value added tax recoverable	-	4,341	1,342
Other receivables - refundable deposits receivable	761	890	430
Other current assets - amounts due from subsidiaries	139	-	-
Others	2,644	2,070	2,708
Less: provision for impairment	(65)	(71)	(65)
	6,165	13,946	12,381

20 Prepayments and other receivables (continued)

The Company (continued)

The carrying amounts of other receivables approximated their fair values as at the balance sheet dates and were dominiated in RMB.

21 Financial instruments by category

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost			
Trade receivables (Note 19)	24,306	60,181	66,166
Other receivables (excluding value added tax recoverable)(Note 20)	3,780	3,677	3,587
Amounts due from related parties (Note 33(c))	39,036	32,492	-
Restricted cash (Note 23)	6,787	2,304	-
Cash and cash equivalents (Note 23)	23,427	15,141	7,609
	97,336	113,795	77,362
Financial assets at fair value through profit or loss	56,542	11,504	22,422
	153,878	125,299	99,784
Financial liabilities at amortised cost			
Trade payables (Note 27)	46,038	68,098	43,811
Accruals and other payables (excluding staff salaries and welfare payables, value added tax and others) (Note 28)	32,796	6,736	7,254
Borrowings (Note 29)	110,201	86,761	89,321
Lease liabilities (Note 14)	419	96	191
	189,454	161,691	140,577
Financial liabilities at fair value through profit or loss (Note 22)	-	2,114	-
	189,454	163,805	140,577

22 Financial assets and liabilities at fair value through profit or loss

The Group

The Group's financial assets and financial liabilities at FVPL included the following:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets at FVPL:			
Investments in wealth management products issued by banks	55,031	11,504	22,422
Foreign currency forward contracts	1,511	-	-
	56,542	11,504	22,422
Financial liabilities at FVPL:			
Foreign currency forward contracts	-	(2,114)	-

The movements for investments in wealth management products in the Group's financial assets at FVPL are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Opening balance	47,256	55,031	11,504
Additions	564,752	311,120	270,945
Disposals	(557,453)	(354,994)	(260,496)
Gains on financial assets at FVPL	476	347	469
Closing balance	55,031	11,504	22,422

The Group bought certain wealth management products from banks. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they have been designated as financial assets at FVPL.

The Group entered into foreign currency forward contract to hedge the Group's exposure to foreign exchange risk, mainly from the USD denominated trade receivables and cash and cash equivalent.

The gain or loss on financial assets and liabilities at FVPL are set out in Note 9 above.

The Company

The Company's financial assets measured at FVPL include the following:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Investments in wealth management products issued by banks	53,751	11,504	8,451

23 Cash and cash equivalents and restricted cash

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents			
Cash on hand and at banks	23,039	14,601	6,954
Other cash and cash equivalents	388	540	655
	23,427	15,141	7,609
Restricted cash			
Cash at banks	6,787	2,304	-

As at 31 December 2022, 2023 and 2024, bank deposits of RMB 6,787,000 and RMB 2,304,000 and RMB 0 respectively were restricted and held in designated bank accounts as deposits for foreign currency forward contracts.

Cash and cash equivalents and restricted cash were denominated in the following currencies:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
RMB	27,417	11,940	6,880
USD	2,259	5,195	688
Others	538	310	41
	30,214	17,445	7,609

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	19,759	8,164	4,939

Cash and cash equivalents were denominated in:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
RMB	19,697	8,139	4,913
USD	62	25	26
	19,759	8,164	4,939

24 Share capital

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Issued and fully paid	32,733	80,000	76,333

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

	Number of shares	Paid-in capital/ share capital
		RMB'000
As at 1 January 2022 and 31 December 2022	32,732,800	32,733
Conversion of capital reserves into share capital (i)	47,267,200	47,267
Balance at 31 December 2023 and 1 January 2024	80,000,000	80,000
Capital reduction (ii)	(3,667,000)	(3,667)
Balance at 31 December 2024	76,333,000	76,333

(i) Upon approval at the meeting of the Board of Directors held on 15 June 2023, the Company increased its registered capital by RMB 47,267,200 by way of conversion of the capital reserve of the Company for the same amount. After the conversion, the Company's issued share capital was adjusted to RMB 80,000,000, and the total number of shares reached 80,000,000.

(ii) On 14 March 2024, the Company repurchased 3,667,000 shares from Xiamen Rongxin at a total consideration of RMB32,489,620 by offsetting against the amount due from Xiamen Rongxin to the Company with an aggregate amount of approximately RMB32.5 million (Note 33(c)).

25 Share-based compensations

The share-based compensation expenses charged to the consolidated statements of comprehensive income during the reporting period were as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Employee share ownership plans	8,158	-	-

25 Share based compensation (Continued)

(a) Emoloyee share ownership plans

(i) Details of the Company's employee share ownership plans ("ESOP")

The Group set up two limited partnership companies, namely Xiamen Gaoli Hezhong Investment Partnership Limited Partnership (廈門高立合眾投資合夥企業(有限合夥)) ("Xiamen Gaoli Hezhong") which was formerly known as Xiamen Gaoli Hezhong Consulting Management Partnership Limited Partnership (廈門高立合眾諮詢管理合夥企業(有限合夥)) in November 2017, and Xiamen Gaoli Zhongcheng Investment Partnership Limited Partnership (廈門高立眾成投資合夥企業(有限合夥))("Xiamen Gaoli Zhongcheng") in November 2018, as the employee shareholding platforms ("Employee Incentive Platforms") to hold the shares granted to employees.

Participants of the ESOP (the "Participants") are granted limited partnership interests (the "Awards") in the Employee Incentive Platforms and are each a limited partner of the Employee Incentive Platforms upon grant of the Awards. Upon becoming the limited partner of the Employee Incentive Platforms, the Participants indirectly receive economic interest in the pro rata portion of the underlying Shares held by the Employee Incentive Platforms.

Prior to 31 December 2022 or to the submission of the application for the listing on a stock exchange by the Company (whichever is earlier), if any limited partner wishes to transfer his/her holdings in the Employee Incentive Platform, such limited partner shall obtain the consent of the general partner of the Employee Incentive Platform. The transfer price shall be determined by the capital injection amount of the relvant protion of interest that is subject to transfer plus interest.

After 31 December 2022 but prior to the submission of the application for listing on the stock exchange by the Company, if any limited partner wishes to transfer his/her holdings in the Employee Incentive Platform, such limited partner shall obtain the consent of the general partner of the Employee Incentive Platform. The transfer price shall be determined by the parties.

(ii) Awards granted under ESOP

On 21 November 2017, 254,600 shares of the Company with a grant price of RMB4 were granted to certain directors and employees through the Xiamen Gaoli Hezhong, and on 21 December 2018 and 8 December 2021, 146,000 and 146,000 shares of the Company with a grant price of RMB 7 and RMB 7 per share were granted to certain directors and employees through Xiamen Gaoli Zhongcheng, respectively, while the fair value of shares of the Company at the respective dates of grants was estimated to be RMB 6.19, RMB 9.74 and RMB 19.53 per share, respectively.

The fair value of each award share grant under the ESOP and other issues during the reporting period is determined by reference to the consideration paid by third party investors in the latest equity investment transactions value during the latest external financing before or at the date of grant. The respective employees and directors are entitled to receive the same dividend as the other shareholders. Accordingly, no features of the equity instruments granted were incorporated as adjustments into the measurement of fair value.

As at 31 December 2023, 909,180 and 1,016,717 (after giving the effect of adjustment for capitalization issue), totalling 1,925,897, shares of the Company, representing 1.14% and 1.27% of the Company's shareholdering, were held by Xiamen Gaoli Hezhong and Xiamen Gaoli Zhongcheng, respectively, and were all granted to driectors and employees of the Group. On 14 March 2024, the Company repurchased 3,667,000 shares from Xiamen Rongxin and resolved to reduce the registered share capital of the Company from RMB80,000,000 to RMB76,333,000 by way of reduction in number of issued shares. As a result, the equity interest in Company's shares held by Xiamen Gaoli Hezhong and Xiamen Gaoli Zhongcheng were increased to 1.19% and 1.33%, respectively.

25 Share based compensation (Continued)

(a) Emoloyee share ownership plans (Continued)

(ii) Awards granted under ESOP (Continued)

Details of the award shares held by the Directors, supervisors, senior management or connected persons under the ESOP during the reporting period are set out below:

	Number of award shares As at 31 December		
	2022	**2023**	**2024**
Directors, supervisors and employees	788,000	1,925,897	1,925,897

The increase in number of award shares as at 31 December 2023 was due to the issue of 1,137,897 shares of the Company to the Participants through Employee Shareholding Platforms pursuant to the capitalisation of capital reserve.

(b) Accounting policy for share-based compensation expenses

The fair value of the employee services received in exchange for the grant of equity instruments (the "share-based compensation") is the difference between the fair value of each award share of the Company and the cash consideration to be paid by the Participant, and is recognized as an expense in "employee benefit expenses" in the consolidated statement of comprehensive income, with a corresponding increase in equity.

The total amount of share based compensation of the Group was expensed over the vesting period which started from the respective dates of grant since 2017 and until 31 December 2022 according to the terms of ESOP.

At the end of each reporting period during the reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

26 Reserves

The Group

	Capital reverse	Statutory reserves	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	67,144	4,346	4,807	76,297
Profit appropriation to statutory reserve (a)	-	3,891	-	3,891
Share-based compensation (Note 25)	-	-	8,158	8,158
At 31 December 2022 and 1 January 2023	67,144	8,237	12,965	88,346
Profit appropriation to statutory reserve (a)	-	4,070	-	4,070
Conversion of capital reserves into share capital (Note 24(i))	(47,267)	-	-	(47,267)
At 31 December 2023 and 1 January 2024	19,877	12,307	12,965	45,149
Profit appropriation to statutory reserve (a)	-	3,718	-	3,718
Repurchase of ordinary shares (Note 24(ii))	(28,823)	-	-	(28,823)
At 31 December 2024	(8,946)	16,025	12,965	20,044

The Company

	Capital reverse	Statutory reserves	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	66,414	4,344	4,807	75,565
Profit appropriation to statutory reserve (a)	-	3,909	-	3,909
Share-based payment (c)	-	-	8,158	8,158
At 31 December 2022 and 1 January 2023	66,414	8,253	12,965	87,632
Profit appropriation to statutory reserve (a)	-	4,070	-	4,070
Convension of capital reserves into share capital (Note 24(i))	(47,267)	-	-	(47,267)
At 31 December 2023 and 1 January 2024	19,147	12,323	12,965	44,435
Profit appropriation to statutory reserve (a)	-	3,718	-	3,718
Repurchase of ordinary shares (Note 24(ii))	(28,823)	-	-	(28,823)
At 31 December 2024	(9,676)	16,041	12,965	19,330

26 Reserves (continued)

Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

27 Trade payables

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade payables - third parties	46,038	68,098	43,811

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	46,038	68,098	43,811

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates due to their short maturity and were denominated in RMB.

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade payables			
-Subsidiaries	49	-	-
-Third parties	45,978	68,865	44,290
	46,027	68,865	44,290

The aging analysis of trade payables based on the invoice date at the respective company balance sheet dates is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	46,027	68,865	44,290

The carrying amounts of current trade payables approximated their fair values as at the balance sheet dates due to their short maturity were dominiated in RMB.

28 Accruals and other payables

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	15,034	1,344	439
Dividends payable	15,000	-	-
Staff salaries and welfare payable	7,964	8,014	9,510
Value added tax and other taxes payable	2,348	6,116	6,840
Payables for listing expenses	-	2,629	4,313
Defferred income-current portion	-	-	198
Other accured expenses and payables	2,762	2,763	2,502
	43,108	20,866	23,802

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	15,034	902	439
Dividends payable	15,000	-	-
Staff salaries and welfare payable	6,363	6,925	7,816
Value added tax and other taxes payable	2,203	5,949	5,530
Payables for listing expenses	-	2,629	4,313
Deffered income-current portion	-	-	198
Others	2,156	1,887	2,331
	40,756	18,292	20,627

29 Borrowings

The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Non-current borrowings			
Long-term bank borrowings, secured and guaranteed (a)	20,137	17,709	15,214
Long-term bank borrowings secured (a)	36,952	32,269	27,659
Long-term bank borrowings, unsecured	-	6,720	16,440
less: current portion	(7,112)	(7,420)	(27,934)
Non-current portion	49,977	49,278	31,379
Current borrowings			
Short term bank borrowings, guaranteed (b)	53,112	30,063	-
Short term bank borrowings, unsecured	-	-	30,008
Current portion of long-term bank borrowings	7,112	7,420	27,934
	60,224	37,483	57,942
Total borrowings	110,201	86,761	89,321

29 Borrowings (Continued)

(a) On 21 July 2021, the Company entered into a syndicated loan facility agreement with banks in the PRC for a 5-years term loan facility. Pursuant to the syndicated loan facilities, various bank borrowings were drawn down from the banks, among which certain long-term bank borrowing were secured by the mortgage of the Group's land use rights (Note 14), buildings (Note 13) and investment properties (Note 15) at the headquarters of the Group in Xiamen and supported by guarantee from Mr. Xu Kaiming (the ultimate controlling share holder), and certain long-term bank borrowings were not secured by assets but guaranteed by Mr. Xu Kaiming.

(b) The Group's short-term bank borrowings as at 31 December 2022, 2023 and 2024 were supported by guarantees from Mr. Xu Kaiming (the ultimate controlling shareholder) and his wife, Mrs. Lin Yaqiong, and a financing guarantee service provider company, Xiamen Huli District Financing Guarantee Co., Ltd..

(c) As at 31 December 2022, 2023 and 2024, the Group's bank borrowings were denominated in RMB and were interest bearing at fixed interest rates at the average of 3.57%, 3.20% and 3.03% per annum, respectively. The bank borrowings are repayable as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	60,224	37,483	57,942
Between 1 and 2 years	7,139	27,859	31,379
Between 2 and 5 years	42,838	21,419	-
	110,201	86,761	89,321

The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Non-current borrowings			
Long-term bank borrowings, secured and guaranteed (a)	20,137	17,709	15,214
Long-term bank borrowings secured (a)	36,952	32,269	27,659
Long-term bank borrowings, unsecured	-	6,720	16,440
less: current portion	(7,112)	(7,420)	(27,934)
Non-current portion	49,977	49,278	31,379
Current borrowings			
Short term bank borrowings, guaranteed (b)	53,112	30,063	-
Short term bank borrowings, unsecured	-	-	8,008
Current portion of long-term bank borrowings	7,112	7,420	27,934
	60,224	37,483	35,942
Total borrowings	110,201	86,761	67,321

30 Provision

The balance represents provision for a potential litigation claim in connection with a proceeding that was lodged against the Company in August 2021 in relation to a civil action incidental to a criminal case filed by a company (the "Plaintiff") whose trade secret in respect of scales was alleged to be infringed by an ex-employee of the Company. In April 2024, it was ruled by the court that the case was dismissed on the ground that the claims brought by the Plaintiff was not based on the infringement of personal rights or suffering of loss due to destruction of properties and therefore it should not be lodged as a civil action incidental to a criminal case according to PRC laws.

No payment has been made to the Plaintiff as of the date of this report. The directors of the Company, after taking consideration of the advices from the PRC legal counsel regarding the likelihood of the Plaintiff lodging a separate civil action against the Company and the expected amount to settle the claim, made provision accordingly which reflected the directors' best estimate based on available information.

31 Deferred income tax

The Group

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Deferred income tax assets- gross:			
– Deferred income tax asset to be recovered within 12 months	1,853	2,891	1,527
– Deferred income tax asset to be recovered after 12 months	2,370	2,870	2,985
	4,223	5,761	4,512
Set-off of deferred income tax liabilities	(1,983)	(2,943)	(2,992)
Net deferred income tax assets	2,240	2,818	1,520
Deferred income tax liabilities - gross:			
– Deferred income tax liability to be recovered within 12 months	(489)	(452)	(520)
– Deferred income tax liability to be recovered after 12 months	(1,501)	(2,491)	(2,911)
	(1,990)	(2,943)	(3,431)
Set-off of deferred income tax assets	1,983	2,943	2,992
Net deferred income tax liabilities	(7)	-	(439)
Net deferred income tax assets	2,233	2,818	1,081

The movement in net deferred income tax is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Net deferred income tax assets:			
As at 1 January	2,580	2,233	2,818
(Charge)/credited to income tax (Note 11)	(347)	585	(1,737)
As at 31 December	2,233	2,818	1,081

31 Deferred income tax(continued)

(a) Deferred income tax assets - gross

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Provision	1,650	1,650	1,650
Deductible tax losses	203	1,241	1,335
Impairment loss	1,949	2,076	1,366
Fair value gains on financial assets at FVPL	-	181	-
Others	421	613	161
	4,223	5,761	4,512

The movement in deferred income tax assets during the reporting period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Provision	Deductible tax losses	Impairment loss	Fair value loss on financial liabilities at FVPL	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	1,650	131	1,466	-	391	3,638
Credited to profit or loss	-	72	483	-	30	585
As at 31 December 2022 and 1 January 2023	1,650	203	1,949	-	421	4,223
Credited to profit or loss	-	1,038	127	181	192	1,538
As at 31 December 2023 and 1 January 2024	1,650	1,241	2,076	181	613	5,761
Credited/(charged) to profit or loss	-	94	(710)	(181)	(452)	(1,249)
As at 31 December 2024	1,650	1,335	1,366	-	161	4,512

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable. Deferred income tax assets have not been recognized in respect of the tax losses amounting to RMB1,947,000, RMB2,154,000 and RMB3,757,000 as at 31 December 2022, 2023 and 2024, respectively.

The tax losses that are not recognized as deferred income tax assets will be expired as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
2023	534	-	-
2024	147	147	-
2025	94	94	94
2026	272	272	272
2027	900	900	900
2028	–	741	741
2029	–	–	1,750
	1,947	2,154	3,757

31 Deferred income tax (Continued)

(b) Deferred income tax liabilities - gross

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	76	-	-
Amortization of intangible assests	1,914	2,943	3,431
	1,990	2,943	3,431

The movement in deferred income tax liabilities during the reporting period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Fair value gain on financial assets at FVPL	Amortization on intangible assets	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	5	1,053	1,058
Charge to profit or loss	71	861	932
As at 31 December 2022 and 1 January 2023	76	1,914	1,990
(Credited)/charge to profit or loss	(76)	1,029	953
As at 31 December 2023 and 1 January 2024	-	2,943	2,943
Charge to profit or loss	-	488	488
As at 31 December 2024	-	3,431	3,431

31 Deferred income tax (Continued)

The Company

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Deferred income tax asset-gross (a):			
– Deferred income tax asset to be recovered within 12 months	1,936	2,050	1,342
– Deferred income tax asset to be recovered after 12 months	1,650	1,650	1,650
	3,586	3,700	2,992
Set-off of deferred income tax liabilities	(1,914)	(2,943)	(2,992)
Net deferred income tax assets	1,672	757	-
Deferred income tax liabilities – gross (b):			
– Deferred income tax liability to be recovered within 12 months	413	452	520
– Deferred income tax liability to be recovered after 12 months	1,501	2,491	2,911
	1,914	2,943	3,431
Set-off of deferred income tax assets	(1,914)	(2,943)	(2,992)
Net deferred income tax liabilities	-	-	439

(a) Deferred income tax assets - gross

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Provisions	1,650	1,650	1,650
Impairment loss	1,936	2,050	1,342
	3,586	3,700	2,992

(b) Deferred income tax liabilities - gross

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	-	1	-
Amortization on intangible assets	1,914	2,942	3,431
	1,914	2,943	3,431

32 Cash flow information

(a) Cash generated from operations

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before income tax	42,378	29,554	44,885
Adjustments for:			
Provision for/(reversal of) impairment of inventories (Note 6)	5,534	925	(3,296)
(Reversal of)/net impairment losses of financial assets	(6)	165	(173)
Depreciation of property, plant and equipment (Note 13)	3,592	3,892	4,258
Depreciation of right-of-use assets (Note 14)	717	418	375
Amortisation of investment properties (Note 15)	676	1,002	1,002
Amortisation of intangible assets (Note 16)	2,336	3,896	5,243
Net loss on disposals of property, plant and equipment (Note 9)	98	-	84
Interest income	(430)	(818)	(971)
Interest expenses	1,831	2,263	2,829
Amortisation of deferred income	-	-	900
(Gains)/losses on financial assets at FVPL	(987)	3,553	838
Share-based compensation expenses	8,158	-	-
Operating profit before changes in working capital	63,897	44,850	55,974
Changes in working capital:			
Decrease in inventories	26,272	1,890	26,037
Decrease/(increase) in trade receivables	6,656	(36,041)	(5,802)
Decrease/(increase) in prepayments and other receivables	3,984	(4,894)	1,728
Decrease in contract liabilities	(7,118)	(4,638)	(2,591)
(Decrease)/increase in trade payables	(29,157)	22,060	(24,287)
(Decrease)/increase in accruals and other payables	(696)	6,447	5,092
Cash flows from operating activities	63,838	29,674	56,151

32 Cash flow information (continued)

(b) Proceeds from disposal of property, plant and equipment:

	Year ended 31 December 2022	2023	2024
	RMB'000	RMB'000	RMB'000
Net book amount	224	9	91
Net loss on disposal of property, plant and equipment	(98)	-	(84)
	126	9	7

(c) Non-cash transactions:

Significant non-cash transactions include: (1) share-based compensations amounted to RMB8,158,000, nil and nil for the reporting period, and (2) amount due from related parties of RMB32,489,000 set off against amount due to the controlling shareholder for repurchase of shares from the controlling shareholder in 2024. There were no other significant non-cash transactions for the reporting period.

(d) Net debt reconciliations

Set out below was an analysis of net debt and the movements in net debt from financing activities for each of the years presented.

	As at 31 December 2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	23,427	15,141	7,609
Restricted cash	6,787	2,304	-
Lease liabilities	(419)	(96)	(191)
Borrowings - repayable within one year	(60,224)	(37,483)	(57,942)
Borrowings - repayable after one year	(49,977)	(49,278)	(31,379)
Net debt	(80,406)	(69,412)	(81,903)

	Year ended 31 December 2022	2023	2024
	RMB'000	RMB'000	RMB'000
Lease liabilities			
At beginning of the year	566	419	96
Cash outflows	(611)	(327)	(253)
Interest expense	25	4	16
New leases	439	-	851
Termination	-	-	(519)
At end of the year	419	96	191

	Year ended 31 December 2022	2023	2024
	RMB'000	RMB'000	RMB'000
Brrowings			
At beginning of the year	57,661	110,201	86,761
Cash outflows	(18,592)	(60,749)	(86,833)
Interest expenses	2,033	2,259	2,813
Cash inflows	69,099	35,050	86,580
At end of the year	110,201	86,761	89,321

33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The ultimate controlling shareholder, directors, supervisors, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Related parties of the Group

Name of related parties	Relationship
Mr. Xu Kaiming	Ultimate controlling shareholder
Xiamen Rongxin (Note 1)	Ultimate holding company, controlled by Mr. Xu Kaiming

The following is a summary of the significant transactions carried out between the Group and its related parties during the reporting period, and balances arising from related party transactions as at the respective financial position dates.

(b) Transactions with related parties

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest income from related parties:			
Xiamen Rongxin	334	675	41
Mr. Xu Kaiming	62	-	-
	396	675	41
Loans to related parties:			
Xiamen Rongxin	37,433	-	-
Mr. Xu Kaiming	2,157	-	-
	39,590	-	-
Repayment of loans by related parties:			
Xiamen Rongxin-repayment	950	5,000	44
Xiamen Rongxin-offset payable	-	-	32,489
Mr. Xu Kaiming	-	2,219	-
	950	7,219	32,533

33 Related party transactions (continued)

(c) Balances with related parties

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts due from related parties (Non-trade in nature)			
Xiamen Rongxin	36,817	32,492	-
Mr. Xu Kaiming	2,219	-	-
	39,036	32,492	-

During the year ended 31 December 2022, the Group made various short term loans to Xiamen Rongxin and Mr. Xu Kaiming. The loans were unsecured and non-trade in nature, bearing interest at rates ranging from 2% to 4.35% per annum, with the repayment terms within 1 year.

On 14 March 2024, pursuant to a loan settlement agreement entered into between the Company and Xiamen Rongxin, the Company agreed to re-purchase from Xiamen Rongxin the Company's shares at a consideration of RMB32,489,000. The consideration offset the Company's amount due from Xiamen Rongxin.

(d) Key management compensation

Key management includes directors (executive and non-executive) , supervisors and members of key management. The compensation paid or payable to key management for employee services is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	2,205	2,592	2,232
Housing fund, medical insurance and other social benefits	281	310	238
Pension costs - defined contribution plans	266	288	69
Share-based compensation	1,563	-	-
	4,315	3,190	2,539

34 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

The remuneration paid or payable to the directors and supervisors of the Company (including emoluments for services as employee/directors/supervisors of the group entities prior to becoming the directors of the Company) during the reporting period was as follows.

Name of Directors	Fees	Wages	Bonuses	Social benefits	Pension costs - defined contribution plans	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022							
Chairman of the Board							
Mr. Xu Kaiming (許開明)	-	360	30	47	9	-	446
Directors							
Mr. Xu Kaihe (許開河)	-	302	22	40	9	253	626
Mr. Hu Zunfa (胡遵法) (v)	-	260	15	36	9	216	536
Independent non-executive directors							
Ms. Wang Hua (王樺) (i)	-	60	-	-	-	-	60
Dr. Huang Liqin (黄立勤)	-	60	-	-	-	-	60
Supervisors							
Ms. Chai Ling (柴菱)	-	181	28	25	9	104	347
Mr. Fu Jianfang (傅劍芳)	-	280	26	38	9	678	1,031
Mr. Jiang Jingtao (江靜濤)	-	152	9	35	9	25	230
	-	1,655	130	221	54	1,276	3,336

Name of Directors	Fees	Wages	Bonuses	Social benefits	Pension costs - defined contribution plans	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023							
Chairman of the Board							
Mr. Xu Kaiming (許開明)	-	360	30	49	9	-	448
Directors							
Mr. Xu Kaihe (許開河)	-	353	31	44	9	-	437
Ms. Lin Yanqin (林燕琴)	-	146	-	18	9	-	173
Ms. Xi Huanian (席華年) (iii)	-	209	-	30	9	-	248
Independent non-executive directors							
Dr. Huang Liqin (黄立勤)	-	60	-	-	-	-	60
Dr. Yu Xiaoou (于小偶) (ii)	-	60	-	-	-	-	60
Dr. Lim Kim Huat (林駿華) (iv)	-	108	-	-	-	-	108
Supervisors							
Ms. Chai Ling (柴菱)	-	208	36	31	9	-	284
Mr. Fu Jianfang (傅劍芳)	-	313	36	41	9	-	399
Mr. Jiang Jingtao (江靜濤)	-	95	35	27	9	-	166
	-	1,912	168	240	63	-	2,383

34 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

Name of Directors	Fees	Wages	Bonuses	Social benefits	Pension costs - defined contribution plans	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024							
Chairman of the Board							
Mr. Xu Kaiming (許開明)	-	297	30	47	8	-	382
Directors							
Mr. Xu Kaihe (許開河)	-	342	26	6	8	-	382
Ms. Lin Yanqin (林燕琴)	-	170	23	20	18	-	231
Independent non-executive directors							
Dr. Huang Liqin (黄立勤)	-	60	-	-	-	-	60
Dr. Yu Xiaoou (于小偶) (ii)	-	60	-	-	-	-	60
Dr. Lim Kim Huat (林駿華) (iv)	-	110	-	-	-	-	110
Supervisors							
Ms. Chai Ling (柴菱)	-	154	36	47	8	-	245
Mr. Fu Jianfang (傅劍芳)	-	339	82	30	8	-	459
Mr. Jiang Jingtao (江靜濤)	-	31	7	5	3	-	46
	-	1,563	204	171	37	-	1,975

(i) Ms. Wang Hua was appointed as the director of the Company in July 2021 and resigned in November 2022.

(ii) Dr. Yu Xiaoou was appointed as the director of the Company in November 2022.

(iii) Ms. Xi Huanian was appointed as the director of the Company in March 2023 and resigned in December 2023.

(iv) Dr. Lim Kim Huat was appointed as the director of the Company in March 2023.

(v) Mr. Hu Zunfa was appointed as the director of the Company in March 2022 and resigned in March 2023.

All of these individuals have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office during the reporting period.

(b) Directors' and supervisors' retirement benefits

There were no retirement benefits paid to or receivable by any Directors/Supervisors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertakings during the reporting period.

(c) Directors' and supervisors' termination benefits

There were no termination benefits paid to or receivable by any Director/Supervisors during the reporting period.

(d) Consideration provided to third parties for making available directors' and supervisors' services

No payment was made to the former employer of Directors/Supervisors for making available the services of them as a Director of the Company during the reporting period.

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors'

Other than those disclosed in Note 33(c), there were no loans, quasi-loans and other dealings entered into between the Group and the directors/supervisors and in favour of the directors/supervisors during the reporting period.

34 Benefits and interests of directors and supervisors (continued)

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

Other than those as disclosed in Note 33(b), there are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director/supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting period.

35 Contingencies

The Group did not have any significant contingent liabilities as at 31 December 2022, 2023 and 2024, except for the litigation case as disclosed in Note 30.

36 Commitments

Capital commitments

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contracted but not provided for:			
- Commitments for construction and acquisition of property, plant and equipment	70,273	-	-

37 Dividends

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Dividends, declared	20,000	20,000	31,500
Dividend per share (RMB)	0.61	0.61	0.38

During the reporting period, the Company declared dividends of RMB20,000,000, RMB20,000,000 and RMB31,500,000 and paid dividends in cash of RMB5,000,000, RMB35,000,000 and RMB31,500,000 to shareholders of the Company during the respective years, respectively.

38 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to 31 December 2024 and up to the date of this report.

39 Subsidiaries

(a) Investments in subsidiaries – the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	8,270	8,270	8,270

39 Subsidiaries (Continued)

(b) The subsidiaries of the Company as at 31 December 2022, 2023 and 2024 and the date of this report are set out below:

Company name	Date of incorporation	Country/Place of incorporation/ establishment	Registered/ paid-up capital	Effective interest held as at 31 December 2022	2023	2024	Date of this report	Direct or Indirect	Principal activities
Directly hold:									
Rongta Trade Co., Ltd.* (容大匯通(廈門)貿易有限公司)	15 December 2017	PRC, limited liability company	RMB 10,000,000	100%	100%	100%	100%	Direct	Trading company
IMachine (Xiamen) Intelligent Devices Co.,Ltd. * (艾碼訊(廈門)智能設備有限公司)	15 November 2017	PRC, limited liability company	RMB 5,000,000	100%	100%	100%	100%	Direct	Manufacturing and distributing intelligent POS machine and desktop POS machine
Xingbang Trade Co., Ltd.* (廈門市興邦聯合貿易有限公司)	19 October 2015	PRC, limited liability company	RMB 10,000,000	100%	100%	100%	100%	Direct	Electronic trading company with sale of scale
Indirectly hold:									
Rongta LiZhong Trade Co., Ltd.* (容大利眾(廈門)貿易有限公司)	4 March 2021	PRC, limited liability company	RMB 10,000,000	100%	100%	100%	100%	Indirect	Sale of weighing apparatus and monetary specialized equipment

No audited statutory financial statements heve been issued for thes entities as there are no statutory requirements in the respective places of incorporation.

* The English names of the PRC companies and statutory auditor referred to in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available

40 Summary of other potentially material accounting policies

40.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

40.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill. Investments in subsidiaries are also assessed for impairment and written down to their recoverable amounts in accordance with Note 4.

40.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is RMB. Majority of the subsidiaries of the Group operate in the PRC and their functional currency is RMB. The Consolidated Financial Statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within "other (losses)/gains".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

40 Summary of other potentially material accounting policies (continued)

40.4 Intangible assets

Software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives. Costs associated with maintaining computer software programmes are recognized as expense as incurred.

40.5 Investment properties

Investment properties are defined as properties (land or a building – or part of a building – or both) held (by the owner or by the lessee) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment properties are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

40.6 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate are initially measured using the index orrate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group's right-of-use assets consist of up-front the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

40 Summary of other potentially material accounting policies (continued)

40.6 Leases (continued)

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheets based on their nature.

40.7 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

40.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value through through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for manageing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

40 Summary of other potentially material accounting policies (continued)

40.8 Financial assets (continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at a amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has the following types of assets that are subject to IFRS 9's expected credit loss model :

- trade receivables
- other receivables
- cash and cash equivalents
- restricted bank balances

While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables with no significant financing component, the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on cash and cash equivalents, restricted cash and other receivables are measured as lifetime expected credit losses if a significant increase in credit risk of a receivable has occurred since initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

40.9 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for products and services provided in the ordinary course of business. Amounts due from related parties are loans provided to related parties with interest, and they are unsecured with repayment terms within 1 year. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognized at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 4 for a description of the Group's impairment policies.

40 Summary of other potentially material accounting policies (continued)

40.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

40.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

40.12 Trade and other payables

Trade payables represent liabilities for products and services provided to the Group prior to the end of the reporting period which are unpaid. Trade and other payables are presented as current liabilities if payment is due within 12 months. If not, they are presented as non-current liabilities. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

40.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

40.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

40 Summary of other potentially material accounting policies (continued)

40.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred tax is recognized on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(iii) Offsetting deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

40.16 Interest income

Interest income from financial assets at FVPL is included in the other gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 3.3 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

40.17 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

40 Summary of other potentially material accounting policies (continued)

40.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's Consolidated Financial Statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

40.19 Provision

Provision for leagel claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably eatimated. Provisions are not recognized for future operating losses.

A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

40.20 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized as a provision but is disclosed in the notes to the Consolidatied Financial Statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the Consolidatied Financial Statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognized as an asset.