

APPENDIX I

ACCOUNTANTS’ REPORT

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

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XIAMEN HITHIUM ENERGY STORAGE TECHNOLOGY CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CITIC SECURITIES (HONG KONG) LIMITED, ABCI CAPITAL LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Xiamen Hithium Energy Storage Technology Co., Ltd.* (厦门海辰储能科技股份有限公司) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-[●], which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024 and June 30, 2025, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024 and June 30, 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2024 and the six months ended June 30, 2025 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (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.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

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 set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at December 31, 2022, 2023 and 2024 and June 30, 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2024 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has

APPENDIX I

ACCOUNTANTS’ REPORT

come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

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

Adjustments

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

Dividends

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

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[●]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue	5	3,614,889	10,201,828	12,916,757	2,147,566	6,971,212
Cost of sales		(3,204,600)	(8,963,982)	(10,608,197)	(2,069,475)	(6,054,873)
Gross profit		410,289	1,237,846	2,308,560	78,091	916,339
Other income	6	23,789	243,094	502,869	163,461	407,709
Other gains and losses	9	(1,291,450)	(1,718,250)	21,022	15,666	3,335
Selling and marketing expenses		(70,343)	(240,363)	(303,222)	(142,414)	(190,021)
Administrative expenses . . .		(653,213)	(710,315)	(789,826)	(327,842)	(489,095)
Research and development expenses	10	(197,367)	(484,915)	(530,038)	(265,622)	(271,400)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	7	517	(171,242)	(532,314)	(89,017)	(28,907)
[REDACTED]	10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of associates		1,898	(3,248)	(20,207)	(5,769)	765
Finance costs	8	(64,733)	(206,444)	(335,740)	(165,242)	(188,971)
(Loss) profit before tax . . .	10	(1,840,613)	(2,053,837)	314,342	(738,688)	152,083
Income tax credit (expense) .	11	63,754	78,838	(26,699)	130,514	60,684
(Loss) profit for the year/period		<u>(1,776,859)</u>	<u>(1,974,999)</u>	<u>287,643</u>	<u>(608,174)</u>	<u>212,767</u>
Other comprehensive (expense) income						
Item that will not be reclassified to profit or loss:						
Fair value changes on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax		<u>—</u>	<u>79</u>	<u>—</u>	<u>—</u>	<u>—</u>
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		<u>(3)</u>	<u>(1,932)</u>	<u>5,172</u>	<u>1,042</u>	<u>(6,480)</u>
Other comprehensive (expense) income for the year/period, net of income tax		<u>(3)</u>	<u>(1,853)</u>	<u>5,172</u>	<u>1,042</u>	<u>(6,480)</u>
Total comprehensive (expense) income for the year/period		<u>(1,776,862)</u>	<u>(1,976,852)</u>	<u>292,815</u>	<u>(607,132)</u>	<u>206,287</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
(Loss) profit for the year/period attributable to:						
Owners of the Company. .		(1,769,785)	(1,962,602)	258,536	(587,156)	212,110
Non-controlling interests .		(7,074)	(12,397)	29,107	(21,018)	657
		<u>(1,776,859)</u>	<u>(1,974,999)</u>	<u>287,643</u>	<u>(608,174)</u>	<u>212,767</u>
Total comprehensive (expense) income for the year/period attributable to:						
Owners of the Company. .		(1,769,788)	(1,964,455)	263,708	(586,114)	205,630
Non-controlling interests .		(7,074)	(12,397)	29,107	(21,018)	657
		<u>(1,776,862)</u>	<u>(1,976,852)</u>	<u>292,815</u>	<u>(607,132)</u>	<u>206,287</u>
(Loss) earnings per share						
– Basic (RMB).	14	(2.30)	(2.01)	0.24	(0.55)	0.20
– Diluted (RMB)	14	(2.30)	(2.01)	0.24	(0.55)	0.20
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At December 31,			At June 30,
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	3,375,607	9,011,100	9,925,295	10,881,167
Right-of-use assets	16	383,973	434,821	787,196	766,662
Goodwill.		1,351	1,351	1,351	1,351
Intangible assets	17	23,410	31,128	52,145	58,194
Investments accounted for using the equity method	18	153,579	253,220	281,491	281,139
Financial assets at fair value through profit or losses (“FVTPL”).	24	—	—	—	10,000
Equity instrument at FVTOCI. . . .		100	206	206	206
Restricted bank deposits.	27	5,963	6,096	6,131	—
Trade, bills and other receivables . .	22	—	—	785,301	461,927
Contract assets	23	—	5,327	59,849	190,775
Deferred tax assets	19	108,451	187,263	326,029	458,469
Other long-term prepayments	20	630,378	309,679	236,477	313,263
Time deposits	27	—	323,712	332,992	336,831
		4,682,812	10,563,903	12,794,463	13,759,984
CURRENT ASSETS					
Inventories	21	1,967,667	1,420,455	2,125,115	4,296,685
Trade, bills and other receivables . .	22	646,900	5,124,504	9,334,739	9,181,954
Contract assets	23	43,709	155,249	269,902	326,033
Tax recoverable.		—	7,232	—	6,520
Financial assets at FVTPL	24	—	549,012	—	—
Receivables at FVTOCI	26	176,494	65,320	310,826	472,629
Restricted bank deposits.	27	239,183	854,464	2,321,608	2,696,498
Time deposits	27	—	—	—	50,500
Cash and cash equivalents	27	2,252,487	5,284,501	4,293,783	3,905,312
		5,326,440	13,460,737	18,655,973	20,936,131
CURRENT LIABILITIES					
Trade, bills and other payables	28	2,645,040	6,475,575	9,825,968	10,940,218
Tax payables		—	—	146,800	91,574
Bank and other borrowings	29	1,112,430	3,105,333	3,657,588	4,932,032
Provisions	30	5,922	35,172	71,394	95,553
Lease liabilities	31	21,422	26,517	48,267	39,866
Contract liabilities	32	595,610	100,080	685,490	1,431,482
Financial liabilities at FVTPL	33	4,911,141	—	4,511	—
		9,291,565	9,742,677	14,440,018	17,530,725
NET CURRENT (LIABILITIES) ASSETS					
		(3,965,125)	3,718,060	4,215,955	3,405,406
TOTAL ASSETS LESS CURRENT LIABILITIES					
		717,687	14,281,963	17,010,418	17,165,390

APPENDIX I

ACCOUNTANTS’ REPORT

		At December 31,			At June 30,
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Bank and other borrowings	29	1,992,290	4,985,814	6,325,023	6,038,024
Provisions	30	44,829	179,316	469,491	556,357
Lease liabilities	31	21,639	47,795	87,771	79,969
Deferred income	34	295,955	1,016,819	1,651,275	1,793,143
Deferred tax liabilities	19	—	—	18,753	7,383
		<u>2,354,713</u>	<u>6,229,744</u>	<u>8,552,313</u>	<u>8,474,876</u>
NET (LIABILITIES) ASSETS . . .		<u>(1,637,026)</u>	<u>8,052,219</u>	<u>8,458,105</u>	<u>8,690,514</u>
CAPITAL AND RESERVES					
Share capital	35	166,768	1,021,923	1,021,923	1,094,745
Reserves		<u>(1,872,940)</u>	<u>6,663,295</u>	<u>6,944,503</u>	<u>7,103,433</u>
Equity attributable to owners of the Company		<u>(1,706,172)</u>	<u>7,685,218</u>	<u>7,966,426</u>	<u>8,198,178</u>
Non-controlling interests		<u>69,146</u>	<u>367,001</u>	<u>491,679</u>	<u>492,336</u>
TOTAL (DEFICIT) EQUITY . . .		<u>(1,637,026)</u>	<u>8,052,219</u>	<u>8,458,105</u>	<u>8,690,514</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At December 31,			At June 30,
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . . .	15	2,748,602	5,308,822	5,018,095	4,930,614
Right-of-use assets	16	113,282	93,509	165,103	150,365
Intangible assets	17	23,297	29,937	55,610	59,879
Investments in subsidiaries	45	419,704	1,653,523	2,605,690	3,267,684
Investments accounted for using the equity method	18	147,710	246,396	252,078	257,853
Financial assets at FVTPL	24	—	—	—	10,000
Restricted bank deposits	27	5,963	6,096	6,131	—
Contract assets	23	—	5,327	59,849	190,775
Deferred tax assets	19	108,451	174,963	239,374	281,374
Other long-term prepayments	20	605,981	179,610	127,153	148,654
Time deposits	27	—	323,712	332,992	336,831
		4,172,990	8,021,895	8,862,075	9,634,029
CURRENT ASSETS					
Inventories	21	1,927,507	1,269,235	1,354,739	2,550,564
Trade, bills and other receivables .	22	612,449	4,872,596	10,790,978	12,780,743
Contract assets	23	43,709	155,249	269,891	325,723
Tax recoverable		—	7,232	—	—
Financial assets at FVTPL	24	—	549,012	—	—
Receivables at FVTOCI	26	176,494	65,320	288,841	468,846
Amounts due from subsidiaries . .	22	266,361	524,363	725,959	768,329
Restricted bank deposits	27	226,743	832,182	1,330,369	2,105,234
Time deposits	27	—	—	—	50,500
Cash and cash equivalents	27	2,225,301	4,370,591	2,813,354	2,216,137
		5,478,564	12,645,780	17,574,131	21,266,076
CURRENT LIABILITIES					
Trade, bills and other payables . . .	28	2,312,633	5,305,422	8,645,193	12,149,659
Tax payables		—	—	90,962	74,030
Bank and other borrowings	29	1,107,720	3,093,344	3,460,646	4,029,019
Provisions	30	5,922	34,522	68,663	79,212
Lease liabilities	31	18,952	11,813	29,784	24,899
Contract liabilities	32	595,609	94,384	284,758	556,586
Financial liabilities at FVTPL . . .	33	4,911,141	—	4,511	—
		8,951,977	8,539,485	12,584,517	16,913,405
NET CURRENT					
(LIABILITIES) ASSETS		(3,473,413)	4,106,295	4,989,614	4,352,671
TOTAL ASSETS LESS					
CURRENT LIABILITIES		699,577	12,128,190	13,851,689	13,986,700

APPENDIX I

ACCOUNTANTS’ REPORT

		At December 31,			At June 30,
		2022	2023	2024	2025
Notes		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Bank and other borrowings	29	1,992,290	3,399,889	4,063,548	3,579,165
Provisions	30	44,829	173,646	398,784	456,823
Lease liabilities	31	16,966	3,913	57,719	48,836
Deferred income.	34	281,146	619,185	919,296	1,048,385
		2,335,231	4,196,633	5,439,347	5,133,209
NET (LIABILITIES) ASSETS . .		(1,635,654)	7,931,557	8,412,342	8,853,491
CAPITAL AND RESERVES					
Share capital	35	166,768	1,021,923	1,021,923	1,094,745
Reserves.	46	(1,802,422)	6,909,634	7,390,419	7,758,746
TOTAL (DEFICIT) EQUITY . .		(1,635,654)	7,931,557	8,412,342	8,853,491

Attributable to owners of the Company

- I-11 -

- I-12 -

b. The amount represents the equity-settled share-based compensation attributable to owners of the Company in respect of the equity-settled share-based arrangement under the Company's [REDACTED] share incentive scheme, which has been detailed in Note 36.

APPENDIX I

ACCOUNTANTS’ REPORT

- c. During the year ended December 31, 2022, the non-controlling shareholders of Chongqing Hithium Energy Storage Technology Co., Ltd.* (“Hithium Chongqing”) (重慶海辰儲能科技有限公司) and Xiamen Zongling Precision Manufacturing Co., Ltd.* (“Xiamen Zongling”) (廈門縱綾精密製造有限公司) made capital injection amounting to RMB67,760,000 and RMB8,800,000, respectively, into Hithium Chongqing and Xiamen Zongling.
- d. During the year ended December 31, 2022, the Group’s proportion of ownership interest in Xiamen Zongling changes from 70% to 56.67% through a series of equity transactions.
- e. During the year ended December 31, 2024, the Group increase its proportion of ownership interest by 18.18% of Xiamen Zongling by way of debt capitalization into Xiamen Zongling, resulting in a decrease in capital and other reserves and an increase in non-controlling interests of RMB6,091,000.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
(Loss) profit before tax	(1,840,613)	(2,053,837)	314,342	(738,688)	152,083
Adjustments for:					
Finance costs	64,733	206,444	335,740	165,242	188,971
Interest income	(11,250)	(81,526)	(76,069)	(39,925)	(58,291)
Share of results of associates. . .	(1,898)	3,248	20,207	5,769	(765)
Depreciation of property, plant and equipment	16,187	74,437	152,166	75,601	92,590
Depreciation of right-of-use assets	18,455	46,136	46,533	20,836	27,439
Amortization of intangible assets	1,248	3,914	6,351	3,012	3,510
Impairment losses under ECL model, net of reversal	(517)	171,242	532,314	89,017	28,907
Net foreign exchange (gain) loss.	(43)	(2,432)	4,114	703	(12,749)
Share-based payment expenses .	381,811	33,989	23,591	13,265	26,122
(Gain) loss on disposal of property, plant and equipment	(267)	3,129	(2,869)	(1,810)	(123)
Release of deferred income	(4,045)	(53,141)	(99,034)	(44,242)	(70,515)
Write-down of inventories, net of reversal	3,893	320,621	205,061	72,336	74,605
Gain on fair value changes of financial assets at FVTPL . . .	(5)	(13,628)	(35,372)	(17,770)	(11,894)
Loss (gain) on fair value changes of financial liabilities at FVTPL	1,290,461	1,715,798	4,511	—	(2,139)
Operating cash flows before movements in working capital .	(81,850)	374,394	1,431,586	(396,654)	437,751
Increase in provisions	42,765	163,737	326,397	59,518	111,025
(Increase) decrease in inventories .	(1,760,313)	507,522	(329,075)	(1,429,254)	(1,927,204)
Increase in trade, bills and other receivables	(416,077)	(4,619,207)	(5,405,085)	(409,504)	(278,080)
Increase in contract assets	(42,847)	(120,243)	(190,382)	(59,819)	(191,407)
(Increase) decrease in receivables at FVTOCI	(176,394)	111,174	(245,506)	(430,181)	(712,137)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Increase in deferred income	–	8,647	15,414	7,015	2,559
Increase (decrease) in contract liabilities	592,653	(495,530)	585,410	229,449	745,992
Increase in trade, bills and other payables	<u>1,581,998</u>	<u>2,330,380</u>	<u>3,913,793</u>	<u>2,138,795</u>	<u>3,310,011</u>
Cash (used in) generated from operations	(260,065)	(1,739,126)	102,552	(290,635)	1,498,510
Income taxes refunded	–	–	7,232	7,232	–
Income taxes paid	<u>–</u>	<u>(7,232)</u>	<u>–</u>	<u>–</u>	<u>(145,029)</u>
NET CASH (USED IN) FROM OPERATING ACTIVITIES . . .	<u>(260,065)</u>	<u>(1,746,358)</u>	<u>109,784</u>	<u>(283,403)</u>	<u>1,353,481</u>
INVESTING ACTIVITIES					
Interest received	11,250	77,814	66,789	35,323	28,748
Proceeds on disposal of an interest in an associate	–	–	–	–	2,715
Proceeds from disposal of financial assets at FVTPL	137	423,628	584,384	561,769	358,260
Purchases of financial assets at FVTPL	–	(959,012)	–	–	(356,366)
Proceeds on disposal of property, plant and equipment	3,978	24,654	50,804	49,635	4,352
Investment in associates	(149,740)	(102,889)	(48,478)	(33,454)	(1,598)
Purchases of equity instruments at FVTOCI	(100)	–	–	–	–
Purchases of property, plant and equipment	(2,153,700)	(4,152,613)	(2,176,735)	(1,771,697)	(1,383,333)
Payments for right-of-use assets . .	(294,316)	(28,875)	(301,293)	–	(184)
Payments for rental deposits	(2,024)	(3,328)	(26,585)	(536)	(4,974)
Purchases of intangible assets	(18,995)	(14,614)	(23,580)	(18,193)	(18,135)
Government grants received	300,000	765,358	718,076	214,724	209,824
Withdrawal of restricted bank deposits	491,932	247,354	1,161,827	443,949	1,296,948
Placement of restricted bank deposits	(729,827)	(862,768)	(2,629,006)	(1,182,133)	(2,654,837)
Placement of time deposits	–	(320,000)	–	–	(50,500)
Net settlement of derivative financial instruments	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,372)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
NET CASH USED IN					
INVESTING ACTIVITIES . . .	<u>(2,541,405)</u>	<u>(4,905,291)</u>	<u>(2,623,797)</u>	<u>(1,700,613)</u>	<u>(2,571,452)</u>
FINANCING ACTIVITIES					
Interest paid	(73,270)	(246,662)	(345,797)	(125,243)	(120,200)
Repayments of bank borrowings . .	(120,666)	(1,339,075)	(3,197,702)	(1,030,612)	(1,840,563)
Repayments of lease liabilities . . .	(15,536)	(38,794)	(37,438)	(16,994)	(23,526)
Proceeds from bank and other					
borrowings	2,413,630	6,302,526	5,016,434	2,079,770	2,711,863
Proceeds from issue of shares	2,690,999	4,694,917	–	–	102,000
Acquisition of additional interest					
in a subsidiary	(461)	–	–	–	–
Payment of accrued issue costs . . .	–	–	(2,828)	–	(6,500)
Capital injections from non-					
controlling shareholders	<u>76,561</u>	<u>310,252</u>	<u>89,480</u>	<u>–</u>	<u>–</u>
NET CASH FROM FINANCING					
ACTIVITIES	<u>4,971,257</u>	<u>9,683,164</u>	<u>1,522,149</u>	<u>906,921</u>	<u>823,074</u>
NET INCREASE (DECREASE)					
IN CASH AND CASH					
EQUIVALENTS	2,169,787	3,031,515	(991,864)	(1,077,095)	(394,897)
CASH AND CASH					
EQUIVALENTS AT					
BEGINNING OF					
YEAR/PERIOD	82,660	2,252,487	5,284,501	5,284,501	4,293,783
Effect of foreign exchange rate					
changes	<u>40</u>	<u>499</u>	<u>1,146</u>	<u>666</u>	<u>6,426</u>
TOTAL CASH AND CASH					
EQUIVALENTS AT END OF					
YEAR/PERIOD	<u>2,252,487</u>	<u>5,284,501</u>	<u>4,293,783</u>	<u>4,208,072</u>	<u>3,905,312</u>
Represented by cash and cash					
equivalents	<u>2,252,487</u>	<u>5,284,501</u>	<u>4,293,783</u>	<u>4,208,072</u>	<u>3,905,312</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered in the People’s Republic of China (the “PRC”) on December 27, 2019 as a limited liability company. In August 2022, the Company was converted into a joint stock company with limited liabilities with the name changed from Xiamen Hithium New Energy Technology Co., Ltd.* (廈門海辰新能源科技有限公司) to Xiamen Hithium Energy Storage Technology Co., Ltd.* (廈門海辰儲能科技股份有限公司). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” of the Document.

The Group is principally engaged in research and development, production and sales of energy storage batteries and systems (collectively the “energy storage products”).

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards.

The statutory financial statements of the Company for the year ended December 31, 2022, 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises of the PRC. The statutory financial statements of the Company for the years ended December 31, 2022 and 2023 were audited by Xiamen Andexin Certified Public Accountants Co., Ltd.* (廈門安德信會計師事務所有限公司) (“Xiamen Andexin”), certified public accountants registered in the PRC. The statutory financial statements of the Company for the year ended December 31, 2024 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP* (德勤華永會計師事務所(特殊普通合夥)) (“DTTCPALLP”), certified public accountants registered in the PRC.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

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

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

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

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

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

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

Except for new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all the new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Group in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting 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 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 is expected to affect the presentation of statement of profit or loss and disclosures in the future financial statements, but has no impact on the Group’s financial positions and performance.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Changes in the Group’s interests in existing subsidiaries

Changes in the Group’s interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (“CGUs”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

Investments in subsidiaries

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

Investments accounted for using equity method

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

APPENDIX I

ACCOUNTANTS’ REPORT

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

When the Group or the Company ceases to have significant influence over an associate or joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

When a group entity transacts with an associate of the Group or the Company, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group or the Company.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Notes 5, 23 and 32.

Leases

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

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases, including office, warehouses, vehicles, machinery, and equipment, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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.

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

APPENDIX I

ACCOUNTANTS’ REPORT

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognizes 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.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

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

Lease modifications

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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 recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Employee benefits

Retirement benefit costs

Payments to government managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to capital and other reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

Taxation

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

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

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition 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 difference. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the right-of-use assets separately. The Group recognizes 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 utilized 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

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

Depreciation is recognized so as to write off the cost of assets other than construction in progress and freehold lands 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 derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized 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 amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

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

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

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Inventories

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

Provisions

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

APPENDIX I

ACCOUNTANTS’ REPORT

The amount recognized 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 expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of battery storage products are recognized at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized 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 amortized cost:

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost or receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

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

(iv) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the “other gains and losses” line item.

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

The Group performs impairment assessment under ECL model on financial assets (including trade, bills and other receivables and receivables at FVTOCI) and other items (contract assets) which are subjected 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.

APPENDIX I

ACCOUNTANTS’ REPORT

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

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed on an individual basis for customers with high credit risk and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for trade, bills and other receivables, receivables at FVTOCI and contract assets (except for trade receivables from customers with high credit risk) are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

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

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

Except for receivables at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, bills receivables, other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account. For receivables at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘Other gains and losses’ line item (Note 9) as part of the net foreign exchange losses.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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

Financial liabilities or equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortized cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘Other gains and losses’ line item in profit or loss (Note 9) as part of net foreign exchange losses for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following 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 twelve months.

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax assets

As at December 31, 2022, 2023 and 2024 and June 30, 2025, deferred tax assets of RMB79,858,000, RMB54,536,000, RMB6,385,000 and RMB10,904,000 in relation to unused tax losses and deductible temporary differences for the Company and certain subsidiaries has been recognized in the consolidated statements of financial position as disclosed in Note 19. No deferred tax asset has been recognized on the tax losses of RMB76,611,000, RMB172,482,000, RMB265,953,000 and RMB287,264,000 and deductible temporary differences of RMB16,176,000, RMB56,451,000, RMB147,452,000 and RMB106,970,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, due to the unpredictability of future profit streams or reversal of the deductible temporary differences. The realizability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes trade barriers such as export requirements, tariffs and taxes, higher interest rates and inflation, energy security concerns, elections in major economies, and international conflicts and tensions, may progress and evolve.

In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits and taxable temporary differences estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables and contract assets

For trade receivables and contract assets which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group’s internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables and contract assets are disclosed in Notes 7, 22, 23 and 42.

Write-down of inventories

The Group’s inventories are stated at the lower of cost and net realizable value. The Group writes down its inventories based on estimates of the realizable value with reference to aging and the conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed at the end of each reporting period for write-down, if appropriate. Further details of the inventories are set out in Note 21.

Warranty Provision

The Group makes a provision for product warranty for the sales of energy storage system batteries (“ESS batteries”) and energy storage systems according to the best expected settlement under the sales agreement. The provision amount takes into account the Group’s recent claims, past warranty data and the weight of all possible results and their related probabilities. As the Group continues to upgrade its product design and introduce new models, the recent claims may not represent the claims it will face in the future for past sales. When the future costs and the probability of incurring warranty claims are higher or lower than expected and where events or circumstances that indicating the amount of warranty provision may not be adequate or excessive, such impact will affect the profit and loss in the years in which such estimate has been changed. Further details of the provision are set out in Note 30.

Estimated provisions for litigation claims

The Group evaluates whether a present obligation exists under litigation claim after taking into account all available evidence, including the opinion of experts. A provision is recognized for litigation claim if the Directors consider it is more likely than not that present obligation exists and a reliable estimate can be made on the settlement amount of the claim. If it is more likely than not that no present obligation exists, the Group should disclose a contingent liability, unless the possibility of any transfer of economic benefits in settlement is remote. Details of the contingent liabilities of the Group are disclosed in note 47.

[As at the date of this report], the Directors are of the view that no provision shall necessarily be made on litigation claims after taking into account of the opinion of experts and status of the litigations.

APPENDIX I

ACCOUNTANTS’ REPORT

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sales of ESS batteries, energy storage systems, materials and others, net of sales related taxes, during the Track Record Period.

(i) Disaggregated revenue information

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Type of goods and services, at a point in time					
Sales of products and services					
– ESS batteries	2,538,320	7,957,162	7,960,613	1,871,585	5,449,273
– Energy storage systems .	909,493	1,973,217	4,670,503	168,704	1,279,217
– Materials and others . . .	167,076	271,449	285,641	107,277	242,722
	<u>3,614,889</u>	<u>10,201,828</u>	<u>12,916,757</u>	<u>2,147,566</u>	<u>6,971,212</u>

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

Sales of ESS batteries, energy storage systems and related services

The Group recognizes 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.

Revenue arising from sales of ESS batteries and energy storage systems is recognized at a point in time when the goods are generally accepted by the customers, and revenue arising from services is recognized upon completion of the relevant services, since only by that time the Group passes control of the goods or services to the customers. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

Customers are generally required to make a percentage of total consideration as prepayments before the Group deliver the products. Contract liabilities are recognized when consideration is received in which revenue has yet been recognized.

Materials and others

For sales of materials and others, revenue is recognized at a point in time upon customers’ acceptance of the delivered goods.

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

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

(iv) Segment information

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

APPENDIX I

ACCOUNTANTS’ REPORT

Entity-wide disclosures

Geographical information

As at December 31, 2022 and 2023, most of the Group’s non-current assets were located in the PRC. As at December 31, 2024 and June 30, 2025, other than the trade, bills and other receivables, deferred tax assets and other long-term prepayments, the Group’s non-current assets that were located overseas amounted to RMB493,424,000 and RMB1,255,408,000, respectively, and the remaining non-current assets mainly were located in the PRC.

The geographical information of the Group’s revenue, determined based on geographical location of the registered office of the immediate customers, during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Mainland China	3,614,856	10,100,713	9,216,616	2,076,889	5,750,262
The United States	17	537	3,385,597	6	821,119
Others	16	100,578	314,544	70,671	399,831
	<u>3,614,889</u>	<u>10,201,828</u>	<u>12,916,757</u>	<u>2,147,566</u>	<u>6,971,212</u>

Information about major customers

Revenue from customers of the corresponding years/periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Customer A (note i)	N/A	N/A	2,239,739	N/A	N/A
Customer B (note ii)	N/A	N/A	1,582,787	449,585	N/A
Customer C (note iii)	N/A	N/A	N/A	383,962	846,584

Notes:

- i. Revenue from customer A mainly included sales of energy storage systems. The corresponding revenue did not contribute over 10% of the Groups’ total revenue in the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024 and 2025.
- ii. Revenue from customer B mainly included sales of ESS batteries and energy storage systems. The corresponding revenue did not contribute over 10% of the Groups’ total revenue in the years ended December 31, 2022 and 2023 and the six months ended June 30, 2025.
- iii. Revenue from customer C mainly included sales of ESS batteries. The corresponding revenue did not contribute over 10% of the Groups’ total revenue in the years ended December 31, 2022, 2023 and 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income from banks and other financial assets at amortized cost	11,250	81,526	76,069	39,925	58,291
Government grants					
– assets related (<i>note i</i>) . .	4,045	53,141	99,034	44,242	70,515
– income related (<i>note ii</i>) .	7,198	47,831	315,017	76,103	263,457
Extra deduction of value- added tax (“VAT”) (<i>note iii</i>)	–	51,689	10,269	1,530	14,151
Others	1,296	8,907	2,480	1,661	1,295
	<u>23,789</u>	<u>243,094</u>	<u>502,869</u>	<u>163,461</u>	<u>407,709</u>

Notes:

- i. The Group has received certain government grants as incentive for investing in manufacturing facilities. The grants are recognized in the profit or loss over the useful lives of the relevant assets.
- ii. Other government grants of the Group were mainly related to enterprise development support and innovation capability incentives. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets of the Group or are conditional but with such has been satisfied during the year/period.
- iii. According to the State Taxation Administration of the PRC, from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the deductible input tax from the VAT payable.

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses (recognized) reversed on:					
– trade receivables	(1,054)	(162,785)	(513,123)	(80,622)	(23,805)
– other receivables	1,911	(5,081)	2,016	(2,026)	(752)
– contract assets	(340)	(3,376)	(21,207)	(6,369)	(4,350)
	<u>517</u>	<u>(171,242)</u>	<u>(532,314)</u>	<u>(89,017)</u>	<u>(28,907)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

8. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Interest on lease liabilities	1,391	3,212	3,559	1,616	3,528
Interest on discounting bills receivables	–	41	587	289	1,127
Interest on bank and other borrowings	71,879	243,450	342,238	169,044	191,176
Total borrowing costs	73,270	246,703	346,384	170,949	195,831
Less: Amounts capitalized in the cost of qualifying assets (note)	(8,537)	(40,259)	(10,644)	(5,707)	(6,860)
	<u>64,733</u>	<u>206,444</u>	<u>335,740</u>	<u>165,242</u>	<u>188,971</u>

Note: During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, borrowing costs from certain bank borrowings were capitalized to expenditure on construction in progress at a weighted average rate of 3.42%, 4.08%, 4.01%, 4.18% (unaudited) and 3.70%, respectively.

9. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Fair value loss on puttable shares liabilities	(1,290,461)	(1,715,798)	–	–	–
Fair value (loss) gain on derivative financial liabilities	–	–	(4,511)	–	2,139
Fair value gain on financial assets at FVTPL	5	13,628	35,372	17,770	11,894
Gain (loss) on disposal of property, plant and equipment	267	(3,129)	2,869	1,810	123
Net foreign exchange losses	(717)	(3,334)	(4,421)	(620)	(1,707)
Loss on discounting receivables at FVTOCI	–	(8,460)	(6,629)	(2,476)	(8,622)
Others	(544)	(1,157)	(1,658)	(818)	(492)
	<u>(1,291,450)</u>	<u>(1,718,250)</u>	<u>21,022</u>	<u>15,666</u>	<u>3,335</u>

APPENDIX I

ACCOUNTANTS’ REPORT

10. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	101,636	355,368	732,812	349,092	411,561
Depreciation of right-of-use assets	19,174	48,072	48,082	21,774	28,041
Amortization of intangible assets	1,248	3,914	6,351	3,012	3,510
Total depreciation and amortization	122,058	407,354	787,245	373,878	443,112
Less: Capitalized in inventories	(85,449)	(280,931)	(580,646)	(273,491)	(318,971)
Less: Capitalized in construction in process	(719)	(1,936)	(1,549)	(938)	(602)
	<u>35,890</u>	<u>124,487</u>	<u>205,050</u>	<u>99,449</u>	<u>123,539</u>
Auditors’ remuneration	1,857	1,222	1,350	900	891
Staff costs					
– Salaries and other benefits	411,303	1,100,053	1,210,696	590,959	625,086
– Retirement benefit scheme contributions	14,203	46,201	59,018	29,203	34,225
– Discretionary performance related bonus	46,187	74,263	133,387	53,478	72,322
– Share-based payment expenses	381,811	33,989	23,591	13,265	26,122
Total staff costs	<u>853,504</u>	<u>1,254,506</u>	<u>1,426,692</u>	<u>686,905</u>	<u>757,755</u>
Less: Capitalized in inventories	<u>(212,626)</u>	<u>(530,322)</u>	<u>(663,758)</u>	<u>(317,236)</u>	<u>(305,806)</u>
	<u>640,878</u>	<u>724,184</u>	<u>762,934</u>	<u>369,669</u>	<u>451,949</u>
Analyzed as					
– Administrative expenses	522,168	416,226	356,675	155,181	232,200
– Selling and marketing expenses	33,756	97,878	141,721	77,147	95,656
– Research and development expenses	84,954	210,080	264,538	137,341	124,093
	<u>640,878</u>	<u>724,184</u>	<u>762,934</u>	<u>369,669</u>	<u>451,949</u>
Cost of inventories recognized as an expense	3,196,133	8,634,055	10,392,158	1,994,101	5,972,200
Write-down of inventories	3,893	320,621	205,061	72,336	74,605
Total cost of inventories	<u>3,200,026</u>	<u>8,954,676</u>	<u>10,597,219</u>	<u>2,066,437</u>	<u>6,046,805</u>
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Research and development expenses analyzed as					
– staff costs	84,954	210,080	264,538	137,341	124,093
– depreciation and amortization	24,090	68,925	104,991	54,347	46,013
– utilities	13,393	53,195	46,841	23,514	21,342
– materials consumed	38,414	85,660	36,973	14,776	37,038
– testing expenses	14,466	23,536	23,163	8,508	15,706
– others	22,050	43,519	53,532	27,136	27,208
	<u>197,367</u>	<u>484,915</u>	<u>530,038</u>	<u>265,622</u>	<u>271,400</u>

APPENDIX I

ACCOUNTANTS’ REPORT

11. INCOME TAX (CREDIT) EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax	–	–	146,712	–	107,117
Deferred tax credit	(63,754)	(78,838)	(120,013)	(130,514)	(143,810)
Over provision in prior years . . .	–	–	–	–	(23,991)
	<u>(63,754)</u>	<u>(78,838)</u>	<u>26,699</u>	<u>(130,514)</u>	<u>(60,684)</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

The Company, Xiamen Zongling, Xiamen Haichuang Xingzhi Technology Co., Ltd. *(“Haichuang Xingzhi”) (廈門海創星智科技有限公司) and Hithium Energy Storage Equipment (Shenzhen) Co., Ltd.* (“Hithium Equipment”) (海辰儲能裝備(深圳)有限公司) obtained the “High and New Technology Enterprise” certification in November 2022, December 2023, November 2024, and December 2024, respectively, and were therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2022 to 2024, from 2023 to 2025, from 2024 to 2026, and from 2024 to 2026, respectively. The Company is applying for renewal of the “High and New Technology Enterprise” certification and the renewal procedures is in progress. The directors of the Company are of the view that it is very probable that the subsidiaries which are eligible for “High and New Technology Enterprise” tax preference are able to extend their accreditation upon expiry.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Income tax (credit) expense for the year/period can be reconciled to (loss) profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss) profit before tax	(1,840,613)	(2,053,837)	314,342	(738,688)	152,083
Tax at income tax rate of 25% . . .	(460,153)	(513,459)	78,585	(184,672)	38,021
Income tax at concessionary rate . .	42,439	51,156	(9,936)	70,375	(34,891)
Tax effect of share of results of associates.	(475)	812	5,052	1,437	(1,044)
Tax effect of expense not deductible for tax purpose	423,044	452,796	21,105	15,397	18,122
Over provision in respect of prior years	–	–	–	–	(23,991)
Tax effect of tax losses not recognized	15,138	24,381	23,368	25,720	18,070
Utilization of tax losses previously not recognized.	–	–	–	–	(11,098)
Tax effect of deductible temporary differences not recognized	3,853	9,933	22,352	649	–
Utilization of deductible temporary differences not recognized	–	–	–	–	(9,296)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Tax effect attributable to the additional qualified tax deduction relating to research and development expenditures and acquisition of equipment (<i>note</i>)	(87,600)	(104,457)	(112,312)	(61,182)	(55,952)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	(1,515)	1,762	1,375
Income tax (credit) expense	<u>(63,754)</u>	<u>(78,838)</u>	<u>26,699</u>	<u>(130,514)</u>	<u>(60,684)</u>

* English name is for identification purpose

Note: Pursuant to relevant laws and regulations in the PRC, the Group enjoys super deduction of 100% on qualifying research and development expenditures from taxable profit throughout the Track Record Period. In addition, the State Taxation Administration of the PRC announced that High Technology Enterprise would entitle to claim 100% of their acquisition of equipment as super deduction applicable for the period from October 1, 2022 to December 31, 2022.

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

(a) Directors’, supervisors’ and chief executive’s emoluments

During the Track Record Period, directors’, supervisors’ and chief executive’s remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022							
Directors							
Mr. Wu Zuyu (“Mr. Wu”)	May 11, 2021	—	563	6	91	—	660
Mr. Wang Pengcheng (“Mr. Wang”)	August 8, 2022	—	602	6	96	—	704
(<i>note i</i>)							
Dr. Yi Ziqi (“Dr. Yi”)	August 8, 2022	—	541	6	108	52,241	52,896
Mr. Pang Wenjie (“Mr. Pang”)	August 8, 2022	—	574	6	82	44,722	45,384
Independent directors							
Dr. Huang Yunhui (“Dr. Huang”)	August 8, 2022	50	—	—	—	—	50
Dr. Liu Zhiyun (“Dr. Liu”) (<i>note ii</i>)	August 8, 2022	50	—	—	—	—	50
Dr. Xiao Hong (“Dr. Xiao”) (<i>note ii</i>)	August 8, 2022	50	—	—	—	—	50
Supervisors							
Mr. Wu Yuyuan (“Mr. Wu Y”)	August 8, 2022	—	393	6	60	6,754	7,213
Dr. Liao Linping (“Dr. Liao”)	August 8, 2022	—	495	4	58	2,522	3,079
Ms. He Yong	August 8, 2022	—	605	2	112	6,754	7,473
		<u>150</u>	<u>3,773</u>	<u>36</u>	<u>607</u>	<u>112,993</u>	<u>117,559</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023							
Directors							
Mr. Wu	May 11, 2021	–	876	38	94	–	1,008
Mr. Wang (<i>note i</i>)	August 8, 2022	–	887	39	94	–	1,020
Dr. Yi.	August 8, 2022	–	780	38	124	–	942
Mr. Pang	August 8, 2022	–	785	38	176	–	999
Independent directors							
Dr. Huang.	August 8, 2022	120	–	–	–	–	120
Dr. Liu (<i>note ii</i>)	August 8, 2022	120	–	–	–	–	120
Dr. Xiao (<i>note ii</i>).	August 8, 2022	120	–	–	–	–	120
Supervisors							
Mr. Wu Y	August 8, 2022	–	449	8	237	–	694
Dr. Liao.	August 8, 2022	–	468	8	45	–	521
Ms. He Yong	August 8, 2022	–	769	38	67	–	874
		<u>360</u>	<u>5,014</u>	<u>207</u>	<u>837</u>	<u>–</u>	<u>6,418</u>

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024							
Directors							
Mr. Wu	May 11, 2021	–	1,297	40	314	–	1,651
Mr. Wang (<i>note i</i>)	August 8, 2022	–	1,309	40	314	–	1,663
Dr. Yi.	August 8, 2022	–	1,064	40	281	–	1,385
Mr. Pang	August 8, 2022	–	1,068	40	276	–	1,384
Independent directors							
Dr. Huang.	August 8, 2022	120	–	–	–	–	120
Dr. Liu (<i>note ii</i>)	August 8, 2022	120	–	–	–	–	120
Dr. Xiao (<i>note ii</i>).	August 8, 2022	120	–	–	–	–	120
Supervisors							
Mr. Wu Y	August 8, 2022	–	677	8	276	–	961
Dr. Liao.	August 8, 2022	–	429	8	100	–	537
Ms. He Yong	August 8, 2022	–	766	40	120	–	926
		<u>360</u>	<u>6,610</u>	<u>216</u>	<u>1,681</u>	<u>–</u>	<u>8,867</u>

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2024 (unaudited)							
Directors							
Mr. Wu	May 11, 2021	–	648	20	157	–	825
Mr. Wang (<i>note i</i>)	August 8, 2022	–	655	20	157	–	832
Dr. Yi.	August 8, 2022	–	532	20	127	–	679
Mr. Pang	August 8, 2022	–	534	20	127	–	681

APPENDIX I

ACCOUNTANTS’ REPORT

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Independent directors							
Dr. Huang	August 8, 2022	60	–	–	–	–	60
Dr. Liu (<i>note ii</i>)	August 8, 2022	60	–	–	–	–	60
Dr. Xiao (<i>note ii</i>).	August 8, 2022	60	–	–	–	–	60
Supervisors							
Mr. Wu Y	August 8, 2022	–	338	4	161	–	503
Dr. Liao.	August 8, 2022	–	205	4	31	–	240
Ms. He Yong	August 8, 2022	–	385	20	60	–	465
		180	3,297	108	820	–	4,405

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2025							
Executive directors							
Mr. Wu	May 11, 2021	–	648	20	137	4,145	4,950
Mr. Wang (<i>note i</i>)	August 8, 2022	–	655	20	137	–	812
Dr. Yi.	August 8, 2022	–	534	20	162	–	716
Mr. Pang	August 8, 2022	–	542	20	162	–	724
Independent non-executive directors							
Dr. Huang.	August 8, 2022	90	–	–	–	–	90
Mr. Jack Lin (“Mr. Lin”) (<i>note iii</i>)	March 6, 2025	60	–	–	–	–	60
Ms. Wu Wei (“Ms. Wu”) (<i>note iii</i>)	March 6, 2025	60	–	–	–	–	60
Dr. Liu (<i>note ii</i>)	August 8, 2022	30	–	–	–	–	30
Dr. Xiao (<i>note ii</i>).	August 8, 2022	30	–	–	–	–	30
Supervisors							
Mr. Wu Y	August 8, 2022	–	471	20	207	–	698
Dr. Liao.	August 8, 2022	–	225	4	36	–	265
Ms. He Yong	August 8, 2022	–	387	20	182	–	589
		270	3,462	124	1,023	4,145	9,024

Notes:

- i. Mr. Wang is the Chief Executive Officer of the Company.
- ii. Dr. Liu and Dr. Xiao resigned as independent directors on March 6, 2025.
- iii. Mr. Lin and Ms. Wu were appointed as independent non-executive directors on March 6, 2025.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

(b) Five highest paid employees

The five highest paid employees of the Group include 2, nil, nil, nil (unaudited) and 1 directors of the Company whose emoluments, are set out above for the Track Record Period. The emoluments of the remaining 3, 5, 5, 5 (unaudited) and 4 employees for each of the year ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits.	1,245	3,910	5,174	2,850	3,213
Retirement benefit scheme contributions.	17	161	141	88	78
Discretionary performance related bonus (note) . . .	274	479	1,637	863	596
Share-based payment expenses	118,596	10,991	3,694	888	2,256
	<u>120,132</u>	<u>15,541</u>	<u>10,646</u>	<u>4,689</u>	<u>6,143</u>

Note: Discretionary performance related bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

The number of the five highest paid employees of the Company whose remuneration fell within the following bands presented in Hong Kong Dollar (“HK\$”) is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
				(unaudited)	
Nil to HK\$1,000,000	—	—	—	2	—
HK\$1,000,001 to HK\$1,500,000	—	1	1	3	—
HK\$1,500,001 to HK\$2,000,000	—	—	1	—	4
HK\$2,000,001 to HK\$2,500,000	—	1	1	—	—
HK\$2,500,001 to HK\$3,000,000	—	1	1	—	—
HK\$3,500,001 to HK\$4,000,000	—	1	1	—	—
HK\$5,000,001 to HK\$5,500,000	—	—	—	—	1
HK\$7,000,001 to HK\$7,500,000	—	1	—	—	—
HK\$20,000,001 to HK\$20,500,000	1	—	—	—	—
HK\$37,500,001 to HK\$38,000,000	1	—	—	—	—
HK\$50,500,001 to HK\$51,000,000	1	—	—	—	—
HK\$59,000,001 to HK\$59,500,000	1	—	—	—	—
HK\$76,000,001 to HK\$76,500,000	1	—	—	—	—
Total	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

13. DIVIDENDS

No dividend was declared or paid for ordinary shareholders of the Company during the Track Record Period. No dividend has been proposed since the end of the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

14. (LOSS) EARNINGS PER SHARE

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

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
(Loss) profit for the purpose of basic and diluted loss/earnings per share	<u>(1,769,785)</u>	<u>(1,962,602)</u>	<u>258,536</u>	<u>(587,156)</u>	<u>212,110</u>
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share <i>(note)</i>	769,703,521	978,138,714	1,069,245,156	1,069,245,156	1,069,245,156
Effect of dilutive potential ordinary shares:					
– unvested awarded shares	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,000,379</u>
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share. .	<u>769,703,521</u>	<u>978,138,714</u>	<u>1,069,245,156</u>	<u>1,069,245,156</u>	<u>1,070,245,535</u>

Note: The weighted average number of ordinary shares shown above have been adjusted retrospectively after taking into account the impact of capitalization issue with details set out in Note 35. The weighted average number of ordinary shares used in computing the earnings per share for the Track Record Period have taken into account the potential impact of outstanding [REDACTED] Share Incentive Schemes as set out in Note 36.

The computation of diluted loss per share for the years ended December 31, 2022 and 2023 does not assume the conversion of the Company’s puttable shares since their assumed conversion would result in a decrease in loss per share.

APPENDIX I

ACCOUNTANTS’ REPORT

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At January 1, 2022	–	292,389	249,203	12,682	2,360	3,095	332,294	892,023
Additions	–	–	172	19,023	2,186	16,177	2,558,677	2,596,235
Transfers	–	540,765	788,985	–	35	–	(1,329,785)	–
Disposals	–	–	(3,892)	(5)	(3)	–	–	(3,900)
At December 31, 2022	–	833,154	1,034,468	31,700	4,578	19,272	1,561,186	3,484,358
Additions	–	–	2,051	91,516	1,996	35,291	5,887,790	6,018,644
Transfers	–	2,992,034	3,108,168	–	–	–	(6,100,202)	–
Disposals	–	(11,410)	(17,885)	(1,368)	–	–	–	(30,663)
At December 31, 2023	–	3,813,778	4,126,802	121,848	6,574	54,563	1,348,774	9,472,339
Additions	29,091	–	51,844	2,725	1,411	14,998	1,594,873	1,694,942
Transfers	–	912,190	1,331,988	10,669	669	8,921	(2,264,437)	–
Disposals	–	(1,065)	(55,347)	(2,731)	(196)	–	–	(59,339)
At December 31, 2024	29,091	4,724,903	5,455,287	132,511	8,458	78,482	679,210	11,107,942
Additions	–	5,331	4,572	1,337	1,252	1,588	1,357,582	1,371,662
Transfers	–	89,615	208,528	386	–	5,013	(303,542)	–
Disposals	(121)	(2,170)	(5,411)	(334)	(85)	–	–	(8,121)
At June 30, 2025	28,970	4,817,679	5,662,976	133,900	9,625	85,083	1,733,250	12,471,483
ACCUMULATED DEPRECIATION								
At January 1, 2022	–	2,306	3,742	979	45	232	–	7,304
Provided for the year	–	27,589	66,454	4,585	301	2,707	–	101,636
Eliminated on disposals	–	–	(187)	(1)	(1)	–	–	(189)
At December 31, 2022	–	29,895	70,009	5,563	345	2,939	–	108,751
Provided for the year	–	86,304	232,815	16,628	535	19,086	–	355,368
Eliminated on disposals	–	(832)	(2,013)	(35)	–	–	–	(2,880)
At December 31, 2023	–	115,367	300,811	22,156	880	22,025	–	461,239
Provided for the year	–	189,342	494,834	24,350	944	23,342	–	732,812
Eliminated on disposals	–	(15)	(10,574)	(746)	(69)	–	–	(11,404)
At December 31, 2024	–	304,694	785,071	45,760	1,755	45,367	–	1,182,647
Provided for the period	–	111,490	279,422	12,183	1,772	6,694	–	411,561
Eliminated on disposals	–	(80)	(3,601)	(178)	(33)	–	–	(3,892)
At June 30, 2025	–	416,104	1,060,892	57,765	3,494	52,061	–	1,590,316
CARRYING VALUE								
At December 31, 2022	–	803,259	964,459	26,137	4,233	16,333	1,561,186	3,375,607
At December 31, 2023	–	3,698,411	3,825,991	99,692	5,694	32,538	1,348,774	9,011,100
At December 31, 2024	29,091	4,420,209	4,670,216	86,751	6,703	33,115	679,210	9,925,295
At June 30, 2025	28,970	4,401,575	4,602,084	76,135	6,131	33,022	1,733,250	10,881,167

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. The Group has obtained the property ownership certificates for all buildings except for buildings with carrying amount of RMB526,315,000, RMB2,944,985,000, RMB1,649,776,000 and RMB87,466,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, which the Group is in the process of obtaining.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2022	222,554	216,948	12,011	2,111	1,604	329,004	784,232
Additions	–	–	18,567	2,186	15,227	2,031,964	2,067,944
Transfers	540,765	764,048	–	–	–	(1,304,813)	–
Disposals	–	(3,832)	(5)	(3)	–	–	(3,840)
At December 31, 2022	763,319	977,164	30,573	4,294	16,831	1,056,155	2,848,336
Additions	–	–	63,228	1,119	19,464	2,804,606	2,888,417
Transfers	1,230,026	2,214,755	–	–	–	(3,444,781)	–
Disposals	(11,411)	(1,221)	(671)	–	–	–	(13,303)
At December 31, 2023	1,981,934	3,190,698	93,130	5,413	36,295	415,980	5,723,450
Additions	–	5,166	2,311	610	5,244	185,404	198,735
Transfers	226,832	336,379	292	578	8,872	(572,953)	–
Disposals	–	(8,360)	(1,328)	(22)	–	(1,002)	(10,712)
At December 31, 2024	2,208,766	3,523,883	94,405	6,579	50,411	27,429	5,911,473
Additions	2,107	5,494	579	1,231	801	172,502	182,714
Transfers	421	37,334	–	–	5,216	(42,971)	–
Disposals	(18)	(3,608)	(254)	(85)	(60)	(24,302)	(28,327)
At June 30, 2025	2,211,276	3,563,103	94,730	7,725	56,368	132,658	6,065,860
ACCUMULATED DEPRECIATION							
At January 1, 2022	1,753	3,734	965	45	161	–	6,658
Provided for the year	24,272	62,059	4,413	271	2,245	–	93,260
Eliminated on disposals	–	(182)	(1)	(1)	–	–	(184)
At December 31, 2022	26,025	65,611	5,377	315	2,406	–	99,734
Provided for the year	68,212	214,431	15,738	449	17,376	–	316,206
Eliminated on disposals	(832)	(445)	(35)	–	–	–	(1,312)
At December 31, 2023	93,405	279,597	21,080	764	19,782	–	414,628
Provided for the year	92,235	352,456	18,619	576	17,058	–	480,944
Eliminated on disposals	–	(1,664)	(516)	(14)	–	–	(2,194)
At December 31, 2024	185,640	630,389	39,183	1,326	36,840	–	893,378
Provided for the period	51,297	181,823	8,715	1,674	1,814	–	245,323
Eliminated on disposals	–	(3,244)	(178)	(33)	–	–	(3,455)
At June 30, 2025	236,937	808,968	47,720	2,967	38,654	–	1,135,246
CARRYING VALUE							
At December 31, 2022	737,294	911,553	25,196	3,979	14,425	1,056,155	2,748,602
At December 31, 2023	1,888,529	2,911,101	72,050	4,649	16,513	415,980	5,308,822
At December 31, 2024	2,023,126	2,893,494	55,222	5,253	13,571	27,429	5,018,095
At June 30, 2025	1,974,339	2,754,135	47,010	4,758	17,714	132,658	4,930,614

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Useful lives	Estimated residual values
	<i>Years</i>	
Buildings	20	5%
Plant and machinery	5-10	5%
Office equipment	3-10	0-5%
Motor vehicles	4-10	5%
Leasehold improvements	1-5	0%

Details of property, plant and equipment pledged as securities for the Group’s borrowings are set out in Note 37.

During the Track Record Period, no impairment loss was recognized for the Group’s and the Company’s property, plant and equipment.

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Staff quarters	Office properties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At December 31, 2022				
Carrying amount	341,128	23,254	19,591	383,973
At December 31, 2023				
Carrying amount	362,703	10,140	61,978	434,821
At December 31, 2024				
Carrying amount	654,613	34,646	97,937	787,196
At June 30, 2025				
Carrying amount	648,037	26,112	92,513	766,662
For the year ended December 31, 2022				
Depreciation charge	2,934	11,222	5,018	19,174
Capitalized in construction in progress . .	(719)	–	–	(719)
	2,215	11,222	5,018	18,455
For the year ended December 31, 2023				
Depreciation charge	7,300	24,604	16,168	48,072
Capitalized in construction in progress . .	(1,936)	–	–	(1,936)
	5,364	24,604	16,168	46,136
For the year ended December 31, 2024				
Depreciation charge	9,383	11,215	27,484	48,082
Capitalized in construction in progress . .	(1,549)	–	–	(1,549)
	7,834	11,215	27,484	46,533
For the six months ended June 30, 2025 .				
Depreciation charge	6,760	8,535	12,746	28,041
Capitalized in construction in progress . .	(602)	–	–	(602)
	6,158	8,535	12,746	27,439

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Expenses relating to short-term leases	6,366	45,536	29,136	16,943	18,756
Total cash outflow for leases	319,633	119,745	398,011	36,089	50,968
Additions to right-of-use assets	<u>331,517</u>	<u>127,075</u>	<u>418,616</u>	<u>31,879</u>	<u>18,265</u>

During the Track Record Period, the Group leases various properties from independent third parties for its operations. Lease contract is entered into for a fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC for 48 years to 50 years. Land use right certificates for leasehold land in the PRC have been obtained.

The Group regularly entered into short-term leases for office, warehouses, vehicles, machinery, and equipment. As at December 31, 2022, 2023 and 2024 and June 30, 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Details of right-of-use assets pledged as securities for the Group’s borrowings are set out in Note 37.

Restrictions or covenants on leases

In addition, lease liabilities of RMB43,061,000, RMB74,312,000, RMB136,038,000 and RMB119,835,000 were recognized with related right-of-use assets of RMB42,845,000, RMB72,118,000, RMB132,583,000 and RMB118,625,000 at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets, except for leasehold land, may not be used as security for borrowing purposes.

The Company

	Leasehold lands	Staff quarters	Office properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2022				
Carrying amount	<u>77,015</u>	<u>23,254</u>	<u>13,013</u>	<u>113,282</u>
At December 31, 2023				
Carrying amount	<u>75,437</u>	<u>10,140</u>	<u>7,932</u>	<u>93,509</u>
At December 31, 2024				
Carrying amount	<u>73,859</u>	<u>34,646</u>	<u>56,598</u>	<u>165,103</u>
At June 30, 2025				
Carrying amount	<u>73,255</u>	<u>26,112</u>	<u>50,998</u>	<u>150,365</u>
For the year ended December 31, 2022				
Depreciation charge	1,227	11,222	3,093	15,542
Capitalized in construction in progress . .	<u>(508)</u>	<u>—</u>	<u>—</u>	<u>(508)</u>
	<u>719</u>	<u>11,222</u>	<u>3,093</u>	<u>15,034</u>
For the year ended December 31, 2023				
Depreciation charge	1,578	24,604	4,963	31,145
Capitalized in construction in progress . .	<u>(262)</u>	<u>—</u>	<u>—</u>	<u>(262)</u>
	<u>1,316</u>	<u>24,604</u>	<u>4,963</u>	<u>30,883</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Leasehold lands	Staff quarters	Office properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended December 31, 2024				
Depreciation charge	1,578	11,215	12,484	25,277
For the six months ended June 30, 2025 .				
Depreciation charge	789	8,535	5,599	14,923

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Expenses relating to short-term leases	6,350	52,316	44,353	31,763	25,980
Total cash outflow for leases	74,331	69,879	113,363	44,383	38,284
Additions to right-of-use assets	89,834	34,037	104,076	30,064	184

During the Track Record Period, the Company leases various properties from independent third parties for its operations. Lease contract is entered into for a fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC for 48 to 50 years. Land use right certificates for leasehold land in the PRC have been obtained.

The Company regularly entered into short-term leases for warehouses, equipment and offices. As at December 31, 2022, 2023, and 2024 and June 30, 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB35,918,000, RMB15,726,000, RMB87,503,000 and RMB73,735,000 were recognized with related right-of-use assets of RMB36,267,000, RMB18,072,000, RMB91,244,000 and RMB77,110,000 at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets, except for leasehold land, may not be used as security for borrowing purposes.

During the Track Record Period, no impairment loss was recognized for the Group’s and the Company’s right-of-use assets.

APPENDIX I

ACCOUNTANTS’ REPORT

17. INTANGIBLE ASSETS

The Group

	Licenses	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At January 1, 2022	351	4,212	4,563
Additions	990	19,394	20,384
At December 31, 2022	1,341	23,606	24,947
Additions	2,261	9,371	11,632
At December 31, 2023	3,602	32,977	36,579
Additions	488	26,880	27,368
At December 31, 2024	4,090	59,857	63,947
Additions	–	9,559	9,559
At June 30, 2025	4,090	69,416	73,506
ACCUMULATED DEPRECIATION			
At January 1, 2022	39	250	289
Provided for the year	144	1,104	1,248
At December 31, 2022	183	1,354	1,537
Provided for the year	613	3,301	3,914
At December 31, 2023	796	4,655	5,451
Provided for the year	735	5,616	6,351
At December 31, 2024	1,531	10,271	11,802
Provided for the period	342	3,168	3,510
At June 30, 2025	1,873	13,439	15,312
CARRYING VALUE			
At December 31, 2022	1,158	22,252	23,410
At December 31, 2023	2,806	28,322	31,128
At December 31, 2024	2,559	49,586	52,145
At June 30, 2025	2,217	55,977	58,194

The Company

	Licenses	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At January 1, 2022	267	4,212	4,479
Additions	932	19,394	20,326
At December 31, 2022	1,199	23,606	24,805
Additions	2,132	8,335	10,467
At December 31, 2023	3,331	31,941	35,272
Additions	488	31,220	31,708
At December 31, 2024	3,819	63,161	66,980
Additions	–	7,924	7,924
At June 30, 2025	3,819	71,085	74,904

APPENDIX I

ACCOUNTANTS’ REPORT

	Licenses	Software	Total
	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION			
At January 1, 2022	39	250	289
Provided for the year	116	1,103	1,219
At December 31, 2022	155	1,353	1,508
Provided for the year	564	3,263	3,827
At December 31, 2023	719	4,616	5,335
Provided for the year	680	5,355	6,035
At December 31, 2024	1,399	9,971	11,370
Provided for the period.	315	3,340	3,655
At June 30, 2025	1,714	13,311	15,025
CARRYING VALUE			
At December 31, 2022	1,044	22,253	23,297
At December 31, 2023	2,612	27,325	29,937
At December 31, 2024	2,420	53,190	55,610
At June 30, 2025	2,105	57,774	59,879

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

Licenses	5 years
Software.	10 years

No impairment loss was recognized for intangible assets at the end of each year over the Track Record Period.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Interests in associates.	153,579	253,220	281,491	281,139
Interest in a joint venture	—	—	—	—
	153,579	253,220	281,491	281,139

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Interests in associates.	147,710	246,396	252,078	257,853
Interest in a joint venture	—	—	—	—
	147,710	246,396	252,078	257,853

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Interests in associates

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments in associates, unlisted	151,740	254,629	304,133	303,731
Share of post-acquisition profit or loss and other comprehensive income (expenses)	1,839	(1,409)	(22,642)	(22,592)
	<u>153,579</u>	<u>253,220</u>	<u>281,491</u>	<u>281,139</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments in associates, unlisted	145,740	248,628	271,815	273,414
Share of post-acquisition profit or loss and other comprehensive income (expenses)	1,970	(2,232)	(19,737)	(15,561)
	<u>147,710</u>	<u>246,396</u>	<u>252,078</u>	<u>257,853</u>

Details of the Group’s associates during the Track Record Period and the date of this report are as follows:

Name of associates	Place of operation and principal place of operation	Proportion of ownership interest held by the Group					Proportion of voting right held by the Group					Principal activities
		At December 31,			At June 30,	At date of report	At December 31,			At June 30,	At date of report	
		2022	2023	2024	2025		2022	2023	2024	2025		
Directly held:												
Shenzhen Shenyuan Technology Energy Co., Ltd* 深圳深源技術能源有限公司 (“Shenzhen Shenyuan”) (note i)	The PRC	20.21%	20.21%	18.61%	18.61%	[18.61]%	20.21%	20.21%	18.61%	18.61%	[18.61]%	Research and development, production and sales of household energy storage products
Sichuan Langsheng New Material Technology Co., Ltd*四川朗晟新材料科技有限公司 (“Sichuan Langsheng”) (note ii)	The PRC	16.67%	13.02%	13.02%	13.02%	[13.02]%	16.67%	13.02%	13.02%	13.02%	[13.02]%	Production and sales of lithium iron phosphate cathode materials

APPENDIX I

ACCOUNTANTS’ REPORT

Name of associates	Place of operation and principal place of operation	Proportion of ownership interest held by the Group					Proportion of voting right held by the Group					Principal activities
		At December 31,			At June 30,	At date of report	At December 31,			At June 30,	At date of report	
		2022	2023	2024	2025		2022	2023	2024	2025		
Chongqing Haitongfenghe Energy Storage Industry Private Equity Investment Fund Partnership Enterprise (Limited Partnership)* 重慶海銅峯和儲能產業私募股權投資基金合夥企業(有限合夥) (“Chongqing Haitongfenghe”) (note iii)	The PRC	19.98%	19.98%	19.98%	19.98%	[19.98]%	19.98%	19.98%	19.98%	19.98%	[19.98]%	Investment activities
Chongqing Chenfeng Energy Storage Technology Co., Ltd.*重慶辰峯儲能科技有限公司 (“Chongqing Chenfeng”)	The PRC	N/A	23.00%	23.00%	23.00%	[23.00]%	N/A	23.00%	23.00%	23.00%	[23.00]%	Development, investment and operations of power assets
Chongqing Yuhai Fenghe Energy Storage Industry Private Equity Investment Fund Partnership Enterprise (Limited Partnership)* 重慶渝海峯和儲能產業私募股權投資基金合夥企業(有限合夥) (“Chongqing Yuhai Fenghe”) (note iii)	The PRC	N/A	N/A	16.00%	16.00%	[16.00]%	N/A	N/A	16.00%	16.00%	[16.00]%	Investment activities
Indirectly held:												
Shandong Huaqing Conductive New Material Technology Co., Ltd.* 山東華擎導電新材料科技有限公司 (“Shandong Huaqing”)	The PRC	N/A	N/A	44.29%	44.29%	[44.29]%	N/A	N/A	44.29%	44.29%	[44.29]%	Research and development, production and sales of new materials
Xiamen Lide Haichen Supply Chain Co., Ltd.* 廈門立德海辰供應鏈有限公司 (“Xiamen Lide”) (note iv)	The PRC	40.00%	40.00%	40.00%	N/A	[N/A]	40.00%	40.00%	40.00%	N/A	[N/A]	Supply chain management services
Zhuhai Dongchen Weiye New Energy Co., Ltd.* 珠海東辰偉業新能源有限公司 (“Zhuhai Dongchen”)	The PRC	40.00%	40.00%	N/A	N/A	[N/A]	40.00%	40.00%	N/A	N/A	[N/A]	Operation of energy storage projects

* English name is for identification purpose

Notes:

- As at December 31, 2024, June 30, 2025 [and date of this report], the Group was able to exercise significant influence over Shenzhen Shenyuan because it had the right to appoint 1 director out of 7 directors of this entity.
- The Group is able to exercise significant influence over Sichuan Langsheng because it has the right to appoint 1 director out of 5 directors of this entity.
- Chongqing Haitongfenghe and Chongqing Yuhai Fenghe has established an investment committee with 3 members and 5 members, respectively. The Group has the right to appoint 1 member out of each investment committee, therefore the Group is able to exercise significant influence over these entities.
- Xiamen Lide was disposed of by the Group in April 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

Aggregate information of associates that are not individually material

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
The Group’s share of profit (loss)	<u>1,898</u>	<u>(3,248)</u>	<u>(20,207)</u>	<u>(5,769)</u>	<u>765</u>
The Group’s share of total comprehensive income (expense)	<u>1,898</u>	<u>(3,248)</u>	<u>(20,207)</u>	<u>(5,769)</u>	<u>765</u>
	At December 31,			At June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of the Group’s interests in these associates	<u>153,579</u>	<u>253,220</u>	<u>281,491</u>	<u>281,139</u>	

(b) Interest in a joint venture

The Group and the Company

Details of the Group’s or the Company’s joint venture during the Track Record Period are as follows:

Name of joint venture	Place of operation and principal place of operation	Proportion of ownership interest held by the Group					Proportion of voting right held by the Group					Principal activities
		At December 31,			At June 30,	At date of report	At December 31,			At June 30,	At date of report	
		2022	2023	2024	2025		2022	2023	2024	2025		
Directly held:												
Haitham and Manat Manufacturing Limited Liability Company (note)	Saudi Arabia	N/A	N/A	60.00%	60.00%	[60.00]%	N/A	N/A	60.00%	60.00%	[60.00]%	Production and sales of module

Note: During the year ended December 31, 2024, the Company entered into an investment agreement with a third party to establish the joint venture. As at June 30, 2025 [and date of this report], no capital contribution had been made into the entity.

19. DEFERRED TAXATION

The Group

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

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	108,451	187,263	326,029	458,469
Deferred tax liabilities	<u>—</u>	<u>—</u>	<u>(18,753)</u>	<u>(7,383)</u>
	<u>108,451</u>	<u>187,263</u>	<u>307,276</u>	<u>451,086</u>

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Accelerated tax depreciation	Tax losses	Gain from changes in fair value of financial assets at FVTPL	Impairment loss on assets	Deferred income	Fair value changes on investments in equity instruments at FVTOCI	Lease liabilities	Right-of- use assets	Unrealized profit	Accrued expense and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	–	35,333	–	8,312	–	–	4,577	(4,724)	–	1,199	44,697
(Charge) credit to profit or loss	(26,892)	44,525	–	(2,560)	42,172	–	2,456	(2,361)	–	6,414	63,754
As at December 31, 2022	(26,892)	79,858	–	5,752	42,172	–	7,033	(7,085)	–	7,613	108,451
(Charge) credit to profit or loss	(57,250)	(25,322)	(709)	33,245	104,614	–	8,356	(8,658)	–	24,562	78,838
Charge to other comprehensive income	–	–	–	–	–	(26)	–	–	–	–	(26)
As at December 31, 2023	(84,142)	54,536	(709)	38,997	146,786	(26)	15,389	(15,743)	–	32,175	187,263
(Charge) credit to profit or loss	(110,663)	(48,151)	(563)	86,150	84,028	–	6,042	(6,636)	51,491	58,315	120,013
As at December 31, 2024	(194,805)	6,385	(1,272)	125,147	230,814	(26)	21,431	(22,379)	51,491	90,490	307,276
Credit (charge) to profit or loss	11,220	4,519	1,272	9,557	21,447	–	(444)	1,333	81,757	13,149	143,810
As at June 30, 2025	(183,585)	10,904	–	134,704	252,261	(26)	20,987	(21,046)	133,248	103,639	451,086

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Group has unused tax losses of approximately RMB609,000,000, RMB536,057,000, RMB308,517,000 and RMB327,893,000, respectively, available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB532,389,000, RMB363,575,000, RMB42,564,000 and RMB40,629,000 of such losses as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively. No deferred tax asset has been recognized for the remaining tax losses of approximately RMB76,611,000, RMB172,482,000, RMB265,953,000 and RMB287,264,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, due to the unpredictability of future profit streams.

The unrecognized tax losses as at December 31, 2022, 2023, 2024 and June 30, 2025 include an aggregate balance of nil, RMB25,103,000, RMB60,314,000 and RMB33,306,000 represented tax losses arising from subsidiaries located in Germany, the United States of America (the “U.S.”) and Singapore which are permitted to carry forward indefinitely. The remaining unrecognized tax losses will be carried forward and expire in the following years:

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
2023	–	N/A	N/A	N/A
2024	–	–	N/A	N/A
2025	567	567	567	567
2026	15,880	11,867	11,867	11,866
2027	60,164	42,876	32,179	31,188
2028	–	64,349	41,872	33,102
2029	–	–	44,598	35,100
2030	–	–	–	58,582
2031	–	4,013	–	–
2032	–	13,147	22,289	21,905
2033	–	10,560	34,854	34,854
2034	–	–	17,413	17,413
2035	–	–	–	9,381
	<u>76,611</u>	<u>147,379</u>	<u>205,639</u>	<u>253,958</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Group has deductible temporary differences of RMB386,075,000, RMB1,507,143,000, RMB3,239,148,000 and RMB3,826,490,000, respectively, available to offset against future profits, of which RMB369,899,000, RMB1,450,692,000, RMB3,091,696,000 and RMB3,719,520,000 were recognized deferred tax assets accordingly. No deferred tax asset has been recognized in relation to the remaining deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	<u>108,451</u>	<u>174,963</u>	<u>239,374</u>	<u>281,374</u>

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

	Accelerated tax depreciation	Tax losses	Gain from changes in fair value of financial assets at FVTPL	Impairment loss on assets	Deferred income	Lease liabilities	Right-of- use assets	Accrued expense and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	–	35,333	–	8,312	–	2,448	(2,595)	1,199	44,697
(Charge) credit to profit or loss	(26,892)	44,525	–	(2,560)	42,172	2,940	(2,845)	6,414	63,754
As at December 31, 2022	(26,892)	79,858	–	5,752	42,172	5,388	(5,440)	7,613	108,451
Credit (charge) to profit or loss	1,209	(40,713)	(709)	32,706	50,706	(3,029)	2,729	23,613	66,512
As at December 31, 2023	(25,683)	39,145	(709)	38,458	92,878	2,359	(2,711)	31,226	174,963
(Charge) credit to profit or loss	(33,483)	(39,145)	(563)	55,287	45,016	9,984	(10,976)	38,291	64,411
As at December 31, 2024	(59,166)	–	(1,272)	93,745	137,894	12,343	(13,687)	69,517	239,374
Credit (charge) to profit or loss	2,260	–	1,272	9,904	19,364	(1,283)	2,120	8,363	42,000
As at June 30, 2025	(56,906)	–	–	103,649	157,258	11,060	(11,567)	77,880	281,374

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Company has unused tax losses of approximately RMB532,389,000, RMB260,969,000, nil and nil, respectively, available for offset against future profits. Deferred tax asset has been recognized in respect of approximately RMB532,389,000, RMB260,969,000, nil and nil of such losses as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

Deferred tax asset has been recognized in respect of all deductible temporary differences.

20. OTHER LONG-TERM PREPAYMENTS

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of				
– property, plant and equipment				
(note)	623,940	307,249	234,898	304,377
– intangible assets	6,438	2,430	1,579	8,886
	<u>630,378</u>	<u>309,679</u>	<u>236,477</u>	<u>313,263</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of				
– property, plant and equipment				
(note)	599,543	179,610	127,153	136,112
– intangible assets	6,438	–	–	12,542
	<u>605,981</u>	<u>179,610</u>	<u>127,153</u>	<u>148,654</u>

Note: Prepayments for acquisition of property, plant and equipment were advance payments made for the acquisition of assets including machinery, equipment or vehicles.

21. INVENTORIES

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables . . .	1,026,336	337,422	289,278	172,876
Work in progress	180,445	185,581	629,421	849,135
Finished goods	760,886	897,452	1,206,416	3,274,674
	<u>1,967,667</u>	<u>1,420,455</u>	<u>2,125,115</u>	<u>4,296,685</u>

The carrying amount of inventories are net of a write-down of approximately RMB34,603,000, RMB115,063,000, RMB114,492,000 and RMB129,087,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables . . .	1,008,727	268,135	170,684	103,797
Work in progress	180,445	162,284	498,695	531,573
Finished goods	738,335	838,816	685,360	1,915,194
	<u>1,927,507</u>	<u>1,269,235</u>	<u>1,354,739</u>	<u>2,550,564</u>

The carrying amount of inventories are net of a write-down of approximately RMB34,472,000, RMB114,029,000, RMB77,001,000 and RMB111,286,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

22. TRADE, BILLS AND OTHER RECEIVABLES

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers				
– Third parties	222,822	4,139,461	8,974,763	8,385,241
Less: allowance for credit losses	(1,712)	(146,231)	(661,288)	(683,234)
– Related parties	2,124	27,549	1,094	811
Less: allowance for credit losses	(65)	(853)	(69)	(22)
	<u>223,169</u>	<u>4,019,926</u>	<u>8,314,500</u>	<u>7,702,796</u>
Less: amounts shown under current assets	<u>(223,169)</u>	<u>(4,019,926)</u>	<u>(7,529,199)</u>	<u>(7,240,869)</u>
Amounts shown under non-current assets (note)	<u>–</u>	<u>–</u>	<u>785,301</u>	<u>461,927</u>
Bills receivables	<u>222,804</u>	<u>216,283</u>	<u>836,907</u>	<u>1,021,826</u>
Advances to suppliers	43,596	607,737	556,229	602,078
VAT recoverable	148,172	254,741	368,758	255,889
Deferred issue cost	–	–	–	9,328
Other receivables	10,914	30,964	46,687	55,767
Less: allowance for credit losses	<u>(1,755)</u>	<u>(5,147)</u>	<u>(3,041)</u>	<u>(3,803)</u>
	<u>200,927</u>	<u>888,295</u>	<u>968,633</u>	<u>919,259</u>
Total trade, bills and other receivables	646,900	5,124,504	10,120,040	9,643,881
Less: amounts shown under current assets	<u>(646,900)</u>	<u>(5,124,504)</u>	<u>(9,334,739)</u>	<u>(9,181,954)</u>
Amounts shown under non-current assets	<u>–</u>	<u>–</u>	<u>785,301</u>	<u>461,927</u>

Note: During the year ended December 31, 2024, the Group entered into agreements to provide certain customers with long-term payment schedules for the related sales of energy storage systems. These trade receivables carried prevailing market interest rates and were classified as non-current as the related receivables will be collected beyond twelve months.

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB8,235,000.

Details of bills receivables pledged as securities for the Group’s borrowings are set out in Note 37.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers				
– Third parties	222,656	3,802,549	6,035,211	5,982,659
Less: allowance for credit losses . . .	(1,703)	(133,046)	(521,299)	(530,925)
– Related parties	2,124	27,549	1,061	766
Less: allowance for credit losses . . .	(66)	(853)	(66)	(21)
– Subsidiaries	11,678	340,469	3,819,852	5,734,415
	<u>234,689</u>	<u>4,036,668</u>	<u>9,334,759</u>	<u>11,186,894</u>
Bills receivables	222,804	216,283	815,305	1,002,117
Advances to suppliers	40,665	591,175	529,440	546,839
VAT recoverable	105,463	7,852	94,009	11,008
Amounts due from subsidiaries	266,361	524,363	725,959	768,329
Deferred issue cost	–	–	–	9,328
Other receivables	10,535	25,390	19,081	27,782
Less: allowance for credit losses . . .	(1,707)	(4,772)	(1,616)	(3,225)
	<u>421,317</u>	<u>1,144,008</u>	<u>1,366,873</u>	<u>1,360,061</u>
Amounts shown under current assets	<u>878,810</u>	<u>5,396,959</u>	<u>11,516,937</u>	<u>13,549,072</u>

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB8,235,000.

Trade, bills and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar (“US\$”)	–	1,519	32,079	103,509
Euro (“EUR”)	–	1,072	544	–
	–	<u>2,591</u>	<u>32,623</u>	<u>103,509</u>
	–	<u>–</u>	<u>–</u>	<u>–</u>

The Group generally allows a credit period ranging from 1 to 6 months to its customers. The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on the invoice date at the end of each reporting period.

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	219,461	3,749,813	6,780,039	3,951,692
181 days to one year	2,546	257,790	262,660	3,145,228
Over one year	1,162	12,323	1,271,801	605,876
	<u>223,169</u>	<u>4,019,926</u>	<u>8,314,500</u>	<u>7,702,796</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	228,880	3,756,959	7,724,950	5,901,825
181 days to one year	4,647	257,810	315,490	4,561,646
Over one year	1,162	21,899	1,294,319	723,423
	<u>234,689</u>	<u>4,036,668</u>	<u>9,334,759</u>	<u>11,186,894</u>

The following is a maturity analysis of bills receivables, net of impairment loss allowance, presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	<u>222,804</u>	<u>216,283</u>	<u>836,907</u>	<u>1,021,826</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	<u>222,804</u>	<u>216,283</u>	<u>815,305</u>	<u>1,002,117</u>

23. CONTRACT ASSETS

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of products	44,112	164,355	354,737	546,145
Less: allowance for credit losses . . .	<u>(403)</u>	<u>(3,779)</u>	<u>(24,986)</u>	<u>(29,337)</u>
Total contract assets	43,709	160,576	329,751	516,808
Less: amounts shown under current assets	<u>(43,709)</u>	<u>(155,249)</u>	<u>(269,902)</u>	<u>(326,033)</u>
Amounts shown under non-current assets	<u>—</u>	<u>5,327</u>	<u>59,849</u>	<u>190,775</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of products	44,112	164,355	354,725	545,828
Less: allowance for credit losses . . .	(403)	(3,779)	(24,985)	(29,330)
Total contract assets	43,709	160,576	329,740	516,498
Less: amounts shown under current assets	(43,709)	(155,249)	(269,891)	(325,723)
Amounts shown under non-current assets	—	5,327	59,849	190,775

As at January 1, 2022, the Group and the Company’s contract assets amounted to RMB1,202,000.

The contract assets primarily relate to the Group’s right to consideration for work completed and not billed because the rights are conditioned on the Group’s future performance in providing services during the warranty period as stipulated in the contract. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets, that are not expected to be settled within the Group’s normal operating cycle, are classified as current and non-current based on expected settlement dates.

The increase in contract assets is the result of the increase in sales of ESS batteries and energy storage systems during six months ended June 30, 2025.

24. FINANCIAL ASSETS AT FVTPL

The Group and the Company

Financial assets mandatorily measured at FVTPL:

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Structured deposits (<i>note</i>)	—	549,012	—	—
Unlisted investments	—	—	—	10,000
	—	549,012	—	10,000
	=	=	=	=

Note: During the Track Record Period, the Group entered into contracts of financial products with several financial institutions. All investments had maturity date within one year and are classified as financial assets measured at FVTPL. The expected return rates varied from 2.89%-3.53%, 1.75%-2.70%, 1.60%-3.00% and 1.45%-2.58% per annum for the years ended December 31, 2022, 2023, and 2024 and the six months ended June 30, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

25. TRANSFERS OF FINANCIAL ASSETS

(a) Transferred financial assets that are not derecognized in their entirety

As at December 31, 2022, 2023 and 2024 and June 30, 2025, included in the Group’s bills receivables being endorsed to certain suppliers for settlement of trade payables or being discounted to certain banks to obtain bank loans on a full recourse basis. If the bills are not paid on maturity, the suppliers and banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognize the full carrying amount of bills receivables and has recognized the payables from the endorsement of the bills with full recourse. For bills receivables discounted to banks with full recourse, as the Group has not transferred the significant risks and rewards, it continues to recognize the full carrying amount of bills receivables and has recognized the bank and other borrowings for the discounted amounts received.

The Group

	At December 31,						At June 30,	
	2022		2023		2024		2025	
	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets .	–	199,615	23,028	165,415	95,819	661,088	234,445	520,512
Carrying amount of associated liabilities	–	(199,615)	(22,976)	(165,415)	(95,708)	(661,088)	(233,421)	(520,512)
Net position	–	–	52	–	111	–	1,024	–
	=	=	=	=	=	=	=	=

The Company

	At December 31,						At June 30,	
	2022		2023		2024		2025	
	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets .	–	199,615	23,028	165,415	95,819	655,794	231,264	504,968
Carrying amount of associated liabilities	–	(199,615)	(22,976)	(165,415)	(95,708)	(655,794)	(230,251)	(504,968)
Net position	–	–	52	–	111	–	1,013	–
	=	=	=	=	=	=	=	=

(b) Transferred financial assets that are derecognized in their entirety but have continuing involvement

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Group had derecognized bills discounted to banks or endorsed to certain suppliers on a full recourse basis amounting to RMB1,787,828,000, RMB640,020,000, RMB1,804,879,000 and RMB2,210,554,000, respectively. These bills were issued by the Company’s customers and guaranteed by reputable banks with high credit ratings, therefore the directors of the Company considered the substantial risks in relation to these bills were interest risk as the credit risk arising from these bills were minimal, and therefore the Group had transferred substantially all the risks of these bills to relevant banks or suppliers. However, if the bills cannot be accepted at maturity, the banks or suppliers have the right to require the Group to pay off the outstanding balance. Therefore, the Group continued its involvement in them.

APPENDIX I

ACCOUNTANTS’ REPORT

26. RECEIVABLES AT FVTOCI

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	<u>176,494</u>	<u>65,320</u>	<u>310,826</u>	<u>472,629</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	<u>176,494</u>	<u>65,320</u>	<u>288,841</u>	<u>468,846</u>

The Group’s and the Company’s receivables at FVTOCI were bills receivables with the following maturity:

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days.	176,196	64,911	310,576	204,294
181 days to one year	<u>298</u>	<u>409</u>	<u>250</u>	<u>268,335</u>
	<u>176,494</u>	<u>65,320</u>	<u>310,826</u>	<u>472,629</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	
0 to 180 days.	176,196	64,911	288,591	201,611
181 days to one year	<u>298</u>	<u>409</u>	<u>250</u>	<u>267,235</u>
	<u>176,494</u>	<u>65,320</u>	<u>288,841</u>	<u>468,846</u>

27. RESTRICTED BANK DEPOSITS/TIME DEPOSITS/CASH AND CASH EQUIVALENTS

The Group’s and the Company’s restricted bank deposits are deposited to banks for the issue of bank borrowings, bills payables and letters of credit by the Group and the Company and are therefore classified as current assets. Additionally, deposits related to land reclamation are classified as non-current assets due to maturity period exceeding one year. The restricted bank deposits will be released upon the settlement of relevant bank borrowings, bills payables and letters of credit on maturity dates.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the restricted bank deposits mainly represented (i) the issue of bills payables with carrying amount of RMB12,439,000, RMB429,451,000, RMB1,709,367,000 and RMB1,920,352,000, respectively; (ii) the issue of letter of credit with carrying amount of RMB226,744,000, RMB425,013,000, RMB612,241,000 and RMB776,146,000, respectively; (iii) deposit for the land reclamation with carrying amount of RMB5,963,000, RMB6,096,000, RMB6,131,000 and nil, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2023 and 2024, the time deposits were with original maturity of 3 years carrying at fixed interest rate of 2.90% per annum. As at June 30, 2025, the time deposits were with original maturity ranging from 6 months to 3 years carrying at fixed interest rates ranging from 0.95% to 2.90% per annum.

Bank balances and restricted bank deposits carried interest at market rates ranging from 0.05% to 1.75%, 0.20% to 1.90%, 0.05% to 1.90% and [0.05]% to [1.90]% per annum as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

Bank balances and cash, pledged bank deposits and time deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	957	58,722	241,006	116,222
EUR	—	44	50,820	55,767
	<u>957</u>	<u>58,766</u>	<u>291,826</u>	<u>171,989</u>

28. TRADE, BILLS AND OTHER PAYABLES

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties	1,079,676	2,794,961	5,096,020	5,949,926
Bills payables	<u>344,904</u>	<u>510,766</u>	<u>1,709,050</u>	<u>2,204,939</u>
	<u>1,424,580</u>	<u>3,305,727</u>	<u>6,805,070</u>	<u>8,154,865</u>
Accrued payroll and welfare	90,598	154,335	218,898	155,787
Other taxes payables	59,107	305,634	436,543	172,128
Payables for property and equipment	983,319	2,486,456	1,919,268	1,976,921
Payables for intangible assets	8,092	1,102	4,039	2,770
Transportation fee payables	17,150	73,497	179,304	132,520
Payments received for subscription of restricted shares (<i>note ii</i>)	—	—	—	102,000
Other payables (<i>note i</i>)	<u>62,194</u>	<u>148,824</u>	<u>262,846</u>	<u>243,227</u>
	<u>1,220,460</u>	<u>3,169,848</u>	<u>3,020,898</u>	<u>2,785,353</u>
	<u>2,645,040</u>	<u>6,475,575</u>	<u>9,825,968</u>	<u>10,940,218</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties	1,055,665	2,598,389	3,559,513	3,626,401
– Subsidiaries	1,355	173,283	3,132,927	5,718,324
Bills payables	332,471	488,484	719,921	1,615,701
	<u>1,389,491</u>	<u>3,260,156</u>	<u>7,412,361</u>	<u>10,960,426</u>
Accrued payroll and welfare	84,115	117,632	148,284	98,225
Other taxes payables	58,262	302,456	21,466	86,152
Payables for property and equipment	700,642	1,432,670	736,220	617,625
Payables for intangible assets	4,773	1,383	3,553	2,730
Transportation fee payables	17,120	72,463	103,927	71,453
Payments received for subscription of restricted shares (<i>note ii</i>)	–	–	–	102,000
Other payables (<i>note i</i>)	58,230	118,662	219,382	211,048
	<u>923,142</u>	<u>2,045,266</u>	<u>1,232,832</u>	<u>1,189,233</u>
	<u>2,312,633</u>	<u>5,305,422</u>	<u>8,645,193</u>	<u>12,149,659</u>

Notes:

- i. Other payables mainly included deposits received in respect of performance guarantee from and certain services and expenses for business purpose to certain vendors/suppliers of the Group.
- ii. The amount represented the payments received for subscription of restricted shares from the directors and employees as detailed in Note 36. The Company recorded such payments received as liabilities since the Company is obligated to repurchase the relevant restricted shares from the employees at the original subscription price with interests if the performance targets have not been met once the lock-up period has expired. When the restricted shares are vested, the corresponding liabilities would be transferred to share premium.

Payment terms with suppliers are mainly on credit within 180 days from the time when the goods are received from the suppliers. The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days.	1,071,098	2,778,090	4,949,229	5,811,135
181 days to one year	8,072	14,191	85,047	134,620
Over one year	506	2,680	61,744	4,171
	<u>1,079,676</u>	<u>2,794,961</u>	<u>5,096,020</u>	<u>5,949,926</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	1,048,572	2,757,093	6,565,810	9,220,627
181 days to one year	7,942	12,268	63,543	120,075
Over one year	506	2,311	63,087	4,023
	<u>1,057,020</u>	<u>2,771,672</u>	<u>6,692,440</u>	<u>9,344,725</u>

Trade, bills and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	—	59	2,972	399
EUR	—	2,326	1,807	—
	—	2,385	4,779	399
	—	<u>—</u>	<u>—</u>	<u>—</u>

29. BANK AND OTHER BORROWINGS

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	3,009,847	7,635,909	9,337,420	10,154,993
Bank borrowings under supplier finance arrangements	—	—	82,833	185,031
Other borrowings (note i)	94,873	455,238	562,358	630,032
	<u>3,104,720</u>	<u>8,091,147</u>	<u>9,982,611</u>	<u>10,970,056</u>
Analyzed as:				
Secured and guaranteed (note ii) . . .	535,800	436,500	—	—
Secured and unguaranteed (note iii) .	1,424,773	4,664,113	6,504,451	6,538,054
Unsecured and unguaranteed	1,144,147	2,990,534	3,478,160	4,432,002
	<u>3,104,720</u>	<u>8,091,147</u>	<u>9,982,611</u>	<u>10,970,056</u>
Carrying amount repayable as follows:				
– within one year	1,112,430	3,105,333	3,657,588	4,932,032
– more than one year but not more than two years	311,800	618,098	1,193,627	1,001,785
– more than two years but not more than five years	723,500	2,270,748	3,039,773	2,298,186
– more than five years	956,990	2,096,968	2,091,623	2,738,053
	<u>3,104,720</u>	<u>8,091,147</u>	<u>9,982,611</u>	<u>10,970,056</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(1,112,430)</u>	<u>(3,105,333)</u>	<u>(3,657,588)</u>	<u>(4,932,032)</u>
Amounts shown under non-current liabilities	<u>1,992,290</u>	<u>4,985,814</u>	<u>6,325,023</u>	<u>6,038,024</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	3,005,137	6,037,995	6,879,003	6,853,512
Bank borrowings under supplier finance arrangements	—	—	82,833	124,640
Other borrowings (<i>note i</i>)	94,873	455,238	562,358	630,032
	<u>3,100,010</u>	<u>6,493,233</u>	<u>7,524,194</u>	<u>7,608,184</u>
Analyzed as:				
Secured and guaranteed (<i>note ii</i>) . .	535,800	436,500	—	—
Secured and unguaranteed (<i>note iii</i>)	1,424,773	3,076,213	4,106,111	3,882,905
Unsecured and unguaranteed	1,139,437	2,980,520	3,418,083	3,725,279
	<u>3,100,010</u>	<u>6,493,233</u>	<u>7,524,194</u>	<u>7,608,184</u>
Carrying amount repayable as follows:				
– within one year	1,107,720	3,093,344	3,460,646	4,029,019
– more than one year but not more than two years	311,800	535,000	972,783	714,160
– more than two years but not more than five years	723,500	1,731,038	2,133,807	1,647,932
– more than five years	956,990	1,133,851	956,958	1,217,073
	<u>3,100,010</u>	<u>6,493,233</u>	<u>7,524,194</u>	<u>7,608,184</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(1,107,720)</u>	<u>(3,093,344)</u>	<u>(3,460,646)</u>	<u>(4,029,019)</u>
Amounts shown under non-current liabilities	<u>1,992,290</u>	<u>3,399,889</u>	<u>4,063,548</u>	<u>3,579,165</u>

Notes:

- i. The Group entered into a financing agreement with an independent third party to obtain borrowings at a fixed interest rate of 6% per annum. Such borrowings were secured by the Company’s partial interest in a subsidiary. For details, please refer to Note 44.
- ii. These loans were secured by the Group’s property, plant and equipment and leasehold land, and guaranteed by shareholders of the Company. During the Track Record Period, such guarantees were cancelled and as of June 30, 2025, none of the Group’s and the Company’s bank and other borrowings were guaranteed by the shareholders of the Company.
- iii. Except for the amount shown under “other borrowings”, the remaining bank borrowings were secured by the Group’s and the Company’s property, plant and equipment, leasehold land, bills receivables and the Group’s patent rights.

APPENDIX I

ACCOUNTANTS’ REPORT

Bank loans under supplier finance arrangements

The Group entered into supplier finance arrangements with banks. Under these arrangements, the banks paid a supplier the amounts owed by the Group in advance of the original due dates. The Group’s obligations to the supplier are legally extinguished on settlement by the relevant banks. The Group then settled with the banks between 180-360 days after settlement by the banks with interest rate of 2.6% per annum. These arrangements have extended the payment terms, which may be extended beyond the original due dates of respective invoices. The interest rate was determined by reference to the prevailing market interest rate. Information of the Group’s supplier finance arrangements is set out in Note 39.

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

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	711,929	2,266,232	2,328,591	3,079,323
Variable-rate borrowings	2,392,791	5,824,915	7,654,020	7,890,733
	<u>3,104,720</u>	<u>8,091,147</u>	<u>9,982,611</u>	<u>10,970,056</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	711,929	2,256,217	2,318,591	2,622,601
Variable-rate borrowings	2,388,081	4,237,016	5,205,603	4,985,583
	<u>3,100,010</u>	<u>6,493,233</u>	<u>7,524,194</u>	<u>7,608,184</u>

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

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	Per annum	Per annum	Per annum	Per annum
Effective interest rates:				
Fixed-rate borrowings	3.40%-6.00%	3.20%-6.00%	2.60%-6.00%	1.85%-6.00%
Variable-rate borrowings	3.65%-4.35%	1.14%-4.20%	1.14%-4.10%	2.45%-3.95%

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	Per annum	Per annum	Per annum	Per annum
Effective interest rates:				
Fixed-rate borrowings	3.40%-6.00%	3.20%-6.00%	2.60%-6.00%	2.30%-6.00%
Variable-rate borrowings	3.65%-4.35%	1.14%-4.10%	1.14%-3.95%	2.45%-3.95%

APPENDIX I

ACCOUNTANTS’ REPORT

In respect of bank loans with carrying amount of RMB785,700,000, RMB712,800,000, RMB607,500,000 and RMB554,850,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, the Group is required to comply with the following significant financial covenants throughout the continuance of the relevant loans and/or as long as the loans are outstanding – the Company’s debt-to-asset ratio does not exceed 95%.

30. PROVISIONS

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as:				
Non-current liabilities	44,829	179,316	469,491	556,357
Current liabilities	5,922	35,172	71,394	95,553
	<u>50,751</u>	<u>214,488</u>	<u>540,885</u>	<u>651,910</u>
				Warranty provision
				RMB'000
At January 1, 2022				7,986
Additional provision in the year				52,423
Utilization of provision				(9,658)
At December 31, 2022				50,751
Additional provision in the year				172,963
Utilization of provision				(9,226)
At December 31, 2023				214,488
Additional provision in the year				355,984
Utilization of provision				(29,587)
At December 31, 2024				540,885
Additional provision in the period				134,432
Utilization of provision				(23,407)
At June 30, 2025				<u>651,910</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as:				
Non-current liabilities	44,829	173,646	398,784	456,823
Current liabilities	5,922	34,522	68,663	79,212
	<u>50,751</u>	<u>208,168</u>	<u>467,447</u>	<u>536,035</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Warranty provision
	<i>RMB'000</i>
At January 1, 2022	7,986
Additional provision in the year	52,423
Utilization of provision	<u>(9,658)</u>
At December 31, 2022	50,751
Additional provision in the year	166,284
Utilization of provision	<u>(8,867)</u>
At December 31, 2023	208,168
Additional provision in the year	283,816
Utilization of provision	<u>(24,537)</u>
At December 31, 2024	467,447
Additional provision in the period	86,902
Utilization of provision	<u>(18,314)</u>
At June 30, 2025	<u>536,035</u>

The Group makes a provision for product warranty for the sales of ESS batteries and energy storage systems according to the best expected settlement under the sales agreement. The provision amount takes into account the Group’s recent claims, past warranty data and the weight of all possible results and their related probabilities. As the Group continues to upgrade its product design and introduce new models, the recent claims may not represent the claims it will face in the future for past sales. When the future costs and the probability of incurring warranty claims are higher or lower than expected and where events or circumstances that indicating the amount of warranty provision may not be adequate or excessive, such impact will affect the profit and loss in the years in which such estimate has been changed.

31. LEASE LIABILITIES

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities payable:				
Within one year	21,422	26,517	48,267	39,866
Within a period of more than one year				
but not exceeding two years	14,799	17,450	36,764	34,032
Within a period of more than two years				
but not exceeding five years	6,840	30,345	51,007	44,682
Within a period of more than five years	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,255</u>
	43,061	74,312	136,038	119,835
Less: Amounts due for settlement within 12 months shown under current liabilities	<u>(21,422)</u>	<u>(26,517)</u>	<u>(48,267)</u>	<u>(39,866)</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>21,639</u>	<u>47,795</u>	<u>87,771</u>	<u>79,969</u>

The weighted average incremental borrowing rate applied to lease liabilities ranged from 4.30%, 4.20% to 4.30%, 3.98% to 4.30% and 3.64% to 4.30% for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	18,952	11,813	29,784	24,899
Within a period of more than one year but not exceeding two years .	12,603	2,533	22,097	17,884
Within a period of more than two years but not exceeding five years	4,363	1,380	35,622	30,952
	35,918	15,726	87,503	73,735
Less: Amounts due for settlement within 12 months shown under current liabilities	(18,952)	(11,813)	(29,784)	(24,899)
Amounts due for settlement after 12 months shown under non- current liabilities	16,966	3,913	57,719	48,836

The weighted average incremental borrowing rate applied to lease liabilities ranged from 4.30%, 4.30%, 3.98% to 4.30% and 3.98% to 4.30% for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively.

32. CONTRACT LIABILITIES

The Group

	At January 1,	At December 31,			At June 30,
	2022	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts received in advance	2,957	595,610	100,080	685,490	1,431,482

The following table shows how much of the revenue recognized relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of products	2,957	580,150	96,714	264,048

The Company

	At January 1,	At December 31,			At June 30,
	2022	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts received in advance	2,880	595,609	94,384	284,758	556,586

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows how much of the revenue recognized relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
Sales of products	2,880	580,149	94,315	99,102

The Group and the Company normally requires certain customers to pay a percentage of total consideration as advance payment as part of credit risk management policies, which represents the Group’s and the Company’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The changes in contract liabilities reflected the market supply and demand dynamics and the expansion of the business scale of the Group throughout the Track Record Period.

Contract liabilities that are expected to be settled within the Group’s and the Company’s normal operating cycle are classified as current liabilities based on the Group’s and the Company’s earliest obligation to transfer goods to the customers.

33. FINANCIAL LIABILITIES AT FVTPL

The Group and the Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Puttable shares liabilities.	4,911,141	—	—	—
Derivative financial liabilities.	—	—	4,511	—
	4,911,141	—	4,511	—

Puttable shares liabilities

From November 2020 to May 2021, the Company entered into investment agreements with independent investors, pursuant to which the investors made a total investment of RMB683,000,000 for subscription of the Company’s paid-in capital of RMB30,356,000 (the “Series A Shares”). The Company had received all investment funds for Series A Shares by June 2021.

In December 2021, the Company had entered into investment agreements with independent investors, pursuant to which the investors made a total investment of RMB740,000,000 for subscription of the Company’s paid-in capital of RMB16,077,000 (the “Series A+ Shares”). The Company had received all investment funds for Series A+ Shares by January 2022.

In September 2022, the Company had entered into investment agreements with independent investors, pursuant to which the investors made a total investment of RMB2,000,999,000 for subscription of 20,335,360 shares of the Company (the “Series B Shares”). The Company had received all investment funds for Series B Shares by October 2022.

During the year ended December 31, 2023, the investors of Series A Shares, Series A+ Shares, and Series B Shares were granted capitalization issue shares of 40 shares for each 10 shares they held. Details are set out in Note 35.

In June 2023, the Company had entered into investment agreements with independent investors, pursuant to which the investors made a total investment of RMB4,574,917,000 for subscription of 158,082,813 shares of the Company (the “Series C Shares”). The Company had received all investment funds for Series C Shares by June 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

During the year ended December 31, 2023, the obligations of the Company arising from the redemption rights and liquidation preferences attached to the Series A Shares, Series A+ Shares, Series B Shares, and Series C Shares (together as the “Investors’ Shares”) were terminated.

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

Voting rights

The holders of Investors’ Shares shall carry such number of votes as is equal to the number of votes of ordinary shares of the Company.

Redemption rights

Upon the occurrence of certain events as stipulated in the relevant investment agreements, any holder of the ordinary shares with preferential rights may require the Company and the controlling shareholder to redeem any or all of the outstanding shares held by such holders at the redemption price which represent the investment amount, plus an interest at an annual rate of 10% calculating from the issuance date, plus any dividend declared but not collected by such holder.

Liquidation preferences

In the event of any liquidation including but not limited to insolvency liquidation, dissolving liquidation and deemed liquidation (as stipulated in the relevant investment agreements) (together, the “Liquidation Event”), the holders of Investors’ Shares shall be entitled to receive the amount equal to the higher of (i) the original investment amount with interest at an annual interest rate of 10% calculating from the issuance date of the respective Investors’ Shares (total interest is subject to a maximum limit of 120% of the original investment amount), plus declared but undistributed dividends, if any; and (ii) the net assets of the Group corresponding to its shareholding ratio, and limited by the Group’s net assets.

Presentation and classification

The movements of the puttable shares liabilities are set out below:

	Series A Shares	Series A+ Shares	Series B Shares	Series C Shares	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2022	879,681	50,000	—	—	929,681
Issuance of Series A+ Shares . .	—	690,000	—	—	690,000
Issuance of Series B Shares . . .	—	—	2,000,999	—	2,000,999
Fair value changes	939,352	351,109	—	—	1,290,461
At December 31, 2022	1,819,033	1,091,109	2,000,999	—	4,911,141
Issuance of Series C Shares . . .	—	—	—	4,574,917	4,574,917
Fair value changes	1,414,277	675,531	513,004	—	2,602,812
Impact of distinguishment between liability and equity in profit or loss (<i>note i</i>)	222,905	63,872	(198,665)	(975,126)	(887,014)
Derecognition of puttable shares liabilities (<i>note ii</i>)	(3,456,215)	(1,830,512)	(2,315,338)	(3,599,791)	(11,201,856)
At December 31, 2023 and 2024 and June 30, 2025	—	—	—	—	—

Notes:

- The amounts represented the differences in the fair value of the puttable shares liabilities immediately before the termination of the obligations arising from the redemption rights and liquidation preferences, and when they were derecognized and credited to equity.

APPENDIX I

ACCOUNTANTS’ REPORT

- ii. Upon the termination of the obligations of the Company arising from the redemption rights and liquidation preferences attached to the Investors’ Shares during the year ended December 31, 2023, puttable shares liabilities were derecognized and credited to equity.

As at December 31, 2022, the Investors’ Shares issued to investors were classified as financial liabilities at FVTPL (current liabilities), as not all triggering payment events mentioned in the key terms above were within the control of the Company and these financial instruments did not meet the definition of equity for the Company. Financial liabilities are measured at fair value and any changes in the fair value of the financial liabilities were recorded in “other gains and losses” in the consolidated statements of profit or loss and other comprehensive income. The directors of the Company considered that the changes in the fair value of the Investors’ Shares attributable to the change in credit risk of the Group is minimal.

The Group applied back-solve method from recent transaction price to determine the underlying equity value of the Group and adopted a Option Pricing Model (“OPM”) to determine the fair value of the Investors’ Shares as of the dates of issuance and at the end of each reporting period with reference to valuation reports carried out by Avista Valuation Advisory Limited with registered address of Suites 2401-06, 24/F, Everbright Centre, No.108 Gloucester Road, Wan Chai, Hong Kong, independent valuer not connected with the Group.

In addition to the underlying share value of the Group determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value are as follows:

	As at December 31, 2022
Risk-free interest rate	2.42%
Expected volatility	63.77%
Possibilities under conversion scenario	45.00%
Possibilities under liquidation scenario	27.50%
Possibilities under redemption scenario	27.50%

Derivative financial liabilities

During the year ended December 31, 2024, the Group entered into foreign currency forward contracts to manage the Group’s currency risk. The Group did not elect to adopt hedge accounting for the contracts and therefore, the fair value loss from the contracts was recognized in “other gains and losses” in the consolidated statements of profit or loss and other comprehensive income.

34. DEFERRED INCOME

The Group

	Assets related	Income related	Total
	RMB’000	RMB’000	RMB’000
At January 1, 2022	—	—	—
Government grants received	300,000	—	300,000
Credited to profit or loss (Note 6)	(4,045)	—	(4,045)
At December 31, 2022	295,955	—	295,955
Government grants received	765,358	8,647	774,005
Credited to profit or loss (Note 6)	(53,141)	—	(53,141)
At December 31, 2023	1,008,172	8,647	1,016,819
Government grants received	718,076	15,696	733,772
Credited to profit or loss (Note 6)	(99,034)	(282)	(99,316)
At December 31, 2024	1,627,214	24,061	1,651,275
Government grants received	209,824	2,559	212,383
Credited to profit or loss (Note 6)	(70,515)	—	(70,515)
At June 30, 2025	1,766,523	26,620	1,793,143

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Assets related	Income related	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	—	—	—
Government grants received	285,000	—	285,000
Credited to profit or loss	(3,854)	—	(3,854)
At December 31, 2022	281,146	—	281,146
Government grants received	375,000	8,645	383,645
Credited to profit or loss	(45,606)	—	(45,606)
At December 31, 2023	610,540	8,645	619,185
Government grants received	346,918	15,696	362,614
Credited to profit or loss	(62,223)	(280)	(62,503)
At December 31, 2024	895,235	24,061	919,296
Government grants received	172,483	2,558	175,041
Credited to profit or loss	(45,952)	—	(45,952)
At June 30, 2025	1,021,766	26,619	1,048,385

35. SHARE CAPITAL

All shares issued by the Company are fully paid domestic shares. The par value is RMB1. The Company’s number of shares issued and their nominal value are as follows:

	Number of shares	Authorized share capital
		<i>RMB'000</i>
Authorized:		
At January 1, 2022	—	—
Effect of converting the Company into a joint stock company (<i>note i</i>)	146,432,740	146,433
Issue of new shares	26,335,360	26,335
At December 31, 2022	172,768,100	172,768
Capitalization issue (<i>note ii</i>)	691,072,400	691,072
Issue of new shares	158,082,813	158,083
At December 31, 2023 and 2024	1,021,923,313	1,021,923
Issue of new shares (<i>note iii</i>)	72,821,843	72,822
At June 30, 2025	1,094,745,156	1,094,745

	Number of shares	Share capital
		<i>RMB'000</i>
Registered and fully paid:		
At January 1, 2022	131,441,850	131,442
Issue of new shares	35,326,250	35,326
At December 31, 2022	166,768,100	166,768
Issue of new shares	855,155,213	855,155
At December 31, 2023 and 2024	1,021,923,313	1,021,923
Issue of new shares	72,821,843	72,822
At June 30, 2025	1,094,745,156	1,094,745

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- i. On August 16, 2022, the Company was converted into a joint stock company with limited liability and the registered share capital was further increased to RMB146,433,000.
- ii. In accordance with the resolution passed at the 2023 extraordinary general meeting, a capitalization issue to ordinary shareholders was made out of the capital and other reserves of 40 shares for every 10 shares held at the par value of RMB1 for each share. This issuance increased the total shares by 691,072,400 shares, resulting in share capital increased while capital and other reserves decreased by RMB691,072,000, correspondingly.
- iii. In accordance with the resolution passed at the 2025 extraordinary general meeting, 47,321,843 shares of the Company with par value of RMB1 for each share were issued to 68 investors by way of capitalization from capital and other reserves. This issuance increased the total shares by 47,321,843 shares, resulting in share capital increased while capital and other reserves decreased by RMB47,322,000, correspondingly. Meanwhile, 25,500,000 shares of the Company were issued at the consideration of RMB102,000,000 under the share incentive schemes with details set out in Note 36.

36. SHARE-BASED PAYMENT TRANSACTIONS

The Company’s [REDACTED] share incentive scheme (the “[REDACTED] Share Incentive Scheme”) was adopted for the primary purpose of recognizing the contributions of certain eligible employees, senior management and directors of the Company (the “eligible grantees”). Under this scheme, the eligible grantees can subscribe for partnership interest of the employee shareholding platforms (the “ESOP Platforms”) established solely for the implementation of the scheme.

In November 2020, in adopting the [REDACTED] Share Incentive Scheme, two ESOP Platforms, namely Xiamen Hithium Chuangxiang Investment Partnership Enterprise (Limited Partnership) (“Chuangxiang”)* (廈門海辰創享投資合夥企業(有限合夥)) and Xiamen Hithium Zhicheng Investment Partnership Enterprise (Limited Partnership) (“Zhicheng”)* (廈門海辰致誠投資合夥企業(有限合夥)) were established. Each of the ESOP Platforms was issued 10,000,000* shares of the Company at the consideration of RMB10,000,000.

In April 2022, in adopting the [REDACTED] Share Incentive Scheme, an ESOP Platform, namely Xiamen Hithium Chuangxiang No. 1 Investment Partnership Enterprise (Limited Partnership) (“Chuangxiang No. 1”)* (廈門海辰創享一號投資合夥企業(有限合夥)), was established to acquire 2,500,000* shares of the Company from Chuangxiang. Meanwhile, three ESOP Platforms, namely Xiamen Hithium Zhicheng No. 1 Investment Partnership Enterprise (Limited Partnership) (“Zhicheng No. 1”)* (廈門海辰致誠一號投資合夥企業(有限合夥)), Xiamen Hithium Zhicheng No. 2 Investment Partnership Enterprise (Limited Partnership) (“Zhicheng No. 2”)* (廈門海辰致誠二號投資合夥企業(有限合夥)) and Xiamen Hithium Zhicheng No. 3 Investment Partnership Enterprise (Limited Partnership) (“Zhicheng No. 3”)* (廈門海辰致誠三號投資合夥企業(有限合夥)) were established to acquire 2,000,000*, 1,600,000* and 1,500,000* shares of the Company from Zhicheng.

1st batch of [REDACTED] Share Incentive Scheme

In May 2022, a total number of 9,960,000* shares of the Company were approved by the board of the Company and granted to eligible grantees through Chuangxiang No. 1, Zhicheng No. 1, Zhicheng No. 2 and Zhicheng No. 3. Except for 500,000* shares granted with vesting period, other shares were granted with no vesting conditions.

* Before the effect of capitalization issue

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below are details of the movements of the outstanding shares granted under the 1st batch of [REDACTED] Share Incentive Scheme during the Track Record Period:

Batch	Outstanding as at January 1, 2022	Granted	Vested	Forfeited	Outstanding as at December 31, 2022	Fair value per share at the date of grant
May 2022	–	9,960,000	(9,460,000)	–	500,000	RMB46.03
	=	=	=	=	=	
Weighted average fair value per share (RMB)	–	46.03	46.03	–	46.03	
	=	=	=	=	=	

Batch	Outstanding as at January 1, 2023	Vested	Forfeited	Effect of Capitalization Issue (note)	Outstanding as at December 31, 2023	Fair value per share at the date of grant (note)
May 2022	500,000	–	–	2,000,000	2,500,000	RMB9.21
	=	=	=	=	=	
Weighted average fair value per share (RMB) (note)	9.21	–	–	9.21	9.21	
	=	=	=	=	=	

Batch	Outstanding as at January 1, 2024	Vested	Forfeited	Outstanding as at December 31, 2024	Fair value per share at the date of grant (note)
May 2022	2,500,000	–	–	2,500,000	RMB9.21
	=	=	=	=	
Weighted average fair value per share (RMB) (note)	9.21	–	–	9.21	
	=	=	=	=	

Batch	Outstanding as at January 1, 2025	Vested	Forfeited	Outstanding as at June 30, 2025	Fair value per share at the date of grant (note)
May 2022	2,500,000	(2,500,000)	–	–	RMB9.21
	=	=	=	=	
Weighted average fair value per share (RMB) (note)	9.21	9.21	–	–	
	=	=	=	=	

Note: The number of outstanding unvested shares and the fair value per share at the date of grant were adjusted by the capitalization issue in May 2023, with details set out in Note 35.

For the shares granted under 1st batch of [REDACTED] Share Incentive Scheme, the Group applied the discounted cash flow method under the income approach to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the shares granted. Cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 15%. Cash flow beyond that five-year period has been extrapolated using a steady 2% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. Such results were cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

The fair value has been arrived at based on a valuation carried out by Avista Valuation Advisory Limited with registered address of Suites 2401-06, 24/F, Everbright Centre, No. 108 Gloucester Road, Wan Chai, Hong Kong, independent valuer not connected with the Group.

The Group recognized total expense of approximately RMB373,101,000, RMB12,007,000 and RMB6,937,000, RMB3,188,000 (unaudited), and RMB1,601,000 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 in relation to the shares granted by the Company under the 1st batch of [REDACTED] Share Incentive Scheme.

2nd batch of [REDACTED] Share Incentive Scheme

In August 2022, in adopting the [REDACTED] Share Incentive Scheme, six ESOP Platforms, namely Xiamen Hithium Haichuang No. 1 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 1”)* (廈門海辰海創一號投資合夥企業(有限合夥)), Xiamen Hithium Haichuang No. 2 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 2”)* (廈門海辰海創二號投資合夥企業(有限合夥)), Xiamen Hithium Haichuang No. 3 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 3”)* (廈門海辰海創三號投資合夥企業(有限合夥)), Xiamen Hithium Haichuang No. 4 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 4”)* (廈門海辰海創四號投資合夥企業(有限合夥)), Xiamen Hithium Haichuang No. 5 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 5”)* (廈門海辰海創五號投資合夥企業(有限合夥)) and Xiamen Hithium Haichuang No. 6 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 6”)* (廈門海辰海創六號投資合夥企業(有限合夥)) were established. Such ESOP Platforms were issued 6,000,000* shares of the Company at the consideration of RMB120,000,000.

In August 2022, a total number of 3,778,000* shares of the Company were approved by the board of the Company and granted to eligible grantees through Haichuang No. 1, Haichuang No. 2, Haichuang No. 3, Haichuang No. 4, Haichuang No. 5 and Haichuang No. 6. Each share granted under the 2nd batch of [REDACTED] Share Incentive Scheme can only be vested after the respective vesting period as stipulated in the scheme.

In September 2022, 110,000 shares were approved by the board of the Company and granted to eligible grantees through Zhicheng and Zhicheng No. 2, respectively, with no vesting period.

Set out below are details of the movements of the outstanding shares granted under the 2nd batch of [REDACTED] Share Incentive Scheme during the Track Record Period:

Batch	Outstanding as at January 1, 2022	Granted	Vested	Forfeited	Outstanding as at December 31, 2022	Fair value per share at the date of grant
August 2022	–	3,778,000	–	(100,000)	3,678,000	RMB57.42
September 2022 . . .	–	110,000	(110,000)	–	–	RMB57.42
	–	3,888,000	(110,000)	(100,000)	3,678,000	
	=	=	=	=	=	
Weighted average fair value per share (RMB)	–	57.42	57.42	57.42	57.42	
	=	=	=	=	=	

APPENDIX I

ACCOUNTANTS’ REPORT

Batch	Outstanding as at January 1, 2023	Vested	Forfeited	Effect of Capitalization Issue (note)	Outstanding as at December 31, 2023	Fair value per share at the date of grant (note)
August 2022	<u>3,678,000</u>	<u>—</u>	<u>(438,000)</u>	<u>12,960,000</u>	<u>16,200,000</u>	RMB11.48
Weighted average fair value per share (RMB) (note)	<u>11.48</u>	<u>—</u>	<u>11.48</u>	<u>11.48</u>	<u>11.48</u>	
Batch	Outstanding as at January 1, 2024	Vested	Forfeited		Outstanding as at December 31, 2024	Fair value per share at the date of grant (note)
August 2022	<u>16,200,000</u>	<u>—</u>	<u>(1,920,000)</u>		<u>14,280,000</u>	RMB11.48
Weighted average fair value per share (RMB) (note)	<u>11.48</u>	<u>—</u>	<u>11.48</u>		<u>11.48</u>	
Batch	Outstanding as at January 1, 2025	Vested	Forfeited		Outstanding as at June 30, 2025	Fair value per share at the date of grant (note)
August 2022	<u>14,280,000</u>	<u>—</u>	<u>(735,000)</u>		<u>13,545,000</u>	RMB11.48
Weighted average fair value per share (RMB) (note)	<u>11.48</u>	<u>—</u>	<u>11.48</u>		<u>11.48</u>	

Note: The number of outstanding unvested shares and the fair value per share at the date of grant were adjusted by the capitalization issue in May 2023, details of which were set out in Note 35.

For the shares granted in August and September 2022 under 2nd batch of [REDACTED] Share Incentive Scheme, the Group applied the back-solve method from recent transaction price to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the shares granted. Such results were cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group. The fair value has been arrived at based on a valuation carried out by Avista Valuation Advisory Limited with registered address of Suites 2401-06, 24/F, Everbright Centre, No. 108 Gloucester Road, Wan Chai, Hong Kong, independent valuer not connected with the Group.

In March 2025, in adopting the [REDACTED] Share Incentive Scheme, three ESOP Platforms, namely Xiamen Hithium Haichuang No. 101 Investment Partnership (Limited Partnership) (“Haichuang No. 101”)* (廈門海辰海創第一零一號投資合夥企業(有限合夥)), Xiamen Hithium Haichuang No. 501 Investment Partnership (Limited Partnership) (“Haichuang No. 501”)* (廈門海辰海創第五零一號投資合夥企業(有限合夥)), and Xiamen Hithium Haichuang No. 601 Investment Partnership (Limited Partnership) (“Haichuang No. 601”)* (廈門海辰海創第六零一號投資合夥企業(有限合夥)) were established to acquire 3,000,000, 3,500,000 and 4,503,000 shares from Haichuang No. 1, Haichuang No. 5 and Haichuang No. 6. Meanwhile, a total number of 5,452,000 shares of the Company, which were granted in previous batches and forfeited, were approved by the board of the Company and granted to eligible grantees through Haichuang No. 2, Haichuang No. 3, Haichuang No. 4, Haichuang No. 5 and Haichuang No. 6. Each share granted under the 2nd batch of [REDACTED] Share Incentive Scheme can only be vested after the respective vesting period as stipulated in the scheme.

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below are details of the movements of the outstanding shares granted under the 2nd batch of [REDACTED] Share Incentive Scheme during the six months ended June 30, 2025:

Batch	Outstanding as at January 1, 2025	Granted	Vested	Forfeited	Outstanding as at June 30, 2025	Fair value per share at the date of grant (note)
March 2025	–	16,455,000	–	(75,000)	16,380,000	RMB22.54
	=	=	=	=	=	=
Weighted average fair value per share (RMB)	–	22.54	–	22.54	22.54	
	=	=	=	=	=	

For the shares granted in March 2025 under 2nd batch of [REDACTED] Share Incentive Scheme, the Group applied the discounted cash flow method under income approach to determine the underlying equity value of the Company. The fair value has been arrived at based on a valuation carried out by Avista Valuation Advisory Limited with registered address of Suites 2401-06, 24/F, Everbright Centre, No.108 Gloucester Road, Wan Chai, Hong Kong, independent valuer not connected with the Group.

The Group recognized total expense of approximately RMB8,710,000, RMB21,982,000 and RMB16,654,000, RMB10,077,000 (unaudited) and RMB24,521,000 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 in relation to the shares granted by the Company under the 2nd batch of [REDACTED] Share Incentive Scheme.

3rd batch of [REDACTED] Share Incentive Scheme

In March 2025, in adopting the [REDACTED] Share Incentive Scheme, a ESOP Platform, namely Xiamen Hithium Haichuang No. 7 Investment Partnership Enterprise (Limited Partnership) (“Haichuang No. 7”)* (廈門海辰海創七號投資合夥企業(有限合夥)) was established. Such ESOP Platform was issued 25,500,000 shares of the Company at the consideration of RMB102,000,000. Meanwhile, a total number of 25,500,000 shares of the Company were approved by the board of the Company and granted to eligible grantees. Each share granted under the 3rd batch of [REDACTED] Share Incentive Scheme can only be vested if the grantees satisfied the performance conditions as well as the service conditions as stipulated in the scheme.

Set out below are details of the movements of the outstanding shares granted under the 3rd batch of [REDACTED] Share Incentive Scheme during the six months ended June 30, 2025:

Batch	Outstanding as at January 1, 2025	Granted	Vested	Forfeited	Outstanding as at June 30, 2025	Fair value per share at the date of grant
March 2025	–	25,500,000	–	(302,000)	25,198,000	RMB22.54
	=	=	=	=	=	=
Weighted average fair value per share (RMB)	–	22.54	–	22.54	22.54	
	=	=	=	=	=	

For the shares granted under 3rd batch of [REDACTED] Share Incentive Scheme, the Group applied the discounted cash flow method under income approach to determine the underlying equity value of the Company. The fair value has been arrived at based on a valuation carried out by Avista Valuation Advisory Limited with registered address of Suites 2401-06, 24/F, Everbright Centre, No.108 Gloucester Road, Wan Chai, Hong Kong, independent valuer not connected with the Group.

The Group did not recognized expense for the six months ended June 30, 2025 in relation to the shares granted by the Company under the 3rd batch of [REDACTED] Share Incentive Scheme as the directors of the Company is of the view that the probability of fulfillment of the vesting conditions has not yet become probable as of June 30, 2025.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

The Company recorded the payments received for subscription of 3rd batch restricted shares from the directors and employees as liabilities as detailed in Note 28, since the Company is obligated to repurchase the relevant restricted shares from the employees at the original subscription price with interests if the performance targets have not been met once the lock-up period has expired. When the restricted shares are vested, the corresponding liabilities would be transferred to share premium.

37. PLEDGE OF ASSETS

At the end of each reporting period, the following assets have been pledged to various banks for obtaining letter of credit and securing of the Group’s banking facilities or the issue of bills payables. Details of the pledged assets and corresponding carrying amounts, save as certain equity interest in a subsidiary disclosed in Note 44, are set out below:

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,676,794	2,457,425	2,937,612	2,682,460
Right-of-use assets	75,570	338,145	343,460	328,218
Bills receivables	–	23,028	95,819	234,445
Restricted bank deposits	245,146	860,560	2,327,739	2,696,498
	<u>1,997,510</u>	<u>3,679,158</u>	<u>5,704,630</u>	<u>5,941,621</u>

38. CAPITAL COMMITMENTS

The Group had capital commitments for equipment purchase and building construction and equity investments under non-cancellable contracts as follows:

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
– property, plant and equipment . . .	1,269,136	1,052,905	1,016,005	1,703,671
– equity investment	211,220	179,110	381,523	394,481
	<u>1,480,356</u>	<u>1,232,015</u>	<u>1,397,528</u>	<u>2,098,152</u>

APPENDIX I

ACCOUNTANTS’ REPORT

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	Bank and other borrowings	Lease liabilities	Financial liabilities at FVTPL	Accrued issue cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	811,756	25,327	929,681	–	1,766,764
Financing cash flows	2,221,085	(16,927)	2,690,999	–	4,895,157
Non-cash changes					
Interest expenses	71,879	1,391	–	–	73,270
Fair value changes	–	–	1,290,461	–	1,290,461
Addition of leases	–	33,270	–	–	33,270
At December 31, 2022	3,104,720	43,061	4,911,141	–	8,058,922
Financing cash flows	4,720,001	(42,006)	4,574,917	–	9,252,912
Non-cash changes					
Interest expenses	243,450	3,212	–	–	246,662
Fair value changes	–	–	1,715,798	–	1,715,798
Conversion into equity (<i>Note 33</i>)	–	–	(11,201,856)	–	(11,201,856)
Addition of leases	–	70,045	–	–	70,045
Increase of bills receivables discounted	22,976	–	–	–	22,976
At December 31, 2023	8,091,147	74,312	–	–	8,165,459
Financing cash flows	1,474,589	(39,092)	–	(2,828)	1,432,669
Non-cash changes					
Interest expenses	342,238	3,559	–	–	345,797
Addition of leases	–	97,259	–	–	97,259
Deferred issue cost	–	–	–	2,828	2,828
Increase of bills receivables discounted	74,637	–	–	–	74,637
At December 31, 2024	9,982,611	136,038	–	–	10,118,649
Financing cash flows	754,628	(27,054)	–	(6,500)	721,074
Non-cash changes					
Interest expenses	191,176	3,528	–	–	194,704
Addition of leases	–	7,323	–	–	7,323
Deferred issue cost	–	–	–	6,500	6,500
Increase of bills receivables discounted	41,641	–	–	–	41,641
At June 30, 2025.	10,970,056	119,835	–	–	11,089,891
At December 31, 2023	8,091,147	74,312	–	–	8,165,459
Financing cash flows	925,531	(18,610)	–	–	906,921
Non-cash changes					
Interest expenses	169,044	1,616	–	–	170,660
Addition of leases	–	29,306	–	–	29,306
Decrease of bills receivables discounted	(29,757)	–	–	–	(29,757)
At June 30, 2024 (unaudited).	9,155,965	86,624	–	–	9,242,589

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Information of supplier finance arrangements

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of the financial liabilities that are subject to supplier finance arrangement:				
Presented as part of “Bank and other borrowings” (Note 29)	–	–	82,833	185,031
– Of which suppliers have already received payment from the finance provider	–	–	82,833	185,031
Range of payment due dates				
For liabilities presented as part of “Bank and other borrowings”:				
– Liabilities that are part of supplier finance arrangements	N/A	N/A	180 to 360 days	180 to 360 days
– Comparable trade payables that are not part of supplier finance arrangements	N/A	N/A	Within 30 days	Within 30 days

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of utilities and subsequent cash settlements. During the year ended December 31, 2024 and the six months ended June 30, 2025, borrowings under supplier finance arrangement of RMB82,833,000 and RMB141,579,000, respectively, represent the payments to the suppliers by the relevant banks directly. There were no other material non-cash changes in these liabilities.

40. RETIREMENT BENEFIT PLANS

In accordance with the rules and regulations in the mainland China, the employees of the Group based in the mainland China participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the mainland China under which the Group and the relevant employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees’ salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired mainland-China-based employees’ payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans are recognized as employee benefit charged to profit or loss and capitalized where applicable.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB14,203,000, RMB46,201,000, RMB59,018,000, RMB29,203,000 (unaudited) and RMB34,225,000 for the year ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and lease liabilities disclosed in Notes 29 and 31, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

APPENDIX I

ACCOUNTANTS’ REPORT

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the issue of new shares, new debts or the redemption of existing debts.

42. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost . .	2,952,765	10,730,799	16,149,567	15,765,727
Financial assets at FVTPL	–	549,012	–	10,000
Equity instrument at FVTOCI	100	206	206	206
Receivables at FVTOCI	176,494	65,320	310,826	472,629
	<u>3,129,359</u>	<u>11,345,337</u>	<u>16,460,599</u>	<u>16,248,562</u>
Financial liabilities				
Financial liabilities at amortized cost	5,600,055	14,106,753	19,153,138	21,582,359
Financial liabilities at FVTPL	4,911,141	–	4,511	–
	<u>10,511,196</u>	<u>14,106,753</u>	<u>19,157,649</u>	<u>21,582,359</u>

The Company

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at Amortized cost . .	3,190,689	10,330,513	15,376,334	17,690,599
Financial assets at FVTPL	–	549,012	–	10,000
Receivables at FVTOCI	176,494	65,320	288,841	468,846
	<u>3,367,183</u>	<u>10,944,845</u>	<u>15,665,175</u>	<u>18,169,445</u>
Financial liabilities				
Financial liabilities at amortized cost	5,270,266	11,378,567	15,999,637	19,573,466
Financial liabilities at FVTPL	4,911,141	–	4,511	–
	<u>10,181,407</u>	<u>11,378,567</u>	<u>16,004,148</u>	<u>19,573,466</u>

Financial risk management objectives and policies

The Group’s major financial instruments include trade, bills and other receivables, financial assets at FVTPL, equity instrument at FVTOCI, receivables at FVTOCI, restricted bank deposits, time deposits, cash and cash equivalents, trade, bills and other payables, bank and other borrowings and financial liabilities at FVTPL. The Company’s major financial instruments include those aforementioned as well as amounts due from/to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

APPENDIX I

ACCOUNTANTS’ REPORT

Market risk

The Group’s activities expose it primarily to currency risk and interest rate risk. There had been no change in the Group’s exposure to these risks or the manner in which it managed and measured the risks during the years ended December 31, 2022, 2023, and 2024 and the six months ended June 30, 2025.

(i) Currency risk

Several subsidiaries of the Company have foreign currency transactions, including sales and purchase, which expose the Group to foreign currency risk. Certain of the Group’s bank balances, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities’ foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The Group mainly exposes to foreign currency of US\$ and EUR. The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities as at December 31, 2022, 2023 and 2024 and June 30, 2025 are as follows:

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Assets				
US\$	957	60,241	273,085	219,731
EUR	–	1,116	51,364	55,767
Liabilities				
US\$	–	59	2,972	399
EUR	–	2,326	1,807	–

During the Track Record Period, the Group had entered into several foreign currency forward contracts to manage its currency risks. The management of the Group will monitor the foreign exchange exposure and consider applying hedge accounting to significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies for each of the three years ended December 31, 2024 and the six months ended June 30, 2025 in the Track Record Period. 5% represents management’s assessment of the reasonably possible change in foreign exchange rates. A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against US\$ and EUR, while a positive number indicates an increase in post-tax profit where RMB strengthens 5% against US\$ and EUR. For a 5% weakening of US\$ and EUR for each of the three years ended December 31, 2024 and the six months ended June 30, 2025 in the Track Record Period against the relevant currency, there would be an equal and opposite impact on the profit and other comprehensive income.

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30,
	RMB’000	RMB’000	RMB’000	2025
				RMB’000
Impact on profit or loss:				
US\$	(41)	(2,558)	(12,359)	(9,322)
EUR	–	51	(2,267)	(2,370)
	<u>–</u>	<u>51</u>	<u>(2,267)</u>	<u>(2,370)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Interest rate risk

The Group and the Company is exposed to fair value interest rate risk in relation to fixed-rate cash and cash equivalents, bank and other borrowings and lease liabilities, (details are set out in Notes 27, 29 and 31, respectively). The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and bank and other borrowings (details are set out in Notes 27 and 29, respectively). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.

The Group currently does not have formal interest rate hedging policies. The management of the Group monitors the Group’s exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 100 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points lower/higher and all other variables were held constant, the Group’s and the Company’s post-tax profit for the year/period would increase/(decrease) by the following magnitude:

The Group

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Increase/(decrease) in profit for the year/period ended	20,339	49,512	65,059	28,321	33,536

The Company

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Increase/(decrease) in profit for the year/period ended	20,299	36,015	44,248	19,976	21,189

Credit risk and impairment assessment

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s credit risk is primarily attributable to its trade, bills and other receivables, receivables at FVTOCI, time deposits, restricted bank deposits and bank balances.

In order to minimize the credit risk, the management of the Group 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. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group’s credit risk is significantly reduced.

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

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, that are subjected to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the impairment loss allowance based on lifetime ECL rather than 12m ECL.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

In order to minimize credit risk, the Group has tasked its operation management committee to develop and maintain the Group’s credit risk gradings to categorize exposures according to their degree of risk of default.

Other receivables

For other receivables, the Group has applied the general approach in IFRS 9 to measure the impairment loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk.

In determining the ECL, the management of the Group has taken into account the historical credit loss experience based on the past default experience of the counterparty, general economic conditions of the industry in which the counterparty operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows the Group’s credit risk grading framework in respect of financial assets and contract assets:

Categories	Description	Trade receivables/ contract assets	Other financial assets
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	Lifetime ECL – not credit-impaired	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

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

The Group

December 31, 2022	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB’000
Trade receivables (note)	22	Stage 1	Lifetime ECL	224,946
Contract assets (note).	23	Stage 1	Lifetime ECL	44,112
Bills receivables	22	Stage 1	12m ECL	222,804
Other receivables	22	Stage 1	12m ECL	10,914
Receivables at FVTOCI	26	Stage 1	12m ECL	176,494
Restricted bank deposits	27	Stage 1	12m ECL	245,146
Cash and cash equivalents	27	Stage 1	12m ECL	2,252,487
December 31, 2023	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB’000
Trade receivables (note)	22	Stage 1	Lifetime ECL	3,988,190
		Stage 2	Lifetime ECL	178,820
Contract assets (note).	23	Stage 1	Lifetime ECL	151,682
		Stage 2	Lifetime ECL	12,673
Bills receivables	22	Stage 1	12m ECL	216,283
Other receivables	22	Stage 1	12m ECL	30,964
Receivables at FVTOCI	26	Stage 1	12m ECL	65,320
Restricted bank deposits	27	Stage 1	12m ECL	860,560
Cash and cash equivalents	27	Stage 1	12m ECL	5,284,501
Time deposits	27	Stage 1	12m ECL	323,712

APPENDIX I

ACCOUNTANTS’ REPORT

December 31, 2024	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB’000
Trade receivables (<i>note</i>)	22	Stage 1	Lifetime ECL	7,102,053
		Stage 2	Lifetime ECL	1,873,753
		Stage 3	Lifetime ECL	51
Contract assets (<i>note</i>).	23	Stage 1	Lifetime ECL	308,863
		Stage 2	Lifetime ECL	45,874
Bills receivables	22	Stage 1	12m ECL	836,907
Other receivables	22	Stage 1	12m ECL	46,687
Receivables at FVTOCI	26	Stage 1	12m ECL	310,826
Restricted bank deposits	27	Stage 1	12m ECL	2,327,739
Cash and cash equivalents	27	Stage 1	12m ECL	4,293,783
Time deposits	27	Stage 1	12m ECL	332,992

June 30, 2025	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB’000
Trade receivables (<i>note</i>)	22	Stage 1	Lifetime ECL	6,915,708
		Stage 2	Lifetime ECL	1,470,293
		Stage 3	Lifetime ECL	51
Contract assets (<i>note</i>).	23	Stage 1	Lifetime ECL	510,910
		Stage 2	Lifetime ECL	35,235
Bills receivables	22	Stage 1	12m ECL	1,021,826
Other receivables	22	Stage 1	12m ECL	55,767
Receivables at FVTOCI	26	Stage 1	12m ECL	472,629
Restricted bank deposits	27	Stage 1	12m ECL	2,696,498
Cash and cash equivalents	27	Stage 1	12m ECL	3,905,312
Time deposits	27	Stage 1	12m ECL	387,331

The Company

December 31, 2022	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB’000
Trade receivables (<i>note</i>)	22	Stage 1	Lifetime ECL	236,458
Contract assets (<i>note</i>).	23	Stage 1	Lifetime ECL	44,112
Bills receivables	22	Stage 1	12m ECL	222,804
Other receivables	22	Stage 1	12m ECL	10,535
Receivables at FVTOCI	26	Stage 1	12m ECL	176,494
Restricted bank deposits	27	Stage 1	12m ECL	232,706
Cash and cash equivalents	27	Stage 1	12m ECL	2,225,301

December 31, 2023	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB’000
Trade receivables (<i>note</i>)	22	Stage 1	Lifetime ECL	3,991,747
		Stage 2	Lifetime ECL	178,820
Contract assets (<i>note</i>).	23	Stage 1	Lifetime ECL	151,682
		Stage 2	Lifetime ECL	12,673
Bills receivables	22	Stage 1	12m ECL	216,283
Other receivables	22	Stage 1	12m ECL	25,390
Receivables at FVTOCI	26	Stage 1	12m ECL	65,320
Restricted bank deposits	27	Stage 1	12m ECL	838,278
Cash and cash equivalents	27	Stage 1	12m ECL	4,370,591
Time deposits	27	Stage 1	12m ECL	323,712

APPENDIX I

ACCOUNTANTS’ REPORT

December 31, 2024	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB'000
Trade receivables (<i>note</i>)	22	Stage 1	Lifetime ECL	8,278,051
		Stage 2	Lifetime ECL	1,578,022
		Stage 3	Lifetime ECL	51
Contract assets (<i>note</i>).	23	Stage 1	Lifetime ECL	308,851
		Stage 2	Lifetime ECL	45,874
Bills receivables	22	Stage 1	12m ECL	815,305
Other receivables	22	Stage 1	12m ECL	19,081
Receivables at FVTOCI	26	Stage 1	12m ECL	288,841
Restricted bank deposits	27	Stage 1	12m ECL	1,336,500
Cash and cash equivalents	27	Stage 1	12m ECL	2,813,354
Time deposits	27	Stage 1	12m ECL	332,992
June 30, 2025	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB'000
Trade receivables (<i>note</i>)	22	Stage 1	Lifetime ECL	10,405,080
		Stage 2	Lifetime ECL	1,312,709
		Stage 3	Lifetime ECL	51
Contract assets (<i>note</i>).	23	Stage 1	Lifetime ECL	510,593
		Stage 2	Lifetime ECL	35,235
Bills receivables	22	Stage 1	12m ECL	1,002,117
Other receivables	22	Stage 1	12m ECL	27,782
Receivables at FVTOCI	26	Stage 1	12m ECL	468,846
Restricted bank deposits	27	Stage 1	12m ECL	2,105,234
Cash and cash equivalents	27	Stage 1	12m ECL	2,216,137
Time deposits	27	Stage 1	12m ECL	387,331

Note: For trade receivables and contract assets, the Group and the Company has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL.

As part of the Group’s credit risk management, the Group applies internal credit rating for its customers. The following tables provide information about the exposure to credit risk for trade receivables and contract assets which are assessed based on a provision matrix grouped based on shared credit risk characteristics by reference to the Group’s internal credit ratings and aging of the receivables as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

The Group

Gross carrying amounts as at December 31, 2022

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	0.81	224,946	44,112

APPENDIX I

ACCOUNTANTS’ REPORT

Gross carrying amounts as at December 31, 2023

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	3.06	3,988,190	151,682
Stage 2	12.55	178,820	12,673
		<u>4,167,010</u>	<u>164,355</u>

Gross carrying amounts as at December 31, 2024

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	5.42	7,102,053	308,863
Stage 2	14.78	1,873,753	45,874
Stage 3	100.00	51	—
		<u>8,975,857</u>	<u>354,737</u>

Gross carrying amounts as at June 30, 2025

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	4.66	6,915,708	510,910
Stage 2	24.34	1,470,293	35,235
Stage 3	100.00	51	—
		<u>8,386,052</u>	<u>546,145</u>

The Company

Gross carrying amounts as at December 31, 2022

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	0.77	236,458	44,112

Gross carrying amounts as at December 31, 2023

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	2.74	3,991,747	151,682
Stage 2	12.55	178,820	12,673
		<u>4,170,567</u>	<u>164,355</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Gross carrying amounts as at December 31, 2024

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	3.42	8,278,051	308,851
Stage 2	15.48	1,578,022	45,874
Stage 3	100.00	51	–
		<u>9,856,124</u>	<u>354,725</u>

Gross carrying amounts as at June 30, 2025

	Weighted average loss rate	Trade receivables	Contract Assets
	%	RMB'000	RMB'000
Internal credit rating			
Stage 1	2.09	10,405,080	510,593
Stage 2	24.60	1,312,709	35,235
Stage 3	100.00	51	–
		<u>11,717,840</u>	<u>545,828</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 grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Movement in ECL that has been recognized for trade receivables and contract assets:

The Group

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2022	(786)	–	(786)
Changes due to financial instruments recognized as at January 1, 2022:			
– Impairment losses recognized	(63)	–	(63)
– Impairment losses reversed	–	–	–
New financial assets originated or purchased . . .	<u>(1,331)</u>	<u>–</u>	<u>(1,331)</u>
As at December 31, 2022	<u>(2,180)</u>	<u>–</u>	<u>(2,180)</u>
Changes due to financial instruments recognized as at January 1, 2023:			
– Impairment losses recognized	(161)	–	(161)
– Impairment losses reversed	–	–	–
New financial assets originated or purchased . . .	<u>(148,522)</u>	<u>(17,478)</u>	<u>(166,000)</u>
Impairment losses write-off	<u>–</u>	<u>17,478</u>	<u>17,478</u>
As at December 31, 2023	<u>(150,863)</u>	<u>–</u>	<u>(150,863)</u>
Changes due to financial instruments recognized as at January 1, 2024:			
– Impairment losses recognized	(149,272)	(48)	(149,320)
– Impairment losses reversed	–	–	–
New financial assets originated or purchased . . .	<u>(385,010)</u>	<u>–</u>	<u>(385,010)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000
Exchange alignment.	(1,150)	—	(1,150)
As at December 31, 2024	<u>(686,295)</u>	<u>(48)</u>	<u>(686,343)</u>
Changes due to financial instruments recognized as at January 1, 2025:			
– Impairment losses recognized	—	—	—
– Impairment losses reversed.	163,048	—	163,048
New financial assets originated or purchased . . .	(191,203)	—	(191,203)
Exchange alignment.	<u>1,905</u>	<u>—</u>	<u>1,905</u>
As at June 30, 2025.	<u><u>(712,545)</u></u>	<u><u>(48)</u></u>	<u><u>(712,593)</u></u>

The Company

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2022	(786)	—	(786)
Changes due to financial instruments recognized as at January 1, 2022:			
– Impairment losses recognized	(63)	—	(63)
– Impairment losses reversed.	—	—	—
New financial assets originated or purchased . . .	<u>(1,323)</u>	<u>—</u>	<u>(1,323)</u>
As at December 31, 2022	<u>(2,172)</u>	<u>—</u>	<u>(2,172)</u>
Changes due to financial instruments recognized as at January 1, 2023:			
– Impairment losses recognized	(160)	—	(160)
– Impairment losses reversed.	—	—	—
New financial assets originated or purchased . . .	(135,346)	(17,478)	(152,824)
Impairment losses write-off	<u>—</u>	<u>17,478</u>	<u>17,478</u>
As at December 31, 2023	<u>(137,678)</u>	<u>—</u>	<u>(137,678)</u>
Changes due to financial instruments recognized as at January 1, 2024:			
– Impairment losses recognized	(133,006)	(48)	(133,054)
– Impairment losses reversed.	—	—	—
New financial assets originated or purchased . . .	<u>(275,618)</u>	<u>—</u>	<u>(275,618)</u>
As at December 31, 2024	<u>(546,302)</u>	<u>(48)</u>	<u>(546,350)</u>
Changes due to financial instruments recognized as at January 1, 2025:			
– Impairment losses recognized	—	—	—
– Impairment losses reversed.	167,440	—	167,440
New financial assets originated or purchased . . .	(181,366)	—	(181,366)
As at June 30, 2025.	<u><u>(560,228)</u></u>	<u><u>(48)</u></u>	<u><u>(560,276)</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

Liquidity risk

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

The Group entered into supplier finance arrangement to ease access to credit for its suppliers and facilitate early settlement to the suppliers. Only small portion of the Group’s bank borrowings is subject to supplier finance arrangements. Therefore, the management does not consider the supplier finance arrangement result in significant liquidity risk of the Group. Details of the arrangements are set out in Note 29.

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

The Group

At December 31, 2022	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables							
– interest-free . .	N/A	2,495,335	–	–	–	2,495,335	2,495,335
Bank and other borrowings							
– fixed rate	4.21	628,847	–	–	126,961	755,808	711,929
– variable rate . .	4.11	585,169	385,934	883,058	938,078	2,792,239	2,392,791
Lease liabilities . .	4.30	22,943	14,989	7,370	–	45,302	43,061
Financial liabilities at FVTPL	N/A	4,911,141	–	–	–	4,911,141	4,911,141
		<u>8,643,435</u>	<u>400,923</u>	<u>890,428</u>	<u>1,065,039</u>	<u>10,999,825</u>	<u>10,554,257</u>

At December 31, 2023	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables							
– interest-free . .	N/A	6,015,606	–	–	–	6,015,606	6,015,606
Bank and other borrowings							
– fixed rate	4.15	1,661,627	153,563	618,047	–	2,433,237	2,266,232
– variable rate . .	3.94	1,686,500	637,212	2,161,454	2,273,272	6,758,438	5,824,915
Lease liabilities . .	4.30	29,345	19,159	32,035	–	80,539	74,312
		<u>9,393,078</u>	<u>809,934</u>	<u>2,811,536</u>	<u>2,273,272</u>	<u>15,287,820</u>	<u>14,181,065</u>

APPENDIX I

ACCOUNTANTS’ REPORT

At December 31, 2024	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables							
– interest-free . .	N/A	9,170,527	–	–	–	9,170,527	9,170,527
Bank and other borrowings							
– fixed rate	3.89	1,658,678	86,342	763,638	–	2,508,658	2,328,591
– variable rate . .	3.75	2,270,076	1,347,886	2,624,788	2,174,092	8,416,842	7,654,020
Lease liabilities . .	4.30	49,656	37,687	57,133	–	144,476	136,038
		<u>13,148,937</u>	<u>1,471,915</u>	<u>3,445,559</u>	<u>2,174,092</u>	<u>20,240,503</u>	<u>19,289,176</u>

At June 30, 2025	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables							
– interest-free . .	N/A	10,612,303	–	–	–	10,612,303	10,612,303
Bank and other borrowings							
– fixed rate	4.64	2,421,895	73,642	640,074	137	3,135,748	3,079,323
– variable rate . .	3.94	2,704,986	1,119,892	2,022,298	2,837,097	8,684,273	7,890,733
Lease liabilities . .	4.30	45,620	36,809	49,983	1,267	133,679	119,835
		<u>15,784,804</u>	<u>1,230,343</u>	<u>2,712,355</u>	<u>2,838,501</u>	<u>22,566,003</u>	<u>21,702,194</u>

The Company

At December 31, 2022	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables . .	N/A	2,170,256	–	–	–	2,170,256	2,170,256
Bank and other borrowings							
– fixed rate	4.21	628,847	–	–	126,961	755,808	711,929
– variable rate . .	4.12	580,389	385,934	883,058	938,078	2,787,459	2,388,081
Lease liabilities . .	4.30	20,747	12,792	4,625	–	38,164	35,918
Financial liabilities at FVTPL	N/A	4,911,141	–	–	–	4,911,141	4,911,141
		<u>8,311,380</u>	<u>398,726</u>	<u>887,683</u>	<u>1,065,039</u>	<u>10,662,828</u>	<u>10,217,325</u>

APPENDIX I

ACCOUNTANTS’ REPORT

At December 31, 2023	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables . .	N/A	4,885,334	–	–	–	4,885,334	4,885,334
Bank and other borrowings							
– fixed rate	4.15	1,651,416	153,563	618,047	–	2,423,026	2,256,217
– variable rate . .	3.95	1,619,833	488,781	1,460,053	1,213,359	4,782,026	4,237,016
Lease liabilities . .	4.30	13,392	2,645	1,415	–	17,452	15,726
		<u>8,169,975</u>	<u>644,989</u>	<u>2,079,515</u>	<u>1,213,359</u>	<u>12,107,838</u>	<u>11,394,293</u>

At December 31, 2024	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables . .	N/A	8,475,443	–	–	–	8,475,443	8,475,443
Bank and other borrowings							
– fixed rate	3.89	1,648,572	86,342	763,638	–	2,498,552	2,318,591
– variable rate . .	3.42	1,991,718	996,374	1,717,388	999,992	5,705,472	5,205,603
Lease liabilities . .	4.30	34,697	24,194	43,677	–	102,568	87,503
		<u>12,150,430</u>	<u>1,106,910</u>	<u>2,524,703</u>	<u>999,992</u>	<u>16,782,035</u>	<u>16,087,140</u>

At June 30, 2025	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	N/A	11,965,282	–	–	–	11,965,282	11,965,282
Bank and other borrowings							
– fixed rate	2.98	1,959,709	73,105	630,736	–	2,663,550	2,622,601
– variable rate . .	3.21	2,185,729	738,591	1,191,261	1,246,202	5,361,783	4,985,583
Lease liabilities . .	4.30	27,556	19,528	33,250	–	80,334	73,735
		<u>16,138,276</u>	<u>831,224</u>	<u>1,855,247</u>	<u>1,246,202</u>	<u>20,070,949</u>	<u>19,647,201</u>

Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) Fair value of the Group’s and the Company’s financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group’s and the Company’s financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group

	Fair value				Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	At December 31,			At June 30,			
	2022	2023	2024	2025			
	RMB'000	RMB'000	RMB'000	RMB'000			
Financial assets:							
Receivables at FVTOCI . . .	176,494	65,320	310,826	472,629	Level 2	Discounted cash flow method using the discount rate that reflected the credit risk of the corresponding banks which are observable	N/A
Financial assets at FVTPL – structured deposits . . .	–	549,012	–	–	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A
Financial assets at FVTPL – unlisted equity investment . . .	–	–	–	10,000	Level 3	Net asset value of underlying investments value	Net asset value
Equity instrument at FVTOCI . . .	100	206	206	206	Level 3	Discounted cash flows method	Discount rate <i>(note i)</i>
Financial liabilities:							
Financial liabilities at FVTPL – puttable shares liabilities . . .	4,911,141	–	–	–	Level 3	Back-solve from recent transaction price, equity allocation	Probability of conversion, redemption and liquidation, risk-free rate and expected volatility <i>(note ii)</i>
Financial liabilities at FVTPL – derivative financial liabilities . . .	–	–	4,511	–	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Fair value				Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	At December 31,			At June 30,			
	2022	2023	2024	2025			
	RMB'000	RMB'000	RMB'000	RMB'000			
Financial assets:							
Receivables at FVTOCI . . .	176,494	65,320	288,841	468,846	Level 2	Discounted cash flow method using the discount rate that reflected the credit risk of the corresponding banks which are observable	N/A
Financial assets at FVTPL – structured deposits . . .	–	549,012	–	–	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A
Financial assets at FVTPL – unlisted equity investment . . .	–	–	–	10,000	Level 3	Net asset value of underlying investments value	Net asset value
Financial liabilities:							
Financial liabilities at FVTPL – puttable shares liabilities . . .	4,911,141	–	–	–	Level 3	Back-solve from recent transaction price, equity allocation	Probability of conversion, redemption and liquidation, risk-free rate and expected volatility (note ii)
Financial liabilities at FVTPL – derivative financial liabilities . . .	–	–	4,511	–	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	N/A

There were no transfers between level 1 and 2 during the Track Record Period.

Notes:

- An increase in the discount rate would result in a decrease in the fair value measurement of the equity instrument at FVTOCI, which would have an insignificant impact on the Group’s consolidated financial statements.
- A 5% increase or decrease in the probability of conversion, while all other variables keep constant, would decrease or increase the fair value of puttable shares liabilities as at December 31, 2022 by RMB27,045,000 and RMB27,045,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

A 5% increase or decrease in the risk-free rate, while all other variables keep constant, would decrease or increase the fair value of puttable shares liabilities as at December 31, 2022 by RMB2,979,000 and RMB2,988,000, respectively.

A 5% increase or decrease in expected volatility, while all other variables keep constant, would decrease or increase the fair value of puttable shares liabilities as at December 31, 2022 by RMB10,960,000 and RMB9,641,000, respectively.

(ii) *Reconciliation of Level 3 fair value measurements*

	Equity instruments at FVTOCI	Financial Assets at FVTPL	Financial liabilities at FVTPL
	RMB'000	RMB'000	RMB'000
As at January 1, 2022	–	–	929,681
Total gain and losses			
– in profit or loss	–	–	1,290,461
– in other comprehensive income	–	–	–
Addition	100	–	2,690,999
As at December 31, 2022	100	–	4,911,141
Total gain and losses			
– in profit or loss	–	–	1,715,798
– in other comprehensive income	106	–	–
Addition	–	–	4,574,917
Conversion into equity (<i>Note 33</i>)	–	–	(11,201,856)
As at December 31, 2023 and 2024	206	–	–
Total gain and losses			
– in profit or loss	–	–	–
– in other comprehensive income	–	–	–
Addition	–	10,000	–
As at June 30, 2025	206	10,000	–

Of the total gains or losses for the period included in profit or loss, RMB1,290,461,000 loss relates to financial liabilities at FVTPL held at December 31, 2022. Fair value gains or losses on financial liabilities at FVTPL are included in ‘other gains and losses’.

Included in other comprehensive income is an amount of nil, RMB106,000 gain, nil and nil relating to unlisted equity securities classified as equity instruments at FVTOCI held at December 31, 2022, 2023 and 2024 and June 30, 2025 is reported as changes of FVTOCI reserve.

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

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

APPENDIX I

ACCOUNTANTS’ REPORT

43. RELATED PARTY DISCLOSURES

The Group had the following significant transactions and balances with related parties during the Track Record Period.

(a) Related party transactions

i. Sales of products and service

Relationship		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Shenzhen Shenyuan	(i)	–	28	1,046	9	1,777
Xiamen Lide (note iv)	(i)	59	–	–	–	–
Zhuhai Dongchen (note iii)	(i)	–	24,359	N/A	N/A	N/A
Shandong Huaqing	(i)	–	–	1,775	1,529	4
Chongqing Chenfeng	(i)	–	–	4,773	4,773	–
Xiamen Maizi Childcare Service Co., Ltd* (“Xiamen Maizi”) (廈門麥子托育服務有限公司)	(ii)	–	–	89	8	42
		59	24,387	7,683	6,319	1,823

ii. Purchase of service

Relationship		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Xiamen Lide (note iv)	(i)	14,065	12,714	13,053	7,869	4,294

iii. Lease

Relationship		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Xiamen Lide (note iv)	(i)					
– Expenses of short-term leases		116	698	818	409	207
– Interest expenses on lease liabilities		18	16	21	11	6
		134	714	839	420	213

The lease repayments of RMB211,000, RMB779,000, RMB892,000, RMB468,000 (unaudited) and RMB265,000 were made for the year ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025. Included in the lease repayments there were interests paid of RMB18,000, RMB16,000, RMB21,000, RMB11,000 (unaudited) and RMB6,000 for the year ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) These entities are associates of the Group.
- (ii) The entity is controlled by Mr. Wu’s spouse.
- (iii) No transaction took place between the Group and Zhuhai Dongchen before it became a subsidiary of the Company in the year ended December 31, 2024.
- (iv) Xiamen Lide was disposed of by the Group in April 2025. The respective amount represented the transactions before it ceased to be an associate of the Group.

(b) Related party balances of the Group

i. Trade receivables

Relationship		At December 31,			At June 30,
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Shenyuan	(i)	—	24	791	766
Zhuhai Dongchen (note ii). . .	(i)	2,124	27,525	N/A	N/A
Chongqing Chenfeng	(i)	—	—	270	—
Xiamen Maizi	(ii)	—	—	33	45
		<u>2,124</u>	<u>27,549</u>	<u>1,094</u>	<u>811</u>

These amounts mentioned above are included in the Group’s trade, bills and other receivables as set out in Note 22.

ii. Other Receivables

Relationship		At December 31,			At June 30,
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Non-trade related:					
Xiamen Lide (note iii)	(i)	<u>180</u>	<u>180</u>	<u>177</u>	N/A

These amounts mentioned above are included in the Group’s trade, bills and other receivables as set out in Note 22. Amount represented rental deposit placed to a related party in respect of a rented warehouse under normal commercial term, and would be refundable upon expiring of the lease contract.

iii. Other payables

		At December 31,			At June 30,
Relationship		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Trade related:					
Xiamen Lide	(i)	4,535	5,242	6,667	N/A
Shandong Huaqing	(i)	—	—	100	100
Non-trade related:					
Zhuhai Dongchen (note ii). . .	(i)	—	329	N/A	N/A
		4,535	5,571	6,767	100

APPENDIX I

ACCOUNTANTS’ REPORT

These amounts mentioned above are included in the Group’s trade, bills and other payables as set out in Note 28.

iv. Lease liabilities

Relationship	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Non-trade related:				
Xiamen Lide (note iii) (i)	624	560	507	N/A
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The lease liabilities were related to a rental agreement under normal commercial term, and would be settled upon expiring the lease contract.

v. Contract liabilities

Relationship	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Trade related:				
Shandong Huaqing (i)	–	–	2,124	1,880
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Except the lease liabilities as set out above are carried with interest, all other balances with related parties are unsecured, interest free and repayable on demand.

Notes:

- (i) These entities are associates of the Group.
- (ii) Zhuhai Dongchen became a subsidiary of the Company in 2024, thus the respective balance is not applicable as at December 31, 2024.
- (iii) Xiamen Lide was disposed of by the Group in April 2025, thus the respective balance is not applicable as at June 30, 2025.

(c) Compensation of key management personnel

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and other benefits	4,686	7,288	10,375	5,809	5,828
Retirement benefit scheme contributions	37	260	341	200	185
Discretionary performance related bonus	716	1,146	2,292	1,147	1,406
Share-based payments	113,467	1,421	1,421	711	5,855
	<u>118,906</u>	<u>10,115</u>	<u>14,429</u>	<u>7,867</u>	<u>13,274</u>

The remuneration of key management personnel (being Chairman and director of the Company and other key management of the Group), is determined with reference to the performance of individuals and market trends.

APPENDIX I

ACCOUNTANTS’ REPORT

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Authorized share/ registered capital	Attributable equity interests held by the Company				At the date of this report	Principal activities	Notes
			At December 31,			At June 30,			
			2022	2023	2024	2025			
'000									
Directly held:									
Xiamen Hithium New Material Technology Co., Ltd.* (廈門海辰新材料科技有限公司)	The PRC, December 27, 2019	RMB100,000	100%	100%	100%	100%	[100]%	Production and sales of materials	a
Xiamen Hithium Energy Storage Development Co., Ltd.* (廈門海辰儲能發展有限公司)	The PRC, June 29, 2021	RMB20,000	100%	100%	100%	100%	[100]%	Investment holding	a
Hithium Equipment	The PRC, April 19, 2022	RMB20,000	100%	100%	100%	100%	[100]%	Research and development, production and sales of equipment	b
Shenzhen Hithium Energy Storage Technology Co., Ltd.* (深圳海辰儲能科技有限公司)	The PRC, May 25, 2022	RMB60,000	100%	100%	100%	100%	[100]%	Research and development, sales and delivery of energy storage products	c
Haichuang Xingzhi	The PRC, June 13, 2022	RMB5,000	80%	80%	80%	80%	[80]%	Development and sales of industrial software	b
Hithium Chongqing (note h)	The PRC, June 17, 2022	RMB2,400,000	77.78%	77.78%	77.78%	77.78%	[77.78]%	Production, sales and delivery of energy storage products	d
Hithium Energy Storage Technology USA Inc.	The U.S., November 23, 2022	US\$75,352	100%	100%	100%	100%	[100]%	Research and development, production, sales and delivery of energy storage products	g
Hithium Energy Storage Technology Deutschland GmbH	Germany, December 13, 2022	EUR1,000	100%	100%	100%	100%	[100]%	Sales and delivery of energy storage products	a
Hithium Global Pte. Ltd.	Singapore, August 28, 2023	US\$0.001	N/A	100%	100%	100%	[100]%	Investment holding	a
Xiamen Jiamei Home Logistics Service Management Co., Ltd.* (廈門市佳美之家後勤服務管理有限公司)	The PRC, January 31, 2024	RMB2,000	N/A	N/A	100%	100%	[100]%	Management services	a
Xiamen Haichen Digital Energy Technology Co., Ltd.* (廈門海辰數能科技有限公司)	The PRC, March 8, 2024	RMB50,000	N/A	N/A	100%	100%	[100]%	Sales and delivery of energy storage products	a
Shenzhen Haichen Equal Rights Hero Energy Technology Co., Ltd.* (深圳海辰平權英雄能源科技有限公司)	The PRC, May 9, 2024	RMB30,000	N/A	N/A	100%	100%	[100]%	Research and development, sales and delivery of energy storage products	e
Shandong Haichen Green Energy Development Co., Ltd.* (山東海辰綠色能源發展有限公司)	The PRC, June 4, 2024	RMB3,000	N/A	N/A	100%	100%	[100]%	Research and development, production, sales and delivery of energy storage products	a

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Authorized share/registered capital	Attributable equity interests held by the Company					At the date of this report	Principal activities	Notes
			At December 31,			At June 30,				
			2022	2023	2024	2025				
		'000								
Shandong Haichen Investment Development Co., Ltd.* (山東海辰投資發展有限公司)	The PRC, June 20, 2024	RMB600,000	N/A	N/A	100%	100%	[100]%	Investment holding	a	
Haichen Green Energy (Shanghai) Energy Development Co., Ltd.* (海辰綠能(上海)能源開發有限公司)	The PRC, October 16, 2024	RMB30,000	N/A	N/A	90%	90%	[90]%	Investment in power stations	a	
Indirectly held:										
Xiamen Zongling.	The PRC, March 24, 2021	RMB2,584	56.67%	56.67%	74.85%	74.85%	[74.85]%	Production and sales of battery components	f	
Zhuhai Dongchen	The PRC, November 24, 2021	RMB4,000	40%	40%	100%	100%	[100]%	Operation of energy storage projects	a	
Shandong Jincheng Energy Development Co., Ltd.* (山東錦辰能源發展有限公司)	The PRC, December 6, 2021	RMB5,000	100%	100%	100%	100%	[100]%	Operation of energy storage projects	a	
Evolt Technology Limited	New Zealand, June 27, 2022	Nil	100%	100%	100%	100%	[100]%	Sales and delivery of energy storage products	a	
Chongqing Xingchen Energy Storage Technology Co., Ltd.* (重慶興辰儲能技術有限公司)	The PRC, August 5, 2022	RMB1,000	100%	100%	100%	100%	[100]%	No material business	a	
Hithium USA Inc.	The U.S., August 31, 2023	N/A	N/A	100%	100%	100%	[100]%	Sales and delivery of energy storage products	a	
Hithium Australia Pty. Ltd.	Australia, September 12, 2023	Australian dollar 1,900	N/A	100%	100%	100%	[100]%	Sales and delivery of energy storage products	a	
Chongqing Zongling Precision Industry Co., Ltd.* (重慶縱凌精密工業有限公司)	The PRC, January 12, 2024	RMB10,000	N/A	N/A	74.85%	74.85%	[74.85]%	Production and sales of mould	a	
Hithium TECH USA INC.	The U.S., January 30, 2024	US\$68,452	N/A	N/A	100%	100%	[100]%	Research and development, production, sales and delivery of energy storage products	g	
Hi Capital LLC	The U.S., February 27, 2024	Nil	N/A	N/A	100%	100%	[100]%	No material business	a	
Hithium UK Ltd.	United Kingdom, March 18, 2024	Great Britain Pound 0.001	N/A	N/A	100%	100%	[100]%	Sales and delivery of energy storage products	a	
Heze Lvneng New Energy Co., Ltd.* (荷澤綠辰新能源有限公司)	The PRC, June 7, 2024	RMB1,000	N/A	N/A	100%	100%	[100]%	Investment in power stations	a	
Shandong Hithium Energy Storage Technology Co., Ltd.* (山東海辰儲能科技有限公司)	The PRC, July 2, 2024	RMB300,000	N/A	N/A	100%	100%	[100]%	Research and development, production, sales and delivery of long-duration energy storage products	a	
Hithium Tech HK Limited	Hong Kong, October 30, 2024	HK\$10	N/A	N/A	100%	100%	[100]%	Sales and delivery of energy storage products	a	

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Authorized share/registered capital	Attributable equity interests held by the Company					At the date of this report	Principal activities	Notes
			At December 31,			At June 30,				
			2022	2023	2024	2025				
		'000								
Heze Hai Lu Rong He Energy Development Co., Ltd.* (菏泽海緣融和能源開發有限公司)	The PRC, November 14, 2024	RMB1,000	N/A	N/A	100%	100%	[100]%	Investment in power stations	a	
Heze Shan Tou Hai Lu Energy Development Co., Ltd.* (菏泽山投海緣能源開發有限公司)	The PRC, November 15, 2024	RMB1,000	N/A	N/A	100%	100%	[100]%	Investment in power stations	a	
Hithium Energy Storage Japan LLC	Japan, November 15, 2024	Japanese Yen 20,200	N/A	N/A	100%	100%	[100]%	Sales and delivery of energy storage products	a	
Heze Haisui New Energy Co., Ltd.* (菏泽辰儲新能源有限公司)	The PRC, April 9, 2025	RMB1,000	N/A	N/A	N/A	100%	[100]%	Sales and delivery of energy storage products	a	
Heze Carbon and Green Energy Co., Ltd.* (菏泽碳和緣能源有限公司)	The PRC, April 10, 2025	RMB1,000	N/A	N/A	N/A	100%	[100]%	Sales and delivery of energy storage products	a	
Heze Haisui New Energy Co., Ltd.* (菏泽海穗新能源有限公司)	The PRC, June 12, 2025	RMB1,000	N/A	N/A	N/A	100%	[100]%	Sales and delivery of energy storage products	a	

Notes:

- (a) No audited statutory financial statements were prepared for these entities for the years ended December 31, 2022, 2023 and 2024, where applicable, as there are no statutory audit requirements.
- (b) The financial statements of these entities for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. The financial statements of these entities for the years ended December 31, 2022 and 2023 were audited by Xiamen Andexin, certified public accountants registered in the PRC. The financial statements of these entities for the year ended December 31, 2024 were audited by Xiamen Zhong Lian Xing Certified Public Accountants Co., Ltd.* (“Xiamen Zhong Lian Xing”) (廈門中聯興會計師事務所有限公司), certified public accountants registered in the PRC.
- (c) No audited statutory financial statements were prepared for this entity for the year ended December 31, 2022. The financial statements of this entity for the year ended December 31, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. The financial statements of the entity for the year ended December 31, 2023 were audited by Xiamen Andexin, certified public accountants registered in the PRC. The financial statements of the entity for the year ended December 31, 2024 were audited by Xiamen Zhong Lian Xing, certified public accountants registered in the PRC.
- (d) The financial statements of these entities for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. The financial statements of these entities for the years ended December 31, 2022 and 2023 were audited by Xiamen Andexin, certified public accountants registered in the PRC. The financial statements of these entities for the year ended December 31, 2024 were audited by DTTCPALLP, certified public accountants registered in the PRC.
- (e) The financial statements of this entity for the year ended December 31, 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Xiamen Zhong Lian Xing, certified public accountants registered in the PRC.

APPENDIX I

ACCOUNTANTS’ REPORT

- (f) The financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. The financial statements of this entity for the year ended December 31, 2022 were audited by Xiamen Liangcheng Certified Public Accountants Co., Ltd.* (廈門良誠會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of this entity for the year ended December 31, 2023 were audited by Dahua Certified Public Accountants LLP* (大華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. The financial statements of this entity for the year ended December 31, 2024 were audited by Xiamen Hongzheng Certified Public Accountants Co., Ltd.* (廈門泓正會計師事務所有限公司), certified public accountants registered in the PRC.
- (g) The financial statements of these entities for the year ended December 31, 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the US enterprises and were audited by HTL CPAs & Business Advisors LLC, certified public accountants registered in the US.
- (h) The management of the Group considered that the Group effectively owned 77.78% in Chongqing Hithium, after taking into account the contractual arrangement entered into among the Company, Chongqing Hithium and its investor in year 2022, pursuant to which, the Company was required to repurchase the 26.78% equity interest in Chongqing Hithium from its investor at a fixed interest rate of 6% per annum after the 6th year of anniversary of date of investment. Accordingly, such investment sum received by the Company was accounted for as other borrowings as recorded in Note 29.

* English name is for identification purpose

The financial year end date for all the subsidiaries above are same as the Company. None of the subsidiaries had issued any debt securities at the end of each reporting period during the Track Record Period.

45. INVESTMENTS IN SUBSIDIARIES

	At December 31,			At June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments, unlisted shares .	419,704	1,653,523	2,605,690	3,267,684

46. MOVEMENTS OF THE COMPANY’S RESERVES

	Capital and other reserves	Safety fund surplus reserve	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	(184,478)	—	—	(255,665)	(440,143)
Loss and total comprehensive expense for the year	—	—	—	(1,708,157)	(1,708,157)
Issue of new shares	(35,326)	—	—	—	(35,326)
Provision of safety fund surplus reserve	—	102	—	(102)	—
Change in ownership of interest in a subsidiary	(607)	—	—	—	(607)
Recognition of equity-settled share-based payments (Note 36) . .	—	—	381,811	—	381,811
Vest of shares granted under share incentive scheme	377,233	—	(377,233)	—	—
At December 31, 2022	156,822	102	4,578	(1,963,924)	(1,802,422)
Loss and total comprehensive expense for the year	—	—	—	(1,788,634)	(1,788,634)
Capitalization issue	(691,072)	—	—	—	(691,072)
Issue of new shares	11,157,773	—	—	—	11,157,773

APPENDIX I

ACCOUNTANTS’ REPORT

	Capital and other reserves	Safety fund surplus reserve	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision of safety fund surplus reserve	–	224	–	(224)	–
Recognition of equity-settled share-based payments (<i>Note 36</i>) . .	–	–	33,989	–	33,989
At December 31, 2023	10,623,523	326	38,567	(3,752,782)	6,909,634
Profit and total comprehensive income for the year	–	–	–	457,194	457,194
Provision of safety fund surplus reserve	–	1,436	–	(1,436)	–
Recognition of equity-settled share-based payments (<i>Note 36</i>) . .	–	–	23,591	–	23,591
At December 31, 2024	10,623,523	1,762	62,158	(3,297,024)	7,390,419
Profit and total comprehensive income for the period	–	–	–	415,027	415,027
Issue of new shares	(72,822)	–	–	–	(72,822)
Provision of safety fund surplus reserve	–	1,135	–	(1,135)	–
Recognition of equity-settled share- based payments (<i>Note 36</i>)	–	–	26,122	–	26,122
Vest of shares granted under share incentive scheme	1,601	–	(1,601)	–	–
At June 30, 2025	10,552,302	2,897	86,679	(2,883,132)	7,758,746

47. CONTINGENT LIABILITIES

In June 2025, the Group was involved in an intellectual property infringement claim. The plaintiff petitioned the Group to immediately stop the relevant activity and to pay RMB150 million as compensation. [As at the date of this report], the Group has received the pleading and is in the process of preparing to contest such claim.

Based on the analysis and views of the Group’s IP counsel and legal advisor in PRC law and after assessment, [at the date of this report,] the directors of the Company are of the view that the claim are lacking in merit and it is not probable that a material outflow of economic benefits will be required to settle the claim.

48. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2025 and up to the date of this report.]

49. SUBSEQUENT EVENTS

[•]