The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG JINLONG ELECTRICAL MACHINERY STOCK CO., LTD. AND SUNNY FORTUNE CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhejiang Jinlong Electrical Machinery Stock Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-78, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 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 for each of the years ended 31 December 2023, 2024 and 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-78 forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [●] (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the **[REDACTED]** of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 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 and presentation set out in Note 3 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 contains information about the dividends paid by the Company in respect of the Track Record Period.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yau Wai Ip
Practising Certificate Number: P07849

Hong Kong, [●]

I. 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 were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
Revenue	*5*	684,797	717,027	733,620
Cost of sales		(582,877)	(614,396)	(636,798)
Gross profit		101,920	102,631	96,822
Other income	*7*	13,189	13,427	12,151
Other gains and losses	*8*	8,513	(976)	8,932
Distribution and selling expenses		(10,457)	(10,612)	(9,784)
Administrative expenses		(31,995)	(30,366)	(27,756)
Research and development expenses		(28,532)	(29,352)	(29,999)
Other operating expenses		(722)	(34)	(1,102)
Impairment losses on financial assets and contract assets, net	*10*	(152)	(2,925)	(2,936)
Operating profit		51,764	41,793	46,328
Finance income	*9*	616	1,730	2,788
Finance costs	*9*	(13,631)	(10,135)	(8,717)
Finance costs, net	*9*	(13,015)	(8,405)	(5,929)
Share of results of associates		345	106	(5)
Profit before tax	*10*	39,094	33,494	40,394
Income tax expense	*12*	(1,599)	(2,832)	(1,788)
Profit for the year attributable to owners of the Company		37,495	30,662	38,606
Other comprehensive (expenses)/income, net of tax				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translating foreign operations		(446)	(262)	197
Other comprehensive (expenses)/income for the year		(446)	(262)	197
Total comprehensive income for the year attributable to owners of the Company		37,049	30,400	38,803
Earnings per share	*14*			
Basic and diluted (in RMB per share)		1.07	0.85	1.07

Consolidated statements of financial position

		As at 31 December		
		2023	**2024**	**2025**
	Notes	**RMB'000**	**RMB'000**	**RMB'000**
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	155,509	154,523	159,594
Right-of-use assets	*16*	34,878	33,620	36,009
Investment properties	*17*	43,382	41,639	42,844
Intangible assets	*18*	748	619	775
Interests in an associate	*19*	1,397	1,503	1,498
Deferred tax assets	*20*	7,664	8,494	8,278
Prepayment, deposit and other receivables	*25*	1,815	5,051	2,086
		245,393	245,449	251,084
CURRENT ASSETS				
Inventories	*21*	140,059	151,095	181,794
Trade and bills receivables	*22*	278,879	294,509	350,153
Contract assets	*23*	8,628	9,312	9,652
Financial assets at fair value through other comprehensive income ("FVTOCI")	*24*	13,585	33,680	34,210
Prepayment, deposit and other receivables	*25*	3,528	5,185	11,176
Restricted deposits	*26*	33,025	425	494
Time deposits	*26*	—	6,773	—
Cash and cash equivalents	*26*	67,059	75,383	135,257
		544,763	576,362	722,736
CURRENT LIABILITIES				
Trade and bills payables	*27*	234,399	202,045	215,600
Other payables and accruals	*28*	61,253	73,289	85,352
Receipt in advance	*29*	4,731	4,256	4,945
Contract liabilities	*30*	4,533	4,861	6,711
Deferred income	*31*	—	—	1,121
Derivative financial instruments	*32*	5	392	1,861
Lease liabilities	*33*	81	—	733
Bank and other borrowings	*34*	235,839	309,823	390,084
Dividend payables		—	10,803	—
Tax payables		874	1,967	385
		541,715	607,436	706,792
Net Current Assets/(Liabilities)		3,048	(31,074)	15,944
Total Assets less Current Liabilities		248,441	214,375	267,028

		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Deferred income	*31*	—	—	6,190
Lease liabilities	*33*	—	—	2,772
Bank and other borrowings	*34*	58,551	—	—
		58,551	—	8,962
Net assets		189,890	214,375	258,066
CAPITAL AND RESERVES				
Share capital	*35*	36,010	36,010	36,010
Reserves	*36*	153,880	178,365	222,056
Total equity		189,890	214,375	258,066

Statements of financial position of the Company

		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investments in subsidiaries	*38*	2,000	2,000	2,000
Property, plant and equipment	*15*	155,205	153,909	159,055
Right-of-use assets	*16*	34,721	33,620	36,009
Investment properties	*17*	33,630	32,286	33,890
Intangible assets	*18*	748	619	775
Interests in an associate	*19*	1,397	1,503	1,498
Deferred tax assets	*20*	9,214	10,425	10,161
Prepayment, deposit and other receivables	*25*	1,815	5,051	2,086
		238,730	239,413	245,474
CURRENT ASSETS				
Inventories	*21*	133,255	146,133	176,778
Trade and bills receivables	*22*	286,488	299,627	355,816
Contract assets	*23*	8,628	9,312	9,652
Financial assets at FVTOCI	*24*	13,585	33,680	34,210
Prepayment, deposit and other receivables	*25*	23,080	24,222	29,625
Restricted deposits	*26*	33,025	425	494
Time deposits	*26*	—	6,773	—
Cash and cash equivalents	*26*	66,985	75,123	133,898
		565,046	595,295	740,473
CURRENT LIABILITIES				
Trade and bills payables	*27*	234,073	201,721	215,495
Other payables and accruals	*28*	62,638	74,618	86,819
Receipt in advance	*29*	2,538	2,315	1,551
Contract liabilities	*30*	4,533	4,861	6,711
Deferred income	*31*	—	—	1,121
Derivative financial instruments	*32*	5	392	1,861
Lease liabilities	*33*	—	—	733
Bank and other borrowings	*34*	235,839	309,823	390,084
Dividend payables		—	10,803	—
Tax payables		874	1,938	446
		540,500	606,471	704,821
Net Current Assets/(Liabilities)		24,546	(11,176)	35,652
Total Assets less Current Liabilities		263,276	228,237	281,126

		As at 31 December		
		2023	**2024**	**2025**
	Notes	**RMB'000**	**RMB'000**	**RMB'000**
NON-CURRENT LIABILITIES				
Deferred income	*31*	—	—	6,190
Lease liabilities	*33*	—	—	2,772
Bank and other borrowings	*34*	58,551	—	—
		58,551	—	8,962
Net assets		204,725	228,237	272,164
CAPITAL AND RESERVES				
Share capital	*35*	36,010	36,010	36,010
Reserves	*36*	168,715	192,227	236,154
Total equity		204,725	228,237	272,164

Consolidated statements of changes in equity

	Equity attributable to owners of the Company							
	Share capital	**Share premium**	**Share-based payment reserve**	**Statutory reserve**	**Safety production fund**	**Exchange reserve**	**Retained profits**	**Total equity**
	RMB'000	**RMB'000** *(Note 36)*	**RMB'000** *(Note 36)*	**RMB'000** *(Note 36)*	**RMB'000** *(Note 36)*	**RMB'000** *(Note 36)*	**RMB'000**	**RMB'000**
As at 1 January 2023	33,130	27,206	2	15,986	—	(384)	60,092	136,032
Profit for the year	—	—	—	—	—	—	37,495	37,495
Other comprehensive expenses for the year	—	—	—	—	—	(446)	—	(446)
Total comprehensive (expense)/ income for the year	—	—	—	—	—	(446)	37,495	37,049
Issue of restricted shares	2,880	9,648	—	—	—	—	—	12,528
Transaction cost related to issue of restricted shares	—	(200)	—	—	—	—	—	(200)
Equity-settled share-based payments	—	—	4,481	—	—	—	—	4,481
Appropriations to statutory reserve	—	—	—	2,019	—	—	(2,019)	—
Safety production fund provided	—	—	—	—	2,561	—	—	2,561
Safety production fund used	—	—	—	—	(2,561)	—	—	(2,561)
As at 31 December 2023 and 1 January 2024	36,010	36,654	4,483	18,005	—	(830)	95,568	189,890
Profit for the year	—	—	—	—	—	—	30,662	30,662
Other comprehensive expenses for the year	—	—	—	—	—	(262)	—	(262)
Total comprehensive (expenses)/ income for the year	—	—	—	—	—	(262)	30,662	30,400
Equity-settled share-based payments	—	—	4,888	—	—	—	—	4,888
Safety production fund provided	—	—	—	—	2,221	—	—	2,221
Safety production fund used	—	—	—	—	(2,221)	—	—	(2,221)
Dividend declared	—	—	—	—	—	—	(10,803)	(10,803)
As at 31 December 2024 and 1 January 2025	36,010	36,654	9,371	18,005	—	(1,092)	115,427	214,375
Profit for the year	—	—	—	—	—	—	38,606	38,606
Other comprehensive income for the year	—	—	—	—	—	197	—	197
Total comprehensive income for the year	—	—	—	—	—	197	38,606	38,803
Equity-settled share-based payments	—	—	4,888	—	—	—	—	4,888
Safety production fund provided	—	—	—	—	2,104	—	—	2,104
Safety production fund used	—	—	—	—	(2,104)	—	—	(2,104)
As at 31 December 2025	36,010	36,654	14,259	18,005	—	(895)	154,033	258,066

Consolidated statements of cash flows

		Year ended 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		39,094	33,494	40,394
Adjustments for:				
Interest income	9	(616)	(1,730)	(2,788)
Finance costs	9	13,631	10,135	8,717
Share of results of associates		(345)	(106)	5
Depreciation of property, plant and equipment	10, 15	14,251	15,028	14,858
Depreciation of right-of-use assets	10, 16	1,566	1,169	1,489
Depreciation of investment properties	10, 17	2,112	2,159	2,573
Amortisation of intangible assets	10, 18	348	175	242
Impairment losses on financial assets and contract assets, net	10	152	2,925	2,936
Allowance/(reversal of allowance) for impairment of inventories	10	5,288	5,029	(6,753)
Loss on disposal of property, plant and equipment	8	259	89	8
(Gain)/loss on fair value change of financial assets and financial liabilities at fair value through profit or loss ("FVTPL")	8	(691)	(1,133)	312
Equity-settled share-based payment	10	4,481	4,888	4,888
Gain on disposal of investments in subsidiary and associate		(315)	—	—
Loss on lease remeasurement		—	8	—
Deferred income		—	—	(935)
Operating cash flows before movements in working capital		79,215	72,130	65,946
Decrease/(increase) in inventories		27,601	(15,984)	(24,059)
Decrease/(increase) in trade and bills receivables		37,003	(20,231)	(54,716)
Increase in contract assets		(883)	(720)	(358)
Decrease/(increase) in financial assets at FVTOCI		2,330	(20,095)	(530)
Decrease/(increase) in prepayment, deposit and other receivables		5,794	(1,691)	(5,950)
Decrease/(increase) in restricted deposits		81,236	32,600	(69)
(Decrease)/increase in trade and bills payables		(5,166)	(3,554)	83,535
(Decrease)/increase in other payables and accruals		(42,788)	12,055	12,054
Increase/(decrease) in receipt in advance		1,354	(475)	689
Increase in contract liabilities		1,963	328	1,850
Cash generated from operations		187,659	54,363	78,392
Income tax paid		(2,927)	(2,569)	(3,154)
Net cash from operating activities		184,732	51,794	75,238

		Year ended 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		616	1,730	2,788
Purchases of property, plant and equipment		(21,415)	(17,368)	(17,656)
Proceeds from disposal of property, plant and equipment		39	1	684
Receipt of government grants related to assets		—	—	8,246
Purchases of investment properties		(895)	(416)	(3,778)
Purchases of intangible assets		—	(46)	(398)
Proceeds from disposal of interest in an associate		26,000	—	—
Withdrawal of time deposits		—	—	6,773
Placement of time deposits		—	(6,773)	—
Proceeds from disposal/maturity of financial instruments at FVTPL		1,707	1,520	1,157
Net cash from/(used in) investing activities		6,052	(21,352)	(2,184)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		—	—	(10,803)
Interest paid		(13,805)	(10,193)	(8,664)
Repayments of bank and other borrowings		(426,541)	(357,960)	(582,707)
Repayments of lease liabilities, principal portion		(451)	—	(373)
New bank and other borrowings raised		301,996	344,593	592,988
Proceeds from issue of restricted shares		12,528	—	—
Transaction costs attributable to issue of restricted shares		(200)	—	—
Net cash used in financing activities		(126,473)	(23,560)	(9,559)
NET INCREASE IN CASH AND CASH EQUIVALENTS		64,311	6,882	63,495
Cash and cash equivalents at the beginning of the year		7,503	67,059	75,383
Effect of foreign exchange rate changes		(4,755)	1,442	(3,621)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		67,059	75,383	135,257
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position		67,059	75,383	135,257

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zhejiang Jinlong Electrical Machinery Stock., Ltd. (the "**Company**") was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") on 22 May 1995. On 29 July 2022, the Company were listed on the National Equities Exchange and Quotations under the stock code of 873936. The address of the Company's registered office and its principal place of business is 999 West Jinqing Ave., Jinqing Town Luqiao Dist., Taizhou City 318058, Zhejiang, The PRC.

For the Track Record Period and as at the date of this Historical Financial Information, Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ms. Ye Huiqin and Hangzhou Jinlong Zhichuang LP have agreed that (i) they shall consult each other in respect of the decision making relating to the business operation and corporate governance of the Company and reach consensus before voting unanimously at the general meetings or board meetings of the Company, and (ii) where consensus cannot be reached between the parties, each of them shall follow the instruction of Mr. Ye Jinwu. As a result, Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ms. Ye Huiqin, Hangzhou Jinlong Zhichuang LP and Ms. Ye Weilei constitute a group of Controlling Shareholders.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to the "**Group**") are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated, which is the same as the functional currency of the Company.

The Group is were principally engaged in the manufacturing and sales of motor and related control system. The activities of its principal subsidiaries are set out in Note 37.

2. 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 IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") which are effective for the Group's annual accounting period beginning on 1 January 2025 through the Track Record Period.

The accounting policies are set out in Note 3 below.

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

At the date of this report, the Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but 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 — Accounting 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 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company (the "**Directors**") anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 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* ("**IAS 1**"). This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7 Financial Instruments: Disclosures. The 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 respective application with specific transaction provisions. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements and the directors of the Company anticipate that there will have no material impact on the Group's financial position and performance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance 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 include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial assets and financial liabilities that are measured at fair value at the end of each reporting period.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement 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 components 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.

Revenue from contracts with customers

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a standalone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

The Group recognises revenue from the following sources:

Sale of goods

Sales contracts between the Group and its customers generally contain only a single performance obligation: the transfer of goods. The Group typically assesses the point at which this performance obligation is satisfied by considering the following factors collectively: the establishment of a present right to payment for the goods, the transfer of significant risks and rewards of ownership of the goods, the transfer of legal title, the physical transfer of the goods, and customer acceptance.

Revenue from domestic sale of goods is recognised at point in time when the goods are delivered to the contracted destination and receipt for goods signed off by the customer.

Revenue from export sale of goods is recognised at point in time when the goods are shipped offshore, customs clearance procedures are completed, and both customs declarations and bills of lading are obtained.

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 properties under construction as described below), Property, plant and equipment are stated in the consolidated statement of financial position at cost or deemed cost for properties transferred from investment properties, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings 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 are 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 that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction 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 the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straightline method.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. 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.

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

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

At the end of the 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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts 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 of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if applicable), 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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) 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 statement 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

(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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 26.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities 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 relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

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

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

<u>Classification and subsequent measurement of financial assets</u>

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivate that is a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is 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.

(ii) Receivables classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" line item in profit or loss.

(iv) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables and part of other receivables, restricted bank deposits, cash and cash equivalents) and other items (contract assets) 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 post 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 contract assets.

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 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 assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- 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 considers a debt instrument to have low credit risk when it has an external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

Irrespective of the above analysis, 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. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(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, whichever occurs sooner. 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 adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward looking information including time value of money where appropriates 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 certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

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

Except for bills receivables and contract asset and receivables that are measured at FVTOCI, 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. For receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

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

For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the "Other gains and losses" line item (Note 8) as part of the net foreign exchange gains/(losses).

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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity 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 Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, lease liabilities and convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

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.

Derivative financial instruments

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be recognised. 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.

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

The carrying amount of deferred tax assets is reviewed at the end of the 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 recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts 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 the Amendments to IAS 12 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, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

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

Provisions

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

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

When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a nonmonetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group' s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense 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 dates of the transactions are used. Exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are 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 are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-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 Standard 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, annual leave and sick leave) after deducting any amount already paid. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

Share-based payment

Equity-settled share-based payment transactions

Restricted shares granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). Vesting conditions, other than market condition, shall not be taken into account when estimating the fair value of the share options at the measurement date. Instead, vesting conditions, i.e. a specified service period with or without a performance target, shall be taken into account in estimating the number of equity instrument that will ultimately vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

Lease

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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 various offices, warehouses, equipment and vehicles 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;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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 and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid 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 and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "**lease modifications**")

The Group presents lease liabilities as a separate line item on the consolidated statement 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 as a lessor

All leases 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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.

Related parties

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

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors 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 reporting period in which the estimate is revised if the revision affects only that reporting period, or in the reporting period of the revision and future reporting periods if the revision affects both current and future reporting periods.

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually.

In addition, 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 debtors as groupings of various debtors taking into consideration the Group's 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 Note 45.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's profit or loss and net assets value. The Group reassesses these estimates annually.

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Impairment assessment of property, plant and equipment, right-of-use right and intangible assets

Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

5. REVENUE

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Revenue from contract with customers:			
Sales of low-carbon high-efficiency three-phase asynchronous motors	541,131	554,811	565,393
Sales of permanent magnet synchronous motor and variable frequency drive products	138,038	157,965	164,668
Sales of other products	5,628	4,251	3,559
	684,797	717,027	733,620

Timing of revenue recognition

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
A point in time	684,797	717,027	733,620

Transaction price allocated to the remaining performance obligation for contracts with customer

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

6. SEGMENTS

Information reported to the board of Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The Group currently operates in one business segment in the business of manufacturing and sales of motor and related control system. A single management team reports to the chief operating decision makers who comprehensively manage the entire business. The reportable operating results report to the chief operating decision makers are the net profit of the Group and the reportable assets and liabilities report to the chief operating decision makers are the Group's assets and liabilities.

Geographical information:

Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The PRC	448,371	465,337	451,547
Europe	207,184	211,316	244,523
Other countries/regions	29,242	40,374	37,550
	684,797	717,027	733,620

Non-current assets

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

Information about major customers:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	81,651	94,862	N/A*
Customer B	135,908	117,173	N/A*
Customer C	71,348	N/A*	N/A*
Customer D	N/A*	N/A*	76,801

* Revenue from relevant customers is less than 10% of the Group's total revenue for the respective year.

7. OTHER INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants *(Note (a))*	3,356	4,565	3,145
Value-added tax additional deduction *(note (b))*	2,292	2,214	2,595
Rental income	6,796	6,343	5,824
Others	745	305	587
	13,189	13,427	12,151

Notes:

(a) Asset-related deferred income systematically released to profit or loss over the estimated useful lives of the related assets or the designated period. For the years ended 31 December 2023, 2024 and 2025, the amount of government grants recognised from asset-related deferred income (Note 31) was approximately nil, nil and RMB935,000, respectively.

(b) During the Track Record Period, the Group recognised government grants in respect of value-added tax exemption provided by the local government in accordance with Announcement 2023 No. 43 of the Ministry of Finance and the State Administration of Taxation, advanced manufacturing enterprises are allowed to deduct additional 5% VAT of the current deductible input VAT from the VAT payable. According to the announcement, the value-added tax exemption is effective until 31 December 2027.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Gain/(loss) on fair value change of financial assets and financial liabilities at FVTPL	691	1,133	(312)
Gain on disposal of investments in subsidiary and associate	315	—	—
Loss on disposal of property, plant and equipment	(259)	(89)	(8)
Net foreign exchange gain/(loss)	7,766	(2,020)	9,252
	8,513	(976)	8,932

9. FINANCE COSTS, NET

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Finance income:			
Interest income on bank deposits	616	1,730	2,788
Finance costs:			
Interest expense on bank and other borrowings	(13,396)	(9,698)	(8,554)
Interest expense on lease liabilities	(17)	—	(63)
Interest on loans related to bills discounted with recourse	(218)	(437)	(100)
	(13,631)	(10,135)	(8,717)
Finance costs, net	(13,015)	(8,405)	(5,929)

10. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation and amortisation:			
— Property, plant and equipment	14,251	15,028	14,858
— Right-of-use assets	1,566	1,169	1,489
— Investment properties	2,112	2,159	2,573
— Intangible assets	348	175	242
Total depreciation and amortisation	18,277	18,531	19,162
Staff costs (including director's emoluments *(Note 11)*):			
— Fee, wages, salaries and other allowances	77,497	82,489	85,881
— Retirement scheme contributions	6,042	6,814	7,747
— Equity-settled share-based payment *(Note 39)*	4,481	4,888	4,888
	88,020	94,191	98,516
Gross rental income from investment properties	(6,796)	(6,343)	(5,824)
Less:			
direct operating expenses incurred for investment properties that generated rental income during the year	2,772	2,428	2,934
	(4,024)	(3,915)	(2,890)
Impairment losses on financial assets and contract assets, net:			
— Provision for impairment loss on trade and bills receivables	2	2,844	2,965
— (Reversal of provision)/provision for impairment loss on contract assets	(35)	36	18
— Provision/(reversal of provision) for impairment loss on deposits and other receivables	185	45	(47)
	152	2,925	2,936
Cost of inventories sold *(note a)*	563,827	596,118	614,981
Provision/(reversal of provision) for impairment of inventories *(note b)*	5,288	5,029	(6,753)
Auditors' remuneration			
— Audit service	283	613	519
— Non audit service	39	21	85
Expense relating to short-term lease and others	357	185	276

Notes:

(a) Cost of inventories sold includes approximately RMB62,042,000, RMB63,754,000 and RMB67,612,000 and RMB8,053,000, RMB8,210,000 and RMB8,560,000 for the years ended 31 December 2023, 2024 and 2025, respectively, relating to staff costs and depreciation and amortisation, which amounts are also included in the respective total amounts disclosed separately above.

(b) The provision/(reversal of provision) for impairment of inventories is included in cost of inventories.

11. DIRECTORS', SUPERVISORS' AND EMPLOYEE EMOLUMENTS

a. Directors' emoluments

For the year ended 31 December 2023

Name of director	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity-settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Ye Jinwu	—	603	52	—	—	655
Mr. Ye Ye	—	362	32	—	27	421
Ms. Li Chunlian	—	267	24	—	—	291
Mr. Wang Xiaoyue	—	302	27	—	27	356
Ms. Ye Huiqin	—	—	—	—	—	—
Ms. Pan Linghui	—	302	27	545	27	901
Sub-total	—	1,836	162	545	81	2,624
Independent non-executive directors:						
Mr. Jin Weiwei	6	—	—	—	—	6
Ms. Yin Lanxiang	6	—	—	—	—	6
Mr. Liang Zhendong	6	—	—	—	—	6
Sub-total	18	—	—	—	—	18
Total	18	1,836	162	545	81	2,642

For the year ended 31 December 2024

Name of director	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity-settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Ye Jinwu	—	543	1	—	—	544
Mr. Ye Ye	—	326	1	—	29	356
Ms. Li Chunlian	—	241	1	—	—	242
Mr. Wang Xiaoyue	—	272	1	—	29	302
Ms. Ye Huiqin	—	—	—	—	—	—
Ms. Pan Linghui	—	272	1	594	29	896
Sub-total	—	1,654	5	594	87	2,340
Independent non-executive directors:						
Mr. Jin Weiwei	60	—	—	—	—	60
Ms. Yin Lanxiang	60	—	—	—	—	60
Mr. Liang Zhendong	60	—	—	—	—	60
Sub-total	180	—	—	—	—	180
Total	180	1,654	5	594	87	2,520

For the year ended 31 December 2025

Name of director	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity-settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Ye Jinwu	—	563	61	—	—	624
Mr. Ye Ye	—	338	37	—	31	406
Ms. Li Chunlian	—	250	27	—	—	277
Mr. Wang Xiaoyue	—	282	31	—	31	344
Ms. Ye Huiqin	—	—	—	—	—	—
Ms. Pan Linghui	—	282	31	594	31	938
Sub-total	—	1,715	187	594	93	2,589
Independent non-executive directors:						
Mr. Jin Weiwei	60	—	—	—	—	60
Ms. Yin Lanxiang	60	—	—	—	—	60
Mr. Liang Zhendong	60	—	—	—	—	60
Sub-total	180	—	—	—	—	180
Total	180	1,715	187	594	93	2,769

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors, former Directors, former Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company.

No compensation was paid by the Group to, or receivable by, the Directors, former Directors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of the Group. Furthermore, none of the Directors, former Directors, or former Supervisors had waived or agreed to waive any emoluments during the same periods.

b. Supervisors

For the year ended 31 December 2023

Name of supervisor	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity-settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Guo Ping	—	134	13	109	21	277
Mr. Mao Qingzhong	—	154	14	109	21	298
Mr. Guan Jiaming	—	—	—	—	—	—
Total	—	288	27	218	42	575

For the year ended 31 December 2024

Name of supervisor	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity-settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Guo Ping	—	122	1	119	22	264
Mr. Mao Qingzhong	—	129	1	119	22	271
Mr. Guan Jiaming	—	—	—	—	—	—
Total	—	251	2	238	44	535

For the year ended 31 December 2025

Name of supervisor	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity-settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Guo Ping *(Note i)*	—	90	9	79	16	194
Mr. Mao Qingzhong *(Note i)*	—	97	10	79	16	202
Mr. Guan Jiaming *(Note i)*	—	—	—	—	—	—
Total	—	187	19	158	32	396

Note:

i On 4 September 2025, the Company held the 2th Extraordinary General Meeting of Shareholders, at which the proposal "On the Cancellation of the Board of Supervisors, the Revision of the Articles of Association and Relevant Rules of Procedure" was reviewed and adopted. The Company will no longer establish a Board of Supervisors, and the functions and powers of the Board of Supervisors shall be exercised by the Audit Committee of the Board of Directors. The "Rules of Procedure for the Board of Supervisors" shall be repealed accordingly. Ms. Guo Ping, Mr. Mao Qingzhong and Mr. Guan Jiaming, supervisors of the Board of Supervisors, have been relieved of their positions as supervisors.

c. Five highest paid individuals

None of the five highest paid individuals received any compensation for loss of office in connection with the management of the affairs of any member of the Group or as inducement to join the Company during the years ended 31 December 2023, 2024 and 2025.

The five highest paid employees included 2 directors, 3 directors, 3 directors, for the years ended 31 December 2023, 2024 and 2025 respectively, details of whose remuneration are set out in Note (a) above. Details of the remuneration for the year of the remaining 3, 2 and 2 highest paid non-director employees for the years ended 31 December 2023, 2024 and 2025 respectively who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wages, salaries and other allowance	601	290	485
Discretionary bonus	54	2	50
Equity-settled share-based payment	653	662	526
Retirement benefits scheme contributions	81	57	61
	1,389	1,011	1,122

The number of the highest paid employees in Hong Kong Dollar ("**HK$**") not including the Directors whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2023	2024	2025
Nil to HK$1,000,000	3	2	2

12. INCOME TAX EXPENSE

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax	2,079	3,293	1,572
Under-provision in prior years	—	369	—
	2,079	3,662	1,572
Deferred tax *(Note 20)*	(480)	(830)	216
	1,599	2,832	1,788

The Group's subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25%.

The Company was designated as a "High and New Technology Enterprise" under the relevant PRC laws and regulations entitle to income tax rate of 15% to the years from 2023 to 2025.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "**Super Deduction for Research and Development Expenses**").

Income tax for a subsidiary operating in the United States ("**US**") has been provided based on the US federal tax rate of 21%.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	39,094	33,494	40,394
Tax at the preferential tax rate of 15%	5,864	5,024	6,059
Effect of different tax rates of subsidiaries	(109)	(359)	31
Tax effects of share of results of associates	(52)	(16)	1
Tax effects of expenses not deductible for tax purpose	83	124	87
Super Deduction for Research and Development Expenses	(4,004)	(2,809)	(4,406)
Tax effect of tax losses utilised	(1,103)	(29)	(33)
Tax effect of tax losses and deductible temporary differences not recognised	920	528	49
Under-provision in prior years	—	369	—
	1,599	2,832	1,788

13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends for ordinary shareholder of the Company	—	10,803	—

On 27 December 2024, the Company declared a cash dividend of RMB3 (including tax) to be distributed to all shareholders for every 10 shares. A total of approximately RMB10,803,000 cash dividends have been declared and it was paid in January 2025.

No dividends have been declared by the Company during the years ended 31 December 2023 and 2025 nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit:			
Profit for the year attributable to owners of the Company	37,495	30,662	38,606
Number of shares:			
Weighted average number of shares for the purpose of basic earnings per share	35,197	36,010	36,010

Diluted earnings per share for the years ended 31 December 2023, 2024 and 2025 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding for the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at 1 January 2023	141,542	211,543	6,043	25,620	—	4,785	389,533
Additions	—	2,984	258	489	—	17,408	21,139
Transfer from construction in progress	—	4,862	1,018	11	—	(5,891)	—
Disposals/written off	—	(344)	(104)	(1)	—	—	(449)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2023 and 1 January 2024	141,542	219,045	7,215	26,122	—	16,302	410,226
Additions	1,080	1,049	712	717	272	10,302	14,132
Transfer from construction in progress	719	4,072	—	139	—	(4,930)	—
Disposals/written off	—	—	—	(54)	—	(88)	(142)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2024 and 1 January 2025	143,341	224,166	7,927	26,927	272	21,586	424,219
Addition	3,132	11,350	703	133	—	5,303	20,621
Transfer from construction in progress	—	17,365	—	—	—	(17,365)	—
Disposals/written off	—	(3,472)	(82)	(690)	—	—	(4,244)
As at 31 December 2025	146,473	249,409	8,548	26,370	272	9,524	440,596
Depreciation and impairment							
As at 1 January 2023	56,670	164,568	2,877	16,499	—	—	240,614
Provided for the year	4,525	7,838	856	1,032	—	—	14,251
Disposals/written off	—	(52)	(99)	—	—	—	(151)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2023 and 1 January 2024	61,195	172,354	3,634	17,534	—	—	254,717
Provided for the year	4,694	8,191	881	1,260	2	—	15,028
Disposals/written off	—	—	—	(52)	—	—	(52)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2024 and 1 January 2025	65,889	180,545	4,515	18,745	2	—	269,696
Provided for the year	5,128	8,135	906	660	29	—	14,858
Disposals/written off	—	(2,809)	(78)	(665)	—	—	(3,552)
As at 31 December 2025	71,017	185,871	5,343	18,740	31	—	281,002
Carrying value							
As at 31 December 2023	80,347	46,691	3,581	8,588	—	16,302	155,509
As at 31 December 2024	77,452	43,621	3,412	8,182	270	21,586	154,523
As at 31 December 2025	75,456	63,538	3,205	7,630	241	9,524	159,594

The Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1 January 2023	141,542	206,627	5,767	25,253	4,785	383,974
Additions	—	2,905	258	489	17,408	21,060
Transfer from construction in progress	—	4,862	1,018	11	(5,891)	—
Disposals/written off	—	(265)	(104)	(1)	—	(370)
As at 31 December 2023 and 1 January 2024	141,542	214,129	6,939	25,752	16,302	404,664
Additions	1,080	1,049	712	672	10,302	13,815
Transfer from construction in progress	719	4,072	—	139	(4,930)	—
Disposals/written off	—	—	—	(54)	(88)	(142)
As at 31 December 2024 and 1 January 2025	143,341	219,250	7,651	26,509	21,586	418,337
Addition	3,132	11,350	703	133	5,303	20,621
Transfer from construction in progress	—	17,365	—	—	(17,365)	—
Disposals/written off	—	(3,472)	(82)	(473)	—	(4,027)
As at 31 December 2025	146,473	244,493	8,272	26,169	9,524	434,931
Depreciation and impairment						
As at 1 January 2023	56,670	159,894	2,616	16,182	—	235,362
Provided for the year	4,525	7,752	856	1,115	—	14,248
Disposals/written off	—	(52)	(99)	—	—	(151)
As at 31 December 2023 and 1 January 2024	61,195	167,594	3,373	17,297	—	249,459
Provided for the year	4,694	8,191	881	1,255	—	15,021
Disposals/written off	—	—	—	(52)	—	(52)
As at 31 December 2024 and 1 January 2025	65,889	175,785	4,254	18,500	—	264,428
Provided for the year	5,128	8,135	906	600	—	14,769
Disposals/written off	—	(2,809)	(78)	(434)	—	(3,321)
As at 31 December 2025	71,017	181,111	5,082	18,666	—	275,876
Carrying value						
As at 31 December 2023	80,347	46,535	3,566	8,455	16,302	155,205
As at 31 December 2024	77,452	43,465	3,397	8,009	21,586	153,909
As at 31 December 2025	75,456	63,382	3,190	7,503	9,524	159,055

The Group and the Company's property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the period at the rates per annum as follows:

Buildings	15–45 years
Plant and machinery	5–12 years
Motor vehicles	4–10 years
Office equipment and others	3–10 years
Leasehold improvement	5–10 years or over the lease term, whichever is shorter

As at 31 December 2023, 2024 and 2025, certain property, plant and equipment of the Group and the Company with carrying value of approximately RMB29,978,000, RMB38,891,000 and RMB36,405,000, respectively, were pledged for bank borrowings granted to the Group.

At 31 December 2023, 2024 and 2025, the Group and the Company have buildings in the PRC with carrying value of approximately RMB6,200,000, RMB5,975,000, RMB5,750,000, respectively, which are in the process of applying for ownership certificates. In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the land use right certificates.

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Leasehold properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	35,822	523	36,345
Deprecation for the year	(1,101)	(465)	(1,566)
Exchange realignment	—	99	99
As at 31 December 2023 and 1 January 2024	34,721	157	34,878
Deprecation for the year	(1,101)	(68)	(1,169)
Disposal	—	(89)	(89)
As at 31 December 2024 and 1 January 2025	33,620	—	33,620
Additions	—	3,878	3,878
Deprecation for the year	(1,101)	(388)	(1,489)
As at 31 December 2025	32,519	3,490	36,009

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term lease	357	185	276
Total cash outflow for leases	825	185	712

The Company

	Leasehold lands	Leasehold properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	35,822	—	35,822
Deprecation for the year	(1,101)	—	(1,101)
As at 31 December 2023 and 1 January 2024	34,721	—	34,721
Deprecation for the year	(1,101)	—	(1,101)
As at 31 December 2024 and 1 January 2025	33,620	—	33,620
Additions	—	3,878	3,878
Deprecation for the year	(1,101)	(388)	(1,489)
As at 31 December 2025	32,519	3,490	36,009

The Group and the Company leases various leasehold properties for its operations. Normally, lease are entered into for term of 1 to 50 years, but may have extension and termination options. 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.

In addition, the Group owns leasehold lands where its manufacturing facilities are primarily located. The Group is the registered owner of these land use rights. Lump sum payments were made upfront to acquire these rights. The land use rights are held in the PRC under medium-term leases.

As at 31 December 2023, 2024 and 2025, certain land use right of the Group and the Company with carrying amount of approximately RMB34,721,000, RMB33,620,000 and RMB32,519,000, respectively, were pledged for bank borrowings granted to the Group.

17. INVESTMENT PROPERTIES

The Group

	RMB'000
As at 1 January 2023	44,599
Additions	895
Deprecation for the year	(2,112)
As at 31 December 2023 and 1 January 2024	43,382
Additions	416
Deprecation for the year	(2,159)
As at 31 December 2024 and 1 January 2025	41,639
Additions	3,778
Deprecation for the year	(2,573)
As at 31 December 2025	42,844

All of the Group's industrial properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties. These investment properties include land and buildings which comprise operating leases in respect of properties situated in the PRC.

The estimated useful life of the investment properties are 3 to 50 years respectively. The Group owns the investment property in the form of freehold land in PRC. The investment property is stated at a cost less accumulated depreciation and any impairment loss.

As at 31 December 2023, 2024 and 2025, certain investment properties of the Group with carrying amount of approximately RMB42,579,000, RMB40,546,000 and RMB38,888,000, respectively, were pledged for bank borrowings granted to the Group.

For disclosure purpose, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer not connected with the Group.

The fair value of investment property located in the PRC is determined using cost approach by taking into account the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. There has been no change from the valuation technique used in the Track Record Period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2023, 2024 and 2025 are as follows:

	Carrying amount	Fair value	Fair value hierarchy
	RMB'000	RMB'000	
As at 31 December 2023			
Industrial property located in PRC	43,382	124,660	Level 3
As at 31 December 2024			
Industrial property located in PRC	41,639	127,550	Level 3
As at 31 December 2025			
Industrial property located in PRC	42,844	127,400	Level 3

The Company

	RMB'000
As at 1 January 2023	34,448
Additions	895
Deprecation for the year	(1,713)
As at 31 December 2023 and 1 January 2024	33,630
Additions	416
Deprecation for the year	(1,760)
As at 31 December 2024 and 1 January 2025	32,286
Additions	3,778
Deprecation for the year	(2,174)
As at 31 December 2025	33,890

All of the Company's industrial properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These investment properties include land and buildings which comprise operating leases in respect of properties situated in the PRC.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2023, 2024 and 2025 are as follows:

	Carrying amount	Fair value	Fair value hierarchy
	RMB'000	RMB'000	
As at 31 December 2023			
Industrial property located in PRC	33,630	107,420	Level 3
As at 31 December 2024			
Industrial property located in PRC	32,286	109,710	Level 3
As at 31 December 2025			
Industrial property located in PRC	33,890	109,540	Level 3

18. INTANGIBLE ASSETS

The Group and the Company

	Software	Patent	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023, 31 December 2023 and 1 January 2024	2,929	227	3,156
Additions	46	—	46
As at 31 December 2024 and 1 January 2025	2,975	227	3,202
Additions	398	—	398
As at 31 December 2025	3,373	227	3,600
Amortisation and impairment			
As at 1 January 2023	1,833	227	2,060
Provided for the year	348	—	348
As at 31 December 2023 and 1 January 2024	2,181	227	2,408
Provided for the year	175	—	175
As at 31 December 2024 and 1 January 2025	2,356	227	2,583
Provided for the year	242	—	242
As at 31 December 2025	2,598	227	2,825
Carrying amount			
As at 31 December 2023	748	—	748
As at 31 December 2024	619	—	619
As at 31 December 2025	775	—	775

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	3–10 years
Patent	5 years

19. INTERESTS IN ASSOCIATES

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Investment in an associate under equity method	1,397	1,503	1,498

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of Ownership interest held by the Group 2023	2024	2025	Proportion of voting right held by the Group 2023	2024	2025	Principal activity
Taizhou Luqiao	PRC	PRC	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	Property management service

The Group is able to exercise significant influence over 台州市路橋區總商會企業總部大廈有限公司 (Taizhou Luqiao District General Chamber of Commerce Enterprise Headquarters Building Co., Ltd.) ("**Taizhou Luqiao**") because it has the right to appoint one out of the five directors of Taizhou Luqiao under the articles of association of Taizhou Luqiao.

During the year ended 31 December 2023, the Group has disposed 13% equity interest in an associate, 台州市路橋三友金龍小額貸款股份有限公司 (Taizhou Luqiao Sanyou Jinlong Small Loan Co., Ltd.), at consideration of approximately RMB26,000,000. The gain on disposal of the associate of approximately RMB98,000 was recognised during the year ended 31 December 2023.

Summarised financial information of associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS Accounting Standards adjusted by the Group for equity accounting purposes.

The associate is accounted for using the equity method in these consolidated financial statements.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Current assets	374,387	376,495	379,226
Non-current assets	1,171	1,456	356
Current liabilities	355,567	356,450	358,154

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	8,559	8,737	8,773
Profit/(loss) and total comprehensive income/(expenses) for the year	1,465	1,510	(73)
Dividends received from the associate during the year	—	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net assets of Taizhou Luqiao	19,991	21,501	21,428
Proportion of the Group's ownership interest in Taizhou Luqiao	6.99%	6.99%	6.99%
The Group's share of net assets of Taizhou Luqiao	1,397	1,503	1,498
Carrying amount of the Group's interest in Taizhou Luqiao	1,397	1,503	1,498

20. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement 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:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	8,014	8,784	9,032
Deferred tax liabilities	(350)	(290)	(754)
	7,664	8,494	8,278

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023, 2024 and 2025:

	Impairment of assets	Fair value of financial instruments	Equity-settled share-based payment	Lease liabilities	Right-of-use assets	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	7,744	(151)	—	—	—	(409)	7,184
(Charge)/credit to profit or loss	(403)	152	672	—	—	59	480
As at 31 December 2023 and 1 January 2024	7,341	1	672	—	—	(350)	7,664
(Charge)/credit to profit or loss	(21)	58	733	—	—	60	830
As at 31 December 2024 and 1 January 2025	7,320	59	1,405	—	—	(290)	8,494
(Charge)/credit to profit or loss	(1,232)	220	734	526	(523)	59	(216)
As at 31 December 2025	6,088	279	2,139	526	(523)	(231)	8,278

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impairment of assets	8,986	11,493	10,457
Tax losses	1,974	622	236
Unrealised intercompany profit	4,000	4,294	4,057
	14,960	16,409	14,750

As at 31 December 2023, 2024 and 2025, the Group have unused tax losses of approximately RMB1,974,000, RMB662,000, RMB236,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the uncertainty of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,974,000, RMB662,000 and RMB3,000, as at 31 December 2023, 2024 and 2025 respectively with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2024	834	—	—
2027	1,138	659	—
2028	2	2	2
2029	—	1	1
Total	1,974	662	3

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	9,564	10,715	10,915
Deferred tax liabilities	(350)	(290)	(754)
	9,214	10,425	10,161

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023, 2024 and 2025:

	Impairment of assets	Fair value of financial instruments	Equity-settled share-based payment	Lease liabilities	Right-of-use assets	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	7,267	(151)	—	—	—	(409)	6,707
Credit to profit or loss	1,624	152	672	—	—	59	2,507
As at 31 December 2023 and 1 January 2024	8,891	1	672	—	—	(350)	9,214
Credit to profit or loss	360	58	733	—	—	60	1,211
As at 31 December 2024 and 1 January 2025	9,251	59	1,405	—	—	(290)	10,425
(Charge)/credit to profit or loss	(1,280)	220	734	526	(523)	59	(264)
As at 31 December 2025	7,971	279	2,139	526	(523)	(231)	10,161

21. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	37,768	36,434	48,358
Work in progress	43,894	59,931	88,018
Finished goods	50,312	46,326	35,760
Goods in transit	8,085	8,404	9,658
	140,059	151,095	181,794

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	37,768	36,434	48,358
Work in progress	43,894	59,931	88,018
Finished goods	43,508	41,364	30,744
Goods in transit	8,085	8,404	9,658
	133,255	146,133	176,778

22. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	190,849	227,328	263,571
Less: Allowance for ECL	(21,776)	(25,122)	(25,742)
	169,073	202,206	237,829
Bills receivables	109,806	92,303	112,324
	278,879	294,509	350,153

As at 1 January 2023, the carrying amount of trade and bills receivables, net of allowance for ECL, amounted to approximately RMB311,587,000.

The normal credit term to the customers ranged between 30 to 180 days. The Group does not hold any collateral over its trade receivable balances.

As of the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	137,293	156,414	186,310
91–180 days	21,160	34,526	36,380
181–365 days	5,812	4,310	8,032
1–3 years	4,457	6,702	5,135
Over 3 years	351	254	1,972
	169,073	202,206	237,829

As at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, bills receivables were mainly bank acceptance bills aged less than six months.

Details of impairment assessment of trade and bills receivables for the years ended 31 December 2023, 2024 and 2025 are set out in Note 45.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
— third parties	189,626	225,804	262,598
— subsidiary	17,840	18,093	17,900
Less: Allowance for ECL	(30,784)	(36,573)	(37,006)
	176,682	207,324	243,492
Bills receivables	109,806	92,303	112,324
	286,488	299,627	355,816

As at 1 January 2023, the carrying amount of trade and bills receivables, net of allowance for ECL, amounted to approximately RMB328,260,000.

As of the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	137,124	156,167	185,626
91–180 days	21,288	34,545	36,380
181–365 days	6,990	4,490	8,031
1–3 years	8,333	6,602	6,775
Over 3 years	2,947	5,520	6,680
	176,682	207,324	243,492

23. CONTRACT ASSETS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Retention receivables	8,628	9,312	9,652

Contract assets are primarily arise from manufacturing and sales of motor and related control system. Contract assets represent the rights to receive considerations for the transfer of goods to customers that are not yet unconditional.

The Group provides customers to retain a certain percentage of the contract value in retention period. This amount is included in "contract assets" as the Group's entitlement to this final payment is conditional on the Group's satisfactory work until the end of retention period.

24. FINANCIAL ASSETS AT FVTOCI

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Bills receivables	13,585	33,680	34,210

Under IFRS 9, certain bills which were held by the Group for the practice of discounting/endorsing to financial institutions/ suppliers before the bills being due for payment were classified as "financial assets at FVTOCI". At 31 December 2023, 2024 and 2025, all the bills are with a maturity period of less than one year.

The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Non-current portion			
Prepayment for property, plant and equipment	1,815	5,051	2,086
Current portion			
Prepayment to suppliers	635	173	1,137
Prepaid expenses	1,290	2,343	1,929
Deferred **[REDACTED]**	—	—	1,500
Value-added tax recoverable	465	410	6,607
Other tax recoverable	—	1,449	—
Deposits paid	885	213	113
Others	1,056	1,417	82
	4,331	6,005	11,368
Less: Allowance for ECL	(803)	(820)	(192)
	3,528	5,185	11,176
Total	5,343	10,236	13,262

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion			
Prepayment for property, plant and equipment	1,815	5,051	2,086
Current portion			
Prepayment to suppliers	635	173	1,137
Prepaid expenses	1,287	2,340	1,929
Deferred **[REDACTED]**	—	—	1,500
Value-added tax recoverable	—	—	6,043
Other tax recoverable	—	1,449	—
Deposits paid	844	173	73
Amounts due from subsidiaries *(Note)*	20,418	20,163	19,051
Others	57	61	42
	23,241	24,359	29,775
Less: Allowance for ECL	(161)	(137)	(150)
	23,080	24,222	29,625
Total	24,895	29,273	31,711

Note: The amounts due from subsidiaries are unsecured, interest free and recoverable on demand.

26. CASH AND CASH EQUIVALENTS/RESTRICTED DEPOSITS/TIME DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	67,059	75,383	135,257
Time deposits	—	6,773	—
Restricted bank deposits	33,025	425	494

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	66,985	75,123	133,898
Time deposits	—	6,773	—
Restricted bank deposits	33,025	425	494

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2023, 2024 and 2025, the restricted bank deposits carry fixed interest rate ranging from 0.0001% to 0.3%, 0.0001% to 0.3% and 0.0001% to 0.3% per annum, respectively.

As at 31 December 2024, the time deposits are placed with bank in the PRC for original maturities more than three months and carry interest at 3.10% per annum.

The Group and the Company's restricted bank balances were pledged to banks for the issuance of bankers' acceptance notes and banking facility as at 31 December 2023, 2024 and 2025, respectively, as detailed in Note 43 and are classified as current assets.

27. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	167,848	182,495	195,626
Bills payables	66,551	19,550	19,974
	234,399	202,045	215,600

As of the end of each reporting period, the ageing analysis of trade payables is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	84,038	98,731	115,486
91–180 days	36,745	30,185	34,369
181–360 days	23,547	34,923	24,644
1–3 years	20,287	15,104	17,836
Over 3 years	3,231	3,552	3,291
	167,848	182,495	195,626

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	167,522	182,171	195,521
Bills payables	66,551	19,550	19,974
	234,073	201,721	215,495

As of the end of each reporting period, the ageing analysis of trade is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	83,987	98,682	115,472
91–180 days	36,745	30,185	34,369
181–360 days	23,547	34,923	24,644
1–3 years	20,012	14,829	17,745
Over 3 years	3,231	3,552	3,291
	167,522	182,171	195,521

Notes:

(a) The normal credit term to the Group ranged between 15 to 90 days.

(b) The financial liabilities that are part of the Group's supplier finance arrangements included in bank and other borrowings, which is disclosed in Note 34 to consolidated financial statements, are normally settled within 1 year terms.

The Group has established supplier finance arrangements that are offered to some of the Group's key suppliers. Participation in the arrangements is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements.

All financial liabilities that are part of the supplier finance arrangements are included bank and other borrowings in the consolidated statement of financial position and within the current portion of unsecured bank loans.

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Bank and other borrowings of which suppliers have received payments	24,000	28,800	69,980

	2023	2024	2025
	Days	Days	Days
Range of payment due dates:			
Bank and other borrowings			
— Liabilities that are part of supplier finance arrangements	357–364	344–363	358–364

For financial liabilities that are part of the supplier finance arrangements included in borrowings, the related non-cash transaction is disclosed in Note 34 to the consolidated financial statements.

28. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Employee benefits payable	14,094	12,914	13,801
Underecognised amounts of endorsed undue bills	33,403	45,439	62,605
Other tax payables	5,640	4,385	3,667
Payable for transportation	2,553	4,364	2,490
Deposits received	220	387	380
Interest payables	221	163	216
Other payables and accruals	5,122	5,637	2,193
	61,253	73,289	85,352

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Employee benefits payable	14,059	12,879	13,766
Underecognised amounts of endorsed undue bills	33,403	45,439	62,605
Other tax payables	5,640	4,173	3,662
Payable for transportation	2,483	4,364	2,490
Amounts due to subsidiaries *(Note)*	1,990	1,990	1,941
Interest payables	221	163	216
Other payables and accruals	4,842	5,610	2,139
	62,638	74,618	86,819

Note: The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

29. RECEIPT IN ADVANCE

The Group and the Company

The amount represents the rental income receipt in advance.

30. CONTRACT LIABILITIES

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of goods	4,533	4,861	6,711

As at 1 January 2023, contract liabilities amounted to approximately RMB2,570,000.

The following table shows the revenue recognised to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	2,570	4,533	4,861
Decrease in contract liabilities as a result of recognition of revenue during the year	(2,024)	(4,034)	(4,760)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year	3,987	4,362	6,610
Balance at the end of the year	4,533	4,861	6,711

Contract liabilities are all expected to be settled within the Group's and the Company's normal operating cycle, and are classified as current based on the Group's and the Company's earliest obligation to transfer goods to the customers. Revenue recognised during each reporting period with performance obligation satisfied includes whole contract liability balance at the beginning of each reporting period.

31. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants	—	—	7,311

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:			
Current portion	—	—	1,121
Non-current portion	—	—	6,190
Total	—	—	7,311

All government grants are asset-related, credited to deferred income and recognised as income over the expected useful lives of the Group's property, plant and equipment.

32. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Derivative financial liabilities:			
Forward exchange contracts	5	392	1,861

The forward exchange contracts are not designated for hedging and are measured at fair value through profit or loss.

The Group entered into foreign currency forward contracts to manage the Group's currency risk. The aforesaid investments had maturity dates within one year and were classified as financial liabilities at FVTPL. The Group did not elect to adopt hedge accounting for the contracts and therefore, the fair value changes from the contracts was recognised in "other gains and losses" in the consolidated statements of profit or loss and other comprehensive income.

33. LEASE LIABILITIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Lease liabilities payables:			
Within one year	81	—	733
More than one year but not more than two years	—	—	758
More than two years but not more than five years	—	—	2,014
	81	—	3,505
Analysed for reporting purpose as:			
Current portion	81	—	733
Non-current portion	—	—	2,772
	81	—	3,505

The weighted average incremental borrowing rates applied to lease liabilities at 4.20%, nil% and 4.30% per annum as at 31 December 2023, 2024 and 2025, respectively.

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Lease liabilities payables:			
Within one year	—	—	733
More than one year but not more than two years	—	—	758
More than two years but not more than five years	—	—	2,014
	—	—	3,505
Analysed for reporting purpose as:			
Current portion	—	—	733
Non-current portion	—	—	2,772
	—	—	3,505

The weighted average incremental borrowing rates applied to lease liabilities at nil%, nil% and 4.30% per annum as at 31 December 2023, 2024 and 2025, respectively.

34. BANK AND OTHER BORROWINGS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank borrowings *(note a)*	234,900	276,700	362,380
Discount bills with recourse *(note b)*	57,840	32,327	26,579
Other borrowings *(note c)*	1,650	796	1,125
	294,390	309,823	390,084
Analysed as:			
Secured and guaranteed	214,900	236,700	360,380
Secured and unguaranteed	59,490	33,123	27,704
Unsecured and guaranteed	—	20,000	2,000
Unsecured and unguaranteed	20,000	20,000	—
	294,390	309,823	390,084
The carrying amounts of the borrowings are repayable:			
— within one year	235,839	309,823	390,084
— more than one year but not more than two years	58,551	—	—
	294,390	309,823	390,084
Less: Amounts due within one year shown under current liabilities	(235,839)	(309,823)	(390,084)
Amounts shown under non-current liabilities	58,551	—	—

The exposure of the Group's and the Company's borrowings are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	236,590	218,123	183,784
Variable-rate borrowings	57,800	91,700	206,300
	294,390	309,823	390,084

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

	As at 31 December		
	2023	2024	2025
	%	%	%
Fixed-rate borrowings	1.10–5.92	0.31–5.92	0.62–2.51
Variable-rate borrowings	3.60–4.01	3.00–3.13	2.30–2.50

Notes:

(a) As at 31 December 2023, 2024 and 2025, the Group and the Company's bank borrowings of RMB214,900,000, RMB236,700,000 and RMB360,380,000, respectively, were guaranteed by a subsidiary, executive directors of the Company and a company controlled by substantial shareholders. Then borrowings under the loan agreements were collateralised by the land use rights and certain of property, plant and equipment of the Group and the Company during the terms of borrowings.

Included in bank borrowings, nil, RMB20,000,000 and RMB2,000,000 were guaranteed by executive directors of the Company at as 31 December 2023, 2024 and 2025, respectively.

Included in bank borrowings, the Group has entered into certain supplier finance arrangements with banks of approximately RMB24,000,000, RMB28,800,000 and 69,980,000 as at 31 December 2023, 2024 and 2025 respectively. Under these arrangements, the banks pay suppliers the amounts owed by the Group. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. During the Track Record Period, the Group then settles with the banks within 1 year after settlement by the banks with interest ranges from 2.62%–3.55%, 2.70%–3.00% and 2.30%–2.31% per annum for the year ended 31 December 2023, 2024 and 2025. These arrangements have extended the payment terms, which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group's short-term borrowing rates.

(b) As at 31 December 2023, 2024 and 2025, bills discounted with recourse represent the proceeds received from the discounting of bills of approximately RMB57,840,000, RMB32,327,000 and RMB26,579,000, respectively, to banks with recourse.

The discounted bills carried at fixed interest rate of 1.10% per annum to 1.95% per annum, 0.70% per annum to 1.63% per annum, and 0.62% per annum to 1.15% per annum at 31 December 2023, 2024 and 2025, respectively.

(c) As at 31 December 2023, 2024 and 2025, the other borrowings amounting to approximately RMB1,650,000, RMB796,000 and RMB1,125,000 respectively, which were related to sale-leaseback agreements which was arising from the short-term sale and leaseback agreements that the Group signed with financing lease companies. Upon expiration of the agreements, the Group is entitled repurchase these equipments at a lower retention price. The Group accounts for this type of transaction as a secured borrowing, and the payment terms are in accordance with the contracts which generally range from 1 to 2 years, and the applicable interest rate is the implicit rate of return in each sale and leaseback contract, ranging from 0.31% to 5.92% per year.

35. SHARE CAPITAL

	Number of registered, issued and fully paid ordinary shares	Share capital
	'000	RMB'000
As at 1 January 2023	33,130	33,130
Issue of restricted shares	2,880	2,880
As at 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	36,010	36,010

Note: All shares issued are of par value of RMB1.

36. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statement of changes in equity.

(i) *Share premium*

Share premium of the Group mainly represents the premium arising from the issuance of shares.

(ii) *Share-based payment reserve*

The share-based payment reserve represents the equity-settled share awards as set out in note 39 to the Historical Financial Information.

(iii) *Statutory reserve*

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "**PRC**"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to makeup prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

(iv) *Safety production fund*

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount for maintenance, production and other similar funds. The funds can be used for production maintenance and safety improvements and are not available for distribution to shareholders.

(v) *Exchange reserve*

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

The Company

	Share premium	Share-Based payment reserve	Statutory reserve	Safety Production fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	27,206	2	15,986	—	82,035	125,229
Profit and total comprehensive income for the year	—	—	—	—	29,557	29,557
Issue of restricted shares	9,648	—	—	—	—	9,648
Transaction cost related to issue of restricted shares	(200)	—	—	—	—	(200)
Equity-settled share-based payments	—	4,481	—	—	—	4,481
Appropriations to statutory reserve	—	—	2,019	—	(2,019)	—
Safety production fund provided	—	—	—	2,561	—	2,561
Safety production fund used	—	—	—	(2,561)	—	(2,561)
As at 31 December 2023 and 1 January 2024	36,654	4,483	18,005	—	109,573	168,715
Profit and total comprehensive income for the year	—	—	—	—	29,427	29,427
Equity-settled share-based payments	—	4,888	—	—	—	4,888
Safety production fund provided	—	—	—	2,221	—	2,221
Safety production fund used	—	—	—	(2,221)	—	(2,221)
Dividend declared	—	—	—	—	(10,803)	(10,803)
As at 31 December 2024 and 1 January 2025	36,654	9,371	18,005	—	128,197	192,227
Profit and total comprehensive income for the year	—	—	—	—	39,039	39,039
Equity-settled share-based payments	—	4,888	—	—	—	4,888
Safety production fund provided	—	—	—	2,104	—	2,104
Safety production fund used	—	—	—	(2,104)	—	(2,104)
As at 31 December 2025	36,654	14,259	18,005	—	167,236	236,154

37. PARTICULAR OF PRINCIPAL SUBSIDIARIES

The Group and the Company

Name of the subsidiary	Place of Incorporation/ establishment	Registered share capital	Proportion of ownership interest/voting power held by the Group As at December 31, 2023	2024	2025	Principal activities
Directly hold						
Taizhou Chuangzhi Electromechanical Technology Co., Ltd. *(note ii)* (台州市創智機電科技有限公司	PRC	RMB3 million	100.00%	100.00%	100.00%	Property investment
Zhejiang Jinlong Motor Remanufacturing Energy Saving Technology Co., Ltd. *(note ii)* (浙江錦龍電機再製造節能科技有限公司)	PRC	RMB10 million	100.00%	100.00%	100.00%	Dormant
Taizhou Jinlong Science and Technology Innovation Park Co., Ltd. *(note ii)* (台州市錦龍科創園區有限公司)	PRC	RMB5 million	100.00%	100.00%	100.00%	Property management
JLEM USA INC *(note ii & iii)*	US	US$500,000	100.00%	—	—	Sale of motors
JLEM USA INC *(note ii & iv)*	US	—	—	—	100%	Sale of motors

Notes:

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

ii. No audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

iii. On 13 September 2024, JLEM USA Inc., registered in the state of Georgia in the United States, was deregistered.

iv. On 29 June 2025, JLEM USA Inc., a wholly-owned subsidiary of our Company, was established as a limited liability company in the state of Texas in the United States, authorised to issue 1,000 shares with no par value.

38. INVESTMENTS IN SUBSIDIARIES

	As at 31 December 2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	6,399	3,210	3,210
Impairment losses on investments in subsidiaries	(4,399)	(1,210)	(1,210)
Investments in subsidiaries	2,000	2,000	2,000

39. SHARE-BASED PAYMENT TRANSACTIONS

On 10 February 2023, pursuant to the approval of the Extraordinary General Meeting of the Company, 2,920,000 restricted shares were granted to a total of 7 employees and 1,100,000 restricted shares were granted to a total of 27 employees through the ESOP Partnership at a grant price of RMB4.35 per share. In connection with the share award scheme, Jinlong Zhichuang LLP (the "**ESOP Partnership**") have been established in the PRC as employee incentive platform.

The restricted shares shall be entitled to all the economic interests relating to their respective restricted shares, except that the restricted shares shall be subject to certain transfer and disposal restrictions. The transfer and disposal restrictions will be released upon the completion of the vesting period. All restricted shares granted were subscribed and will be vested in 36 months, on the condition that employees remain in service. If the employees leave the Group during the vesting period, the awarded shares will be forfeited.

On 6 April 2023, the Company completed the registration of restricted shares of 1,820,000 restricted shares to 7 employees and 1,060,000 restricted shares to 25 employees through the employee incentive platform. The scheme is subject to vesting periods of 36 months from the date of registration of the grant of the restricted shares, and the vesting proportion to equity interests granted were recognised evenly during the vesting period.

The number of shares granted and fair values of the share awards at the grant date are as follows:

	Number of shares	Subscription price	Fair value of share awards
	'000	RMB'000	RMB'000
Ordinary shares granted to incentive participants	2,880	12,528	28,415

The fair value of the shares granted is determined to be RMB9.87 per share, which is based on the equity allocation model based on the Group's equity value calculated by using a discounted cash flow method at the grant date.

Movements in the number of restricted shares granted during the Track Record Periods were as follows:

	Number of shares	Subscription price per share
	'000	RMB
As at 1 January 2023	—	—
Granted during the year	2,880	4.35
As at 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,880	4.35

Equity-settled share-based payment expenses recognised in profit or loss during the Track Record Period:

	For the years ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales	1,354	1,477	1,477
Distribution and selling expenses	747	815	815
Administrative expenses	1,696	1,850	1,850
Research and development expenses	684	746	746
	4,481	4,888	4,888

40. RETIREMENT BENEFITS SCHEME

Employees of the Company and its subsidiaries in the PRC are covered by the retirement and pension schemes defined by local practice and regulations. The Company and subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement and pension schemes. The calculation of contributions for PRC eligible staff is based on certain percentage of the applicable payroll costs. The only obligation of the Group in respect of the retirement benefits scheme is to make the specified contribution.

41. COMMITMENTS

Capital commitments

As at 31 December 2023, 2024 and 2025, the Group did not have material capital commitments.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessor

All of the properties held have committed tenants for terms ranging from one to twenty years. Undiscounted lease payments receivable on leases are as follow:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	3,485	5,064	5,459
In the second year	4,044	3,725	4,435
In the third year	2,356	2,611	2,583
In the fourth year	779	1,911	1,510
In the fifth year	238	1,101	478

43. PLEDGED OF ASSETS

At the end of the Historical Financial Information, the Group pledged certain assets as securities for bank and other borrowings and bill facilities granted to the Group as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of:			
Restricted bank deposits	33,025	425	494
Bills receivables	350	—	—
Financial assets at FVTOCI	1,286	20,000	20,000
Property, plant and equipment *(Note 15)*	29,978	38,891	36,405
Right-of-use assets *(Note 16)*	34,721	33,620	32,519
Investment properties *(Note 17)*	42,579	40,546	38,888
	141,939	133,482	128,306

44. CAPITAL MANAGEMENT

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

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

The Group has established supplier finance arrangements to manage its working capital, details of which are included in Note 34 to the consolidated financial statements.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company plus net debt. The gearing ratios as at 31 December 2023, 2024 and 2025 were as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Total borrowings *(note a)*	294,471	309,823	393,589
Less: cash and bank balance *(note b)*	(100,084)	(82,581)	(135,751)
Net debt	194,387	227,242	257,838
Equity attributable to owners of the Company	189,890	214,375	258,066
Gearing ratio	1.02	1.06	1.00

Notes:

(a) Total borrowings including bank and other borrowings and lease liabilities.

(b) Cash and bank balance including cash and cash equivalents, restricted deposits and time deposits.

45. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments are as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets			
At FVTOCI			
— Financial assets at FVTOCI	13,585	33,680	34,210
At amortised cost			
— Trade and bills receivables	278,879	294,509	350,153
— Deposit and other receivables	1,138	810	3
— Restricted deposits	33,025	425	494
— Time deposits	—	6,773	—
— Cash and cash equivalents	67,059	75,383	135,257
	380,101	377,900	485,907
Financial liabilities			
At FVTPL			
— Derivative financial instruments	5	392	1,861
At amortised cost			
— Trade and bills payables	234,399	202,045	215,600
— Other payables and accruals	55,613	68,904	81,685
— Bank and other borrowings	294,390	309,823	390,084
— Lease liabilities	81	—	3,505
	584,483	580,772	690,874

(i) Financial risk management objective and policies

The Group's major financial instruments include financial assets at FVTOCI, trade and bills receivables, deposit and other receivables, restricted deposits, time deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, dividend payables, bank and other borrowings and lease liabilities. Details of the 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 manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Group have foreign currency sales and purchases which expose the Group to foreign currency risk. During the year ended 31 December 2023, 2024 and 2025, approximately 31.20% 32.87% and 36.48% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets			**Liabilities**		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
US Dollar ("**USD**")	23,202	60,330	123,579	1,161	3,374	1,532
Euro ("**EUR**")	102,708	107,062	92,668	—	—	—
Great British Pound ("**GBP**")	—	9	—	—	—	—
Russian Ruble ("**RUB**")	—	—	—	9	7	—
	125,910	167,401	216,247	1,170	3,381	1,532

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the major foreign currencies, USD and EUR. 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 the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit 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 negative.

	USD			**EUR**		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Post-tax profit	937	2,421	5,187	4,365	4,550	3,938

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to certain interest-bearing bank balances, restricted bank balances and time deposits, fixed-rate borrowings and lease liabilities, all bear fixed interest rates. The Group is mainly exposed to cash flow interest rate risk in relation to borrowings at floating interest rates (depends on the PRC loan prime rate). The Group currently does not have an interest rate hedging policy. There are no concentration on the Group's interest rate risks. However, the management 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 cash flow interest rate for the floating-rate (depends on the PRC loan prime rate) borrowings, assuming that the floating-rate borrowings outstanding at the end of each reporting period was outstanding for the whole relevant period.

If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Group's loss after tax would increase/decrease by approximately RMB246,000, RMB390,000 and RMB877,000, respectively, for the years ended 31 December 2023, 2024 and 2025.

This is mainly attributable to the Group's and the Company's exposure to interest rates on its floating-rate borrowings as at 31 December 2023, 2024 and 2025.

No sensitivity analysis on cash equivalents is presented as the directors of the Company consider that the exposure of cash flow interest rate risk arising from cash equivalents is minimal.

In the directors' opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of reporting period does not reflect the exposure during each reporting period.

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, contract assets, deposit and other receivables, restricted deposits, time deposits, cash and cash equivalents and financial assets at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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 assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed and approved regularly by the management. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group mainly accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 17.4%, 13.2% and 12.4% of the total trade receivables was due from the Group's largest customer for the year ended 31 December 2023, 2024 and 2025, and 32.2%, 39.0% and 35.5% of the total trade receivables was due from the Group's the five largest customers for the year ended 31 December 2023, 2024 and 2025 respectively.

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's aging of outstanding balances. Details of the quantitative disclosures are set out below in this note.

Restricted deposits, time deposits and cash and cash equivalents

Credit risk on restricted deposits, time deposits and cash and cash equivalents are limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted deposits, time deposits and cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted deposits, time deposits and cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

Deposits and other receivables

For deposits and other receivables, management of the Group makes periodic assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there are indicators that the financial asset is credit-impaired, the Group recognises lifetime ECL. The Group recognises lifetime ECL when there is evidence indicating (i) there has been significant increase in credit risk since initial recognition; (ii) the asset is credit-impaired but the Group has realistic prospect of recovery; or (iii) the debtor is in severe financial difficulty.

In determining the ECL for deposits and other receivables, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the financial assets that are subject to impairment occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The expected credit loss for deposits and other receivables was recognised approximately RMB803,000, RMB820,000 and RMB192,000 as at 31 December 2023, 2024 and 2025 respectively.

Bills receivables

The expected credit loss for bills receivables was recognised approximately RMB5,779,000 RMB4,858,000 and RMB5,912,000 as at 31 December 2023, 2024 and 2025 respectively.

Financial assets at FVTOCI

The Group's financial assets at FVTOCI mainly comprise bills receivables. The settlement parties are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk. Based on the average loss rates, the 12m ECL on financial assets at FVTOCI is considered to be insignificant and therefore no loss allowance was recognised.

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

	12m or lifetime ECL	2023	2024	2025
		RMB'000	RMB'000	RMB'000
At FVTOCI				
— Financial assets at FVTOCI	12m ECL	13,585	33,680	34,210
At amortised cost				
— Trade receivables	Lifetime ECL	187,409	223,888	261,432
	Credit-impaired	3,440	3,440	2,139
— Bills receivables	12m ECL	115,585	97,161	118,236
		306,434	324,489	381,807
— Deposit and other receivables	12m ECL	1,369	1,049	77
	Credit-impaired	572	581	118
		1,941	1,630	195
— Restricted and time deposits and cash and cash equivalents	12m ECL	100,084	82,581	135,751

The expected credit loss for on contract assets was recognised approximately RMB454,000, RMB490,000 and RMB508,000 as at 31 December 2023, 2024 and 2025 respectively.

The estimated loss rates are estimated based on past default experience of the debtors adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. 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). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of approximately RMB3,440,000, RMB3,440,000 and RMB2,139,000 respectively as at 31 December 2023, 2024 and 2025 were assessed individually.

	As at 31 December 2023		
	ECL rate	Gross amount of trade receivables	ECL amount
	%	RMB'000	RMB'000
Collective assessment			
Within 1 year	5.0	172,911	8,646
1–3 years	11.4	3,823	436
Over 3 years	96.7	10,675	10,324
	10.4	187,409	19,406
Individual assessment	68.9	3,440	2,370
		190,849	21,776

	As at 31 December 2024		
	ECL rate	Gross amount of trade receivables	ECL amount
	%	RMB'000	RMB'000
Collective assessment			
Within 1 year	5.0	205,526	10,276
1–3 years	13.1	7,713	1,011
Over 3 years	97.6	10,649	10,395
	9.7	223,888	21,682
Individual assessment	100.0	3,440	3,440
		227,328	25,122

	As at 31 December 2025		
	ECL rate	Gross amount of trade receivables	ECL amount
	%	RMB'000	RMB'000
Collective assessment			
Within 1 year	5.0	242,865	12,143
1–3 years	12.9	5,896	761
Over 3 years	84.4	12,671	10,699
	9.0	261,432	23,603
Individual assessment	100.0	2,139	2,139
		263,571	25,742

During the year ended 31 December 2023, 2024 and 2025, for trade receivables and contract assets, the Group provided approximately RMB19,406,000, RMB21,682,000 and RMB23,603,000 impairment allowance based on provision matrix respectively and impairment allowance of approximately RMB2,370,000, RMB3,440,000 and RMB2,139,000 were made on debtors with significant balances or credit-impaired debtors respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach using provision matrix:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Beginning balance	22,145	21,776	25,122
Loss allowance recognised (reversed), net	(374)	3,765	1,911
Write-offs	(16)	(421)	(1,264)
Exchange realignment	21	2	(27)
Closing balance	21,776	25,122	25,742

The following table shows the movement in 12m ECL that has been recognised for bills receivables under the general approach:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Beginning balance	5,403	5,779	4,858
Loss allowance recognised (reversed), net	376	(921)	1,054
Closing balance	5,779	4,858	5,912

The following table shows the movement in lifetime ECL that has been recognised for contract assets:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Beginning balance	489	454	490
Loss allowance recognised (reversed), net	(35)	36	18
Closing balance	454	490	508

The following tables show reconciliation of loss allowances that has been recognised for deposits and other receivables:

	12m ECL	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	625	—	625
Loss allowance (reversed) recognised, net	(387)	572	185
Exchange realignment	(7)	—	(7)
As at 31 December 2023 and 1 January 2024	231	572	803
Loss allowance recognised, net	45	—	45
Write-offs	(37)	—	(37)
Exchange realignment	—	9	9
As at 31 December 2024 and 1 January 2025	239	581	820
Transfer to credit-impaired	(118)	118	—
Loss allowance reversed, net	(47)	—	(47)
Write-offs	—	(611)	(611)
Exchange realignment	—	30	30
As at 31 December 2025	74	118	192

Liquidity risk

In the management of liquidity risk, the Group's management 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 Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, 2024 and 2025, the Group has available unutilised bank loan facilities of approximately RMB121,685,000, RMB136,200,000 and RMB101,520,000 in total. Details of which are set out in Note 34. Due to the Group's supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group's payment terms for trade payables covered by the arrangements are extended to not more than 365 days. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the discounted amount is derived from interest rates existing at the end of the reporting period.

Liquidity tables

	On demand and less than 1 year	1–5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023					
Trade and bills payables	234,399	—	—	234,399	234,399
Other payables and accruals	55,613	—	—	55,613	55,613
Bank and other borrowings	241,615	59,971	—	301,586	294,390
Lease liabilities	84	—	—	84	81
Derivative financial instruments	5	—	—	5	5
	531,716	59,971	—	591,687	584,488
As at 31 December 2024					
Trade and bills payables	202,045	—	—	202,045	202,045
Other payables and accruals	68,904	—	—	68,904	68,904
Bank and other borrowings	313,936	—	—	313,936	309,823
Derivative financial instruments	392	—	—	392	392
	585,277	—	—	585,277	581,164
As at 31 December 2025					
Trade and bills payables	215,600	—	—	215,600	215,600
Other payables and accruals	81,685	—	—	81,685	81,685
Bank and other borrowings	396,093	—	—	396,093	390,084
Lease liabilities	840	2,938	—	3,778	3,505
Derivative financial instruments	1,861	—	—	1,861	1,861
	696,079	2,938	—	699,017	692,735

Fair value

Some of the Group's and the Company's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group and the Company uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group and the Company establishes appropriate valuation techniques and inputs to the models utilised to estimate the fair value of the financial instruments. In estimating the fair value of financial instruments, the Group uses market-observable data to the extent it is available.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The table below analyses the Group's and the Company's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

(i) ***Fair value of financial instruments that are measured at fair value on a recurring basis***

	As at 31 December			Fair value hierarchy	Valuation and key input
	2023	2024	2025		
	RMB'000	RMB'000	RMB'000		
Financial assets at FVTOCI	13,585	33,680	34,210	Level 2	Discounted cash flow method. Future cash flow are estimated based on discount rate observed in the available market
Derivative financial Instrument	5	392	1,861	Level 2	Discounted cash flow method. Future cash flow based on the forward exchange rate

There were no transfer between level 1, level 2 and level 3 during the Trade Record Period.

(ii) ***Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)***

The directors of the Company consider that the carrying amounts of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

Transfer of assets

The following were the Group's bills as at 31 December 2023, 2024 and 2025 that were transferred to banks or suppliers by discounting or endorsing on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills, it continues to recognise the full carrying amount of the related bills receivables and other payables and accruals and has recognised the cash received from banks on the transfer as secured borrowings (note 34).

	Bills discounted to banks with recourse	Bills endorsed to suppliers with recourse	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2023			
Carrying amount of trade and bills receivables	57,840	33,403	91,243
Carrying amount of other payables and accruals	—	(33,403)	(33,403)
Carrying amount of borrowings	(57,840)	—	(57,840)
Net position	—	—	—
As at 31 December 2024			
Carrying amount of trade and bills receivables	32,327	45,439	77,766
Carrying amount of other payables and accruals	—	(45,439)	(45,439)
Carrying amount of borrowings	(32,327)	—	(32,327)
Net position	—	—	—
As at 31 December 2025			
Carrying amount of trade and bills receivables	26,579	62,605	89,184
Carrying amount of other payables and accruals	—	(62,605)	(62,605)
Carrying amount of borrowings	(26,579)	—	(26,579)
Net position	—	—	—

46. 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 consolidated statement of cash flows as cash flows from financing activities.

	Interest payable	Dividend payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000 *(Note 34)*	RMB'000 *(Note 33)*	RMB'000
At 1 January 2023	395	—	394,935	532	395,862
Financing cash flows	(13,788)	—	(124,545)	(468)	(138,801)
Non-cash changes					
— Liabilities under supplier finance arrangement transferred from trade and bills payables	—	—	24,000	—	24,000
— Interest expense	13,614	—	—	17	13,631
At 31 December 2023 and 1 January 2024	221	—	294,390	81	294,692
Financing cash flows	(10,193)	—	(13,367)	—	(23,560)
Non-cash changes					
— Liabilities under supplier finance arrangement transferred from trade and bills payables	—	—	28,800	—	28,800
— Lease remeasurement	—	—	—	(81)	(81)
— Interest expense	10,135	—	—	—	10,135
— Dividend declared	—	10,803	—	—	10,803
At 31 December 2024 and 1 January 2025	163	10,803	309,823	—	320,789
Financing cash flows	(8,601)	(10,803)	10,281	(436)	(9,559)
Non-cash changes					
— Liabilities under supplier finance arrangement transferred from trade and bills payables	—	—	69,980	—	69,980
— New leases entered	—	—	—	3,878	3,878
— Interest expense	8,654	—	—	63	8,717
At 31 December 2025	216	—	390,084	3,505	393,805

47. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following significant transactions and balances with related parties.

(a) Name and relationship with related parties

Name of related party	Relation with the Group
Ms. Li Chunlian	Executive director and Shareholder of the Company
Ms. Ye Huiqin	Executive director and Shareholder of the Company
Ms. Zhou Juling	A close relative of Ms. Li Chunlian
Ms. Ying Caiyun	A close relative of Ms. Ye Huiqin
Mr. Jin Weiwei	Independent non-executive director of the Company
Wuxi Jinjie Motor Technology Co., Ltd.* ("**Wuxi Jinjie**") 無錫市錦捷電機技術有限公司	Equity interest of 51% held by Mr. Ye Jinwu
Shanghai Motor System Energy Conservation Engineering Technology Research Center Co., Ltd* ("**Shanghai Electric**") 上海電機系統節能工程技術研究中心有限公司	Mr. Jin Weiwei act as a director of Shanghai Electric

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Transactions with related parties

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Service provided by:			
— Ms. Ying Caiyun	139	134	34
— Shanghai Electric	146	193	106
	285	327	140
Sale of goods to:			
— Ms. Zhou Juling	10	9	8

(c) Outstanding balances with related parties

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables:			
— Wuxi Jinjie	—	—	1,300
Trade payables:			
— Ms. Ying Caiyun	16	50	—

(d) Compensation of key management personnel

The remuneration of the Directors who are also the members of key management personnel during the Track Record Period was disclosed in Note 11.

48. EVENT AFTER REPORTING PERIOD

Save as disclosed elsewhere the Company has no other significant event after the reporting period that needs to be disclosed.

III. SUBSEQUENT FINANCIAL STATEMENTS

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