

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-75, received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KUNSHAN MAZO TECH CO., LTD. AND PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Kunshan Mazo Tech Co., Ltd.* (昆山瑪冀電子股份有限公司) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-75, which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-75 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the [REDACTED]) in connection with the [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

Opinion

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

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	6	362,208	435,761	471,450
Cost of sales		<u>(298,635)</u>	<u>(354,002)</u>	<u>(370,285)</u>
Gross profit		63,573	81,759	101,165
Other income	7	4,278	4,945	3,395
Other gains and losses	8	1,499	5,671	(2,078)
Selling and marketing expenses		(23,757)	(27,165)	(26,384)
Administrative expenses		(32,369)	(35,857)	(42,331)
Research and development expenses		(25,721)	(28,828)	(28,337)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Net impairment (losses) reversal under expected credit loss (“ECL”) model		(2,303)	(1,999)	869
Finance costs	9	<u>(17,963)</u>	<u>(17,348)</u>	<u>(20,748)</u>
Loss before tax		(32,763)	(18,822)	(16,742)
Income tax expenses	11	<u>(4,998)</u>	<u>(3,470)</u>	<u>(1,172)</u>
Loss for the year	10	<u>(37,761)</u>	<u>(22,292)</u>	<u>(17,914)</u>
Other comprehensive (expense) income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of a foreign operation		<u>–</u>	<u>(14)</u>	<u>127</u>
Total comprehensive expense for the year		<u>(37,761)</u>	<u>(22,306)</u>	<u>(17,787)</u>
Loss for the year attributable to:				
Owners of the Company		(37,761)	(22,292)	(17,719)
Non-controlling interests		<u>–</u>	<u>–</u>	<u>(195)</u>
		<u>(37,761)</u>	<u>(22,292)</u>	<u>(17,914)</u>
Total comprehensive expense for the year attributable to:				
Owners of the Company		(37,761)	(22,306)	(17,592)
Non-controlling interests		<u>–</u>	<u>–</u>	<u>(195)</u>
		<u>(37,761)</u>	<u>(22,306)</u>	<u>(17,787)</u>
Loss per share	14			
– Basic (RMB)		<u>(0.63)</u>	<u>(0.37)</u>	<u>(0.28)</u>
– Diluted (RMB)		<u>(0.63)</u>	<u>(0.37)</u>	<u>(0.28)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property, plant and equipment	15	274,479	325,168	349,196
Right-of-use assets	16	24,302	17,456	13,804
Intangible assets	17	4,068	3,239	2,894
Deferred tax assets	18	3,035	1,701	1,459
Prepayment for acquisition of property, plant and equipment		546	239	1,818
Restricted bank deposits	21	1,710	1,851	1,851
Trade receivables, prepayment and other receivables	20	3,571	3,976	1,736
		<u>311,711</u>	<u>353,630</u>	<u>372,758</u>
Current assets				
Inventories	19	49,473	62,731	67,788
Trade receivables, prepayment and other receivables	20	121,257	124,506	139,282
Restricted bank deposits	21	855	–	–
Cash and cash equivalents	21	103,406	71,989	73,144
		<u>274,991</u>	<u>259,226</u>	<u>280,214</u>
Current liabilities				
Trade and other payables	22	153,581	116,984	111,119
Income tax payable		–	777	117
Contract liabilities		131	15	304
Borrowings	23	95,064	94,583	124,988
Lease liabilities	24	5,940	2,123	1,974
Redemption liabilities	25	354,038	369,152	–
Warranty provisions	26	1,798	2,157	2,354
		<u>610,552</u>	<u>585,791</u>	<u>240,856</u>
Net current (liabilities) assets		<u>(335,561)</u>	<u>(326,565)</u>	<u>39,358</u>
Total assets less current liabilities		<u>(23,850)</u>	<u>27,065</u>	<u>412,116</u>
Non-current liabilities				
Borrowings	23	84,011	158,787	180,393
Lease liabilities	24	7,169	5,614	3,678
		<u>91,180</u>	<u>164,401</u>	<u>184,071</u>
Net (liabilities) assets		<u>(115,030)</u>	<u>(137,336)</u>	<u>228,045</u>
Capital and reserves				
Paid-in capital	27	83,650	83,650	83,650
Reserves		<u>(198,680)</u>	<u>(220,986)</u>	<u>143,610</u>
(Deficit) equity attributable to owners of the Company		(115,030)	(137,336)	227,260
Non-controlling interests		<u>–</u>	<u>–</u>	<u>785</u>
Total (deficit) equity		<u>(115,030)</u>	<u>(137,336)</u>	<u>228,045</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	15	213,208	270,509	290,785
Right-of-use assets	16	14,878	9,866	8,133
Intangible assets	17	3,950	3,188	2,599
Investments in subsidiaries	36	75,175	77,662	83,707
Prepayment for acquisition of property, plant and equipment		–	122	1,216
Restricted bank deposits	21	1,710	1,851	1,851
Other receivables	20	1,194	1,529	1,062
		<u>310,115</u>	<u>364,727</u>	<u>389,353</u>
Current assets				
Inventories	19	18,689	26,903	45,966
Trade receivables, prepayment and other receivables	20	59,837	66,665	135,153
Amounts due from subsidiaries	28	90,896	67,260	14,997
Restricted bank deposits	21	855	–	–
Cash and cash equivalents	21	79,138	54,886	48,548
		<u>249,415</u>	<u>215,714</u>	<u>244,664</u>
Current liabilities				
Trade and other payables	22	93,550	50,745	68,380
Amounts due to subsidiaries	28	1,836	6,171	5,317
Borrowings	23	95,064	94,583	114,981
Lease liabilities	24	4,120	241	–
Redemption liabilities	25	354,038	369,152	–
Warranty provisions		1,145	1,270	1,970
		<u>549,753</u>	<u>522,162</u>	<u>190,648</u>
Net current (liabilities) assets		<u>(300,338)</u>	<u>(306,448)</u>	<u>54,016</u>
Total assets less current liabilities		<u>9,777</u>	<u>58,279</u>	<u>443,369</u>
Non-current liabilities				
Borrowings	23	84,011	158,787	180,393
Lease liabilities	24	881	–	–
		<u>84,892</u>	<u>158,787</u>	<u>180,393</u>
Net (liabilities) assets		<u>(75,115)</u>	<u>(100,508)</u>	<u>262,976</u>
Capital and reserves				
Paid-in capital	27	83,650	83,650	83,650
Reserves	36	(158,765)	(184,158)	179,326
Total (deficit) equity		<u>(75,115)</u>	<u>(100,508)</u>	<u>262,976</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total
	Paid in capital	Capital reserve	Other reserve	Statutory surplus reserve	Translation reserve	Share-based payments reserve	Accumulated losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note i)	(note ii)	(note iii)		(Note 29)			
As at January 1, 2023	83,650	316,541	(326,668)	–	–	44,791	(195,583)	(77,269)	(77,269)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(37,761)	(37,761)	(37,761)
Transfer	–	–	–	1,536	–	–	(1,536)	–	–
As at December 31, 2023	83,650	316,541	(326,668)	1,536	–	44,791	(234,880)	(115,030)	(115,030)
Loss for the year	–	–	–	–	–	–	(22,292)	(22,292)	(22,292)
Other comprehensive expenses for the year	–	–	–	–	(14)	–	–	(14)	(14)
Loss and total comprehensive expenses for the year	–	–	–	–	(14)	–	(22,292)	(22,306)	(22,306)
Transfer	–	–	–	1,686	–	–	(1,686)	–	–
As at December 31, 2024	83,650	316,541	(326,668)	3,222	(14)	44,791	(258,858)	(137,336)	(137,336)
Loss for the year	–	–	–	–	–	–	(17,719)	(17,719)	(17,914)
Other comprehensive income for the year	–	–	–	–	127	–	–	127	127
Loss and total comprehensive expenses for the year	–	–	–	–	127	–	(17,719)	(17,592)	(17,787)
Transfer	–	–	–	708	–	–	(708)	–	–
Derecognition of redemption liabilities (Note 25)	–	–	382,188	–	–	–	–	382,188	382,188
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	980	980
As at December 31, 2025	83,650	316,541	55,520	3,930	113	44,791	(277,285)	227,260	228,045

Notes:

- i. Amount as at January 1, 2023 and December 31, 2023, 2024 and 2025 represents the excess of capital contributions from shareholders of the Company over total paid-in capital at the date of capital injection.
- ii. Amount as at January 1, 2023 and December 31, 2023 and 2024 represents the effect of the redemption liabilities in relation to certain preferential rights granted to certain investors as disclosed in note 25. During the year ended December 31, 2025, the redemption liabilities (including interest accrued) were derecognised as a result of the termination of the relevant preferential rights with the corresponding credit to the other reserve.
- iii. It represents the statutory surplus reserves of the Group’s subsidiaries in the People’s Republic of China (“PRC” or “Chinese Mainland”). Pursuant to the applicable PRC regulation, a company established in the PRC with limited liability is required to transfer at least 10% of its net profit after tax to the statutory surplus reserve. The statutory surplus reserve is discretionary until the reserve balance reaches 50% of the registered capital of the PRC group entities and can be used to make up for previous years’ losses or, expand the existing operations or can be converted into additional capital of the PRC group entities.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Loss before tax	(32,763)	(18,822)	(16,742)
Adjustments for:			
Finance costs	17,963	17,348	20,748
Interest income	(549)	(701)	(90)
Depreciation of property, plant and equipment	15,202	20,932	26,065
Depreciation of right-of-use assets	9,590	5,978	3,652
Amortisation of intangible assets	328	1,179	965
Net impairment losses (reversal) under ECL model	2,303	1,999	(869)
Net loss (gain) on disposal of property, plant and equipment	146	(63)	(92)
Net gain on termination of right-of-use assets and lease liabilities	–	(154)	(2)
Allowance (reversal of allowance) for inventories	1,528	898	(742)
Net foreign exchange loss (gain)	117	106	(158)
Operating cash flows before movements in working capital	13,865	28,700	32,735
Increase in inventories	(5,183)	(14,156)	(4,315)
Increase in trade receivables, prepayment and other receivables	(27,686)	(5,756)	(11,210)
Increase (decrease) in trade and other payables	27,441	(3,844)	(5,039)
Increase in warranty provisions	91	359	197
(Decrease) increase in contract liabilities	(353)	(116)	289
Cash generated from operations	8,175	5,187	12,657
Income taxes paid	–	(1,359)	(1,590)
NET CASH FROM OPERATING ACTIVITIES	8,175	3,828	11,067
INVESTING ACTIVITIES			
Interest received	549	560	90
Purchase of property, plant and equipment	(112,678)	(99,568)	(51,660)
Purchase of intangible assets	(3,906)	(350)	(620)
Proceeds on disposal of property, plant and equipment	6,785	2,415	267
Payments for rental deposits	(403)	(108)	(92)
Refund of rental deposits	403	211	–
Withdrawal of restricted bank deposits	1,355	855	–
NET CASH USED IN INVESTING ACTIVITIES	(107,895)	(95,985)	(52,015)
FINANCING ACTIVITIES			
New borrowings raised	174,038	156,293	152,802
Repayments of borrowings	(63,371)	(82,147)	(100,644)
Payments of lease payments	(12,214)	(5,569)	(2,034)
Capital contribution from non-controlling shareholders	–	–	980
Issue cost paid	–	–	(365)
Interest paid	(6,706)	(7,823)	(8,763)
NET CASH FROM FINANCING ACTIVITIES	91,747	60,754	41,976
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,973)	(31,403)	1,028
EFFECT OF EXCHANGE RATE CHANGE	–	(14)	127
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	111,379	103,406	71,989
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	103,406	71,989	73,144

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered in the PRC on October 17, 2012 as a limited liability company and previously known as MAZO Tech Co., Ltd.* (昆山瑪冀電子有限公司). On January 6, 2026, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC and changed the name to Kunshan Mazo Tech Co., Ltd.* (昆山瑪冀電子股份有限公司). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” of the Document.

The Group are principally engaged in the business of research and development, manufacturing and sales of power inductor throughout the Track Record Period. Details of the subsidiaries are disclosed in Note 37.

The functional currency of the Company is Renminbi (“RMB”), which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

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

The statutory financial statements of the Company for the years ended December 31, 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by 江蘇金陵會計師事務所有限責任公司 and 北京荷信會計師事務所(普通合夥), respectively, certified public accountants registered in the PRC. [At the date of this report, the statutory financial statements of the Company for the year ended December 31, 2025 have not been issued.]

The directors of the Company have, at the time of approving the Historical Financial Information, a reasonable expectation that the Group has adequate resources to continue in operational existence at least the twelve months from the date of the Historical Financial Information. Thus they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

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

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

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

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

Except for the new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all amendments to IFRS Accounting Standard will have no material impact on the Group’s financial position and performance in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

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Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

Investments in subsidiaries

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

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Note 6.

Leases

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

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The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain office premises and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation are transferred to property, plant and equipment.

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

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including the risk-free rate and any entity-specific adjustment when necessary.

The lease payments include fixed payments.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

The Group as a lessor

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement schemes in the PRC, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statements of financial position.

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

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

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Intangible assets acquired separately

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

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

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

Inventories

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

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of power inductor and others are recognised at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Financial instruments

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

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

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

Financial assets

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

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

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Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables and bill receivables.

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

(i) Significant increase in credit risk

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

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assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for general economic conditions and forward-looking information, that is available without undue cost or effort.

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

Lifetime ECL for trade receivables are considered on a collective basis using provision matrix and relevant credit information such as forward looking macroeconomic information.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

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Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Redemption liabilities

A contract that contains an obligation to purchase the equity instruments of the Company for cash or another financial asset gives rise to a financial liability for the present value or the estimated carrying amount of the redemption amount, even if the obligations to purchase by the Company is conditional on the counterparty exercising a right to redeem. Such redemption obligations are granted to certain investors in forms of certain preferred shareholders’ rights. The redemption liabilities are recognised as financial liability initially at the present value or the carrying amount of the redemption amount and reclassified from equity. The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised in profit or loss on an accrual basis as it is incurred. The Group derecognises the financial liability when, and only when, the Group’s obligations are discharged, cancelled or have expired. Upon a termination of the redemption obligation, the carrying amount of the financial instruments derecognised was credited into the equity.

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Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Useful lives of property, plant and equipment

The Group’s management determines the estimated useful lives and the depreciation method in determining the related charges for its property, plant and equipment. This estimate is referenced to useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. The Group’s carrying amount of property, plant and equipment as at December 31, 2023, 2024 and 2025 is RMB274,479,000 RMB325,168,000 and RMB349,196,000, respectively, as disclosed in Note 15.

Provision of ECL for trade receivables

The Group performs impairment assessment under ECL model on trade receivables individually and collectively, as set out in Note 33.

The Group determines the ECL for the trade debtors with individually-significant or credit-impaired trade receivables on an individual basis with reference to their past default records (if any), current past due exposure and, where applicable, an analysis of their current financial information and/or publicly available information. The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of trade debtors as groupings of various debtors, taking into consideration their historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables are disclosed in Notes 33 and 20, respectively.

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Allowance for inventories

The Group estimates the net realisable value of inventories and reviews the condition of its inventories at the end of each reporting period and makes provisions against the inventory items of which the estimated cost is higher than net realisable values, and obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use with reference to aging and the conditions of the inventories, together with the economic circumstances on the marketability of such inventories. The estimation is reassessed at the end of each reporting period. The provision against the inventories requires the use of judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact on the carrying value of inventories and the allowance for inventories recognised in the periods in which such estimates have been changed. As at December 31, 2023, 2024 and 2025, the carrying amounts of inventories is RMB49,473,000, RMB62,731,000 and RMB67,788,000, after taking into account the allowance for inventories of RMB19,060,000, RMB19,958,000 and RMB19,216,000.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods			
Power Inductor	348,344	425,145	470,705
Others	13,864	10,616	745
	<u>362,208</u>	<u>435,761</u>	<u>471,450</u>

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

Revenue represents the amounts received and receivable from the sales of goods during the Track Record Period.

Revenue from the sales of goods

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods underlying the particular performance obligation is transferred to the customer.

The Group’s revenue is primarily derived from the sale of power inductor and others. All products are sold to the distributors and direct customers, and performance obligations are satisfied at a point in time, with revenue recognised when the goods are delivered and accepted by the customers, since only by that time the Group passed control of the goods to the customers. Transportation and handling activities that occur before distributors and direct customers obtain control are considered as fulfilment activities. The credit term granted to distributors and direct customers is 30-120 days.

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Under the Group’s standard contract terms, distributors and direct customers have a right to return/replace for products with quality issues within typically 12 months warranty period. Sales-related warranties associated with power inductor cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

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

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group’s contract has an original expected duration of less than one year.

(iv) Segment information

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

As at December 31, 2023, 2024 and 2025, substantially all of the Group’s non-current assets were located in the PRC. The geographical information of the Group’s revenue, determined based on geographical location of the distributors and direct customers, during the Track Record Period is as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chinese Mainland	218,340	258,206	299,407
Hong Kong	131,287	147,316	119,913
Taiwan	7,689	13,616	29,901
Others	4,892	16,623	22,229
	<u>362,208</u>	<u>435,761</u>	<u>471,450</u>

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(v) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	123,485	151,030	153,123
Customer B	89,783	95,238	50,394
Customer C	37,642	51,441	62,392

7. OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Scrap sales	1,923	2,414	1,710
Government grants <i>(Note (a))</i>	1,792	1,659	709
Additional deduction of input VAT <i>(Note (b))</i>	–	157	584
Interest income	549	701	90
Others	14	14	302
	<u>4,278</u>	<u>4,945</u>	<u>3,395</u>

Note:

- (a) The amount mainly represents various subsidies received from the local government authorities in the PRC for the purpose of motivating the business development of the Group. There were no unfulfilled conditions or contingencies relating to these government grants.
- (b) Effective from January 1, 2023 to December 31, 2027, the net amount of VAT payables is reduced by an additional 5% of VAT on purchases, pursuant to the announcements jointly issued by the Ministry of Finance and the State Taxation Administration of the PRC in 2023.

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8. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Net (loss) gain on disposal of property, plant and equipment	(146)	63	92
Net gain on termination of right-of-use assets and lease liabilities	–	154	2
Net foreign exchange gain (loss)	1,674	5,461	(1,591)
Others	(29)	(7)	(581)
	<u>1,499</u>	<u>5,671</u>	<u>(2,078)</u>

9. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interests on borrowings	5,120	7,476	8,531
Interests on lease liabilities	1,665	389	244
Interests on redemption liabilities (<i>Note 25</i>)	<u>14,496</u>	<u>15,114</u>	<u>13,036</u>
	21,281	22,979	21,811
Less: amounts capitalised in the cost of construction in progress	<u>(3,318)</u>	<u>(5,631)</u>	<u>(1,063)</u>
	<u>17,963</u>	<u>17,348</u>	<u>20,748</u>

During the years ended December 31, 2023, 2024 and 2025, borrowing costs capitalised during the year arose on both specific borrowings and general borrowings. Costs capitalised on specific borrowings are calculated by applying the actual interest rates under the loan agreements, while those on general borrowings are determined by applying a capitalisation rate of 4.01%, 3.52% and 3.08% per annum, respectively.

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10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation of property, plant and equipment	15,202	20,932	26,065
Depreciation of right-of-use assets	9,590	5,978	3,652
Amortisation of intangible assets	328	1,179	965
	25,120	28,089	30,682
Capitalised in inventories	(12,715)	(14,940)	(13,730)
Total depreciation and amortisation charged to profit or loss	<u>12,405</u>	<u>13,149</u>	<u>16,952</u>
Directors’ and supervisors’ remuneration (<i>Note 12</i>)	3,155	3,125	3,130
Other staff costs:			
– Salaries, allowances and other benefits	80,282	75,277	83,812
– Performance related bonus	15,529	30,363	15,713
– Retirement benefit scheme contributions	12,477	13,570	14,212
	111,443	122,335	116,867
Capitalised in inventories	(49,083)	(42,175)	(50,765)
Total staff costs charged to profit or loss	<u>62,360</u>	<u>80,160</u>	<u>66,102</u>
Auditors’ remuneration	61	89	101
Cost of inventories recognised as cost of sales (including allowance on (reversal of allowance on) inventories of RMB1,528,000, RMB898,000 and RMB(742,000) for the years ended December 31, 2023, 2024 and 2025, respectively)	<u>298,635</u>	<u>354,002</u>	<u>370,285</u>

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11. INCOME TAX EXPENSES

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
PRC Enterprise Income Tax (“EIT”)	–	2,136	930
Deferred tax credit (Note 18)	4,998	1,334	242
	<u>4,998</u>	<u>3,470</u>	<u>1,172</u>

Chinese mainland

Under the Law of PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, on November 30, 2021 and December 16, 2024, the Company obtained the High-Tech Enterprise Certificate and was therefore entitled to a preferential income tax rate of 15% for a period of 3 years from 2023 to 2025.

Under the EIT Law of PRC and Implementation Regulation of the EIT Law, on December 13, 2023, TOMURO (Kunshan) Automation Co., Ltd. (昆山特姆羅自動化有限公司), (“TOMURO”) obtained the High-Tech Enterprise Certificate and was therefore entitled to a preferential income tax rate of 15% for a period of 3 years from 2023 to 2025.

Under the EIT Law of PRC and Implementation Regulation of the EIT Law, on December 12, 2022, Global Vision Technology Co., Ltd. (“Global Vision”) obtained the High-Tech Enterprise Certificate and was therefore entitled to a preferential income tax rate of 15% for a period of 3 years from 2023 to 2025.

Other than as described above, under the EIT Law of the PRC and Implementation Regulation of the EIT Law, the other subsidiaries established in the Chinese Mainland are subjected to PRC EIT rate of 25% for a period of 3 years from 2023 to 2025.

Pursuant to Caishui 2023 circular No. 7, the Company, TOMURO and Global Vision are entitled to additional deduction of 100% on qualified research and development expenditures for a period of 3 years from 2023 to 2025.

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first Hong Kong Dollar (“HK\$”) 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entities are calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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Income tax expenses for the Track Record Period can be reconciled to loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loss before tax	<u>(32,763)</u>	<u>(18,822)</u>	<u>(16,742)</u>
Tax at PRC EIT rate of 25%	(8,191)	(4,706)	(4,186)
Tax effect of expenses not deductible for tax purpose	4,105	4,359	4,637
Tax effect of tax losses not recognised	14,258	10,323	7,890
Tax effect of other deductible temporary differences not recognised	1,360	1,107	–
Utilisation of tax losses previously not recognised	(700)	(112)	(193)
Tax effect attributable to the additional qualified tax deduction relating to research and development expenses	(6,423)	(6,981)	(6,723)
Utilisation of deductible temporary differences previously not recognised	(113)	–	(828)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>702</u>	<u>(520)</u>	<u>575</u>
Income tax expenses	<u>4,998</u>	<u>3,470</u>	<u>1,172</u>

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12. DIRECTORS’, SUPERVISORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

12.1 Directors’, supervisors’ and the chief executive’s emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the directors, supervisors and chief executive of the Company for their services during the Track Record Period were as follows:

	Date of appointment	Directors’ fee RMB’000	Salaries, allowances and benefits in kind RMB’000	Retirement benefit scheme contributions RMB’000	Discretionary performance related bonus RMB’000	Total RMB’000
Year ended December 31, 2023						
Executive Directors:						
Mr. Chao Yi-Tai (Mr. Chao) (Note (a))	October 2019	–	521	–	44	565
Mr. Cheng Yu-Liang (Mr. Cheng)	October 2012	–	491	–	41	532
Mrs. Zhang Xingjian	October 2019	–	346	17	29	392
Mr. Chao Chia-Yen	August 2022	–	374	17	31	422
Non-executive Directors						
Mr. Ye Feng	March 2021	–	–	–	–	–
Mr. Shi Qing (Note (b))	March 2021	–	–	–	–	–
Mr. Lin Zheyang	August 2022	–	–	–	–	–
Mr. Wei Shiyu	June 2025	–	–	–	–	–
Supervisors:						
Mr. Li Xiaokai (Note (c))	March 2021	–	150	12	–	162
Mr. Du Xuefeng (Note (d))	March 2021	–	297	17	25	339
Mr. Lin Feng	August 2022	–	243	24	21	288
Mr. Wu Ye (Note (d))	September 2023	–	396	25	34	455
		–	2,818	112	225	3,155
Year ended December 31, 2024						
Executive Directors:						
Mr. Chao (Note (a))	October 2019	–	533	–	48	581
Mr. Cheng	October 2012	–	501	–	41	542
Mrs. Zhang Xingjian	October 2019	–	398	19	33	450
Mr. Chao Chia-Yen	August 2022	–	378	19	32	429
Non-executive Directors:						
Mr. Ye Feng	March 2021	–	–	–	–	–
Mr. Shi Qing (Note (b))	March 2021	–	–	–	–	–
Mr. Lin Zheyang	August 2022	–	–	–	–	–
Mr. Wei Shiyu	June 2025	–	–	–	–	–
Supervisors:						
Mr. Du Xuefeng (Note (d))	March 2021	–	305	19	25	349
Mr. Lin Feng	August 2022	–	273	26	20	319
Mr. Wu Ye (Note (d))	September 2023	–	396	26	33	455
		–	2,784	109	232	3,125

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	Date of appointment	Directors’ fee RMB’000	Salaries, allowances and benefits in kind RMB’000	Retirement benefit scheme contributions RMB’000	Discretionary performance related bonus RMB’000	Total RMB’000
Year ended December 31, 2025						
Executive directors:						
Mr. Chao (Note (a))	October 2019	–	521	–	43	564
Mr. Cheng	October 2012	–	491	–	41	532
Mrs. Zhang Xingjian	October 2019	–	396	20	33	449
Mr. Chao Chia-Yen	August 2022	–	367	20	31	418
Non-executive Directors:						
Mr. Ye Feng	March 2021	–	–	–	–	–
Mr. Shi Qing (Note (b))	March 2021	–	–	–	–	–
Mr. Lin Zheyang	August 2022	–	–	–	–	–
Mr. Wei Shiyu	June 2025	–	–	–	–	–
Supervisors:						
Mr. Du Xuefeng (Note (d))	March 2021	–	308	20	25	353
Mr. Lin Feng	August 2022	–	240	25	50	315
Mr. Wu Ye (Note (d))	September 2023	–	396	25	78	499
		–	2,719	110	301	3,130

Note:

- (a) Mr. Chao is the chief executive officer and a shareholder of the Company.
- (b) Mr. Shi Qing resigned as a director of the Company with effect from June 2025.
- (c) Mr. Li Xiaokai resigned as a supervisor of the Company with effect from September 2023.
- (d) Mr Du Xuefeng and Wu Ye resigned as supervisors of the Company with effect from December 2025.

The executive directors’ and chief executive’s emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period.

The supervisors’ emoluments shown above were for their services as supervisors of the Company during the Track Record Period.

On March 17, 2026, the appointment of Mr. Hong Yuanjia, Ms. An Na, Mr. Cui Chengli and Mr. Zhu Liang as proposed independent non-executive directors was approved by way of written resolutions of the shareholders of the Company and will become effective upon [REDACTED] of the shares of the Company.

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12.2 Five highest paid employees

For the years ended December 31, 2023, 2024 and 2025, the five highest paid employees of the Group included 2, 2 and 2 directors of the Company, respectively, details of whose emoluments are set out above. Details of the remuneration of the remaining 3, 3 and 3 individuals, respectively, for the years ended December 31, 2023, 2024 and 2025, are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	6,999	7,539	7,349

The numbers of the five highest paid individuals (including directors of the Company) are within the following bands (presented in HK\$):

	2023	2024	2025
	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>
	<i>employees</i>	<i>employees</i>	<i>employees</i>
Nil to HK\$1,000,000	2	2	2
HK\$1,000,001 and HK\$1,500,000	–	–	2
HK\$2,000,001 and HK\$2,500,000	1	1	–
HK\$2,500,001 and HK\$3,000,000	1	1	–
HK\$3,000,001 and HK\$3,500,000	1	1	–
HK\$5,500,001 and HK\$6,000,000	–	–	1
	5	5	5

During the Track Record Period, there was no arrangement under which a director and supervisor of the Company or the five highest paid employees of the Group waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors and supervisors of the Company or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend was paid or declared by the Company during the Track Record Period.

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14. LOSS PER SHARE

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

	Year ended December 31,		
	2023	2024	2025
Loss (RMB’000)			
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(37,761)</u>	<u>(22,292)</u>	<u>(17,719)</u>
Number of shares (’000)			
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>59,846</u>	<u>59,846</u>	<u>63,813</u>

The shareholders with preferential rights, which are recorded as redemption liabilities in Note 25, are not treated as outstanding shares and thus are excluded in the calculation of basic loss per share until these rights were legally terminated on October 30, 2025.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the Track Record Period has been adjusted retrospectively for the effect of the share conversion as set out in Note 27 as if they had been completed on January 1, 2023.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume incremental shares that would have to be issued to satisfy the obligations arising from preferential rights based on the average fair value of the shares over the period. For the years ended December 31, 2023, 2024 and 2025, the Company had the shares of the Investors (as defined and detailed under Note 25) which are potential ordinary shares. The potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive for each of three years ended December 31, 2025. Accordingly, diluted loss per share for each of three years ended December 31, 2025 is the same as basic loss per share for the year.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB’000	Machinery and equipment RMB’000	Electronic equipment and furniture RMB’000	Motor vehicles RMB’000	Leasehold improvements RMB’000	Construction in progress RMB’000	Total RMB’000
COST							
As at January 1, 2023	–	108,870	9,557	455	13,918	38,358	171,158
Additions	–	–	867	60	–	140,948	141,875
Interest capitalisation	–	–	–	–	–	3,318	3,318
Transfer from construction in progress	–	22,576	–	–	527	(23,103)	–
Transfer from right-of-use assets	–	11,587	–	5,082	–	–	16,669
Disposals	–	(8,304)	(716)	–	–	–	(9,020)
As at December 31, 2023	–	134,729	9,708	5,597	14,445	159,521	324,000
Additions	–	–	1,058	13	–	65,989	67,060
Interest capitalisation	–	–	–	–	–	5,631	5,631
Transfer from construction in progress	10,309	32,469	–	–	475	(43,253)	–
Transfer from right-of-use assets	–	581	–	1,951	–	–	2,532
Disposals	–	(3,253)	(502)	(57)	–	–	(3,812)
Exchange adjustments	–	–	–	–	–	8	8
As at December 31, 2024	10,309	164,526	10,264	7,504	14,920	187,896	395,419
Additions	–	–	834	538	–	47,536	48,908
Interest capitalisation	–	–	–	–	–	1,063	1,063
Transfer from construction in progress	216,860	13,723	–	–	2,375	(232,958)	–
Disposals	–	(347)	(397)	(33)	–	–	(777)
Exchange adjustments	–	221	1	10	46	24	302
As at December 31, 2025	227,169	178,123	10,702	8,019	17,341	3,561	444,915
ACCUMULATED DEPRECIATION							
As at January 1, 2023	–	21,295	4,923	311	6,063	–	32,592
Provided for the year	–	10,161	1,555	339	3,147	–	15,202
Transfer from right-of-use assets	–	1,734	–	2,082	–	–	3,816
Eliminated on disposals	–	(1,514)	(575)	–	–	–	(2,089)
As at December 31, 2023	–	31,676	5,903	2,732	9,210	–	49,521
Provided for the year	254	12,792	1,432	1,720	4,734	–	20,932
Transfer from right-of-use assets	–	146	–	1,112	–	–	1,258
Eliminated on disposals	–	(1,003)	(417)	(40)	–	–	(1,460)
As at December 31, 2024	254	43,611	6,918	5,524	13,944	–	70,251
Provided for the year	8,596	14,620	971	1,227	651	–	26,065
Eliminated on disposals	–	(232)	(341)	(29)	–	–	(602)
Exchange adjustments	–	1	–	2	2	–	5
As at December 31, 2025	8,850	58,000	7,548	6,724	14,597	–	95,719
CARRYING VALUES							
As at December 31, 2023	–	103,053	3,805	2,865	5,235	159,521	274,479
As at December 31, 2024	10,055	120,915	3,346	1,980	976	187,896	325,168
As at December 31, 2025	218,319	120,123	3,154	1,295	2,744	3,561	349,196

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The Company

	Buildings RMB’000	Machinery and equipment RMB’000	Electronic equipment RMB’000	Motor vehicles RMB’000	Leasehold improvements RMB’000	Construction in progress RMB’000	Total RMB’000
COST							
As at January 1, 2023	–	60,102	5,262	312	5,551	36,450	107,677
Additions	–	–	612	51	–	127,327	127,990
Interest capitalisation	–	–	–	–	–	3,318	3,318
Transfer from construction in progress	–	12,083	–	–	190	(12,273)	–
Transfer from right-of-use assets	–	442	–	4,270	–	–	4,712
Disposals	–	(2,200)	(212)	–	–	–	(2,412)
As at December 31, 2023	–	70,427	5,662	4,633	5,741	154,822	241,285
Additions	–	–	744	13	–	61,379	62,136
Interest capitalisation	–	–	–	–	–	5,631	5,631
Transfer from construction in progress	10,309	23,266	–	–	110	(33,685)	–
Transfer from right-of-use assets	–	581	–	390	–	–	971
Disposals	–	(999)	(264)	–	–	–	(1,263)
As at December 31, 2024	10,309	93,275	6,142	5,036	5,851	188,147	308,760
Additions	–	–	536	–	–	41,447	41,983
Interest capitalisation	–	–	–	–	–	1,063	1,063
Transfer from construction in progress	216,860	13,347	–	–	–	(230,207)	–
Disposals	–	(4,251)	(411)	(21)	–	–	(4,683)
As at December 31, 2025	227,169	102,371	6,267	5,015	5,851	450	347,123
ACCUMULATED DEPRECIATION							
As at January 1, 2023	–	13,031	2,597	254	2,770	–	18,652
Provided for the year	–	5,553	835	253	1,432	–	8,073
Transfer from right-of-use assets	–	76	–	1,804	–	–	1,880
Eliminated on disposals	–	(351)	(177)	–	–	–	(528)
As at December 31, 2023	–	18,309	3,255	2,311	4,202	–	28,077
Provided for the year	254	6,651	786	1,105	1,471	–	10,267
Transfer from right-of-use assets	–	146	–	163	–	–	309
Eliminated on disposals	–	(179)	(223)	–	–	–	(402)
As at December 31, 2024	254	24,927	3,818	3,579	5,673	–	38,251
Provided for the year	8,596	8,577	644	882	129	–	18,828
Addition	–	1,319	11	–	–	–	1,330
Eliminated on disposals	–	(1,712)	(340)	(19)	–	–	(2,071)
As at December 31, 2025	8,850	33,111	4,133	4,442	5,802	–	56,338
CARRYING VALUES							
As at December 31, 2023	–	52,118	2,407	2,322	1,539	154,822	213,208
As at December 31, 2024	10,055	68,348	2,324	1,457	178	188,147	270,509
As at December 31, 2025	218,319	69,260	2,134	573	49	450	290,785

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The above items of property, plant and equipment (except for construction in progress) are depreciated on a straight-line basis over the following estimated useful lives after taking into account their residual values:

	Useful lives	Estimated residual value
Buildings	20 years	10%
Machinery and equipment	5-10 years	10%
Electronic equipment and furniture	3-10 years	10%
Motor vehicles	4-5 years	10%
Leasehold improvements	2-5 years	0%

The Group has obtained certificates for all buildings as at December 31, 2023, 2024 and 2025.

Sale and leaseback transactions – seller-lessee

To better manage the Group’s capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfers do not satisfy the requirements of IFRS 15 to be accounted for as a sale of the machinery. The Group has raised RMB795,000, nil and nil borrowings in respect of such sale and leaseback arrangements as at December 31, 2023, 2024 and 2025.

Details of the lease maturity analysis of lease liabilities are set out in Note 24.

The Group as lessor

The Group leases out part of buildings under operating leases. The lease run for an initial period of 3 years from February 1, 2025 without variable lease payments. The reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	Buildings RMB’000
COST	
As at January 1, 2023, December 31, 2023 and December 31, 2024	–
Additions	<u>6,318</u>
As at December 31, 2025	<u>6,318</u>
ACCUMULATED DEPRECIATION	
As at January 1, 2023, December 31, 2023 and December 31, 2024	–
Provided for the year	<u>237</u>
As at December 31, 2025	<u>237</u>
CARRYING VALUES	
As at December 31, 2024	<u>–</u>
As at December 31, 2025	<u><u>6,081</u></u>

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16. RIGHT-OF-USE ASSETS

The Group

	Leased properties RMB’000	Machinery RMB’000	Leasehold lands RMB’000	Vehicles RMB’000	Total RMB’000
COST					
As at January 1, 2023	34,917	12,168	8,777	7,033	62,895
Modification of lease term	8,123	–	–	–	8,123
Transfer to property, plant and equipment	–	(11,587)	–	(5,082)	(16,669)
As at December 31, 2023	43,040	581	8,777	1,951	54,349
Additions	1,184	–	–	–	1,184
Modification of lease term	382	–	–	–	382
Transfer to property, plant and equipment	–	(581)	–	(1,951)	(2,532)
End of leases/early termination of leases	(10,655)	–	–	–	(10,655)
Exchange adjustments	57	–	–	–	57
As at December 31, 2024	34,008	–	8,777	–	42,785
End of leases/early termination of leases	(16,214)	–	–	–	(16,214)
Exchange adjustments	58	–	–	–	58
As at December 31, 2025	17,852	–	8,777	–	26,629
ACCUMULATED DEPRECIATION					
As at January 1, 2023	21,293	1,091	117	1,772	24,273
Provided for the year	7,383	746	176	1,285	9,590
Transfer to property, plant and equipment	–	(1,734)	–	(2,082)	(3,816)
As at December 31, 2023	28,676	103	293	975	30,047
Provided for the year	5,623	43	175	137	5,978
Transfer to property, plant and equipment	–	(146)	–	(1,112)	(1,258)
Eliminated on end of leases/early termination of leases	(9,439)	–	–	–	(9,439)
Exchange adjustments	1	–	–	–	1
As at December 31, 2024	24,861	–	468	–	25,329
Provided for the year	3,476	–	176	–	3,652
Eliminated on end of leases/early termination of leases	(16,166)	–	–	–	(16,166)
Exchange adjustments	10	–	–	–	10
As at December 31, 2025	12,181	–	644	–	12,825
CARRYING VALUES					
As at December 31, 2023	14,364	478	8,484	976	24,302
As at December 31, 2024	9,147	–	8,309	–	17,456
As at December 31, 2025	5,671	–	8,133	–	13,804

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	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Expenses relating to short-term leases	587	1,073	2,129
Total cash outflow for leases	<u>14,466</u>	<u>7,031</u>	<u>4,407</u>

The Company

	Leased properties RMB’000	Machinery RMB’000	Leasehold lands RMB’000	Vehicles RMB’000	Total RMB’000
COST					
As at January 1, 2023	19,489	1,023	8,777	4,660	33,949
Transfer to property, plant and equipment	<u>–</u>	<u>(442)</u>	<u>–</u>	<u>(4,270)</u>	<u>(4,712)</u>
As at December 31, 2023	19,489	581	8,777	390	29,237
Modification of lease term	382	–	–	–	382
Transfer to property, plant and equipment	<u>–</u>	<u>(581)</u>	<u>–</u>	<u>(390)</u>	<u>(971)</u>
End of leases/early termination of leases	<u>(3,657)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,657)</u>
As at December 31, 2024	16,214	–	8,777	–	24,991
End of leases/early termination of leases	<u>(16,214)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(16,214)</u>
As at December 31, 2025	<u>–</u>	<u>–</u>	<u>8,777</u>	<u>–</u>	<u>8,777</u>
ACCUMULATED DEPRECIATION					
As at January 1, 2023	10,325	87	117	1,074	11,603
Provided for the year	3,536	92	176	832	4,636
Transfer to property, plant and equipment	<u>–</u>	<u>(76)</u>	<u>–</u>	<u>(1,804)</u>	<u>(1,880)</u>
As at December 31, 2023	13,861	103	293	102	14,359
Provided for the year	3,355	43	176	61	3,635
Transfer to property, plant and equipment	<u>–</u>	<u>(146)</u>	<u>–</u>	<u>(163)</u>	<u>(309)</u>
Eliminated on end of leases/early termination of leases	<u>(2,560)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,560)</u>
As at December 31, 2024	14,656	–	469	–	15,125
Provided for the year	1,510	–	175	–	1,685
Eliminated on end of leases/early termination of leases	<u>(16,166)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(16,166)</u>
As at December 31, 2025	<u>–</u>	<u>–</u>	<u>644</u>	<u>–</u>	<u>644</u>
CARRYING VALUES					
As at December 31, 2023	<u>5,628</u>	<u>478</u>	<u>8,484</u>	<u>288</u>	<u>14,878</u>
As at December 31, 2024	<u>1,558</u>	<u>–</u>	<u>8,308</u>	<u>–</u>	<u>9,866</u>
As at December 31, 2025	<u>–</u>	<u>–</u>	<u>8,133</u>	<u>–</u>	<u>8,133</u>

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ACCOUNTANTS’ REPORT

During the Track Record Period, the Group and the Company leases lands for its operations. Lease contracts are entered into for a fixed term of 50 years. The Group and the Company has made lump sum payments upfront to government for leasehold lands. The Group and the Company obtained the land use right certificates for all such leasehold lands as at December 31, 2023, 2024 and 2025.

During the Track Record Period, the Group and the Company leased various plant, machinery and vehicles for its operations. Lease contracts are entered into for a fixed term ranging from 1 year to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company applies the definition of a contract and determines the period for which the contract is enforceable.

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

Restrictions or covenants on leases

In addition, the Group’s lease liabilities of RMB13,109,000, RMB7,737,000 and RMB5,652,000 are recognised with related right-of-use assets of RMB15,818,000, RMB9,147,000 and RMB5,671,000 as at December 31, 2023, 2024 and 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The Company’s lease liabilities of RMB5,001,000, RMB241,000 and nil are recognised with related right-of-use assets of RMB6,394,000, RMB1,558,000 and nil as at December 31, 2023, 2024 and 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

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17. INTANGIBLE ASSETS

The Group

Software
RMB’000

COST

As at January 1, 2023	1,084
Additions	<u>3,906</u>

As at December 31, 2023	4,990
Additions	<u>350</u>

As at December 31, 2024	5,340
Additions	<u>620</u>

As at December 31, 2025	<u>5,960</u>
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ACCUMULATED DEPRECIATION

As at January 1, 2023	594
Provided for the year	<u>328</u>

As at December 31, 2023	922
Provided for the year	<u>1,179</u>

As at December 31, 2024	2,101
Provided for the year	<u>965</u>

As at December 31, 2025	<u>3,066</u>
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CARRYING VALUES

As at December 31, 2023	<u><u>4,068</u></u>
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As at December 31, 2024	<u><u>3,239</u></u>
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As at December 31, 2025	<u><u>2,894</u></u>
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ACCOUNTANTS’ REPORT

The Company

Software
RMB’000

COST

As at January 1, 2023	1,076
Additions	<u>3,762</u>

As at December 31, 2023	4,838
Additions	<u>159</u>

As at December 31, 2024	4,997
Additions	<u>324</u>

As at December 31, 2025	<u>5,321</u>
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ACCUMULATED DEPRECIATION

As at January 1, 2023	587
Provided for the year	<u>301</u>

As at December 31, 2023	888
Provided for the year	<u>921</u>

As at December 31, 2024	1,809
Provided for the year	<u>913</u>

As at December 31, 2025	<u>2,722</u>
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CARRYING VALUES

As at December 31, 2023	<u><u>3,950</u></u>
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As at December 31, 2024	<u><u>3,188</u></u>
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As at December 31, 2025	<u><u>2,599</u></u>
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The intangible assets have finite useful lives and are amortised on straight-line basis over the useful lives of five years.

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ACCOUNTANTS’ REPORT

18. DEFERRED TAXATION

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

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	6,993	4,031	2,971
Deferred tax liabilities	(3,958)	(2,330)	(1,512)
	<u>3,035</u>	<u>1,701</u>	<u>1,459</u>

The Group

The following are the major deferred tax balances recognised and movements thereon during the Track Record Period:

	Allowance for inventory RMB'000	Allowance for ECL provision RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2023	635	20	(4,617)	2,805	7,298	1,892	8,033
Credit (charge) to profit or loss	(79)	43	1,205	184	(4,489)	(1,862)	(4,998)
As at December 31, 2023	556	63	(3,412)	2,989	2,809	30	3,035
(Charge) credit to profit or loss	62	–	1,083	(967)	(2,809)	1,297	(1,334)
As at December 31, 2024	618	63	(2,329)	2,022	–	1,327	1,701
Credit (charge) to profit or loss	134	8	817	(642)	199	(758)	(242)
As at December 31, 2025	<u>752</u>	<u>71</u>	<u>(1,512)</u>	<u>1,380</u>	<u>199</u>	<u>569</u>	<u>1,459</u>

As at December 31, 2023, 2024 and 2025, the Group had unused tax losses of approximately RMB215,716,000, RMB231,265,000 and RMB261,580,000, respectively, available for offset against future profits. The deferred tax asset has been recognised in respect of approximately RMB13,615,000, nil and RMB2,368,000 of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB202,101,000, RMB231,265,000 and RMB259,212,000 either due to the unpredictability of future profit streams or it is not probable that taxable profit will be available against which the tax losses can be utilised.

As at December 31, 2023, 2024 and 2025, the Group has deductible temporary differences, except for the unused tax losses, of RMB22,120,000, RMB31,502,000 and RMB28,279,000, respectively. As at December 31, 2023, 2024 and 2025, deferred tax assets of RMB3,554,000, RMB4,790,000 and RMB5,232,000, respectively, have been recognised in respect of such deductible temporary differences. No deferred tax asset has been recognised in relation to the remaining deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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The expiry dates of the unrecognised tax losses are disclosed in the following table. Remaining losses may be carried forward indefinitely.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
2024	9,132	–	–
2025	4,105	4,105	–
2026	1,937	1,937	1,937
2027	10,065	–	–
2028	333	–	–
2029	7,238	7,122	6,876
2030	17,278	17,278	17,677
2031	32,194	32,194	31,784
2032	72,850	72,850	72,733
2033	57,034	57,034	57,034
2034	–	38,745	38,745
2035	–	–	32,390
Indefinite	3,550	–	2,404
	<u>215,716</u>	<u>231,265</u>	<u>261,580</u>

The Company

The following are the major deferred tax balances recognised and movements thereon during the Track Record Period:

	Right-of-use assets	Lease liabilities	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2023	(2,097)	1,668	429	–
Credit (charge) to profit or loss	<u>1,137</u>	<u>(918)</u>	<u>(219)</u>	<u>–</u>
As at December 31, 2023	(960)	750	210	–
Credit (charge) to profit or loss	<u>725</u>	<u>(714)</u>	<u>(11)</u>	<u>–</u>
As at December 31, 2024	(235)	36	199	–
Credit (charge) to profit or loss	<u>235</u>	<u>(36)</u>	<u>(199)</u>	<u>–</u>
As at December 31, 2025	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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As at December 31, 2023, 2024 and 2025, the Company had unused tax losses of approximately RMB137,373,000, RMB156,693,000 and RMB177,581,000, respectively, available for offset against future profits. As at December 31, 2023, 2024 and 2025, no deferred tax asset has been recognised in respect of these tax losses either due to the unpredictability of future profit streams or it is not probable that taxable profit will be available against which the tax losses can be utilised.

As at December 31, 2023, 2024 and 2025, the Company has deductible temporary differences, except for the unused tax losses, of RMB8,133,000, RMB9,896,000 and RMB8,806,000, respectively. As at December 31, 2023, 2024 and 2025, no deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

19. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	10,013	10,431	21,227
Work-in-progress	6,708	10,301	6,338
Finished goods	32,752	41,999	40,223
	<u>49,473</u>	<u>62,731</u>	<u>67,788</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	2,024	1,942	11,058
Work-in-progress	4,142	7,065	2,897
Finished goods	12,523	17,896	32,011
	<u>18,689</u>	<u>26,903</u>	<u>45,966</u>

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20. TRADE RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	113,957	122,533	132,236
Bill receivables	–	–	1,032
Less: Impairment loss allowance for trade and bill receivables	(3,614)	(5,613)	(4,744)
	<u>110,343</u>	<u>116,920</u>	<u>128,524</u>
Prepayment to suppliers	4,211	5,048	2,351
Prepayment for the utilities and others	1,113	1,236	938
Value-added tax recoverable	5,245	2,189	5,597
Deferred issue costs	–	–	365
Deposits	3,158	2,416	2,594
Others	<u>758</u>	<u>673</u>	<u>649</u>
Total prepayment and other receivables	<u>14,485</u>	<u>11,562</u>	<u>12,494</u>
	<u><u>124,828</u></u>	<u><u>128,482</u></u>	<u><u>141,018</u></u>
Analysed as:			
Current	121,257	124,506	139,282
Non-current (<i>Note</i>)	<u>3,571</u>	<u>3,976</u>	<u>1,736</u>
	<u><u>124,828</u></u>	<u><u>128,482</u></u>	<u><u>141,018</u></u>

Note: The non-current portion represent receivable arising from sale of equipment under an installment payment schedule which will be settled after one year from the end of each reporting period, as well as rental deposits with lease term over one year.

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The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	56,152	61,000	128,267
Less: Impairment loss allowance for trade receivables	(1,656)	(1,123)	(727)
	<u>54,496</u>	<u>59,877</u>	<u>127,540</u>
Prepayment to suppliers	–	4,388	2,261
Prepayment for the utilities and others	538	649	384
Value-added tax recoverable	3,055	862	3,361
Deferred issue costs	–	–	365
Deposits	2,601	1,990	1,885
Others	<u>341</u>	<u>428</u>	<u>419</u>
Total prepayment and other receivables	<u>6,535</u>	<u>8,317</u>	<u>8,675</u>
	<u><u>61,031</u></u>	<u><u>68,194</u></u>	<u><u>136,215</u></u>
Analysed as:			
Current	59,837	66,665	135,153
Non-current	<u>1,194</u>	<u>1,529</u>	<u>1,062</u>
	<u><u>61,031</u></u>	<u><u>68,194</u></u>	<u><u>136,215</u></u>

As at January 1, 2023, the Group’s and the Company’s trade receivables amounted to RMB 85,349,000 and RMB63,687,000 (net of impairment loss allowance of RMB1,311,000 and RMB518,000), respectively.

As at December 31, 2023, 2024 and 2025, included in trade receivables, approximate RMB2,134,000, RMB13,213,000 and RMB108,273,000, respectively, are amounts due from subsidiaries which are in trade nature.

The Group and the Company normally grant credit period ranging from 30 days to 120 days to its customers.

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The following is an aging analysis of trade receivables, net of impairment loss allowances, presented based on revenue recognition date at the end of each reporting period:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
0 to 6 months	102,799	113,100	126,321
6 to 12 months	5,030	2,471	3
12 to 18 months	2,514	1,349	571
18 to 24 months	–	–	597
	<u>110,343</u>	<u>116,920</u>	<u>127,492</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
0 to 6 months	54,492	59,862	127,155
6 to 12 months	2	15	385
12 to 18 months	<u>2</u>	<u>–</u>	<u>–</u>
	<u>54,496</u>	<u>59,877</u>	<u>127,540</u>

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

As at December 31, 2023, 2024 and 2025, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB24,624,000, RMB15,403,000 and RMB25,386,000, respectively, which are past due respectively. Out of the past due balances, RMB9,603,000, RMB6,186,000 and RMB8,446,000 have been past due over 90 days respectively and are not considered as in default due to the history of cooperation, the sound collection history or the solid credit rating of the debtors.

The following is an aging analysis of bills receivables, net of impairment loss allowances, presented based on revenue recognition date at the end of each reporting period:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
0 to 6 months	<u>–</u>	<u>–</u>	<u>1,032</u>

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21. RESTRICTED BANK DEPOSITS/ CASH AND CASH EQUIVALENTS

The Group and the Company

The Group’s and the Company’s restricted bank deposits were held with banks to secure the issuance of two separate performance guarantees under the Investment and Development Supervision Agreement signed between the Company and the local government, which governs the use of the leasehold land acquired by the Company: one completion performance guarantee for the timely completion of construction, and one production attainment performance guarantee for achieving the committed production capacity and financial performance, with the local government as the beneficiary. These restricted bank deposits will be released upon expiration of the relevant guarantees and are classified as current or non-current assets based on their maturity dates. Bank balances and restricted bank deposits carried interest at market rates ranging from 0.05% to 0.20%, 0.05% to 0.10% and 0.05% to 0.10% per annum, respectively, as at December 31, 2023, 2024 and 2025.

The Group’s and the Company’s cash and cash equivalents, which represent demand deposits, that were denominated in currencies other than functional currency of the relevant group entities are set at below:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Denominated in USD	<u>25,057</u>	<u>22,542</u>	<u>36,882</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Denominated in USD	<u>5,966</u>	<u>19,284</u>	<u>28,662</u>

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22. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	100,709	95,342	86,752
Payables for acquisition of property, plant and equipment	38,637	5,884	5,058
Payroll and welfare payables	12,265	13,314	14,229
Other tax payables	930	961	3,556
Others	1,040	1,483	1,524
Total other payables	52,872	21,642	24,367
	153,581	116,984	111,119

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	47,443	36,973	53,745
Payables for acquisition of property, plant and equipment	38,346	4,067	3,554
Payroll and welfare payables	6,643	7,505	7,931
Other tax payables	451	537	1,321
Rental deposit received	–	480	710
Others	667	1,183	1,119
Total other payables	46,107	13,772	14,635
	93,550	50,745	68,380

The credit period of trade creditors ranged from 30 to 180 days.

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The following is an aging analysis of trade payables presented based on the invoice dates at the end of each reporting period:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 3 months	79,637	81,251	79,536
3 to 6 months	19,986	13,577	6,098
6 to 12 months	646	512	406
over 1 year	440	2	712
	<u>100,709</u>	<u>95,342</u>	<u>86,752</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 3 months	38,402	31,993	49,605
3 to 6 months	7,955	4,466	3,815
6 to 12 months	646	512	315
over 1 year	440	2	10
	<u>47,443</u>	<u>36,973</u>	<u>53,745</u>

23. BORROWINGS

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bank borrowings	171,992	246,182	298,352
Other borrowings	7,083	7,188	7,029
	<u>179,075</u>	<u>253,370</u>	<u>305,381</u>

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	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Borrowings – fixed rate	94,269	94,583	124,988
Borrowings – variable rate	84,011	158,787	180,393
Sale and leaseback arrangement	<u>795</u>	<u>–</u>	<u>–</u>
	<u>179,075</u>	<u>253,370</u>	<u>305,381</u>
Secured and guaranteed (<i>Note a</i>)	91,095	166,976	193,155
Unsecured and guaranteed (<i>Note b</i>)	45,125	44,172	40,147
Secured and unguaranteed (<i>Note c</i>)	795	–	–
Unsecured and unguaranteed	<u>42,060</u>	<u>42,222</u>	<u>72,079</u>
	<u>179,075</u>	<u>253,370</u>	<u>305,381</u>

The Company

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bank borrowings	171,992	246,182	288,345
Other borrowings	<u>7,083</u>	<u>7,188</u>	<u>7,029</u>
	<u>179,075</u>	<u>253,370</u>	<u>295,374</u>
Borrowings – fixed rate	94,269	94,583	114,981
Borrowings – variable rate	84,011	158,787	180,393
Sale and leaseback arrangement	<u>795</u>	<u>–</u>	<u>–</u>
	<u>179,075</u>	<u>253,370</u>	<u>295,374</u>
Secured and guaranteed (<i>Note a</i>)	91,095	166,976	193,155
Unsecured and guaranteed (<i>Note b</i>)	45,125	44,172	40,147
Secured and unguaranteed (<i>Note c</i>)	795	–	–
Unsecured and unguaranteed	<u>42,060</u>	<u>42,222</u>	<u>62,072</u>
	<u>179,075</u>	<u>253,370</u>	<u>295,374</u>

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Notes:

- (a) These borrowings are secured by certain land use rights of the Group and are guaranteed by Mr. Chao and Mr. Cheng, who are the shareholders of the Company, as at December 31, 2023, 2024 and 2025, respectively. The guarantee has been released in March 2026.
- (b) These borrowings are guaranteed by Mr. Chao and Mr. Cheng and has been released in March 2026.
- (c) Details of pledge of assets in support of the secured bank borrowings are disclosed in Note 30.

The carrying amount of sale and leaseback arrangement are repayable within one year. The carrying amounts of borrowings are repayable based on contractual repayment schedules as follows:

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within one year (<i>Note</i>)	94,269	94,583	124,988
Within a period of more than one year but not exceeding two years	99	1,985	1,984
Within a period of more than two years but not exceeding five years	–	38,066	87,938
Within a period of more than five years	<u>83,912</u>	<u>118,736</u>	<u>90,471</u>
	<u>178,280</u>	<u>253,370</u>	<u>305,381</u>
Less:			
Amounts due within one year shown under current liabilities	<u>(94,269)</u>	<u>(94,583)</u>	<u>(124,988)</u>
Amounts shown under non-current liabilities	<u>84,011</u>	<u>158,787</u>	<u>180,393</u>

Note: As at December 31, 2023, 2024 and 2025, the amounts include all other borrowings which are due within one year amounted to RMB7,083,000, RMB7,188,000, and RMB7,029,000, respectively.

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The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within one year (<i>Note</i>)	94,269	94,583	114,981
Within a period of more than one year but not exceeding two years	99	1,985	1,984
Within a period of more than two years but not exceeding five years	–	38,066	87,938
Within a period of more than five years	83,912	118,736	90,471
	<u>178,280</u>	<u>253,370</u>	<u>295,374</u>
Less:			
Amounts due within one year shown under current liabilities	<u>(94,269)</u>	<u>(94,583)</u>	<u>(114,981)</u>
Amounts shown under non-current liabilities	<u>84,011</u>	<u>158,787</u>	<u>180,393</u>

Note: As at December 31, 2023, 2024 and 2025, the amounts include all other borrowings which are due within one year amounted to RMB7,083,000, RMB7,188,000, and RMB7,029,000, respectively.

As at December 31, 2023, 2024 and 2025, except for other borrowings which are denominated in USD, the Group’s and the Company’s borrowings are all denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) on the Group’s and the Company’s borrowing ranged from 3.1% to 4.2%, 2.5% to 3.2% and 2.4% to 3.1% per annum, respectively, as at December 31, 2023, 2024 and 2025.

In respect of bank loans as at December 31, 2023, 2024 and 2025, the Group and the Company is not required to comply with significant financial covenants throughout the continuance of the relevant loans.

24. LEASE LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Lease liabilities payable:			
Within one year	5,940	2,123	1,974
Within a period of more than one year but not exceeding two years	2,008	1,791	2,012
Within a period of more than two years but not exceeding five years	<u>5,161</u>	<u>3,823</u>	<u>1,666</u>
	13,109	7,737	5,652
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(5,940)</u>	<u>(2,123)</u>	<u>(1,974)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>7,169</u>	<u>5,614</u>	<u>3,678</u>

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The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Lease liabilities payable:			
Within one year	4,120	241	–
Within a period of more than one year but not exceeding two years	881	–	–
	5,001	241	–
Less: Amount due for settlement within 12 months shown under current liabilities	(4,120)	(241)	–
Amount due for settlement after 12 months shown under non-current liabilities	881	–	–

The Group’s incremental borrowing rates applied to lease liabilities ranged from 3.55% to 4.65%, 3.10% to 3.95% and 3.10% to 3.95% per annum as at December 31, 2023, 2024 and 2025, respectively.

The Company’s incremental borrowing rates applied to lease liabilities ranged from 3.55% to 4.65% and 3.10% to 3.65% per annum as at December 31, 2023 and 2024, respectively.

25. REDEMPTION LIABILITIES

The Group and the Company

On February 2, 2021, the Company entered into investment agreements with certain independent investors (the “**Series A Investors**”), pursuant to which these investors made an aggregate investment of RMB130,000,000 for subscription of the Company’s paid-in capital of RMB15,560,000 (the “**Series A Shares**”). The cash consideration was fully settled in December 2021.

On August 10, 2022, the Company entered into investment agreements with certain independent investors (the “**Series B Investors**”), pursuant to which these investors made an aggregate investment of RMB164,000,000 for subscription of the Company’s paid-in capital of RMB8,244,000 (the “**Series B Shares**”) with certain preferential rights in the Company. The cash consideration was fully settled in November 2022. The agreement further provides that the Series A Investors shall have the same certain preferential rights as those held by the Series B Investors.

On October 30, 2025, the obligations of the Company arising from the redemption rights and liquidation preferences attached to the Series A Shares and Series B Shares (together as the “**Investors’ Shares**”) were terminated irrespective of whether the H shares of the Company be [REDACTED] on the Stock Exchange pursuant to a termination agreement entered into by the Company with respect to each of the Series A Investors and Series B Investors.

The key terms of the Investors’ Shares prior to the termination of the obligations of the Company arising from the redemption rights and liquidation preferences are summarised as follows:

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Redemption rights

If the Company fails to achieve a specified level of average revenue per employee by December 31, 2024, and/or fails to complete initial public offering before 31 December 2025, and/or certain other contingent events as stipulated in the relevant investment agreements, at the option of the Series A Investors and Series B Investors, any Series A Investors and Series B Investors have rights to require the Company and/or the controlling shareholder to redeem all of the outstanding shares held by the Series A Investors and Series B Investors. The redemption amount is calculated as a price of the original investment principal from the Series A Investors and Series B Investors plus an interest of 8% per annum calculated on a simple basis from the settlement date of the cash considerations paid by Series A Investors and Series B Investors, plus the accumulated cash dividend announced but not actually paid.

Liquidation preferences

In the event of any liquidation including but not limited to insolvency liquidation, dissolving liquidation and deemed liquidation (such as the event that results in a change in controlling shareholder of the Company) as stipulated in the relevant investment agreements (together, the “**Liquidation Events**”), any Series A Investors and Series B Investors shall be entitled to receive the liquidation preference amount, calculated as the higher of (i) the net assets of the Group attributable to the corresponding shareholding held by the Series A Investors and Series B Investors in the Company; and (ii) the original investment principal from the Series A Investors and Series B Investors plus an interest of 8% per annum calculated on a simple basis from the settlement date of the cash considerations paid by Series A Investors and Series B Investors, plus the accumulated cash dividend announced but not actually paid. If the amount of distributable proceeds was less than the liquidation preference amount, the investors shall be entitled the amount based on the percentage of each investor’s share in the Company in accordance with the liquidation preferences in the scheme.

The redemption rights and rights at deemed liquidation events granted to the holders of the Investors’ Shares constitute the Company’s obligations to repurchase its own equity instruments. As the Group and the Company did not have an unconditional right to avoid redeeming the Investors’ Shares for cash, the Group and the Company recognised financial liabilities for the obligation to redeem the Investors’ Shares, which represents the amount expected to be paid for the Investors’ Shares upon occurrence of any event with the highest settlement outcome. These financial liabilities were subsequently measured at amortised cost. The redemption liabilities are classified as current liabilities as the Group does not have the right to defer settlement of the liability for at least twelve months after the reporting period as the Group cannot control when the contingent events might happen. Pursuant to the termination agreement of Investors’ Shares entered into by the Company and the relevant investors, the preferential rights in respect of redemption rights and deemed liquidation events were terminated on October 30, 2025 and accordingly, the carrying amount of the financial liabilities of all redemption liabilities was derecognised upon the termination of the preferential rights on October 30, 2025.

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The movements of the redemption liabilities of the Group and the Company are as follows:

	<i>RMB’000</i>
As at January 1, 2023	339,542
Charged to finance costs	<u>14,496</u>
As at December 31, 2023	354,038
Charged to finance costs	<u>15,114</u>
As at December 31, 2024	369,152
Charged to finance costs	13,036
Derecognition of redemption liabilities	<u>(382,188)</u>
As at December 31, 2025	<u><u>–</u></u>

26. WARRANTY PROVISIONS

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed for reporting purposes as:			
Current liabilities	<u>1,798</u>	<u>2,157</u>	<u>2,354</u>
	<u><u>1,798</u></u>	<u><u>2,157</u></u>	<u><u>2,354</u></u>
			<i>RMB’000</i>
As at January 1, 2023			1,280
Additional provision in the year			<u>518</u>
As at December 31, 2023			1,798
Additional provision in the year			<u>359</u>
As at December 31, 2024			2,157
Additional provision in the year			<u>197</u>
As at December 31, 2025			<u><u>2,354</u></u>

The warranty provision represents management’s best estimate of the Group’s liability under one-year assurance-type warranty granted on power inductor, based on prior experience and industry averages for defective products.

The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to customers. These amounts have not been discounted for the purposes of measuring the provision for rectification work, because the effect is not material.

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27. PAID-IN CAPITAL

The Group and the Company

As at January 1, 2023 and December 31, 2023, 2024 and 2025, the amounts represented the paid-in capital of the Company. On December 2, 2025, pursuant to a resolution of the shareholders’ meeting, all then-existing shareholders approved the conversion of approximately RMB268,869,000 of the Company’s net assets as of October 31, 2025 into 83,650,335 shares with a par value of RMB1.00 each, with the remaining approximately RMB185,219,000 of net assets converted to the capital reserve of the Company. The 83,650,335 shares were subscribed by the then-existing shareholders in proportion to their respective equity interests immediately prior to the conversion. Upon the completion of the registration on January 6, 2026, the Company was converted into a joint stock company with limited liability.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

29. SHARE AWARD SCHEME

In December 2020, the Group adopted a share award scheme (the “**Scheme**”), approved by the Company’s board of directors, with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group.

Under the Scheme, eligible employees were granted indirect ownership of the Company’s share through ownership of two employee shareholding platforms, Kunshan Mako Enterprise Management Center (Limited Partnership), established in December 2020, and Kunshan Mazhou Enterprise Management Center (Limited Partnership), established in March 2020.

550,002 shares and 5,539,998 shares had been granted to directors and eligible employees in December 2020, respectively and all awards granted had immediately vested as there were no vesting condition pursuant to the grant. All partnership interests in the employee shareholding platforms have been subscribed by the grantees prior to January 1, 2023.

The share-based payment expense was determined by reference to the recent share prices of the Company’s shares subscribed by external investors close to the grant date, less the consideration paid by the grantees.

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30. PLEDGE OF ASSETS

The Group and the Company

At the end of each reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure the bank borrowings, general banking facilities, and the issuance of performance bonds are as follows:

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Leasehold lands	8,484	8,309	8,133
Restricted bank deposits	2,565	1,851	1,851
Property, plant and equipment	<u>153,063</u>	<u>197,749</u>	<u>255,460</u>
	<u>164,112</u>	<u>207,909</u>	<u>265,444</u>

31. CAPITAL COMMITMENTS

The Group and the Company

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Capital expenditure in respect of acquisition of property, plant and equipment and intangible assets contracted for but not provided in the Historical Financial Information	<u>54,377</u>	<u>20,423</u>	<u>2,736</u>

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32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Lease Liabilities	Redemption Liabilities	Issue cost	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2023	68,211	17,200	339,542	–	424,953
Net financing cash flows	105,626	(13,879)	–	–	91,747
<i>Non-cash changes</i>					
Foreign currency exchange difference	118	–	–	–	118
New lease entered	–	8,123	–	–	8,123
Finance costs	<u>5,120</u>	<u>1,665</u>	<u>14,496</u>	<u>–</u>	<u>21,281</u>
At December 31, 2023	179,075	13,109	354,038	–	546,222
Net financing cash flows	66,712	(5,958)	–	–	60,754
<i>Non-cash changes</i>					
Foreign currency exchange difference	107	–	–	–	107
New lease entered and modification of leases	–	1,565	–	–	1,565
Early termination of lease	–	(1,368)	–	–	(1,368)
Finance costs	<u>7,476</u>	<u>389</u>	<u>15,114</u>	<u>–</u>	<u>22,979</u>
As at December 31, 2024	253,370	7,737	369,152	–	630,259
Net financing cash flows	43,639	(2,278)	–	(365)	40,996
<i>Non-cash changes</i>					
Foreign currency exchange difference	(159)	–	–	–	(159)
Early termination of lease	–	(51)	–	–	(51)
Derecognition of redemption liabilities	–	–	(382,188)	–	(382,188)
Finance costs	8,531	244	13,036	–	21,811
Accrued issue costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>365</u>	<u>365</u>
As at December 31, 2025	<u>305,381</u>	<u>5,652</u>	<u>–</u>	<u>–</u>	<u>311,033</u>

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33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
At amortised cost	<u>220,230</u>	<u>193,849</u>	<u>206,762</u>
Financial liabilities			
At amortised cost	<u>673,499</u>	<u>725,231</u>	<u>398,715</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
At amortised cost	<u>230,037</u>	<u>186,292</u>	<u>195,240</u>
Financial liabilities			
At amortised cost	<u>621,405</u>	<u>670,916</u>	<u>359,109</u>

(b) Financial risk management objectives and policies

The Group’s and the Company’s major financial instruments include trade, bills and other receivables, restricted bank deposits, cash and cash equivalents, trade and other payable, redemption liabilities, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group’s and the Company’s activities expose it primarily to currency risk and interest rate risk. There had been no change in the Group’s and the Company’s exposure to these risks or the manner in which it managed and measured the risks during the Track Record Period.

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(i) Currency risk

Certain bank balances and cash and trade receivables are denominated in foreign currencies other than the functional currency of the respective group entities which are exposed to foreign currency risk.

The carrying amounts of the Group’s mainly foreign currency denominated monetary items other than the functional currency of the relevant group entities at the end of each reporting period are as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Assets			
USD	<u>112,911</u>	<u>115,936</u>	<u>142,031</u>
Liabilities			
USD	<u>9,689</u>	<u>9,322</u>	<u>10,040</u>

The carrying amounts of the Company’s mainly foreign currency denominated monetary items other than its functional currency at the end of each reporting period are as follows:

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Assets			
USD	<u>47,371</u>	<u>58,451</u>	<u>137,712</u>
Liabilities			
USD	<u>7,084</u>	<u>7,188</u>	<u>7,031</u>

The Group currently does not have a foreign currency hedging policy, but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

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Sensitivity analysis

The following table details the Group’s and the Company’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates an increase in post-tax loss where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
USD impact	(4,110)	(4,672)	(5,862)

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
USD impact	(1,712)	(2,178)	(5,554)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits (see Note 21 for details), fixed-rate bank borrowings (see Note 23 for details) and lease liabilities (see Note 24 for details). The Group is also exposed to cash flow interest rate in relation to variable-rate bank balances (see Note 21 for details) and variable-rate bank borrowings (see Note 23 for details). The Group currently does not hedge its exposure to cash flow and fair value interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for borrowings, the analysis is prepared assuming the amount of borrowings outstanding at the end of the year were outstanding for the whole year. The directors of the Company consider that the exposure of cash flow interest rate risk arising from bank balances is insignificant, therefore no sensitivity analysis on such balances has been prepared. A 50 basis points increase or decrease representing management’s assessment of the reasonably possible change in interest rate is used.

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If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group’s and the Company’s loss for the year ended December 31, 2023, 2024 and 2025 would increase/decrease by RMB357,000, RMB675,000 and RMB767,000.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s counterparties will default on its contractual obligations resulting in financial loss to the Group. The Group’s credit risk exposures are primarily attributable to trade, bills and other receivables, restricted bank deposits and cash and cash equivalents.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer’s credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up actions are taken to recover overdue debts. In this regard, the management consider that the Group’s credit risk is significantly reduced.

The Group has concentration of credit risk as 37% and 71%, 36% and 74% and 30% and 68% of the total trade receivables were due from the Group’s largest customer and five largest customers at December 31, 2023, 2024 and 2025, respectively.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. The Group determines the ECL for the trade debtors with individually-significant or credit-impaired trade receivables on an individual basis with reference to their past default record, current past due exposure and, where applicable, an analysis of their current financial information and/or publicly available information. In addition, the Group uses practical expedient in estimating ECL on remaining trade receivables which are not assessed individually using a provision matrix. The Group uses debtors’ aging to assess the impairment for them without further distinction as they consisted of many customers with common risk characteristics and the historical credit loss experience does not indicate significantly different loss patterns for different customers. The estimated loss rates are based on the Group’s historical observed default rates over the expected life of the debtors and were adjusted for forward-looking information that is available without undue cost or effort.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimise credit risk, the Group have delegated a team responsible for determination of the Group’s credit risk gradings to categorise exposures according to their degree of risk of default.

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Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2023, 2024 and 2025, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

Amounts due from subsidiaries

The Company regularly monitors the business performance of the subsidiaries. The Company’s credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of these entities. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Company provided impairment based on 12m ECL. For the years ended December 31, 2023, 2024 and 2025, the Company assessed the ECL for amounts due from subsidiaries are insignificant and thus no loss allowance is recognized.

Restricted bank deposits and cash and cash equivalents

The restricted bank deposits and cash and cash equivalents are determined to have low credit risk at the end of each reporting period. The credit risk on restricted bank deposits, cash and cash equivalents is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

The Group’s internal credit risk grading assessment comprises the following categories:

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

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The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets which are subject to ECL assessment:

The Group

December 31, 2023	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB’000
Trade receivables	20	N/A	(Note)	Lifetime ECL (individual assessment)	76,287
			Low risk	Lifetime ECL (collective assessment)	36,996
			Loss	Credit-impaired	674
Other receivables	20	N/A	Low risk	12m ECL	3,916
Cash and cash equivalents	21	Baa1 to Ba3	Low risk	12m ECL	103,406
Restricted bank deposits	21	Baa2	Low risk	12m ECL	2,565
December 31, 2024	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB’000
Trade receivables	20	N/A	(Note)	Lifetime ECL (individual assessment)	83,001
			Low risk	Lifetime ECL (collective assessment)	34,926
			Loss	Credit-impaired	4,606
Other receivables	20	N/A	Low risk	12m ECL	3,089
Cash and cash equivalents	21	Baa1 to Ba3	Low risk	12m ECL	71,989
Restricted bank deposits	21	Baa2	Low risk	12m ECL	1,851
December 31, 2025	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB’000
Trade receivables	20	N/A	(Note)	Lifetime ECL (individual assessment)	82,035
			Low risk	Lifetime ECL (collective assessment)	46,338
			Loss	Credit-impaired	3,863
Bill receivables	20	N/A	Low risk	12m ECL	1,032
Other receivables	20	N/A	Low risk	12m ECL	3,243
Cash and cash equivalents	21	Baa1 to Ba3	Low risk	12m ECL	73,144
Restricted bank deposits	21	Baa2	Low risk	12m ECL	1,851

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables using provision matrix. When there are indicators that the relevant trade receivables may be credit-impaired, the relevant amount is assessed for ECL individually.

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December 31, 2023	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB’000
Trade receivables	20	N/A	(Note)	Lifetime ECL (individual assessment)	35,083
			Low risk	Lifetime ECL (collective assessment)	21,069
Other receivables	20	N/A	Low risk	12m ECL	2,942
Amounts due from subsidiaries	28	N/A	Low risk	12m ECL	90,896
Cash and cash equivalents	21	Baa1 to Ba3	Low risk	12m ECL	79,138
Restricted bank deposits	21	Baa2	Low risk	12m ECL	2,565
December 31, 2024	Notes	External credit rating	Internal credit rating	12m or lifetime ECL RMB’000	Gross carrying amount
Trade receivables	20	N/A	(Note)	Lifetime ECL (individual assessment)	47,106
			Low risk	Lifetime ECL (collective assessment)	13,095
			Loss	Credit-impaired	799
Other receivables	20	N/A	Low risk	12m ECL	2,418
Amounts due from subsidiaries	28	N/A	Low risk	12m ECL	67,260
Cash and cash equivalents	21	Baa1 to Ba3	Low risk	12m ECL	54,886
Restricted bank deposits	21	Baa2	Low risk	12m ECL	1,851
December 31, 2025	Notes	External credit rating	Internal credit rating	12m or lifetime ECL RMB’000	Gross carrying amount
Trade receivables	20	N/A	(Note)	Lifetime ECL (individual assessment)	117,121
			Low risk	Lifetime ECL (collective assessment)	10,587
			Loss	Credit-impaired	559
Other receivables	20	N/A	Low risk	12m ECL	2,304
Amounts due from subsidiaries	28	N/A	Low risk	12m ECL	14,997
Cash and cash equivalents	21	Baa1 to Ba3	Low risk	12m ECL	48,548
Restricted bank deposits	21	Baa2	Low risk	12m ECL	1,851

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables using provision matrix. When there are indicators that the relevant trade receivables may be credit-impaired, the relevant amount is assessed for ECL individually.

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The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

The Group

	2023		2024		2025	
Gross carrying amounts (provision matrix)	Average loss rate	Trade and bill receivables RMB'000	Average loss rate	Trade and bill receivables RMB'000	Average loss rate	Trade and bill receivables RMB'000
0 to 6 months	2.74%	27,258	2.50%	31,362	1.33%	44,882
6 to 12 months	12.54%	5,752	7.82%	2,680	12.16%	3
12 to 18 months	36.92%	3,986	1.58%	884	29.63%	811
18 to 24 months	N/A	–	N/A	–	7.05%	642
		<u>36,996</u>		<u>34,926</u>		<u>46,338</u>

The Company

	2023		2024		2025	
Gross carrying amounts (provision matrix)	Average loss rate	Trade and bill receivables RMB'000	Average loss rate	Trade and bill receivables RMB'000	Average loss rate	Trade and bill receivables RMB'000
0 to 6 months	2.33%	16,084	2.45%	13,078	1.63%	10,202
6 to 12 months	12.53%	2,299	11.76%	17	0.01%	385
12 to 18 months	36.93%	2,686	N/A	–	N/A	–
		<u>21,069</u>		<u>13,095</u>		<u>10,587</u>

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The following table shows the movements in lifetime ECL that have been recognised for trade receivables under the simplified approach.

The Group

	Lifetime ECL (collective assessment) RMB’000	Credit- impaired RMB’000	Total RMB’000
As at January 1, 2023	1,068	243	1,311
Impairment losses recognised	<u>1,872</u>	<u>431</u>	<u>2,303</u>
As at December 31, 2023	2,940	674	3,614
Impairment losses (reversed) recognised	<u>(1,933)</u>	<u>3,932</u>	<u>1,999</u>
As at December 31, 2024	1,007	4,606	5,613
Impairment losses reversed	<u>(126)</u>	<u>(743)</u>	<u>(869)</u>
As at December 31, 2025	<u><u>881</u></u>	<u><u>3,863</u></u>	<u><u>4,744</u></u>

The Company

	Lifetime ECL (collective assessment) RMB’000	Credit- impaired RMB’000	Total RMB’000
As at January 1, 2023	518	–	518
Impairment losses recognised	<u>1,138</u>	<u>–</u>	<u>1,138</u>
As at December 31, 2023	1,656	–	1,656
Impairment losses (reversed) recognised	<u>(1,332)</u>	<u>799</u>	<u>(533)</u>
As at December 31, 2024	324	799	1,123
Impairment losses reversed	<u>(156)</u>	<u>(240)</u>	<u>(396)</u>
As at December 31, 2025	<u><u>168</u></u>	<u><u>559</u></u>	<u><u>727</u></u>

Liquidity risk

The management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

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

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The Group

	Weighted average interest rate %	On demand or less than 1 year RMB’000	1-2 years RMB’000	2-5 years RMB’000	More than 5 years RMB’000	Total un- discounted cash flows RMB’000	Total carrying amounts RMB’000
As at December 31, 2023							
Trade payables	–	100,709	–	–	–	100,709	100,709
Other payables	–	39,677	–	–	–	39,677	39,677
Borrowings	3.42%	90,827	3,897	8,987	100,426	204,137	179,075
Lease liabilities	3.80%	6,224	2,715	5,064	–	14,003	13,109
Redemption liabilities	–	<u>354,038</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>354,038</u>	<u>354,038</u>
		<u>591,475</u>	<u>6,612</u>	<u>14,051</u>	<u>100,426</u>	<u>712,564</u>	<u>686,608</u>
As at December 31, 2024							
Trade payables	–	95,342	–	–	–	95,342	95,342
Other payables	–	7,367	–	–	–	7,367	7,367
Borrowings	3.03%	93,115	6,975	51,970	133,381	285,441	253,370
Lease liabilities	3.54%	2,489	2,122	3,774	–	8,385	7,737
Redemption liabilities	–	<u>369,152</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>369,152</u>	<u>369,152</u>
		<u>567,465</u>	<u>9,097</u>	<u>55,744</u>	<u>133,381</u>	<u>765,687</u>	<u>732,968</u>
As at December 31, 2025							
Trade payables	–	86,752	–	–	–	86,752	86,752
Other payables	–	6,582	–	–	–	6,582	6,582
Borrowings	2.63%	124,037	6,888	99,486	100,745	331,156	305,381
Lease liabilities	3.58%	<u>2,142</u>	<u>2,104</u>	<u>1,688</u>	<u>–</u>	<u>5,934</u>	<u>5,652</u>
		<u>219,513</u>	<u>8,992</u>	<u>101,174</u>	<u>100,745</u>	<u>430,424</u>	<u>404,367</u>

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The Company

	Weighted average interest rate %	On demand or less than 1 year RMB’000	1-2 years RMB’000	2-5 years RMB’000	More than 5 years RMB’000	Total un- discounted cash flows RMB’000	Total carrying amounts RMB’000
As at December 31, 2023							
Trade payables	–	47,443	–	–	–	47,443	47,443
Other payables	–	39,013	–	–	–	39,013	39,013
Amounts due to subsidiaries	–	1,836	–	–	–	1,836	1,836
Borrowings	3.42%	90,827	3,897	8,987	100,426	204,137	179,075
Lease liabilities	3.96%	4,255	904	–	–	5,159	5,001
		<u>183,374</u>	<u>4,801</u>	<u>8,987</u>	<u>100,426</u>	<u>297,588</u>	<u>272,368</u>
As at December 31, 2024							
Trade payables	–	36,973	–	–	–	36,973	36,973
Other payables	–	5,250	–	–	–	5,250	5,250
Amounts due to subsidiaries	–	6,171	–	–	–	6,171	6,171
Borrowings	3.03%	93,115	6,975	51,970	133,381	285,441	253,370
Lease liabilities	3.22%	244	–	–	–	244	241
		<u>141,753</u>	<u>6,975</u>	<u>51,970</u>	<u>133,381</u>	<u>334,079</u>	<u>302,005</u>
As at December 31, 2025							
Trade payables	–	53,745	–	–	–	53,745	53,745
Other payables	–	4,673	–	–	–	4,673	4,673
Amounts due to subsidiaries	–	5,317	–	–	–	5,317	5,317
Borrowings	2.63%	113,835	6,888	99,486	100,745	320,954	295,374
		<u>177,570</u>	<u>6,888</u>	<u>99,486</u>	<u>100,745</u>	<u>384,689</u>	<u>359,109</u>

(c) Fair value measurements of financial instruments

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

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34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities now comprising the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings, lease liabilities and redemption liabilities disclosed in Notes 23, 24 and 25, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital and various reserves.

The management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues and raise of new borrowings.

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Short-term employee benefits	3,155	3,125	3,130

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Other than as disclosed in Notes 20, 23 and 28 in the Historical Financial Information, the Group and the Company have no other related party balance and transaction during the Track Record Period.

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36. PARTICULARS OF PRINCIPAL OF THE COMPANY

Investments in subsidiaries

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of investments, unlisted (net of accumulated impairment of RMB1,405,000 as at December 31, 2023, 2024 and 2025)	75,175	77,662	83,707

Movements of the Company’s reserves

	Capital reserve RMB’000	Other reserve RMB’000	Share-based payments reserve RMB’000	Accumulated losses RMB’000	Total RMB’000
As at January 1, 2023	316,541	(326,668)	44,791	(155,167)	(120,503)
Loss and total comprehensive expense for the year	—	—	—	(38,262)	(38,262)
As at December 31, 2023	316,541	(326,668)	44,791	(193,429)	(158,765)
Loss and total comprehensive expense for the year	—	—	—	(25,393)	(25,393)
As at December 31, 2024	316,541	(326,668)	44,791	(218,822)	(184,158)
Loss and total comprehensive expense for the year	—	—	—	(18,704)	(18,704)
Derecognition of redemption liabilities (Note 25)	—	382,188	—	—	382,188
As at December 31, 2025	316,541	55,520	44,791	(237,526)	179,326

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37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration/ operations	Date of incorporation/ registration	Paid-in capital/ registered capital	Proportion of ownership interest and voting power held by the Company			At the date of this report	Principal activities	Notes
				At December 31, 2023	2024	2025			
Global Vision (昆山磁通新材料科技有限公司)	PRC	October 23, 2014	RMB2,000,000	100%	100%	100%	100%	Research and development, sales of magnetic materials	(a), (f)
TOMURO (昆山特姆羅自動化有限公司)	PRC	March 27, 2015	RMB2,192,762	100%	100%	100%	100%	Research and development, sales of automated equipment	(a), (f)
Coilforce Co., Ltd.* (海寧科優力電子科技有限公司)	PRC	July 11, 2018	RMB50,400,000	100%	100%	100%	100%	Research and development, manufacture and sales of magnetic components	(b), (f)
Shanghai Mazo Electronics Technology Co., Ltd.* (上海瑪翼電子科技有限公司)	PRC	October 13, 2025	RMB2,000,000	N/A	N/A	51%	51%	Research and development, manufacture and sales of magnetic components	(c), (f)
Coilforce International Co., Limited	Hong Kong	September 17, 2021	USD50,000	100%	100%	100%	100%	Sales of magnetic components	(d), (f)
Mazo Tech Limited	Hong Kong	March 1, 2024	USD1,300	N/A	100%	100%	100%	Sales of magnetic components	(d), (e)
Mazo Technology (Thailand) Co., Limited	Thailand	July 12, 2024	USD350,000	N/A	100%	100%	100%	Manufacture and sales of magnetic components	(d), (f)

All entities now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

Notes:

- (a) The statutory financial statements of these two entities for the years ended December 31, 2023, and 2024 prepared under PRC GAAP were audited by 江蘇金陵會計師事務所有限責任公司 and 北京荷信會計師事務所(普通合夥) certified public accountants registered in the PRC respectively. [At the date of this report, the statutory financial statements of these two entities for the year ended December 31, 2025 have not been issued.]
- (b) The statutory financial statements for the years ended December 31, 2023, and 2024 prepared under PRC GAAP were audited by 江蘇金陵會計師事務所有限責任公司 and 深圳蘭祥會計師事務所(普通合夥) certified public accountants registered in the PRC respectively. [At the date of this report, the statutory financial statements for the year ended December 31, 2025 have not been issued.]
- (c) The subsidiary completed its registration on October 13, 2025.
- (d) The statutory financial statements of Coilforce International Co., Limited for the years ended 31 December 2023 and 2024 prepared under Hong Kong Small and Medium-Sized Entity Financial Reporting Standard were audited by Vincent Chui & Co., and CY Chan Certified Public Accountant (Practicing), respectively, certified public accountants registered in Hong Kong. The statutory financial statements of Mazo Tech Limited for the period ended 31 December 2024 prepared under Hong Kong Small and Medium-Sized Entity Financial Reporting Standard were audited by Vincent Chui & Co., certified public accountants registered in Hong Kong. The statutory financial statements of Mazo Technology (Thailand) Co., Limited for the period ended 31 December 2024 prepared under Thai Financial Reporting Standards were audited by MPU Audit and Advisory Co., Ltd, certified public accountants registered in Thailand. [At the date of this report, the statutory financial statements of these entities for the year ended 31 December 2025 have not been issued.]
- (e) Mazo Tech Limited is a limited liability company incorporated on March 1, 2024 under the laws of Hong Kong, and an indirect wholly-owned subsidiary of the Company.
- (f) Except for the subsidiaries stated in (e) and (f), all other subsidiaries are directly owned subsidiaries of the Company.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

* English name is for identification purpose only.

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38. RETIREMENT BENEFITS PLANS

The employees of the Group entities in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The PRC entities are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

For the years ended December 31, 2023, 2024 and 2025, the total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB12,589,000, RMB13,679,000 and RMB14,322,000, respectively.

39. SUBSEQUENT FINANCIAL STATEMENTS

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

40. EVENTS AFTER THE REPORTING PERIOD

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