

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LEONI KABEL GMBH AND ITS SUBSIDIARIES TO THE DIRECTORS OF TIME INTERCONNECT TECHNOLOGY LIMITED**INTRODUCTION**

We report on the historical financial information of LEONI Kabel GmbH (“**LEONI Kabel**”) and its subsidiaries (together, the “**Automotive Cable Solutions Business**”) set out on pages IIB-4 to IIB-61, which comprises the consolidated statements of financial position of the Automotive Cable Solutions Business 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 of the Automotive Cable Solutions Business for each of the three years ended 31 December 2025 (the “**Relevant Periods**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IIB-4 to IIB-61 forms an integral part of this report, which has been prepared for inclusion in the circular of Time Interconnect Technology Limited (the “**Company**”) dated 25 June 2026 (the “**Circular**”) in connection with the acquisition of the equity interest in Time Interconnect Singapore Pte. Limited.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of LEONI Kabel are responsible for the preparation of the 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 of LEONI Kabel determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Automotive Cable Solutions Business is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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 of LEONI Kabel, 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 Automotive Cable Solutions Business' financial position at 31 December 2023, 2024 and 2025, and of the Automotive Cable Solutions Business' financial performance and cash flows for the Relevant Periods 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

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page IIB-4 as we considered necessary.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividend was declared or paid by LEONI Kabel in respect of the Relevant Periods.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 June 2026

HISTORICAL FINANCIAL INFORMATION OF THE AUTOMOTIVE CABLE SOLUTIONS BUSINESS

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared based on consolidated financial statements of the Automotive Cable Solutions Business for the Relevant Periods. The consolidated financial statements have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards as adopted by the European Union and were audited by Deloitte GmbH, certified public accountants registered in Germany in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong Dollar ("**HK\$**") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2023	2024	2025
		HK\$'000	HK\$'000	HK\$'000
Revenue	6	12,436,350	11,597,732	11,997,064
Cost of sales		<u>(9,717,185)</u>	<u>(10,826,251)</u>	<u>(10,507,807)</u>
Gross profit		2,719,165	771,481	1,489,257
Other operating income	7	61,610	45,943	36,826
Other revenue	8	6,109	24,783	15,891
Selling expenses		(482,127)	(465,259)	(497,822)
General and administrative expenses		(554,947)	(487,931)	(504,027)
Research and development expenses		(52,346)	(58,256)	(61,087)
Other operating expenses		(55,985)	(10,844)	(36,855)
Finance costs	9	<u>(339,022)</u>	<u>(335,428)</u>	<u>(219,123)</u>
Profit (loss) before tax	10	1,302,457	(515,511)	223,060
Income tax expense	11	<u>(271,454)</u>	<u>(82,935)</u>	<u>(97,768)</u>
Profit (loss) for the year		<u>1,031,003</u>	<u>(598,446)</u>	<u>125,292</u>
Other comprehensive income (expenses)				
<i>Items that will not be reclassified to profit or loss:</i>				
Exchange differences arising on translation from functional currency to presentation currency		115,552	(203,023)	349,790
Remeasurement of defined benefit pension plans		(9,137)	(1,445)	10,951
Income tax relating to items that will not be reclassified to profit or loss		<u>4,512</u>	<u>(101)</u>	<u>(6,370)</u>
		<u>110,927</u>	<u>(204,569)</u>	<u>354,371</u>

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	(9,498)	12,816	(97,225)
Fair value gain (loss) on hedging instruments designated in cash flow hedges	18,597	(44,758)	45,108
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>1,462</u>	<u>(6,300)</u>	<u>1,545</u>
	<u>10,561</u>	<u>(38,242)</u>	<u>(50,572)</u>
Other comprehensive income (expenses)	<u>121,488</u>	<u>(242,811)</u>	<u>303,799</u>
Total comprehensive income (expenses) for the year	<u><u>1,152,491</u></u>	<u><u>(841,257)</u></u>	<u><u>429,091</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE AUTOMOTIVE CABLE SOLUTIONS BUSINESS

		At 31 December		
	NOTES	2023	2024	2025
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	14	2,783,966	2,087,899	2,286,146
Right-of-use assets	14	221,045	182,089	158,424
Intangible assets	15	70,836	44,627	51,218
Deferred tax assets	17	80,264	95,959	124,990
Other financial assets	19	7,383	26,135	21,537
Other non-current assets		<u>4,462</u>	<u>1,659</u>	<u>1,900</u>
		<u>3,167,956</u>	<u>2,438,368</u>	<u>2,644,215</u>
Current assets				
Inventories	18	1,543,930	1,415,873	1,649,451
Trade and other receivables	19	2,275,374	1,708,307	1,932,799
Taxation recoverable		25,332	28,676	29,250
Cash and cash equivalents	20	<u>284,056</u>	<u>106,679</u>	<u>910,772</u>
		<u>4,128,692</u>	<u>3,259,535</u>	<u>4,522,272</u>
Current liabilities				
Trade and other payables	21	2,035,245	2,012,633	1,260,358
Lease liabilities	22	43,702	52,412	61,915
Borrowings	23	36,782	28,444	–
Other provisions	24	62,909	38,991	96,976
Tax liabilities		22,706	18,127	31,133
Amounts due to related companies	25	1,009,640	102,764	–
Loan from a related company	26	<u>–</u>	<u>–</u>	<u>78,337</u>
		<u>3,210,984</u>	<u>2,253,371</u>	<u>1,528,719</u>
Net current assets		<u>917,708</u>	<u>1,006,164</u>	<u>2,993,553</u>
Total assets less current liabilities		<u>4,085,664</u>	<u>3,444,532</u>	<u>5,637,768</u>

		At 31 December		
	<i>NOTES</i>	2023	2024	2025
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Lease liabilities	22	196,648	214,379	166,597
Deferred tax liabilities	17	44,037	58,111	89,927
Other provisions	24	122,516	114,955	118,263
Pension provisions	27	83,152	81,491	84,211
Amounts due to related companies	25	173,450	162,539	–
Loan from a related company	26	–	–	1,883,200
Other payables	21	<u>9,123</u>	<u>5,193</u>	<u>9,880</u>
		<u>628,926</u>	<u>636,668</u>	<u>2,352,078</u>
Net assets		<u><u>3,456,738</u></u>	<u><u>2,807,864</u></u>	<u><u>3,285,690</u></u>
Capital and reserves				
Share capital	28	–	–	47,413
Reserves	28	<u>3,456,738</u>	<u>2,807,864</u>	<u>3,238,277</u>
Total equity		<u><u>3,456,738</u></u>	<u><u>2,807,864</u></u>	<u><u>3,285,690</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Additional paid-in capital HK\$'000	Retained earnings/ invested equity attributable to owner of LEONI Kabel HK\$'000 (Note (a))	Translation reserve HK\$'000	Cash flow hedging reserve HK\$'000	Remeasurement of defined benefit plans reserve HK\$'000	Total equity HK\$'000
At 1 January 2023	-	-	1,925,903	69,306	-	(12,129)	1,983,080
Profit for the year	-	-	1,031,003	-	-	-	1,031,003
Translation adjustments from functional currency to presentation currency	-	-	-	115,552	-	-	115,552
Exchange differences arising on translation of foreign operations	-	-	-	(9,498)	-	-	(9,498)
Changes arising from remeasurement of defined benefit plans	-	-	-	-	-	(4,625)	(4,625)
Fair value changes on hedging instruments designated in cash flow hedges	-	-	-	-	20,059	-	20,059
Total comprehensive income (expense) for the year	-	-	1,031,003	106,054	20,059	(4,625)	1,152,491
Equity transactions with LEONI AG (Note (b))	-	-	321,167	-	-	-	321,167
At 31 December 2023	-	-	3,278,073	175,360	20,059	(16,754)	3,456,738
Loss for the year	-	-	(598,446)	-	-	-	(598,446)
Translation adjustments from functional currency to presentation currency	-	-	-	(203,023)	-	-	(203,023)
Exchange differences arising on translation of foreign operations	-	-	-	12,816	-	-	12,816
Changes arising from remeasurement of defined benefit plans	-	-	-	-	-	(1,546)	(1,546)
Fair value changes on hedging instruments designated in cash flow hedges	-	-	-	-	(51,058)	-	(51,058)
Total comprehensive expense for the year	-	-	(598,446)	(190,207)	(51,058)	(1,546)	(841,257)
Other	-	-	(7,570)	-	-	-	(7,570)
Equity transactions with LEONI AG (Note (b))	-	-	199,953	-	-	-	199,953

	Share capital HK\$'000	Additional paid-in capital HK\$'000	Retained earnings/ invested equity attributable to owner of LEONI Kabel HK\$'000 (Note (a))	Translation reserve HK\$'000	Cash flow hedging reserve HK\$'000	Remeasurement of defined benefit plans reserve HK\$'000	Total equity HK\$'000
At 31 December 2024	<u>-</u>	<u>-</u>	<u>2,872,010</u>	<u>(14,847)</u>	<u>(30,999)</u>	<u>(18,300)</u>	<u>2,807,864</u>
Profit for the year	-	-	125,292	-	-	-	125,292
Translation adjustments from functional currency to presentation currency	-	-	-	349,790	-	-	349,790
Exchange differences arising on translation of foreign operations	-	-	-	(97,225)	-	-	(97,225)
Changes arising from remeasurement of defined benefit plans	-	-	-	-	-	4,581	4,581
Fair value changes on hedging instruments designated in cash flow hedges	-	-	-	-	46,653	-	46,653
Total comprehensive income for the year	-	-	125,292	252,565	46,653	4,581	429,091
Equity transactions with LEONI AG (Note (b))	-	-	48,735	-	-	-	48,735
Allocation of invested equity according to the legal structure upon completion of the Group Reorganisation (note 3)	<u>47,413</u>	<u>2,184,032</u>	<u>(2,231,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2025	<u>47,413</u>	<u>2,184,032</u>	<u>814,592</u>	<u>237,718</u>	<u>15,654</u>	<u>(13,719)</u>	<u>3,285,690</u>

Notes:

- (a) Until the internal purchase of Leonische Holding Inc., the Automotive Cable Solutions Business was not a subgroup, for which consolidated financial statements had to be prepared according to IFRS 10 "Consolidated Financial Statements". Therefore, the net assets attributable to the LEONI AG Group were presented as invested equity. After the internal purchase of Leonische Holding Inc., the invested equity was allocated according to the legal structure of LEONI Kabel GmbH.
- (b) Equity transactions with LEONI AG represent transactions with LEONI AG and its remaining subsidiaries that are treated as contributions or withdrawals, particularly corporate cost allocation, taxes and charges for usage of shared assets etc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit (loss) before tax	1,302,457	(515,511)	223,060
Adjustments for:			
Interest income	(6,109)	(24,783)	(15,891)
Finance costs	339,022	335,428	219,123
Depreciation of property, plant and equipment	143,976	293,469	217,103
Amortisation of intangible assets	382	5,367	5,200
(Gain) loss on disposal of property, plant and equipment and intangible assets	(8,055)	9,912	441
Gain on disposal of right-of-use assets	–	(235)	(1,111)
(Reversal of) impairment losses on property, plant and equipment	(1,075,756)	636,615	2,410
(Reversal of) impairment losses on intangible assets	(59,167)	23,763	52
Unrealised exchange loss (gain), net	130	9,661	(91,908)
	<u>636,880</u>	<u>773,686</u>	<u>558,479</u>
Operating cash flows before movements in working capital	636,880	773,686	558,479
Decrease (increase) in inventories	174,938	31,946	(57,596)
(Increase) decrease in trade and other receivables	(90,399)	249,935	(68,275)
(Increase) decrease in other assets	(8,126)	103,792	(22,897)
Decrease in liabilities	(38,491)	(37,021)	(920,297)
Increase (decrease) in restructuring provisions	1,731	(2,865)	44,112
Increase (decrease) in other provisions	46,505	(23,775)	(5,690)
	<u>723,038</u>	<u>1,095,698</u>	<u>(472,164)</u>
Cash generated from (used in) operations	723,038	1,095,698	(472,164)
Income tax paid	(104,226)	(104,067)	(84,822)
	<u>618,812</u>	<u>991,631</u>	<u>(556,986)</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>618,812</u>	<u>991,631</u>	<u>(556,986)</u>

	Year ended 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INVESTING ACTIVITIES			
Capital expenditure for property, plant and equipment	(283,659)	(268,293)	(212,510)
Capital expenditure for intangible assets	(6,598)	(6,149)	(7,381)
Proceeds from disposal of property, plant and equipment	10,719	728	1,795
Interest received	–	602	7,240
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(279,538)</u>	<u>(273,112)</u>	<u>(210,856)</u>
FINANCING ACTIVITIES			
Repayment of financial debts	(797,159)	(931,890)	(370,036)
Interest paid	(392,013)	(156,037)	(153,522)
Cash receipts from acceptance of financial debts	321,492	69	1,864,928
Capital contribution from LEONI AG	176,095	215,696	179,889
	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(691,585)</u>	<u>(872,162)</u>	<u>1,521,259</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(352,311)	(153,643)	753,417
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	626,467	284,056	106,679
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>9,900</u>	<u>(23,734)</u>	<u>50,676</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>284,056</u></u>	<u><u>106,679</u></u>	<u><u>910,772</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

LEONI Kabel is a company incorporated in Germany with limited liability. The principal activities of LEONI Kabel together with its subsidiaries (the “Leoni LCS Group”) is developing, manufacturing and sales of copper cables transmitting power, signals and data for the automotive sector and various other industries (the “Automotive Cable Solution Business”). Its portfolio spans from standardised cables to specialised and data cables, including charging cables for electric mobility – covering every step from concept development to series production. The principal place of the business of LEONI Kabel is based at An der Lände 3 in Roth and is entered in the commercial register with the Nuremberg local court (HRB 24181). The particulars of the subsidiaries are set out in Note 33.

During the years ended 31 December 2023 and 2024, LEONI Kabel was wholly owned by LEONI AG, a limited liability company incorporated in Germany with the ultimate controlling parent being Pierer Invest GmbH which is owned by Stefan Pierer. Upon the acquisition of the entire interest in LEONI Kabel by Time Interconnect Singapore Pte. Limited (the “Target Company”), which is a limited liability company incorporated in Singapore, on 9 July 2025 (the “Acquisition of LEONI Kabel”), the intermediate holding company of LEONI Kabel was changed to Luxshare Precision Industry Co., Ltd (“Luxshare Precision”), a joint stock company with limited liability established in the People’s Republic of China (the “PRC”) listed on the Shenzhen Stock Exchange. In the opinion of the directors of LEONI Kabel, the ultimate controlling party of Luxshare Precision and LEONI Kabel are Wang Laichun and Wang Laisheng.

The Historical Financial Information is presented in Hong Kong Dollar (“HK\$”), which is different from LEONI Kabel’s functional currency of Euro (“EUR”), as the directors of LEONI Kabel consider that it is more relevant to the shareholders of Time Interconnect Technology Limited, which is listed on The Stock Exchange of Hong Kong Limited.

The statutory financial statements of LEONI Kabel for the years ended 31 December 2023 and 2024 were prepared in accordance with IFRS Accounting Standards as adopted by the European Union and were audited by Deloitte GmbH, certified public accountants registered in Germany. The statutory financial statements of LEONI Kabel for the year ended 31 December 2025 was prepared in accordance with IFRS Accounting Standards as adopted by the European Union and were audited by BDO AG Wirtschaftsprüfungsgesellschaft, certified public accountants registered in Germany.

2. ADOPTION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Automotive Cable Solutions Business has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on or after 1 January 2025 throughout the Relevant Periods.

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

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

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contract Referencing Nature-Dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
IFRS 20	Regulatory Assets and Regulatory Liabilities ⁴

- 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
- ⁴ Effective for annual periods beginning on or after 1 January 2029

Except for the new IFRS Accounting Standard mentioned below, 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.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 “Presentation and Disclosure in Financial Statements” (“**IFRS 18**”), 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” (the title of which will be changed to “Basis of Preparation of Financial Statements” upon effective of IFRS 18) and IFRS 7 “Financial Instruments: Disclosures”. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

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

3. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards as issued by the IASB and the conventions applicable for Group Reorganisation (details are set out below).

During the Relevant Periods, the Automotive Cable Solutions Business, which comprising LEONI Kabel and the companies as set out in note 33 (collectively the “**Automotive Cable Solutions Business Entities**”), underwent a group reorganisation to restructure all these companies engaged in Automotive Cable Solutions Business to be under the control of LEONI Kabel as described below (“**Group Reorganisation**”).

Prior to 21 December 2023, the Automotive Cable Solution Business was operated by LEONI AG, a limited liability company incorporated in Germany, of which the ultimate beneficial owner was Stefan Pierer through the wholly-owned subsidiaries namely LEONI Kabel and its subsidiaries and Leonische Holding Inc., and its subsidiaries.

On 21 December 2023, Leonische Holding, Inc. acquired 100% of the equity interests in Leoni Wiring Systems, Inc. from KB Kabel Beteiligungs-GmbH, a fellow subsidiary of LEONI Kabel, at a cash consideration of EUR132,000,000. The principal activity of Leoni Wiring Systems, Inc. and its subsidiaries is providing wiring systems solutions which are different from the Automotive Cable Solutions Business. Upon completion of the acquisition, Leoni Wiring Systems, Inc. and its subsidiaries became wholly-owned subsidiaries of Leonische Holding, Inc..

For the purpose of the Acquisition of LEONI Kabel by the Target Company, LEONI AG underwent the Group Reorganisation, which involved transfers of equity interests with the detailed steps set out below.

- i. On 31 March 2025, Leonische Holding, Inc. transferred 100% of the equity interests in Leoni Wiring Systems, Inc. to KB Kabel Beteiligungs-GmbH for a nominal cash consideration of EUR1.
- ii. On 31 March 2025, after the transfer of Leoni Wiring Systems, Inc. by Leonische Holding Inc., LEONI Kabel acquired 100% of the equity interests in Leonische Holding Inc. from Leoni Bordnetz-Systeme GmbH at a cash consideration of EUR77,000,000. Upon completion of the acquisition, Leonische Holding Inc. became a wholly owned subsidiary of LEONI Kabel.

Upon completion of the Group Reorganisation, LEONI Kabel became the holding company of the entities engaged in Automotive Cable Solutions Business controlled by LEONI AG. The Automotive Cable Solution Business carried out by Automotive Cable Solution Business Entities before and after the Group Reorganisation have been under the common control of Stefan Pierer up to the Acquisition of LEONI Kabel by the Target Company on 9 July 2025.

In connection with the Acquisition of LEONI Kabel by the Target Company and the proposed acquisition of the Target Company by the Company, consolidated financial statements of the Automotive Cable Solutions Business (the Underlying Financial Statements) have been derived from the historical accounting records of the Automotive Cable Solutions Business Entities, which derive from the historical carrying amounts extracted from the consolidated financial statements of LEONI AG, the predecessor holding company of Automotive Cable Solutions Business Entities. The Automotive Cable Solutions Business represents a collection of economic activities which represents a business under IFRS Accounting Standards. The Underlying Financial Statements were purported to reflect the historical results of operations and the historical assets and liabilities of the Automotive Cable Solutions Business that was the subject of the Acquisition of LEONI Kabel by the Target Company, and accordingly, excluded all businesses and activity related to Leoni Wiring Systems, Inc. and its subsidiaries that has not formed part of the legal group upon completion of the Group Reorganisation.

Although the Automotive Cable Solutions Business was conducted by separate group of legal entities, for the purpose of preparing the Underlying Financial Statements, certain account balances of the financial statements of the Automotive Cable Solutions Business Entities were allocated between the Automotive Cable Solutions Business and the wiring systems solutions business that operated through Leoni Wiring Systems, Inc. and its subsidiaries and retained by LEONI AG, and these allocations were made on specifically identifiable basis or using other reasonable methods, since certain Automotive Cable Solution Business Entities held Leoni Wiring Systems Inc., which operated the wiring systems solutions business during the Relevant Periods, did not form part of the Automotive Cable Solutions Business.

The directors of the LEONI Kabel believe that the allocation bases underlying the preparation of the Underlying Financial Statements are reasonable reflections of the financial performance and financial position of Automotive Cable Solutions Business according to its utilisation of the resources of the Automotive Cable Solutions Business Entities. However, the actual costs and expenses that Automotive Cable Solutions Business would have been incurred as a separate group of legal entities could be higher or lower than the allocated costs reflected in the Underlying Financial Statements. As such, the Underlying Financial Statements may not necessarily reflect the actual financial position, results of operations or cash flows of Automotive Cable Solutions Business had it been operated as a stand-alone business throughout the Relevant Periods.

The Historical Financial Information has been prepared to present the financial position, financial performance and cash flows of the Automotive Cable Solutions Business, and the assets and liabilities of the wiring systems solutions business to be disposed net of the cash consideration acquired is presented as the net parent investment in the statements of changes in equity of the Automotive Cable Solutions Business. Other intra-group balances, transactions and unrealised gains/losses on intra-group transactions between Automotive Cable Solutions Business Entities were eliminated when preparing the Historical Financial Information. Transactions and balances between the Automotive Cable Solutions Business and other entities within LEONI AG Group, including Leoni Wiring Systems, Inc. and its subsidiaries, have been presented as external transactions and balances, details of which have been disclosed as related party transactions and balances in accordance with IAS 24 "Related Party Disclosures".

The directors of LEONI Kabel consider that it is appropriate to present the Historical Financial Information on a carve-out basis in view of the following factors: (1) the scope of Automotive Cable Solutions Business is clearly identified as the Automotive Cable Solutions Business Entities that can be clearly delineated from the other business retained by LEONI AG; (2) Automotive Cable Solutions Business and the wiring systems solutions business were operated separately under different legal entities, management, sales and business strategies, although there were certain extent of sharing of common resources among the two businesses; and (3) the revenue generated and expenses incurred by the Automotive Cable Solutions Business and its assets and liabilities were recorded in the accounting records of the legal entities which operate Automotive Cable Solutions Business.

The Historical Financial Information of Automotive Cable Solutions Business comprises the assets, liabilities, revenue and expenses directly attributable to its specific business departments which were recorded in the accounting records of the Automotive Cable Solutions Business Entities. Assets and liabilities of wiring systems solutions business which were not separately distinguished between the two businesses were allocated based on legal ownership or obligations or other reasonable methods. Costs and expenses of the wiring systems solutions business which were not separately distinguished between the two businesses in the past, were allocated using reasonable methods.

The directors believe that the basis of preparation described above results in the Historical Financial Information reflecting the assets and liabilities associated with the Automotive Cable Solutions Business and reflects costs and expenses associated with the functions that would be necessary to operate independently. However, as the Automotive Cable Solutions Business did not operate as a stand-alone entity during the Relevant Periods, the Historical Financial Information may not be indicative of the Automotive Cable Solutions Business' future performance and do not necessarily reflect what its financial performance, financial position, and cash flows would have been had the Automotive Cable Solutions Business operated as a separate entity during the Relevant Periods.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

Control is achieved when LEONI Kabel:

- 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 Automotive Cable Solutions Business 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Automotive Cable Solutions Business' accounting policies.

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

Accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a shorter period.

Revenue from contracts with customers

The Automotive Cable Solutions Business 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 Automotive Cable Solutions Business' performance as the Automotive Cable Solutions Business performs;
- the Automotive Cable Solutions Business' performance creates or enhances an asset that the customer controls as the Automotive Cable Solutions Business performs; or
- the Automotive Cable Solutions Business' performance does not create an asset with an alternative use to the Automotive Cable Solutions Business and the Automotive Cable Solutions Business 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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Classification and subsequent measurement of financial assets

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

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

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

All other financial assets are subsequently measured at FVTPL.

Impairment of financial assets

The Automotive Cable Solutions Business performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, other financial assets and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Automotive Cable Solutions Business always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually based on internal credit rating. For all other instruments, the Automotive Cable Solutions Business measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Automotive Cable Solutions Business 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.

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

The Automotive Cable Solutions Business recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘Other operating income’ (note 7) as part of the exchange gain.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowings, amounts due to related companies and loan from a related company are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Automotive Cable Solutions Business derecognises financial liabilities when, and only when, the Automotive Cable Solutions Business' 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.

Hedge accounting

The Automotive Cable Solutions Business designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Automotive Cable Solutions Business documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Automotive Cable Solutions Business documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Automotive Cable Solutions Business considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Automotive Cable Solutions Business actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Automotive Cable Solutions Business adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other operating income/expenses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Automotive Cable Solutions Business expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Property, plant and equipment

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

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

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

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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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 activities (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 recognised in profit or loss in the period in which it is incurred.

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

Impairment on property, plant and equipment and intangible assets

At the end of each reporting period, the Automotive Cable Solutions Business reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use assets 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 asset 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 amount of property, plant and equipment, intangible assets and right-of-use assets, are estimated individually. When it is not possible to estimate the recoverable amount individually, the Automotive Cable Solutions Business estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Leases

The Automotive Cable Solutions Business 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.

The Automotive Cable Solutions Business as a lessee

Right-of-use assets

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability; and any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Automotive Cable Solutions Business 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 (including in-substance fixed payments) less any lease incentives receivable; and the exercise price of a purchase option if the Automotive Cable Solutions Business is reasonably certain to exercise the option. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Foreign currencies

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

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

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

Exchange differences relating to the retranslation of the Automotive Cable Solutions Business' net assets in EUR to the Automotive Cable Solutions Business' presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Borrowing costs

All 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 Automotive Cable Solutions Business will comply with the conditions attaching to them and that the grants will be received.

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 Automotive Cable Solutions Business 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 benefits costs

Payments to defined contribution retirement benefits scheme, state-managed retirement benefit scheme are recognised as an expenses when employees have rendered services entitling them to the contributions.

For defined benefit retirement plans, the cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Automotive Cable Solutions Business' defined benefit obligations and the related current service cost and, where applicable, past service cost, the Automotive Cable Solutions Business attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Automotive Cable Solutions Business attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until.
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the combined statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Automotive Cable Solutions Business remeasures the net defined benefit liability or asset before the plan amendment, curtailment or settlement, the Automotive Cable Solutions Business determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the combined statements of financial position represents the actual deficit or surplus in the Automotive Cable Solutions Business' defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans and reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- if the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- if contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Automotive Cable Solutions Business reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 Employee Benefits for the gross benefits (i.e. either using the plan's contribution formula or on a straight-line basis). For the amount of contribution that is independent of the number of years of service, the Automotive Cable Solutions Business reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19.

Provisions

Provisions are recognised when the Automotive Cable Solutions Business has a present obligation (legal or constructive) as a result of a past event, it is probable that the Automotive Cable Solutions Business will be required to settle the 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 (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets and owned properties to their original condition, as required by the terms and conditions of the lease or agreement with local government, are recognised at the date of inception of the lease or the agreement at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

A restructuring provision is recognised when the Automotive Cable Solutions Business has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of the Automotive Cable Solutions are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Automotive Cable Solutions Business' obligation.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Automotive Cable Solutions Business' 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 Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Automotive Cable Solutions Business 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 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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 Automotive Cable Solutions Business expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Automotive Cable Solutions Business applies IAS 12 *Income Taxes* requirements to lease liabilities and the related assets separately. The Automotive Cable Solutions Business 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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include cash, which comprises of cash on hand and demand deposits.

For the proposed of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Automotive Cable Solutions Business must incur to make the sale.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Automotive Cable Solutions Business' accounting policies, the management of the Automotive Cable Solutions Business is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Provision for inventories

The management of the Automotive Cable Solutions Business estimates the net realisable value based on the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. These estimates are based primarily on the latest transaction prices, current market conditions, and forecast usage and sales volume. In making allowance for obsolete and slow-moving inventory items, the Automotive Cable Solutions Business carries out an inventory review on a product-by-product basis at the end of each of the years presented. Where the actual transaction prices are less than expected, a loss may arise.

At 31 December 2023, 2024 and 2025, the carrying amount of inventories are HK\$1,543,930,000 (net of allowance for inventories of HK\$44,841,000), HK\$1,415,873,000 (net of allowance for inventories of HK\$57,930,000), and HK\$1,649,451,000 (net of allowance for inventories of HK\$54,007,000), respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Types of goods or services			
Automotive cables	11,116,843	10,518,352	10,781,829
Charging cables	675,786	472,582	601,168
Industry cables	643,721	606,798	614,067
	<u>12,436,350</u>	<u>11,597,732</u>	<u>11,997,064</u>
Total			
	<u>12,436,350</u>	<u>11,597,732</u>	<u>11,997,064</u>
Geographical markets			
Europe, Middle East, and Africa ("EMEA") (Note (a))	6,837,754	6,141,535	6,172,636
Americas	3,248,423	3,088,705	3,299,926
Asia Pacific (Note (b))	2,350,173	2,367,492	2,524,502
	<u>12,436,350</u>	<u>11,597,732</u>	<u>11,997,064</u>
Total	<u>12,436,350</u>	<u>11,597,732</u>	<u>11,997,064</u>

Notes:

- (a) EMEA primarily includes Germany, Romania, Serbia, Hungary and Czech Republic.
- (b) Asia Pacific primarily includes the PRC, India and Philippines.

(ii) Performance obligations for contracts with customers

The Automotive Cable Solutions Business generates revenues with products and services for energy and data management in the automotive sector and other industries. Income from contracts with customers is recognised when the control of the goods or services is transferred to the customer. This is generally the case upon delivery of the products. Such sales revenues are as a matter of principle recognised in the amount of the consideration to which the Automotive Cable Solutions Business expects to be entitled exchange for those goods or services.

Income from the developing, manufacturing and sales of cables is recognised at the time when the control is transferred to the customer.

The granted payment terms are normally 30 to 90 days from the date of delivery.

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

At 31 December 2023, 2024 and 2025, all contracts have an original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

Information reported to the chief executive of LEONI Kabel, being the chief operating decision maker (“CODM”), for the purposes of resources allocation and assessment of performance, the focuses primarily on types of revenue analysis derived from the developing, manufacturing and sales of Automotive Cable Solutions Business. No other discrete financial information is provided other than the Automotive Cable Solution Business’ result and financial provision as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

Information about the Automotive Cable Solutions Business’ revenue from external customers is presented above is based on the location at which the customer based. Information about the Automotive Cable Solutions Business’ non-current assets (excluding financial assets and deferred tax assets) is presented based on the geographical location of the assets.

	At 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
EMEA (Note (a))	2,053,957	1,458,530	1,659,019
Americas	512,718	420,733	439,383
Asia Pacific (Note (b))	<u>513,634</u>	<u>437,011</u>	<u>399,286</u>
Total	<u><u>3,080,309</u></u>	<u><u>2,316,274</u></u>	<u><u>2,497,688</u></u>

Notes:

(a) EMEA primarily includes Germany, Poland, Slovakia and Hungary.

(b) Asia Pacific primarily includes the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing 10% or above of the total revenue of the Automotive Cable Solutions Business are as follows:

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Customer A	2,258,438	1,978,356	2,077,197
Customer B	<u>1,431,115</u>	<u>N/A*</u>	<u>1,235,943</u>

* The corresponding customer did not contribute over 10% of the total revenue of the Automotive Cable Solutions Business in that year.

7. OTHER OPERATING INCOME

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Gains on disposals of property, plant and equipment as well as intangible assets (<i>Note (a)</i>)	9,779	799	398
Government subsidies (<i>Note (b)</i>)	7,179	634	1,221
Compensation (<i>Note (c)</i>)	16,363	14,573	14,408
Rental income	6,407	6,361	6,602
Gains on disposals of right-of-use assets	–	235	1,111
Exchange gains	–	4,281	–
Others	<u>21,882</u>	<u>19,060</u>	<u>13,086</u>
	<u>61,610</u>	<u>45,943</u>	<u>36,826</u>

Notes:

- (a) In addition to the above, loss on disposals of property, plant and equipment as well as intangible assets are recognised in profit or loss in the 'Other operating expenses' amounted to HK\$1,724,000, HK\$10,711,000 and HK\$839,000 for the years ended 31 December 2023, 2024 and 2025, respectively.
- (b) The amount mainly represents various subsidies received from the government authorities. Unconditional government grants are recognised in profit and loss when received.
- (c) The amount mainly represents compensation and service agreement payments arising from contractual agreements with divested entities of the Automotive Cable Solutions Business.

8. OTHER REVENUE

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Interest income	<u>6,109</u>	<u>24,783</u>	<u>15,891</u>

9. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Interest expenses from liabilities and borrowing	320,703	294,077	198,552
Interest expenses from lease liabilities	14,158	18,569	14,665
Net interest cost from pension obligations	2,596	3,377	2,617
Other finance costs	1,565	19,405	3,289
	<u>339,022</u>	<u>335,428</u>	<u>219,123</u>

10. PROFIT (LOSS) FOR THE YEAR

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year is arrived at after charging (crediting):			
Auditor's remuneration	6,827	4,751	6,281
Cost of inventories recognised as expense			
Including: write-down of inventories, net of reversal <i>(Note (a))</i>	9,717,185	10,826,251	10,507,807
Depreciation of property, plant and equipment	143,976	293,469	217,103
Amortisation of intangible assets	382	5,367	5,200
Impairment loss recognised on trade receivables, net of reversal	(4,543)	(4,275)	(3,225)
Staff costs:			
Salaries and other benefits	951,255	958,455	978,281
Director's emoluments <i>(Note (b))</i>	8,971	10,224	11,472
Social-security contributions, expenses for pensions and retirement and fringe benefits	266,997	289,305	295,951
	<u>1,227,223</u>	<u>1,257,984</u>	<u>1,285,704</u>
Total staff costs	1,227,223	1,257,984	1,285,704
Capitalised in inventories	<u>(718,283)</u>	<u>(737,031)</u>	<u>(745,135)</u>
	<u>508,940</u>	<u>520,953</u>	<u>540,569</u>

Notes:

- (a) Write-down of inventories amounted to HK\$1,315,000, reversal of HK\$3,356,000 and HK\$6,468,000 for the years ended 31 December 2023, 2024 and 2025, respectively.
- (b) For the years ended 31 December 2023, 2024 and 2025, all of the five highest paid employees are directors.

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Current tax			
– Germany	14,590	12,257	9,820
– Other countries	<u>80,800</u>	<u>83,435</u>	<u>87,742</u>
	<u>95,390</u>	<u>95,692</u>	<u>97,562</u>
Deferred tax: (note 17)			
– Germany	(4,987)	2,800	880
– Other countries	<u>181,051</u>	<u>(15,557)</u>	<u>(674)</u>
	<u>176,064</u>	<u>(12,757)</u>	<u>206</u>
	<u><u>271,454</u></u>	<u><u>82,935</u></u>	<u><u>97,768</u></u>

Tax credit of HK\$5,974,000, and tax expense of HK\$6,401,000 and HK\$4,825,000, respectively, were recognised in other comprehensive income for the years ended 31 December 2023, 2024 and 2025.

For the Automotive Cable Solutions Business' German companies, the current and deferred taxes on 31 December 2025 were calculated using a corporate tax rate of 15.0% plus a solidarity surcharge of 0.825% (as 5.5% of 15%), unchanged from the previous year. Considering the average trade tax rate of 13.3%, the tax rate applied to calculate current and deferred taxes for German companies amounts to a combined rate of 29.1%. For non-German companies the country-specific, respective tax rates were used.

The Automotive Cable Solutions Business falls within the scope of the OECD Pillar Two Model Rules and makes use of the temporary exemption of accounting for deferred taxes that stem from applying the requirements for implementing the Pillar Two Model Rules.

The Automotive Cable Solutions Business' ultimate parent company changed during 2025, having until 9 July 2025 been a company based in Germany and from 10 July 2025 being one based in Hong Kong. Both Germany and Hong Kong have passed a law on applying the global minimum tax rate. The Automotive Cable Solutions Business has taken the necessary internal measures to fully observe these laws.

The Automotive Cable Solutions Business applies the safe harbour rules to be transitionally used and provided for in the minimum tax rules. In the 2025 reporting year, all the countries in which the Automotive Cable Solutions Business operates fell under the safe harbour rule. Therefore, no provisions for global minimum tax were recognised in the Automotive Cable Solutions Business.

The income tax expense for the year is reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income at the statutory rate in Germany to the tax expense at the effective tax rates is as follows:

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before tax	<u>1,302,457</u>	<u>(515,511)</u>	<u>223,060</u>
Tax at the statutory profit tax rate of 29.1%	378,755	(149,911)	64,866
Tax effect of expenses not deductible for tax purpose	134	8,929	9,523
Tax effect of income not taxable for tax purpose	(4,269)	(5,698)	(58,595)
Tax effect of tax losses not recognised	–	223,812	168,558
Utilisation of tax losses previously not recognised	(128,194)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	12,140	5,099	(15,858)
(Over)under-provision in prior years	(1,621)	5,623	(69,249)
Others	<u>14,509</u>	<u>(4,919)</u>	<u>(1,477)</u>
Income tax expense for the year	<u>271,454</u>	<u>82,935</u>	<u>97,768</u>

12. DIVIDENDS

No dividend has been declared or paid by the Automotive Cable Solutions Business during the Relevant Periods.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Land, leasehold rights and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Assets under construction HK\$'000	Total HK\$'000
COST					
At 1 January 2023	1,592,275	2,846,111	582,468	326,152	5,347,006
Currency differences	89,291	111,190	27,167	8,435	236,083
Additions	59,073	76,183	30,518	178,502	344,276
Disposals	(18,740)	(65,026)	(26,934)	(348)	(111,048)
Reclassification	<u>8,941</u>	<u>271,608</u>	<u>16,388</u>	<u>(296,937)</u>	<u>–</u>
At 31 December 2023	1,730,840	3,240,066	629,607	215,804	5,816,317
Currency differences	(126,216)	(145,949)	(34,640)	(9,778)	(316,583)
Additions	87,180	64,837	31,709	182,139	365,865
Disposals	(53,481)	(129,179)	(107,138)	(1,252)	(291,050)
Reclassification	<u>6,207</u>	<u>136,680</u>	<u>20,798</u>	<u>(163,685)</u>	<u>–</u>

	Land, leasehold rights and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Assets under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2024	1,644,530	3,166,455	540,336	223,228	5,574,549
Currency differences	189,840	252,373	49,027	17,534	508,774
Additions	33,645	43,629	34,895	113,686	225,855
Disposals	(21,866)	(46,052)	(29,273)	–	(97,191)
Reclassification	14,011	190,098	12,296	(216,405)	–
At 31 December 2025	<u>1,860,160</u>	<u>3,606,503</u>	<u>607,281</u>	<u>138,043</u>	<u>6,211,987</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	521,814	2,335,836	547,143	293,536	3,698,329
Currency differences	29,867	88,755	23,035	7,142	148,799
Depreciation	70,468	63,726	9,782	–	143,976
Reversal of impairment	(94,702)	(618,811)	(96,706)	(265,537)	(1,075,756)
Disposals	(14,486)	(63,743)	(25,813)	–	(104,042)
At 31 December 2023	512,961	1,805,763	457,441	35,141	2,811,306
Currency differences	(41,189)	(98,313)	(27,079)	(4,608)	(171,189)
Depreciation	90,036	160,166	43,267	–	293,469
Impairment	53,901	437,676	71,507	73,531	636,615
Disposals	(42,242)	(117,940)	(105,458)	–	(265,640)
At 31 December 2024	573,467	2,187,352	439,678	104,064	3,304,561
Currency differences	67,343	201,670	40,684	8,963	318,660
Depreciation	73,678	117,109	26,316	–	217,103
Impairment	–	31	1,362	1,017	2,410
Disposals	(6,484)	(41,974)	(26,859)	–	(75,317)
At 31 December 2025	<u>708,004</u>	<u>2,464,188</u>	<u>481,181</u>	<u>114,044</u>	<u>3,767,417</u>
CARRYING VALUES					
At 31 December 2023	<u>1,217,879</u>	<u>1,434,303</u>	<u>172,166</u>	<u>180,663</u>	<u>3,005,011</u>
At 31 December 2024	<u>1,071,063</u>	<u>979,103</u>	<u>100,658</u>	<u>119,164</u>	<u>2,269,988</u>
At 31 December 2025	<u>1,152,156</u>	<u>1,142,315</u>	<u>126,100</u>	<u>23,999</u>	<u>2,444,570</u>

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

Leasehold rights and buildings	2%
Plant and machinery	6%
Furniture, fixtures and equipment	10%

The Automotive Cable Solutions Business as lessee

Right-of-use assets (included in the property, plant and equipment)

	Land, leasehold rights and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2023				
Carrying amount	<u>202,347</u>	<u>5,525</u>	<u>13,173</u>	<u>221,045</u>
At 31 December 2024				
Carrying amount	<u>166,404</u>	<u>7,217</u>	<u>8,468</u>	<u>182,089</u>
At 31 December 2025				
Carrying amount	<u>136,577</u>	<u>6,994</u>	<u>14,853</u>	<u>158,424</u>
For the year ended 31 December 2023				
Depreciation	<u>26,484</u>	<u>1,987</u>	<u>2,301</u>	<u>30,772</u>
For the year ended 31 December 2024				
Depreciation	<u>43,645</u>	<u>6,342</u>	<u>9,030</u>	<u>59,017</u>
For the year ended 31 December 2025				
Depreciation	<u>37,456</u>	<u>3,182</u>	<u>4,984</u>	<u>45,622</u>

	Year ended 31 December		
	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Expense relating to short-term leases	3,947	2,581	1,766
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	507	3,637	1,241
Variable lease payments not included in the measurement of lease liabilities	2,487	2,261	1,007
Total cash outflow for leases	72,640	80,972	77,058
Additions to right-of-use assets	<u>62,530</u>	<u>99,704</u>	<u>24,358</u>

The Automotive Cable Solutions Business leases various offices, warehouses, and motor vehicles for its operations. Lease contracts are entered into for term of 1 year to 9 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Automotive Cable Solutions Business applies the definition of a contract and determines the period for which the contract is enforceable.

15. INTANGIBLE ASSETS

	Trademarks, rights, software and other <i>HK\$'000</i>	Customer relationship and order backlog <i>HK\$'000</i>	Development costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2023	51,728	3,066	73,077	127,871
Addition	824	–	5,774	6,598
Disposal	(450)	–	–	(450)
Transfer	900	–	(900)	–
Exchange adjustments	<u>2,849</u>	<u>134</u>	<u>2,937</u>	<u>5,920</u>
At 31 December 2023	55,851	3,200	80,888	139,939
Addition	1,470	–	4,679	6,149
Disposal	(17,564)	–	(260)	(17,824)
Transfer	521	–	(521)	–
Exchange adjustments	<u>(2,838)</u>	<u>(201)</u>	<u>(4,811)</u>	<u>(7,850)</u>
At 31 December 2024	37,440	2,999	79,975	120,414
Addition	2,363	–	5,018	7,381
Disposal	(914)	–	–	(914)
Transfer	2,742	–	(2,742)	–
Exchange adjustments	<u>4,679</u>	<u>366</u>	<u>8,900</u>	<u>13,945</u>
At 31 December 2025	<u>46,310</u>	<u>3,365</u>	<u>91,151</u>	<u>140,826</u>
AMORTISATION AND IMPAIRMENT				
At 1 January 2023	51,537	3,066	69,379	123,982
Provided for the year	263	–	119	382
Eliminated on disposal	(450)	–	–	(450)
Impairment loss reversal in the year	(5,740)	–	(53,427)	(59,167)
Exchange adjustments	<u>2,583</u>	<u>134</u>	<u>1,639</u>	<u>4,356</u>
At 31 December 2023	48,193	3,200	17,710	69,103
Provided for the year	2,940	–	2,427	5,367
Eliminated on disposal	(17,539)	–	(260)	(17,799)
Impairment loss recognised in the year	3,435	–	20,328	23,763
Exchange adjustments	<u>(2,605)</u>	<u>(201)</u>	<u>(1,841)</u>	<u>(4,647)</u>
At 31 December 2024	34,424	2,999	38,364	75,787
Provided for the year	1,588	–	3,612	5,200
Eliminated on disposal	(914)	–	–	(914)

	Trademarks, rights, software and other <i>HK\$'000</i>	Customer relationship and order backlog <i>HK\$'000</i>	Development costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
Impairment loss recognised in the year	52	–	–	52
Exchange adjustments	<u>4,266</u>	<u>366</u>	<u>4,851</u>	<u>9,483</u>
At 31 December 2025	<u>39,416</u>	<u>3,365</u>	<u>46,827</u>	<u>89,608</u>
CARRYING VALUES				
At 31 December 2023	<u>7,658</u>	<u>–</u>	<u>63,178</u>	<u>70,836</u>
At 31 December 2024	<u>3,016</u>	<u>–</u>	<u>41,611</u>	<u>44,627</u>
At 31 December 2025	<u>6,894</u>	<u>–</u>	<u>44,324</u>	<u>51,218</u>

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

Trademarks, rights, software and other	10 – 15 years
Customer relationship and order backlog	1 – 3 years
Development costs	10 – 15 years

The annual impairment test resulted in an impairment of intangible assets by HK\$23,763,000 and HK\$52,000 for the years ended 31 December 2024 and 2025, as well as impairment reversals amounting to HK\$59,167,000 for the year ended 31 December 2023, respectively.

16. IMPAIRMENT TESTING ON NON-CURRENT ASSETS

The business is managed across various legal entities that do not generate cash inflows on a stand-alone basis. The Automotive Cable Solutions Business therefore constitutes a cash-generating unit for the purpose of impairment testing the assets.

LEONI AG announced the sale of its Automotive Cable Solutions Business in May 2022. When the buyer surprisingly refused to close the sale in December 2022, however, the envisaged refinancing could no longer be implemented as planned. This led to an increased risk of insolvency following the buyer's refusal to transfer the Automotive Cable Solutions Business, which was expressed in customers' curtailed ability to award contracts as well as other operational risks.

As this curtailed ability to award contracts was no longer a factor after LEONI Kabel's completed refinancing in the 2023 financial year, the recoverable amounts of the cash-generating units were reassessed. In the impairment test, the recoverable amount was based on the fair value less cost to sell and was determined based on the level 3 fair value hierarchy of parameters pursuant to IFRS 13. As a matter of principle, the cash flows relevant to the impairment test stem from the medium-term planning with a planning horizon of five years as approved by LEONI AG's Supervisory Board, for the preparation and plausibility check of which the market circumstances are considered and a peer group comparison is carried out. In addition, such other third-party sources as data from IHS Markit (IHS) as the provider of automotive-related market data was used. As part of ascertaining the fair values for the cash-generating units, the Automotive Cable Solutions Business applied as key assumptions and measurement parameters a long-term growth rate of 1%. The recoverable amount determined was based on an

average growth rate of 4.5% as well as an average EBIT margin of 4.2% and a WACC of 10.0%. The impairment reversal of non-current assets amounted to HK\$1,134,923,000 and was reflected in full in the income statement under cost of sales for the year ended 31 December 2023.

The 2024 impairment test called for write-downs on property, plant and equipment, intangible assets and rights-of-use assets and as a result, impairment of HK\$660,378,000 were recognised on 31 December 2024. As part of impairment testing, the recoverable amount was determined on the basis of fair values less cost to sell and arrived at to HK\$3,582,293,000. This was extrapolated from the transactions involving LEONI AG's sale of Automotive Cable Solutions Business to the Time Interconnect Group and corresponds to the fair values of the expected purchase price payment, which depends partially on future business performance.

The Automotive Cable Solutions Business' intangible assets and property, plant and equipment as well as rights of use assets related to leases were tested for impairment at 31 December 2025. For this impairment testing, the expected cash flows were extrapolated from the business planning as approved by management for a period of five years. In the impairment test, the recoverable amount of the respective cash-generating unit was based on the fair value less cost to sell and was determined based on the level three parameters pursuant to IFRS 13. As part of ascertaining fair values, the Automotive Cable Solutions Business applied as key assumptions and measurement parameters a long-term growth rate of 1%. The recoverable amount determined was HK\$4,639,188,000 based on an average growth rate of 5.5%, an average EBIT margin of 4.5% and a WACC of 9.7%. This impairment test did not lead to any need for either write-ups or write-downs in 2025.

During the year ended 31 December 2025, the shutdown of business operation of the Automotive Cable Solutions Business in Halver necessitated a write-down on property, plant and equipment of HK\$2,462,000, which was reflected in full under cost of sales.

17. DEFERRED TAX ASSETS (LIABILITIES)

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:

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	80,264	95,959	124,990
Deferred tax liabilities	<u>(44,037)</u>	<u>(58,111)</u>	<u>(89,927)</u>
	<u>36,227</u>	<u>37,848</u>	<u>35,063</u>

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

	Depreciation/ amortisation	Inventories	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2023	267,806	(12,479)	(44,014)	211,313
(Charge) credit to profit or loss	(290,372)	7,466	106,842	(176,064)
Credit to other comprehensive income	–	–	5,974	5,974
Exchange adjustments	<u>(8,055)</u>	<u>(5)</u>	<u>3,064</u>	<u>(4,996)</u>

	Depreciation/ amortisation <i>HK\$'000</i>	Inventories <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2023	(30,621)	(5,018)	71,866	36,227
Credit (charge) to profit or loss	171,925	(1,050)	(158,118)	12,757
Charge to other comprehensive income	–	–	(6,401)	(6,401)
Exchange adjustments	<u>(8,114)</u>	<u>818</u>	<u>2,561</u>	<u>(4,735)</u>
At 31 December 2024	133,190	(5,250)	(90,092)	37,848
(Charge) credit to profit or loss	(23,194)	(2,608)	25,596	(206)
Charge to other comprehensive income	–	–	(4,825)	(4,825)
Exchange adjustments	<u>20,275</u>	<u>(1,908)</u>	<u>(16,121)</u>	<u>2,246</u>
At 31 December 2025	<u>130,271</u>	<u>(9,766)</u>	<u>(85,442)</u>	<u>35,063</u>

No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 December 2023, 2024 and 2025, the Automotive Cable Solutions Business has unused tax losses of HK\$344,993,000, HK\$600,856,000, and HK\$847,386,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of HK\$165,142,000, HK\$338,050,000 and HK\$498,631,000, respectively, due to the unpredictability of future profit streams.

At 31 December 2023, 2024 and 2025, there were no deferred tax liabilities with respect to expected dividend decisions that trigger foreign withholding taxes and for which the dividend payout has not yet occurred. Deferred taxes on outside basis differences were otherwise not recognised because reversal of differences arising, for example, from dividend payments can be managed and no material tax effects are to be expected in the foreseeable future. Outside basis differences amounted to HK\$1,405,806,000, HK\$749,340,000 and HK\$526,996,000 at 31 December 2023, 2024 and 2025, respectively.

18. INVENTORIES

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	742,510	730,812	825,997
Work in progress	257,145	218,272	232,120
Finished goods	<u>544,275</u>	<u>466,789</u>	<u>591,334</u>
	<u>1,543,930</u>	<u>1,415,873</u>	<u>1,649,451</u>

19. TRADE AND OTHER RECEIVABLES/OTHER FINANCIAL ASSETS

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from contracts with customers	1,932,168	1,463,220	1,620,382
Less: Allowances for credit losses	<u>(14,049)</u>	<u>(9,346)</u>	<u>(7,094)</u>
	1,918,119	1,453,874	1,613,288
Value-added tax and other tax recoverable	136,508	55,677	90,835
Other receivables	129,454	138,897	156,425
Advance to suppliers	53,338	26,419	39,542
Prepayments and deposits	<u>45,338</u>	<u>59,575</u>	<u>54,246</u>
Total trade and other receivables	<u><u>2,282,757</u></u>	<u><u>1,734,442</u></u>	<u><u>1,954,336</u></u>

At 1 January 2023, trade receivables from contracts with customers (net of allowances for credit losses) amounted to HK\$1,615,033,000.

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:			
Non-current assets	7,383	26,135	21,537
Current assets	<u>2,275,374</u>	<u>1,708,307</u>	<u>1,932,799</u>
	<u><u>2,282,757</u></u>	<u><u>1,734,442</u></u>	<u><u>1,954,336</u></u>

The following is an ageing analysis of trade receivables (net of allowance of credit losses) presented based on the invoice dates:

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	1,853,246	1,432,380	1,569,104
61 – 90 days	<u>64,873</u>	<u>21,494</u>	<u>44,184</u>
	<u><u>1,918,119</u></u>	<u><u>1,453,874</u></u>	<u><u>1,613,288</u></u>

The Automotive Cable Solutions Business allows a credit term from 30 to 90 days. At 31 December 2023, 2024 and 2025, included in the Automotive Cable Solutions Business' trade receivables balance are debtors with aggregate carrying amount of HK\$84,986,000, HK\$95,712,000, and HK\$40,873,000, respectively, which are past due at the reporting date.

At 31 December 2023, 2024 and 2025, carrying amount of trade receivables amounted to HK\$90,879,000, HK\$70,744,000 and nil, respectively, have been pledged to banks to secure banking facilities granted to the Automotive Cable Solutions Business.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents held by the Automotive Cable Solutions Business are short-term bank deposits with an original maturity of three months or less and carry interest at market rates which was 0%, range from 0% to 1.20% and range from 0% to 1.85% per annum at 31 December 2023, 2024 and 2025, respectively.

21. TRADE AND OTHER PAYABLES

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,832,541	1,841,708	1,009,846
Other payables and accrued charges	51,198	55,259	107,572
Accrued staff costs	106,004	80,290	97,895
Liabilities relating to social security and other obligations	30,712	29,092	26,258
Value-added tax and other tax payables	23,913	11,477	28,667
	<u>2,044,368</u>	<u>2,017,826</u>	<u>1,270,238</u>

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:			
Non-current liabilities	9,123	5,193	9,880
Current liabilities	2,035,245	2,012,633	1,260,358
	<u>2,044,368</u>	<u>2,017,826</u>	<u>1,270,238</u>

The following is an ageing analysis of trade payables presented based on the invoice date:

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	1,591,324	1,819,517	997,162
91 – 180 days	236,535	10,426	6,560
Over 180 days	4,682	11,765	6,124
	<u>1,832,541</u>	<u>1,841,708</u>	<u>1,009,846</u>

The average credit period on purchases of goods of the Automotive Cable Solutions Business is 30 to 90 days.

22. LEASE LIABILITIES

	At 31 December		
	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Total minimum lease payments:			
Within one year	46,727	68,566	70,363
Within a period of more than one year but not exceeding two years	49,147	65,283	50,449
Within a period of more than two years but not exceeding five years	104,703	120,114	97,397
Within a period of more than five years	<u>70,854</u>	<u>69,549</u>	<u>39,380</u>
	271,431	323,512	257,589
Less: total future interest expenses	<u>(31,081)</u>	<u>(56,721)</u>	<u>(29,077)</u>
	<u>240,350</u>	<u>266,791</u>	<u>228,512</u>
Analysed for reporting purposes as:			
Non-current liabilities	196,648	214,379	166,597
Current liabilities	<u>43,702</u>	<u>52,412</u>	<u>61,915</u>
	<u>240,350</u>	<u>266,791</u>	<u>228,512</u>

The weighted average incremental borrowing rates applied to lease liabilities at 6.42% per annum, 6.65% per annum and 5.53% per annum during the years ended 31 December 2023, 2024 and 2025, respectively.

23. BORROWINGS

	At 31 December		
	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Bank loans are repayable:			
Within one year	<u>36,782</u>	<u>28,444</u>	<u>–</u>

At 31 December 2023 and 2024, the weighted average effective interest rate of bank borrowings is 9.5% per annum and 8.5% per annum respectively. Details of pledge of assets are disclosed in note 34.

24. OTHER PROVISIONS

	At 31 December					
	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000			
Analysed for reporting purposes as:						
Non-current liabilities	122,516	114,955	118,263			
Current liabilities	<u>62,909</u>	<u>38,991</u>	<u>96,976</u>			
	<u>185,425</u>	<u>153,946</u>	<u>215,239</u>			
	Restoration provisions HK\$'000	Restructuring related costs HK\$'000	Personnel- related provisions HK\$'000	Provisions for product warranties and product- related costs HK\$'000	Other provisions HK\$'000	Total HK\$'000
COST						
At 1 January 2023	89,456	4,653	21,760	14,230	977	131,076
Addition	3,218	3,642	9,870	14,896	39,304	70,930
Utilisation	-	-	(6,777)	(8,989)	(4,622)	(20,388)
Reversal	-	(1,911)	-	(944)	-	(2,855)
Exchange adjustments	<u>3,973</u>	<u>239</u>	<u>1,016</u>	<u>648</u>	<u>786</u>	<u>6,662</u>
At 31 December 2023	96,647	6,623	25,869	19,841	36,445	185,425
Addition	4,300	737	7,505	4,730	5,840	23,112
Utilisation	(1,246)	(3,603)	(3,275)	(6,429)	(235)	(14,788)
Reversal	(3,516)	-	(3,616)	(7,604)	(14,212)	(28,948)
Exchange adjustments	<u>(6,065)</u>	<u>(323)</u>	<u>(1,648)</u>	<u>(864)</u>	<u>(1,955)</u>	<u>(10,855)</u>
At 31 December 2024	90,120	3,434	24,835	9,674	25,883	153,946
Addition	8,064	47,757	7,217	12,511	11,267	86,816
Utilisation	(1,622)	(756)	(6,573)	(4,139)	(1,309)	(14,399)
Reversal	(16,331)	(2,889)	(883)	(3,290)	(8,050)	(31,443)
Exchange adjustments	<u>10,419</u>	<u>2,956</u>	<u>3,015</u>	<u>904</u>	<u>3,025</u>	<u>20,319</u>
At 31 December 2025	<u>90,650</u>	<u>50,502</u>	<u>27,611</u>	<u>15,660</u>	<u>30,816</u>	<u>215,239</u>

Restoration provisions represent the estimated costs for environmental rehabilitation obligations arising from the relocation of a Group's former production facilities. In accordance with the remediation plan agreed upon with the relevant government authorities, rehabilitation work commenced in 2025 and is projected for completion by 2027.

Restructuring provisions comprise costs associated with the closure of manufacturing facilities, primarily encompassing employee severance payments and other directly attributable expenditures arising from shutdown of business operation of the Automotive Cable Solutions Business in Halver. The provisions are expected to be utilised within the next financial year.

Personnel-related provisions consist of long-term obligations for service anniversary bonuses and partial/semi-retirement schemes mandated under German labor regulations. Anniversary bonuses provision is measured based on the demographic structure and service profiles of the current workforce. Settlements are anticipated to occur over the next nineteen years as employees reach specified service milestones. Partial/semi-retirement obligations related to these schemes are expected to be settled over a five-year period.

Other provisions primarily include indirect transfer tax liabilities related to properties located in Germany, which were triggered by the change of ultimate parent company. The provisions are expected to be settled within the next financial year.

25. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies relate to cash pooling arrangement with LEONI AG and its subsidiaries which are non-trade related, unsecured, interest bearing at an internally agreed interest rate and repayable at maturity.

26. LOAN FROM A RELATED COMPANY

	At 31 December		
	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Intermediate holding company	—	—	1,961,537
	<u>—</u>	<u>—</u>	<u>1,961,537</u>
The carrying amounts of the loan are repayable:			
Within one year	—	—	78,337
Within a period of more than one year but not exceeding two years	—	—	—
Within a period of more than two years but not exceeding five years	—	—	1,883,200
	<u>—</u>	<u>—</u>	<u>1,961,537</u>
Analysed for reporting purposes as:			
Non-current liabilities	—	—	1,883,200
Current liabilities	—	—	78,337
	<u>—</u>	<u>—</u>	<u>1,961,537</u>

At 31 December 2025, long-term shareholder loan amounted to EUR207 million (equivalents to HK\$1,883,200,000) which maturing in the years 2029 and 2030. Besides, the Automotive Cable Solutions Business was granted two further, revolving lines of credit (“Facility A” and “Facility B”) amounting EUR80 million and EUR110 million, respectively, both maturing mid-2030 and of which United States Dollar (“USD”) 10 million (equivalents to HK\$78,337,000) was drawn from Facility A. The shareholder loans carry a fixed interest rate of 3.5%, or 4.5% per annum.

27. PENSION PROVISIONS

The Automotive Cable Solutions Business sponsors a funded defined benefit plan for qualifying employees of its subsidiaries in various countries. The total obligation under the pension plan in Germany accounted for 96.8%, 93.8% and 92.1% of the Automotive Cable Solutions Business for the years ended 31 December 2023, 2024 and 2025, respectively. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund

is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. There were no statutory minimum funding obligations in Germany.

The defined benefit plan requires contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plan.

Deferred compensation payments were made mostly to a third-party Contractual Trust Arrangement (CTA) to minimise the risk of employee-financed pension schemes failing to pay out. Once a year, the trustee agrees reinsurance policies on the life of the respective employees in the amount of these deferrals. Furthermore, the plan assets stemming from reinsurance policies that already existed in the past were also largely converted to this model. The trust assets and the values of the insurance policies are in the economic ownership of the respective company and are therefore deemed to be qualified plan assets.

Other countries

In Mexico and Turkey there are pension-like defined benefit schemes, above all for transition payments after entering retirement, which were presented as defined benefit plans pursuant to IAS 19 and which were of only minor significance to the Automotive Cable Solutions Business.

The plans expose the Automotive Cable Solutions Business to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The overview below shows the principal assumptions used for the purpose of the actuarial valuation to calculate the defined benefit obligation for the major pension plan in Germany:

	2023	2024	2025
Discount rates	3.3%	3.4%	4.1%
Long-term rate of wage and salary increase	2.5%	2.5%	2.5%
Rate of compensation increases	2.0%	2.0%	2.0%

The assumptions made for calculating net periodic pension costs are shown in the table below:

	2023	2024	2025
Discount rates	3.8%	3.3%	3.4%
Long-term rate of wage and salary increase	2.5%	2.5%	2.5%
Rate of compensation increases	2.0%	2.0%	2.0%

The assumed mortality is based on published statistics and historical data. In Germany, the underlying mortality rates are computed based on the 'Heubeck-Richttafeln 2018 G' and thus considering generation tables.

The defined benefit plan income or expense recognised in comprehensive income comprises the amounts contained in consolidated net income and in other comprehensive income:

	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Service cost	1,341	2,074	1,328
Net interest expense recognised in profit or loss	<u>2,598</u>	<u>3,385</u>	<u>2,612</u>
Components of defined benefit costs recognised in profit or loss	<u>3,939</u>	<u>5,459</u>	<u>3,940</u>
Measurement of the net defined benefit obligations:			
– Actuarial losses due to the change in demographic assumptions	–	–	181
– Actuarial losses (gains) arising from changes in financial estimates	6,615	126	(8,114)
– Actuarial losses (gains) arising from changes in experience adjustments	730	899	(3,397)
– Return on plan assets (excluded interest income based on discount rate)	<u>1,792</u>	<u>420</u>	<u>379</u>
Components of defined benefit expense (income) recognised in other comprehensive income	<u>9,137</u>	<u>1,445</u>	<u>(10,951)</u>
Total	<u><u>13,076</u></u>	<u><u>6,904</u></u>	<u><u>(7,011)</u></u>

The trend in net pension obligations, which is comprised of the change in the defined benefit obligation and the change in the fair value of plan assets is as follows:

	Germany <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
2023			
Change in defined benefit obligations			
At 1 January	119,844	3,440	123,284
Service cost	543	798	1,341
Interest cost	4,585	–	4,585
Actuarial losses (gains)	7,413	(68)	7,345
Contributions by plan participants	2,811	–	2,811
Exchange adjustments	5,468	559	6,027
Benefits paid	<u>(4,280)</u>	<u>(272)</u>	<u>(4,552)</u>
At 31 December	<u>136,384</u>	<u>4,457</u>	<u>140,841</u>
Change in plan assets			
At 1 January	52,235	–	52,235
Interest income	1,987	–	1,987
Return on plan assets (excluded interest income based on discount rate)	(1,792)	–	(1,792)
Contributions by the employer	272	–	272
Contributions by plan participants	2,811	–	2,811
Exchange adjustments	2,346	–	2,346
Benefits paid	<u>(170)</u>	<u>–</u>	<u>(170)</u>
At 31 December	<u>57,689</u>	<u>–</u>	<u>57,689</u>
Net liability due to defined benefit plans	<u><u>78,695</u></u>	<u><u>4,457</u></u>	<u><u>83,152</u></u>
	Germany <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
2024			
Change in defined benefit obligations			
At 1 January	136,384	4,457	140,841
Service cost	764	1,310	2,074
Interest cost	4,292	874	5,166
Actuarial (gains) losses	(1,470)	2,495	1,025
Contributions by plan participants	2,772	–	2,772
Exchange adjustments	(8,637)	(1,504)	(10,141)
Reclassification of personnel provisions	–	3,612	3,612
Benefits paid	<u>(4,662)</u>	<u>(2,646)</u>	<u>(7,308)</u>
At 31 December	<u>129,443</u>	<u>8,598</u>	<u>138,041</u>

	Germany <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Change in plan assets			
At 1 January	57,689	–	57,689
Interest income	1,781	–	1,781
Return on plan assets (excluded interest income based on discount rate)	(420)	–	(420)
Contributions by the employer	294	–	294
Contributions by plan participants	2,772	–	2,772
Exchange adjustments	(3,726)	–	(3,726)
Benefits paid	(1,840)	–	(1,840)
	<u>56,550</u>	<u>–</u>	<u>56,550</u>
At 31 December	<u>56,550</u>	<u>–</u>	<u>56,550</u>
Net liability due to defined benefit plans	<u>72,893</u>	<u>8,598</u>	<u>81,491</u>
	Germany <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
2025			
Change in defined benefit obligations			
At 1 January	129,443	8,598	138,041
Service cost	224	1,104	1,328
Interest cost	4,630	–	4,630
Actuarial (gains) losses	(11,951)	621	(11,330)
Contributions by plan participants	2,923	–	2,923
Exchange adjustments	15,596	2,383	17,979
Accrual from LEONI AG related to carve-out	3,259	–	3,259
Benefits paid	(2,432)	(552)	(2,984)
	<u>141,692</u>	<u>12,154</u>	<u>153,846</u>
At 31 December	<u>141,692</u>	<u>12,154</u>	<u>153,846</u>
Change in plan assets			
At 1 January	56,550	–	56,550
Interest income	2,018	–	2,018
Return on plan assets (excluded interest income based on discount rate)	(379)	–	(379)
Contributions by the employer	293	–	293
Contributions by plan participants	2,923	–	2,923
Exchange adjustments	7,232	–	7,232
Accrual from LEONI AG related to carve-out	1,975	–	1,975
Benefits paid	(977)	–	(977)
	<u>69,635</u>	<u>–</u>	<u>69,635</u>
At 31 December	<u>69,635</u>	<u>–</u>	<u>69,635</u>
Net liability due to defined benefit plans	<u>72,057</u>	<u>12,154</u>	<u>84,211</u>

The defined benefit obligation at the end of the financial year broke down into HK\$102,067,000, HK\$98,301,000 and HK\$113,582,000 in funded obligations and HK\$38,774,000, HK\$39,740,000 and HK\$40,264,000 in unfunded obligations at 31 December 2023, 2024 and 2025, respectively.

A breakdown of the obligations into the categories of existing and past employees as well as non-vested and vested benefits is provided in the overview below:

	Germany <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
2023			
Current employees with non-vested benefits	68,964	–	68,964
Current employees with vested benefits	–	4,457	4,457
Former employees with non-vested benefits	32,938	–	32,938
Pensioners	34,482	–	34,482
	<u>136,384</u>	<u>4,457</u>	<u>140,841</u>
Defined benefit obligations at the end of the fiscal year	<u>136,384</u>	<u>4,457</u>	<u>140,841</u>
2024			
Current employees with non-vested benefits	64,291	–	64,291
Current employees with vested benefits	–	8,598	8,598
Former employees with non-vested benefits	35,343	–	35,343
Pensioners	29,809	–	29,809
	<u>129,443</u>	<u>8,598</u>	<u>138,041</u>
Defined benefit obligations at the end of the fiscal year	<u>129,443</u>	<u>8,598</u>	<u>138,041</u>
2025			
Current employees with non-vested benefits	71,010	–	71,010
Current employees with vested benefits	–	12,154	12,154
Former employees with non-vested benefits	34,557	–	34,557
Pensioners	36,125	–	36,125
	<u>141,692</u>	<u>12,154</u>	<u>153,846</u>
Defined benefit obligations at the end of the fiscal year	<u>141,692</u>	<u>12,154</u>	<u>153,846</u>

The assumptions for interest rates, rates of compensation increase and the expected return on plan assets on which the calculation for defined benefit obligations is based were established for each country as a function of their respective economic conditions. The discount rate was determined on the basis of top-tier, fixed-income corporate bonds. This involved referencing bonds that on the reporting date had maturities in line with the pension obligations and are quoted in the corresponding currency. AA-rated bonds were used as the basis for data to determine the discount rates.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, rate of pension progression and mortality. The sensitivity analysis of the defined benefit obligation for the obligations in Germany below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Discount rate plus 1%	(13,017)	(11,781)	(12,157)
Discount rate minus 1%	15,516	13,989	14,307
Rate of compensation plus 0.5%	1,404	1,333	1,459
Rate of compensation minus 0.5%	(1,308)	(1,241)	(1,359)
Life expectancy plus 1 year	1,808	1,716	1,878

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the benefit obligations was 11 years, 10 years and 9 years in Germany at 31 December 2023, 2024 and 2025, respectively.

The contributions expected to be made by the Automotive Cable Solutions Business to defined benefit plan during the following 12 months will be amounted to HK\$272,000, HK\$294,000 and HK\$293,000 at 31 December 2023, 2024 and 2025, respectively.

28. SHARE CAPITAL AND RESERVES

In the periods presented, the Automotive Cable Solutions Business was not a group that was required to prepare consolidated financial statements in line with IFRS 10. The equity of Group is therefore presented as a net investment of LEONI AG including the retained earnings. Other comprehensive income is presented separately and includes the cumulative changes for currency translation differences, actuarial gains and losses as well as cash flow hedges.

29. CAPITAL RISK MANAGEMENT

The Automotive Cable Solutions Business manages its capital to ensure that entities in the Automotive Cable Solutions Business will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Automotive Cable Solutions Business' overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Automotive Cable Solutions Business consists of net debt, which includes the borrowings, amounts due to related companies, loan from a related company and lease liabilities, net of cash and cash equivalents and equity of the Automotive Cable Solutions Business, comprising issued share capital, retained earnings and other reserves.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December		
	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
Financial assets			
At amortised cost	<u>2,346,459</u>	<u>1,734,824</u>	<u>2,692,313</u>
Financial liabilities			
At amortised cost	<u>3,076,323</u>	<u>2,164,696</u>	<u>3,036,767</u>

(b) Financial risk management objectives and policies

The major financial instruments include trade and other receivables, other financial assets, cash and cash equivalents, trade and other payables, lease liabilities, borrowings, amounts due to related companies and loan from a related company. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Currency risk

Certain group entities have sales denominated in foreign currency, other than the functional currency of respective entities, which expose the Automotive Cable Solutions Business to market risk arising from changes in foreign exchange rates. In addition, the Automotive Cable Solution Business has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Automotive Cable Solution Business to foreign currency risk.

Although the Automotive Cable Solutions Business conducts business mainly in EUR or in the local currency of the respective country, the Automotive Cable Solutions Business is also exposed to currency risks due to the globalisation of the markets.

These risks are determined quarterly broken down by currency for the respective next 18 months, and corresponding currency hedging transactions might be signed. Such hedging transactions are signed 'over the counter' in line with the existing underlying transactions.

Selection of the hedging instrument to be used is based on regular, in-depth analysis of the underlying transaction to be hedged. Principally, the hedging transactions are in Mexican peso ("MXN"), USD, Polish zloty ("PLN"), Chinese Renminbi ("RMB") as well as Hungarian Forint ("HUF"). The objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, we primarily take advantage of the option of netting foreign currency items within the Automotive Cable Solutions Business to hedge our operating business activity. As a further currency-hedging measure, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency.

The Automotive Cable Solutions Business as a whole had currency-hedging transactions amounting to HK\$403,271,000, HK\$546,934,000 and HK\$711,196,000 at 31 December 2023, 2024 and 2025, respectively, and maturing within 15 months. The total fair value of forward exchange transactions existing at the end of each year presented was net assets of HK\$19,261,000 (included in other receivables of HK\$22,479,000 and other payables of

HK\$3,217,000), net liabilities of HK\$25,501,000 (included in other receivables of HK\$1,568,000 and other payables of HK\$27,070,000), and net assets of HK\$19,969,000 (included in other receivables of HK\$19,984,000 and other payables of HK\$15,000) at 31 December 2023, 2024 and 2025, respectively. The cash flows from the underlying transactions are mostly expected during the 2024 to 2026 financial year. The changes in fair value recognised in other comprehensive income are reclassified to the income statement in relation to the earnings effect of the underlying transaction.

There is an economic relationship between the hedged items and the hedging instruments because the terms of the forward exchange contracts match the future transactions that will occur with high probability (this is the case with the nominal amount, currency and probable payment date). The underlying risk of the forward exchange contracts is identical to the hedged risk components. The Automotive Cable Solutions Business has therefore stipulated a 1 to 1 hedge ratio for its hedging relationships.

The Automotive Cable Solutions Business' monetary assets and liabilities denominated in foreign currency at the end of each reporting period and the carrying amounts are as follows:

	At 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
RMB	–	–	401
USD	18,802	26,550	133,696
MXN	–	–	10,896
PLN	–	98	565
HUF	243	317	474
TRY	859	496	219
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
RMB	–	–	9
USD	1,353	3,421	80,602
HUF	1,969	1,910	1,313
TRY	2,073	3,495	3,009
	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The following table details the Automotive Cable Solutions Business' sensitivity to a 10% increase and decrease in the foreign currencies against EUR. 10% 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 years end for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax loss or decrease in post-tax profit for the year where foreign currencies strengthen 10% against EUR. For a 10% weakening of foreign currencies against EUR, there would be an opposite impact on the post-tax profit or loss for the year.

	Year ended 31 December		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Impact on profit or loss			
– RMB	–	–	(28)
– USD	(1,237)	(1,640)	(3,764)
– MXN	–	–	(773)
– PLN	–	(7)	(40)
– HUF	122	113	59

	Year ended 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
- TRY	86	213	198

The sensitivity rates used represents management's assessment of the reasonably possible change in foreign exchange rates. In management's opinion, the sensitivity analysis on derivatives that are designated as hedging instruments and inter-group balance is unrepresentative because the Automotive Cable Solution Business's net exposure to currency risk arising from the hedging relationship and inter-group balance is insignificant.

Interest rate risk

The management of the Automotive Cable Solutions Business closely monitors interest rate movement and manages the potential risk. The Automotive Cable Solutions Business currently does not have an interest rate hedging policy. However, the management of the Automotive Cable Solutions Business monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

No sensitivity analysis is presented as the management of the Automotive Cable Solutions Business determines that the impact from changes in interest rates is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Automotive Cable Solutions Business' counterparties default on their contractual obligations resulting in financial losses to the Automotive Cable Solutions Business. The Automotive Cable Solutions Business' credit risk exposure are primarily attributable trade receivables, other receivables, deposits and bank balances. The Automotive Cable Solutions Business does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

The Automotive Cable Solutions Business has concentration of credit risk on certain individual customers at 31 December 2023, 2024 and 2025.

For the Automotive Cable Solutions Business, the two largest trade receivable balances at 31 December 2023, 2024 and 2025, accounted for HK\$625,564,000, HK\$518,648,000 and HK\$588,536,000, respectively, and 33%, 36% and 36%, respectively, of the trade receivables and the largest trade receivable balance was HK\$582,595,000, HK\$363,531,000 and HK\$432,414,000, respectively, and 30%, 25% and 27%, respectively, of the Automotive Cable Solutions Business' total trade receivables at 31 December 2023, 2024 and 2025, respectively.

In order to minimise the credit risk of those receivables, the management of the Automotive Cable Solutions Business closely monitors the recoverability of the amount due. In this regard, the management of the Automotive Cable Solutions Business considers that the Automotive Cable Solutions Business' credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Automotive Cable Solutions Business has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Automotive Cable Solutions Business has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. In addition, the Automotive Cable Solutions Business performs impairment assessment under ECL model on trade receivables individually.

Other receivables and deposits

The Automotive Cable Solutions Business has taken into account the economic outlook of the industries in which the counterparties operate, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on deposits and other receivables are assessed based on 12m ECL and are considered to be insignificant.

Bank balances

As of 31 December 2023, 2024 and 2025, the Automotive Cable Solutions Business performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the ECL is insignificant.

The Automotive Cable Solutions Business' internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Others
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Average risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Above-average risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
High risk	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Exposure at default	There is evidence indicating that the debtor is in severe financial difficulty and the Automotive Cable Solutions Business have no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below details the credit risk exposures of the Automotive Cable Solutions Business' financial assets:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
				At 31 December		
				2023	2024	2025
				HK\$'000	HK\$'000	HK\$'000
Trade receivables – contracts with customers	19	Low risk	Lifetime ECL	1,314,001	776,912	1,280,020
		Average risk	Lifetime ECL	29,833	36,278	11,461
		Above-average risk	Lifetime ECL	588,334	650,030	328,901
		risk	Lifetime ECL			

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
				At 31 December		
				2023	2024	2025
				HK\$'000	HK\$'000	HK\$'000
Other receivables and deposits	19	Low risk	12m ECL	144,284	174,271	168,253
Bank balances	20	N/A	12m ECL	<u>284,056</u>	<u>106,679</u>	<u>910,772</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL (not credit-impaired) that has been recognised for trade receivables for the Automotive Cable Solutions Business using internal credit rating:

	HK\$'000
At 1 January 2023	17,949
Impairment loss under ECL reversed, net	(4,543)
Exchange adjustments	<u>643</u>
At 31 December 2023	14,049
Impairment loss under ECL reversed, net	(4,275)
Exchange adjustments	<u>(428)</u>
At 31 December 2024	9,346
Impairment loss under ECL reversed, net	(3,225)
Exchange adjustments	<u>973</u>
At 31 December 2025	<u><u>7,094</u></u>

Liquidity risk

In the management of the liquidity risk, the Automotive Cable Solutions Business monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Automotive Cable Solutions Business to finance the Automotive Cable Solutions Business' operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Automotive Cable Solutions Business' remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Automotive Cable Solutions Business can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of each reporting period.

	Weighted average contractual interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Undiscounted cash flows	Carrying amount
<u>At 31 December 2023</u>							
Trade and other payables	-	1,856,451	-	-	-	1,856,451	1,856,451

	Weighted average contractual interest rate %	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Borrowings	9.50	36,782	-	-	-	36,782	36,782
Amounts due to related companies	6.85	1,183,090	-	-	-	1,183,090	1,183,090
		<u>3,076,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,076,323</u>	<u>3,076,323</u>
Lease liabilities	6.42	<u>46,727</u>	<u>49,147</u>	<u>104,703</u>	<u>70,854</u>	<u>271,431</u>	<u>240,350</u>
<u>At 31 December 2024</u>							
Trade and other payables	-	1,870,949	-	-	-	1,870,949	1,870,949
Borrowings	8.50	28,444	-	-	-	28,444	28,444
Amounts due to related companies	6.85	265,303	-	-	-	265,303	265,303
		<u>2,164,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,164,696</u>	<u>2,164,696</u>
Lease liabilities	6.65	<u>68,566</u>	<u>65,283</u>	<u>120,114</u>	<u>69,549</u>	<u>323,512</u>	<u>266,791</u>
<u>At 31 December 2025</u>							
Trade and other payables	-	1,075,230	-	-	-	1,075,230	1,075,230
Loan from a related company	3.54	145,158	66,821	2,008,066	-	2,220,045	1,961,537
		<u>1,220,388</u>	<u>66,821</u>	<u>2,008,066</u>	<u>-</u>	<u>3,295,275</u>	<u>3,036,767</u>
Lease liabilities	5.53	<u>70,363</u>	<u>50,449</u>	<u>97,397</u>	<u>39,380</u>	<u>257,589</u>	<u>228,512</u>

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Automotive Cable Solutions Business considers that the carrying amounts of financial assets and financial liabilities recognised in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK\$'000	Borrowings HK\$'000	Interest payables HK\$'000	Amounts due to related companies HK\$'000	Loan from a related company HK\$'000
At 1 January 2023	231,882	717,074	-	867,247	-
Financing cash flows (Note (i))	(51,541)	(696,306)	(392,013)	272,181	-
Other changes (Note (ii))	60,009	16,014	392,013	43,662	-

	Lease liabilities HK\$'000	Borrowings HK\$'000	Interest payables HK\$'000	Amounts due to related companies HK\$'000	Loan from a related company HK\$'000
At 31 December 2023	240,350	36,782	–	1,183,090	–
Financing cash flows (Note (i))	(53,924)	(6,226)	(156,037)	(871,671)	–
Other changes (Note (ii))	80,365	(2,112)	156,037	(46,116)	–
At 31 December 2024	266,791	28,444	–	265,303	–
Financing cash flows (Note (i))	(58,379)	(30,178)	(153,522)	(281,479)	1,864,928
Other changes (Note (ii))	20,100	1,734	153,522	16,176	96,609
At 31 December 2025	228,512	–	–	–	1,961,537

Notes:

- (i) Financing cash flows comprise the effect of net amount of new financial liabilities raised and repayment of financial liabilities, amount of repayment of lease liabilities and interest paid.
- (ii) Other changes include the effect of foreign exchange changes, interest expenses and addition/modification/termination of lease liabilities.

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Automotive Cable Solutions Business entered into the following transactions and balances with related companies:

Relationship	Nature of balances/transactions	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
Fellow subsidiaries	Revenue	2,328,462	2,060,218	2,296,576
	Other operating income from administrative services provided	16,622	9,285	4,485
	Administrative services obtained	307,765	152,120	151,034
	Interest income	5,773	23,688	10,518
	Finance costs	147,652	128,866	59,032
	Amounts due from fellow subsidiaries (included in trade and other receivables)	582,595	363,531	534,069
	Amounts due to fellow subsidiaries (included in trade and other payables)	52	19,618	4,960
	Amounts due to related companies	1,183,090	265,303	–
Holding company	Finance costs	–	–	30,972
	Loan from a related company	–	–	1,961,537

Note: At 31 December 2023 and 2024, the Automotive Cable Solutions Business' assets are also pledged to banks to secure the banking facilities of LEONI AG Group, in addition to those of the Automotive Cable Solutions Business.

Management compensation

The compensation for management in the key positions within the Automotive Cable Solutions Business corresponds to that for the senior management amounted to HK\$7,540,000, HK\$11,482,000 and HK\$11,330,000 for the years ended 31 December 2023, 2024 and 2025, respectively. The short-term benefits included, along with the fixed compensation, a variable component of HK\$2,106,000, HK\$6,107,000 and HK\$6,398,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

The remuneration of key management is determined by the Automotive Cable Solutions Business having regard to the performance of individuals and market trends.

Members of the supervisory board did not receive any benefits other than expense allowance.

Compensation for former executives

For the years ended 31 December 2023, 2024 and 2025, the compensation for former executives and their surviving dependants amounted to HK\$365,000, HK\$378,000 and HK\$414,000, respectively. Provision for pension obligations amounting to HK\$12,907,000, HK\$12,969,000 and HK\$12,158,000, respectively, was made for this purpose.

All other presented transactions are completed on standard market terms.

33. PARTICULARS OF SUBSIDIARIES OF LEONI KABEL

Name of entity	Place of operation/ establishment	Issued and fully paid share capital/registered capital at 31 December			Shareholding/equity interest attributable as at 31 December			Principal activities	Notes
		2023 '000	2024 '000	2025 '000	2023	2024	2025		
Leonische Holding, Inc.	USA	US\$0.02	US\$0.02	US\$0.02	100%	100%	100%	Investment holding	(1)
LEONI Cable, Inc.	USA	US\$0.03	US\$0.03	US\$0.03	100%	100%	100%	Sales and distribution automotive cables	(1)
LEONI Cable S.A. de C.V.	Mexico	MXN34,960	MXN34,960	MXN34,960	100%	100%	100%	Production of automotive cables	(2)
LEONI Cable de Chihuahua S.A. de C.V.	Mexico	MXN50	MXN50	MXN50	100%	100%	100%	Sales and distribution automotive cables	(2)
LEONI Cable Assemblies GmbH	Germany	EUR30	EUR30	EUR30	100%	100%	100%	Investment holding	(4)
LEONI High Temp Solutions GmbH	Germany	EUR2,525	EUR2,525	EUR2,525	100%	100%	100%	Production of specialised high-temperature cables	(3)
LEONI Slovakia spol. s.r.o.	Slovakia	EUR9,904	EUR9,904	EUR9,904	100%	100%	100%	Production and sales of automotive cables	(5)
LKH LEONI Kábelgyár Hungária Kft.	Hungary	EUR1,010	EUR1,010	EUR1,010	100%	100%	100%	Production and sales of automotive cables	(6)

Name of entity	Place of operation/ establishment	Issued and fully paid share capital/registered capital at 31 December			Shareholding/equity interest attributable as at 31 December			Principal activities	Notes
		2023	2024	2025	2023	2024	2025		
		'000	'000	'000					
LEONI Kabel Polska sp. z o.o.	Poland	PLN45,000	PLN45,000	PLN45,000	100%	100%	100%	Production and sales of automotive cables	(7)
Leoni Kablo ve Teknolojileri Sanayi ve Ticaret Ltd. Şirketi	Turkey	TRY714	TRY714	TRY714	100%	100%	100%	Production and sales of automotive cables	(8)
LEONI Cable Solutions RO S.R.L.	Romania	N/A	N/A	RON245	N/A	N/A	100%	Provision of internal information technology services	(9)
LEONI Cable Solutions Morocco S.A.S.U.	Morocco	N/A	N/A	EUR50	N/A	N/A	100%	Inactive	(10)
LEONI Cable (China) Co., Ltd. * 萊尼電氣線纜(中國)有限公司	The PRC	US\$36,324	US\$36,324	US\$36,324	100%	100%	100%	Production and sales of automotive cables	(11)

* English translated name for identification purpose only. This company is a wholly-owned foreign enterprise in the PRC.

Notes:

- (1) No statutory audited financial statements of Leonische Holding, Inc. and LEONI Cable, Inc. have been prepared since its date of incorporation as the companies are exempted to prepare statutory audited financial statements under relevant rules and regulations in their jurisdictions.
- (2) The statutory financial statements of LEONI Cable S.A. de C.V. and LEONI Cable de Chihuahua S.A. de C.V. for the years ended 31 December 2023 and 2024 were prepared in accordance with Mexican Financial Reporting Standards issued by the Mexican Board for the Research and Development of Financial and Sustainability Reporting Standards and were audited by Galaz, Yamazaki, Ruiz Urquiza, S. C., certified public accountants registered in Mexico in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The statutory financial statements of the companies for the year ended 31 December 2025 were prepared in accordance with Mexican Financial Reporting Standards issued by the Mexican Board for the Research and Development of Financial and Sustainability Reporting Standards and were audited by Castillo Miranda y Compañía, S.C., certified public accountants registered in Mexico in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.
- (3) The statutory financial statements of LEONI High Temp Solutions GmbH for the years ended 31 December 2023 and 2024 were prepared in accordance with IFRS Accounting Standards as adopted by the European Union and were audited by Deloitte GmbH, certified public accountants registered in Germany in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The statutory financial statements of the company for the year ended 31 December 2025 was prepared in accordance with IFRS Accounting Standards as adopted by the European Union and was audited by BDO AG Wirtschaftsprüfungsgesellschaft, certified public accountants registered in Germany in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

- (4) No statutory audited financial statements of LEONI Cable Assemblies GmbH have been prepared since its date of incorporation as the company is a small scale company and is exempted to prepare statutory audited financial statements.
- (5) The statutory financial statements of LEONI Slovakia spol. s.r.o. for the years ended 31 December 2023 and 2024 were prepared in accordance with IFRS Accounting Standards as adopted by the European Union and were audited by Deloitte Audit s.r.o., certified public accountants registered in Slovak Republic in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The statutory financial statements of the company for the year ended 31 December 2025 was prepared in accordance with IFRS Accounting Standards as adopted by the European Union and was audited by BDO Audit, spol. s r.o. certified public accountants registered in Slovak Republic in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.
- (6) The statutory financial statements of LKH LEONI Kábelgyár Hungária Kft. for the years ended 31 December 2023 and 2024 were prepared in accordance with Act C of 2000 on Accounting effective in Hungary and were audited by Deloitte Auditing and Consulting Ltd., certified public accountants registered in Hungary in accordance with Hungarian National Standards on Auditing issued by The Chamber of Hungarian Auditors. The statutory financial statements of the company for the year ended 31 December 2025 was prepared in accordance with Act C of 2000 on Accounting effective in Hungary and was audited by BDO Magyarország Könyvvizsgáló Kft., certified public accountants registered in Hungary in accordance with Hungarian National Standards on Auditing issued by The Chamber of Hungarian Auditor.
- (7) The statutory financial statements of LEONI Kabel Polska sp. z o.o. for the years ended 31 December 2023 and 2024 were prepared in accordance with Accounting Act of 29 September 1994 and were audited by Deloitte Assurance Polska, certified public accountants registered in Poland in accordance with National Standards on Auditing issued by the National Council of Statutory Auditors and the Board of the Polish Audit Supervision Agency. The statutory financial statements of the company for the year ended 31 December 2025 was prepared in accordance with Accounting Act of 29 September 1994 and was audited by BDO spółka z ograniczoną odpowiedzialnością sp.k., certified public accountants registered in Poland in accordance with National Standards on Auditing issued by the National Council of Statutory Auditors and the Board of the Polish Audit Supervision Agency.
- (8) The statutory financial statements of Leoni Kablo ve Teknolojileri Sanayi ve Ticaret Ltd. Şirketi for the years ended 31 December 2023 and 2024 were prepared in accordance with Financial Reporting Standards for Large and Medium sized Entities and were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., certified public accountants registered in Turkey in accordance with the Standards on Independent Auditing which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority. The statutory financial statements of the company for the year ended 31 December 2025 was prepared in accordance with Financial Reporting Standards for Large and Medium sized Entities and was audited by BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş., certified public accountants registered in Turkey in accordance with Standards on Independent Auditing which is part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority.
- (9) No statutory audited financial statements of LEONI Cable Solutions RO S.R.L., was incorporated on 16 May 2025, have been prepared since its date of incorporation as the company is a small scale company and is exempted to prepare statutory audited financial statements under Order of the Minister of Public Finance (OMFP) no. 1802/2014.
- (10) No statutory audited financial statements of LEONI Cable Solutions Morocco S.A.S.U., was incorporated on 3 November 2025, have been prepared since its date of incorporation as the company is a small scale company and is exempted to prepare statutory audited financial statements under Law No. 5-96 on Limited Liability Companies (sociétés à responsabilité limitée or SARL).

- (11) The statutory financial statements of LEONI Cable (China) Co., Ltd. for the years ended 31 December 2023 and 2024 were prepared in accordance with China Accounting Standard for Business Enterprises and were audited by Changzhou JinZheng XingYe Certified Public Accountants, certified public accountants registered in the PRC in accordance with the Auditing Standards for Certified Public Accountants in China issued by Chinese Institute of Certified Public Accountants. The statutory financial statements of the company for the year ended 31 December 2025 was prepared in accordance with China Accounting Standard for Business Enterprises and was audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the PRC in accordance with the Auditing Standards for Certified Public Accountants in China issued by China Institute of Certified Public Accountants.

All subsidiaries have a financial year end of 31 December. None of the subsidiaries had issued any debt securities during the Relevant Periods.

34. PLEDGE OF ASSETS

At 31 December 2023, 2024 and 2025, certain assets of the Automotive Cable Solutions Business were pledged to banks to secure banking facilities granted to the Automotive Cable Solutions Business. The carrying values of these assets at the end of the reporting period were as follows:

	At 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	2,438,655	1,900,558	–
Bank balances	32,175	22,479	36,472
Trade receivables	90,879	70,744	–
Inventories	91,729	67,191	–
Other financial assets	9,444	5,941	–
	<u>2,662,882</u>	<u>2,066,913</u>	<u>36,472</u>

35. COMMITMENTS

- (a) The Automotive Cable Solutions Business had the following capital commitments at the end of the reporting period:

	At 31 December		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for:			
– Property, plant and equipment	<u>15,335</u>	<u>16,925</u>	<u>14,287</u>

- (b) Operating lease commitments

The Automotive Cable Solutions Business leased certain properties under operating lease arrangements. Leases for properties were with terms of 12 months or less. At 31 December 2023, 2024 and 2025, the Automotive Cable Solutions Business had total future minimum lease payments under non-cancellable operating leases in relation to these lease arrangements is HK\$31,001,000, HK\$1,504,000 and HK\$3,044,000, respectively.

(c) Litigation, claims and contingent liabilities

Several subsidiaries of the Automotive Cable Solutions Business are involved in various legal proceedings and potential claims. Based on legal assessments, the Automotive Cable Solutions Business considers the risk of a material outflow of economic benefits to be remote. Accordingly, no provision has been made in respect of these matters.

In January 2022, searches were also conducted at facilities of the Automotive Cable Solutions Business as part of investigations by the German Federal Cartel Office (Bundeskartellamt) against various cable manufacturers and other sector-related companies. The reason for these investigations is the suspicion that cable manufacturers colluded on computing customary metal surcharges in Germany. The Automotive Cable Solutions Business continues to cooperate with the authorities and is looking into the allegations as well as the findings from review of the investigation files.

As the German Federal Cartel Office proceedings are still at the investigative stage, and the management of the Automotive Cable Solutions Business consider that the amount of obligation cannot be measured reliably. Accordingly, no provision for liability has been made in connection with this claim.

Other than the above, there have not been any and there are currently no pending lawsuits or court proceedings that have any major impact on the Automotive Cable Solutions Business' business.

36. SUBSEQUENT EVENTS

No significant activities or events have taken place subsequent to 31 December 2025 that have a material impact on the Automotive Cable Solutions Business.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Automotive Cable Solutions Business, LEONI Kabel or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Relevant Periods.