

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI PUTAILAI NEW ENERGY TECHNOLOGY GROUP CO., LTD AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Shanghai Putailai New Energy Technology Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[71], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”) and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 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-[71] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “document”) in connection with the initial listing of the H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors 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* as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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, 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.

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Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 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 contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

Date

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with the Hong Kong Standards on Auditing as issued by the HKICPA (the “Underlying Financial Statements”).

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	6	15,292,852	13,398,812	15,655,757
Cost of sales		(11,339,110)	(10,435,779)	(11,000,839)
GROSS PROFIT		3,953,742	2,963,033	4,654,918
Other income and gains	7	545,748	527,569	475,191
Selling and distribution expenses		(196,521)	(161,739)	(155,368)
Administrative expenses		(713,622)	(681,199)	(834,007)
Research and development expenses		(960,650)	(743,384)	(888,241)
Impairment losses on financial and contract assets, net		(7,170)	(36,868)	(55,691)
Other expenses		(27,534)	(121,631)	(69,521)
Finance costs	9	(252,316)	(255,938)	(235,486)
Share of profits and losses of:				
Joint ventures		(16,969)	(25,627)	(19,994)
Associates		42,811	55,506	86,558
PROFIT BEFORE TAX	8	2,367,519	1,519,722	2,958,359
Income tax expenses	12	(214,368)	(132,499)	(344,408)
PROFIT FOR THE YEAR		2,153,151	1,387,223	2,613,951
Attributable to:				
Owners of the parent		1,923,214	1,192,754	2,365,338
Non-controlling interests		229,937	194,469	248,613
		2,153,151	1,387,223	2,613,951
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14			
Basic (RMB per share)		0.95	0.56	1.12
Diluted (RMB per share)		0.94	0.56	1.12

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
PROFIT FOR THE YEAR	<u>2,153,151</u>	<u>1,387,223</u>	<u>2,613,951</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value	(15,032)	7,285	2,816
Income tax effect	<u>2,114</u>	<u>(1,187)</u>	<u>(347)</u>
	(12,918)	6,098	2,469
Exchange differences on translation of foreign operations	<u>724</u>	<u>(65)</u>	<u>1,125</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods .	<u>(12,194)</u>	<u>6,033</u>	<u>3,594</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(12,194)</u>	<u>6,033</u>	<u>3,594</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,140,957</u>	<u>1,393,256</u>	<u>2,617,545</u>
Attributable to:			
Owners of the parent	1,911,020	1,198,787	2,368,932
Non-controlling interests	<u>229,937</u>	<u>194,469</u>	<u>248,613</u>
	<u>2,140,957</u>	<u>1,393,256</u>	<u>2,617,545</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	12,155,189	15,143,349	16,852,691
Right-of-use assets	17	882,729	910,829	893,949
Goodwill	20	78,645	103,504	103,504
Other intangible assets	16	50,658	58,131	46,155
Investments in joint ventures	18	183,868	158,241	137,184
Investments in associates	19	236,176	292,504	379,326
Financial assets at fair value through profit or loss	26	79,806	76,853	96,764
Deferred tax assets	34	492,450	710,695	778,859
Prepayments, other receivables and other assets	24	846,515	1,234,676	252,898
Total non-current assets		15,006,036	18,688,782	19,541,330
CURRENT ASSETS				
Inventories	21	11,477,959	8,364,474	8,904,799
Trade and bills receivables	23	3,827,640	4,493,249	5,828,165
Contract assets	25	465,287	485,097	491,774
Prepayments, other receivables and other assets	24	1,307,356	1,061,126	1,155,966
Financial assets at fair value through profit or loss	26	1,525,089	1,982,379	4,164,081
Debt investment at fair value through other comprehensive income	22	963,528	442,028	201,270
Time deposits	28	—	46,000	327,617
Restricted cash	28	749,544	403,906	466,007
Cash and cash equivalents	28	8,352,507	6,136,514	5,189,698
Total current assets		28,668,910	23,414,773	26,729,377
CURRENT LIABILITIES				
Trade and bills payables	29	7,311,314	4,620,706	7,533,019
Contract liabilities	30	4,326,404	3,470,330	3,169,854
Other payables and accruals	31	1,870,637	2,210,915	2,141,386
Financial liabilities at fair value through profit or loss	26	—	1,640	—
Interest-bearing bank and other borrowings	32	6,682,211	6,393,189	6,914,806
Lease liabilities	17	13,145	3,505	2,574
Provision	33	11,343	13,434	18,579
Tax payable		175,957	144,592	130,588
Total current liabilities		20,391,011	16,858,311	19,910,806
NET CURRENT ASSETS		8,277,899	6,556,462	6,818,571
TOTAL ASSETS LESS CURRENT LIABILITIES		23,283,935	25,245,244	26,359,901
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	3,955,395	4,787,232	3,499,030
Lease liabilities	17	7,922	9,739	7,411
Deferred income	35	563,864	879,920	1,036,350
Deferred tax liabilities	34	26,730	27,973	35,346
Total non-current liabilities		4,553,911	5,704,864	4,578,137
Net assets		18,730,024	19,540,380	21,781,764
EQUITY				
Equity attributable to owners of the parent				
Share capital	36	2,137,996	2,137,165	2,136,399
Treasury shares	37	(348,114)	(618,327)	(600,005)
Reserves	39	15,984,607	16,868,258	18,897,204
		17,774,489	18,387,096	20,433,598
Non-controlling interests	41	955,535	1,153,284	1,348,166
Total equity		18,730,024	19,540,380	21,781,764

Year ended 31 December 2023

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Attributable to owners of the parent

	Foreign currency translation reserve										
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Statutory surplus reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity	
	RMB '000 (note 36)	RMB '000 (note 37)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000	RMB '000	RMB '000	RMB '000	
As at 1 January 2024	2,137,996	(348,114)	7,888,583	(12,918)	2,039	439,366	11,610	17,774,489	955,535	18,730,024	
Profit for the year	–	–	–	–	–	–	–	1,192,754	194,469	1,387,223	
Other comprehensive income for the year:											
Change in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	6,098	–	–	–	6,098	–	6,098	
Exchange differences on translation of foreign operations	–	–	–	–	(65)	–	–	(65)	–	(65)	
Total comprehensive income for the year	–	–	–	6,098	(65)	–	–	1,192,754	194,469	1,393,256	
Share reissued for equity-settled share-based payment arrangements	–	10,338	528	–	–	–	–	10,866	–	10,866	
Repurchase of treasury shares	–	(300,006)	–	–	–	–	–	(300,006)	–	(300,006)	
Cancellation of treasury shares	(831)	19,455	(18,624)	–	–	–	–	–	–	–	
Acquisition of a subsidiary (note 40)	–	–	–	–	–	–	–	–	57,369	57,369	
Capital injection to a non-wholly owned subsidiary	–	–	89	–	–	–	–	89	(89)	–	
Dividend declared (note 13)	–	–	–	–	–	–	–	(297,951)	–	(297,951)	
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(54,000)	(54,000)	
Transfer to statutory surplus reserve	–	–	–	–	58,006	–	(58,006)	–	–	–	
Transfer to safety funds	–	–	–	–	–	4,585	(4,585)	–	–	–	
Utilisation of safety funds	–	–	–	–	–	(2,450)	2,450	–	–	–	
Share of reserves of an associate . .	–	–	822	–	–	–	–	822	–	822	
As at 31 December 2024	2,137,165	(618,327)	7,871,398*	(6,820)*	1,974*	497,372*	13,745*	8,490,589*	1,153,284	19,540,380	

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Year ended 31 December 2025

	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000 (note 36)	Treasury shares RMB'000 (note 37)	Capital reserve RMB'000 (note 39)	Fair value reserve RMB'000 (note 39)	Foreign currency translation reserve RMB'000 (note 39)	Statutory surplus reserve RMB'000 (note 39)	Reserve funds RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000
As at 1 January 2025	2,137,165	(618,327)	7,871,398	(6,820)	1,974	497,372	13,745	8,490,589	18,387,096	1,153,284
Profit for the year	–	–	–	–	–	–	–	2,365,338	2,365,338	248,613
Other comprehensive income for the year:										
Change in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	2,469	–	–	–	–	2,469	–
Exchange differences on translation of foreign operations	–	–	–	–	1,125	–	–	–	1,125	–
Total comprehensive income for the year	–	–	–	2,469	1,125	–	–	2,365,338	2,368,932	248,613
Share based payments, net of tax	–	–	35,609	–	–	–	–	–	35,609	–
Cancellation of treasury shares	(766)	18,322	(17,556)	–	–	–	–	–	–	–
Capital injection to a non-wholly owned subsidiary	–	–	(269)	–	–	–	–	(357,770)	(269)	269
Dividend declared (note 13)	–	–	–	–	–	–	–	–	(357,770)	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(54,000)
Transfer to statutory surplus reserve	–	–	–	–	–	210,771	–	(210,771)	–	–
Transfer to safety funds	–	–	–	–	–	–	8,734	(8,734)	–	–
Utilisation of safety fund	–	–	–	–	–	–	(2,449)	2,449	–	–
As at 31 December 2025	2,136,399	(600,005)	7,889,182*	(4,351)*	3,099*	708,143*	20,030*	10,281,101*	20,433,598	1,348,166
										21,781,764

* These reserve accounts comprise the consolidated reserves of RMB15,984,607,000, RMB16,868,258,000 and RMB18,897,204,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		2,367,519	1,519,722	2,958,359
Adjustments for:				
Finance costs	9	252,316	255,938	235,486
Share of profits and losses of associates and joint ventures	18&19	(25,842)	(29,879)	(66,564)
Interest income	7	(170,106)	(180,719)	(140,930)
Equity-settled share-based payment expenses . .		9,281	143	26,941
Foreign exchange difference, net		(8,686)	(20,838)	1,218
Investment losses/(incomes) on financial assets at fair value through profit or loss	7	5,791	(13,621)	(5,263)
Amortisation of government grants related to assets	35	(23,716)	(41,994)	(67,502)
Amortisation of other intangible assets	8	11,919	15,620	18,874
Depreciation of property, plant and equipment .	8	718,022	894,612	1,069,343
Depreciation of right-of-use assets	8	35,511	35,216	22,410
Impairment losses of inventories, net	8	1,050,435	688,222	283,455
Loss on disposal of items of property, plant and equipment	8	12,164	4,696	5,948
(Reversal of impairment)/impairment of trade and bills receivables	8	(11,045)	18,454	46,605
(Reversal of impairment)/impairment of other receivables	8	(6,150)	16,026	8,550
Impairment losses of property, plant and equipment	8	—	64,012	7,603
Impairment losses of right-of-use assets	8	—	22,203	—
Impairment losses of goodwill	8	—	10,918	—
Impairment loss of investments in joint ventures	8	—	—	17,612
Fair value gain of financial assets and liabilities at fair value through profit or loss	8	(28,774)	(4,267)	(62,014)
Impairment of contract assets	8	24,365	2,388	536
		4,213,004	3,256,852	4,360,667
(Increase)/decrease in inventories		(1,493,389)	2,425,263	(823,780)
Increase in trade and bills receivables		(5,677,204)	(4,823,088)	(4,689,863)
(Increase)/decrease in debt investment at fair value through other comprehensive income .		(963,528)	521,500	240,758
Decrease/(increase) in prepayments, other receivables and other assets		13,734	222,222	(115,390)
Increase in contract assets		(136,046)	(22,198)	(7,213)
Decrease/(increase) in financial assets at fair value through profit or loss		1,008,024	(23,664)	(945,583)
Decrease in contract liabilities		(465,379)	(856,074)	(300,476)
Increase in trade and bills payables		4,655,996	1,019,803	5,166,122
(Decrease)/increase in provision		(14,166)	2,091	5,145
Increase in deferred income		195,173	358,050	223,932
Decrease/(increase) in restricted cash		34,330	420,638	(137,101)
Increase in other payables and accruals		22,325	73,901	(16,152)
		1,392,874	2,575,296	2,961,066
Cash generated from operations		170,106	180,719	140,930
Interest received		(445,174)	(384,332)	(404,698)
Income tax paid				
Net cash flows from operating activities		1,117,806	2,371,683	2,697,298

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(3,664,765)	(3,187,869)	(1,503,576)
Purchase of other intangible assets		(13,193)	(23,058)	(7,170)
Payment for leasehold land	17	(293,099)	(52,399)	(8,420)
Acquisition of a subsidiary	40	(85,165)	(2,768)	–
Capital injection in associates and a joint venture		(6,400)	–	(16,812)
Proceeds from disposal of items of property, plant and equipment		15,850	21,949	5,674
Decrease in prepayments, other receivables and other assets		14,251	10,750	12,000
Purchase of financial assets at fair value through profit or loss		(2,190,940)	(3,131,669)	(3,581,069)
Proceeds from disposal of financial assets at fair value through profit or loss		1,239,132	2,702,310	2,406,964
Placement of pledged time deposits		–	–	(320,000)
Placement of non-pledged time deposits		–	(46,000)	–
Withdrawal of non-pledged time deposits		–	–	38,383
Net cash flows used in investing activities		(4,984,329)	(3,708,754)	(2,974,026)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		7,066,286	6,670,570	5,816,782
Repayment of bank loans		(3,650,248)	(6,121,332)	(6,094,655)
Proceeds from the issuance of bonds, net		1,000,000	1,599,009	1,400,000
Repayment of bonds		–	(2,000,000)	(1,200,000)
Interest paid		(247,993)	(267,530)	(234,683)
Settlement of share repurchase obligation under share award scheme		(49)	(18,990)	(18,768)
Repurchase of treasury shares	37	(299,999)	(300,006)	–
Acquisition of non-controlling interests		(188,976)	–	–
Dividends paid		(538,209)	(351,951)	(411,770)
Proceeds from issuance of shares	36	2,820,600	–	–
Share issue expenses	36	(5,470)	–	–
Capital injection from non-controlling interests		658,927	–	–
(Increase)/decrease in restricted cash		–	(75,000)	75,000
Repayment of lease liabilities		(22,551)	(15,556)	(2,220)
Net cash flows from/(used in) financing activities		6,592,318	(880,786)	(670,314)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,725,795	(2,217,857)	(947,042)
Cash and cash equivalents at beginning of year		5,621,506	8,352,507	6,136,514
Effect of foreign exchange rate changes, net		5,206	1,864	226
CASH AND CASH EQUIVALENTS AT END OF YEAR		8,352,507	6,136,514	5,189,698
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	28	8,352,507	6,136,514	5,189,698
Cash and cash equivalents as stated in the statement of cash flows	28	8,352,507	6,136,514	5,189,698

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	19,096	17,042	15,785
Other intangible assets		495	233	18
Investments in subsidiaries	27	8,640,395	9,883,256	10,853,529
Investments in joint ventures	18	133,713	108,016	70,784
Investments in associates	19	234,256	290,604	377,102
Financial assets at fair value through profit or loss	26	59,581	56,327	76,693
Total non-current assets		9,087,536	10,355,478	11,393,911
CURRENT ASSETS				
Inventories		5,470	8,068	6,341
Trade and bills receivables		101	125	–
Prepayments, other receivables and other assets	24	2,177,007	2,178,181	1,900,368
Financial assets at fair value through profit or loss	26	934,434	737,606	997,829
Cash and cash equivalents	28	2,693,991	1,134,568	2,075,496
Total current assets		5,811,003	4,058,548	4,980,034
CURRENT LIABILITIES				
Trade and bills payables		12	89	–
Other payables and accruals	31	51,397	22,300	2,604
Interest-bearing bank and other borrowings . .	32	1,965,524	1,518,836	1,343,505
Tax payable		3,115	–	–
Total current liabilities		2,020,048	1,541,225	1,346,109
NET CURRENT ASSETS		3,790,955	2,517,323	3,633,925
TOTAL ASSETS LESS CURRENT LIABILITIES				
		12,878,491	12,872,801	15,027,836
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings . .	32	–	–	374,943
Deferred tax liabilities	34	9,754	10,519	18,671
Total non-current liabilities		9,754	10,519	393,614
Net assets		12,868,737	12,862,282	14,634,222
EQUITY				
Share capital	36	2,137,996	2,137,165	2,136,399
Treasury shares	37	(348,114)	(618,327)	(600,005)
Reserves	39	11,078,855	11,343,444	13,097,828
Total equity		12,868,737	12,862,282	14,634,222

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Putailai New Energy Technology Group Co., Ltd. (the “Company”) is a joint stock company with limited liability incorporated in Shanghai, the People’s Republic of China (“PRC”). The Company’s ordinary shares were listed on the Shanghai Stock Exchange (“A Shares”). The registered office of the Company is situated at No. 456-116, Dieqiao Road, Pudong New Area, Shanghai.

The Company and its subsidiaries (the “Group”) are engaged in the manufacture and sale of lithium-ion battery key materials and automation equipment, and the provision of intelligent manufacturing system services for the new energy battery and battery materials industry.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/registration and place of business	Paid up capital (‘000)	Percentage of equity interest attributable to the Company (%)		Principal activities
				Direct	Indirect	
江西紫宸科技有限公司 JiangXi ZiChen Technology Co., Ltd.*	(a)	PRC/Chinese mainland 21 December 2012	RMB900,000	100.00	–	Manufacture of battery materials
深圳市新嘉拓自动化技术有限公司 Shenzhen New Katop Automation Co., Ltd.*	(b)	PRC/Chinese mainland 22 March 2013	RMB30,000	–	71.54	Manufacture of automation equipment
寧德卓高新材料科技有限公司 Ningde Advanced Material Tech Co., Ltd.*	(a)	PRC/Chinese mainland 18 November 2015	RMB439,000	100.00	–	Manufacture of battery materials
江蘇卓高新材料科技有限公司 Jiangsu Advanced Material Tech Co., Ltd.*	(a)	PRC/Chinese mainland 17 April 2017	RMB300,000	100.00	–	Manufacture of battery materials
江蘇嘉拓新能源智能裝備股份有限公司 Jiangsu Katop New Energy Intelligent Equipment Co., Ltd.*	(c)	PRC/Chinese mainland 17 July 2017	RMB353,500	71.54	–	Manufacturing of automation equipment
四川卓勤新材料科技有限公司 Sichuan Advanced Industrious Material Tech Co., Ltd.*	(a)	PRC/Chinese mainland 26 November 2020	RMB1,688,000	100.00	–	Manufacture of battery materials
四川紫宸科技有限公司 Sichuan Zichen Technology Co., Ltd.*	(a)	PRC/Chinese mainland 15 January 2021	RMB2,269,000	100.00	–	Manufacture of battery materials
乳源東陽光氟樹脂有限公司 Ruyuan Dongyangguang Fluorine Resin Co., Ltd.*	(d)	PRC/Chinese mainland 21 November 2013	RMB125,000	60.00	–	Manufacture of battery materials

The above table lists major subsidiaries of the Company which, in the opinion of the directors, principally have operation activities. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The English names of these companies are translation of their respective Chinese names for identification purpose only as they have not registered any official English names.

Notes:

- The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared in accordance with accepted accounting principles generally accepted in the Chinese Mainland (“PRC GAAP”) were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in the Chinese mainland.
- No audited financial statements have been prepared for the entity for the year ended 31 December 2023 as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of registration. The financial statements of the entity for the year ended 31 December 2024 prepared in accordance with PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the Chinese mainland.
- No audited financial statements have been prepared for the entity for the year ended 31 December 2023 as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of registration. The financial statements of the entity for the year ended 31 December 2024 and 2025 prepared in accordance with the PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the Chinese mainland.
- The statutory financial statements of the entity for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with PRC GAAP were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in the Chinese mainland.

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2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss (“FVTPL”), which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

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

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

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group’s financial information.

3. MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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Fair value measurement

The Group measures its certain financial instruments, including wealth management products, bank bills receivable and foreign exchange forward contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and non-current assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Annual rates
Buildings	5% to 6%
Plant and machinery	9% to 32%
Motor vehicles	23% to 24%
Electronic and other equipment	9% to 32%
Leasehold improvements and renovations	10% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 20 years.

Non-patented know-how

Know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Software and others

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over their estimated useful life of 3 to 10 years.

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Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
Leasehold land	45 to 50 years

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or as a debt investment at fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and other borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and other borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include financial liabilities at fair value through profit or loss, trade and bills payables, other payables, interest-bearing bank and other borrowings, and lease liabilities.

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Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, loans and other borrowings)

After initial recognition, trade and other payables, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of new energy battery key materials

Revenue from the sale of battery materials is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the products for export sales and acceptance of the products for domestic sales.

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For some customers, the sales of battery materials are under vendor-managed inventory (“VMI”) arrangement where the products are delivered to the customers’ locations for their use. The control of the products is transferred when the products are accepted and used by the customers.

(b) Sale of new energy automation equipment

The new energy battery automation equipment that the Group provides to the customers usually has an intended purpose and cannot be readily substituted. When the automation equipment is delivered to the customer’s location, the Group performs installation, deployment and commissioning work until the equipment satisfies the requirements of the customers. The Group determines that the promised goods in the sale of automation equipment represent one performance obligation, because these promises are highly interdependent, and the customer is unable to derive significant benefits from the access to an individual promise for the intended purpose without receipt of the other goods.

As none of the criteria under paragraph 35 of IFRS 15 are met for the control that transfers over time, revenue from the sale of automation equipment is recognised at the point in time when the equipment is accepted by the customers.

(c) Provision of services

Revenue from the provision of services is recognised at point in time when the services are rendered and accepted by the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates share incentive plans. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured based on the fair value of the share awards at the grant date, which is determined either by reference to the closing price on the grant date or using the Black-Scholes option-pricing model, further details of which are given in note 34 to the Historical Financial Information.

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The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in the Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and its subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Production safety expenses

Provisions for the Group’s obligations for safety operations are based on the Group’s revenue arising from the sale of automation equipment. Production safety expenses accrued based on the related PRC rules and regulations are treated as an appropriation to reserves. The reserve funds could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of reserve funds utilised would be transferred from the reserve funds account to retained earnings.

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Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing those financial assets. In assessing the business model, the Group considers factors such as how the entity evaluates and reports the performance of financial assets to key management personnel, as well as the risks that affect the performance of financial assets and how such risks are managed. When evaluating whether the objective is to collect contractual cash flows, the Group is required to analyse and exercise judgement regarding the reasons, timing, frequency, and value of sales of financial assets before their maturity.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various debtors that have similar loss patterns.

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The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the customer industry, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets are disclosed in note 23 and note 25 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023, 2024 and 2025 were RMB78,645,000, RMB103,504,000 and RMB103,504,000, respectively. Further details are given in note 20 to the Historical Financial Information.

Provision for inventory write-down

The Group measures inventory at the lower of cost and net realisable value in accordance with its accounting policy. A provision for inventory write-down is recognised when the cost of inventory exceeds its net realisable value, or for obsolete and slow-moving items which are identified as no longer suitable for sale or use based on sales forecasts. Identifying impairment of inventory requires management to exercise judgement and make estimates based on conclusive evidence, taking into account factors such as the purpose for holding the inventory, current market conditions and the impact of events occurring after the balance sheet date. Differences between actual outcomes and previous estimates will affect the carrying amount of inventory and the recognition or reversal of inventory write-down provisions in the period in which the estimates are revised.

Warranty provision

The Group estimates the warranty rate on a reasonable basis for portfolios of contracts with similar characteristics, taking into account all relevant information such as historical warranty data, current warranty conditions, product improvements, and market changes. The estimated warranty rate may not equal the actual future warranty rate. The Group re-evaluates the warranty rate at each balance sheet date at a minimum, and determines the provision based on the re-evaluated warranty rate. Further details are given in note 25 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

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5. SEGMENT INFORMATION

Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has three operating reportable segments: the new energy battery materials and services segment, the new energy battery automation equipment and services segment, and the industrial investment, trade management and other segment.

- (1) The new energy battery key materials and services segment, primarily produces anode materials, separator materials, and cathode binders or separator coating materials for lithium-ion batteries, including graphitisation processing and related by-products, as well as related products such as base separator films, coating processing, and aluminum-plastic packaging films.
- (2) The new energy battery automation equipment and services segment primarily manufactures automated process equipment for lithium battery manufacturing.
- (3) The industrial investment, trade management and other segment comprises the Group’s investment and trading activities in the lithium battery industry chain, as well as other material production operations.

For the purposes of resource allocation and performance evaluation, the operating results of each operating segment are managed separately. Segment performance is evaluated based on the reported segment gross profit. This measure is derived from total gross profit after adjustments and is consistent with the Group’s total gross profit.

The Group’s assets and liabilities are managed centrally, and therefore, asset and liability information for each operating segment is not presented. Transfer pricing between operating segments is determined with reference to fair prices applied in transactions with third parties. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2023

	New energy battery key materials and services	New energy battery automation equipment and services	Industrial Investment, trade management, and others	Elimination of intersegment sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	12,264,142	3,589,516	955,355	(1,516,161)	15,292,852
Segment cost of sales	9,096,148	3,041,083	888,373	(1,686,494)	11,339,110
Gross profit	3,167,994	548,433	66,982	170,333	3,953,742
Other income and gains					545,748
Corporate and other unallocated expenses					(1,905,497)
Finance costs					(252,316)
Share of profits and losses of associates and joint ventures					25,842
Profit before tax					2,367,519

Year ended 31 December 2024

	New energy battery key materials and services	New energy battery automation equipment and services	Industrial Investment, trade management, and others	Elimination of intersegment sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	9,833,584	3,767,882	826,284	(1,028,938)	13,398,812
Segment cost of sales	7,589,136	3,124,514	789,778	(1,067,649)	10,435,779
Gross profit	2,244,448	643,368	36,506	38,711	2,963,033
Other income and gains					527,569
Corporate and other unallocated expenses					(1,744,821)
Finance costs					(255,938)
Share of profits and losses of associates and joint ventures					29,879
Profit before tax					1,519,722

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Year ended 31 December 2025

	New energy battery key materials and services	New energy battery automation equipment and services	Industrial investment, trade management, and other	Elimination of intersegment sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	11,947,347	4,571,965	1,316,468	(2,180,023)	15,655,757
Segment cost of sales	8,119,304	3,733,130	1,263,048	(2,114,643)	11,000,839
Gross profit	3,828,043	838,835	53,420	(65,380)	4,654,918
Other income and gains					475,191
Corporate and other unallocated expenses					(2,002,828)
Finance costs					(235,486)
Share of profits and losses of associates and joint ventures					66,564
Profit before tax					2,958,359

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland	13,010,804	11,982,478	14,719,306
Overseas	2,282,048	1,416,334	936,451
Total revenue	15,292,852	13,398,812	15,655,757

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Most of the Group’s non-current assets are located in the Chinese mainland. Thus, no geographic information of non-current assets is presented.

Information about major customers

The revenue generated from sales to customer groups which individually accounted for more than 10% of the Group’s total revenue during each of the Relevant Periods is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	6,030,987	5,251,857	6,112,652
Customer B	1,681,683	N/A*	N/A*

N/A – Not applicable.

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue during the respective period.

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6. REVENUE

An analysis of revenue is as follows:

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Types of goods			
New energy battery key materials	11,729,430	9,633,424	11,325,315
New energy battery automation equipment	3,421,882	3,672,486	4,148,247
Others*	141,540	92,902	182,195
Total	<u>15,292,852</u>	<u>13,398,812</u>	<u>15,655,757</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>15,292,852</u>	<u>13,398,812</u>	<u>15,655,757</u>

* “Others” primarily represents revenue derived from the sale of scrap materials.

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sales of new energy battery key materials

The performance obligation is satisfied upon delivery to the agreed-upon locations in accordance with the contracts for export sales and acceptance of the products by the customers for domestic sales. For VMI arrangement, the control of the products is transferred when the products are accepted and used by the customers. Payment is generally due within 60 to 120 days from delivery or accepted the customers.

Sales of new energy battery automation equipment

The performance obligation is satisfied when the customer takes possession of and accepts the customised equipment. Payment terms and conditions are based on the billing schedule established in the contracts with customers.

(c) Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period .	<u>3,556,382</u>	<u>2,758,430</u>	<u>2,326,907</u>

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue			
Within one year	3,409,440	4,131,710	4,594,425
After one year	<u>5,334,611</u>	<u>3,167,222</u>	<u>2,771,395</u>
Total	<u>8,744,051</u>	<u>7,298,932</u>	<u>7,365,820</u>

The amounts of transaction prices allocated to the remaining performance obligations mainly relate to new energy battery automation equipment sales, of which the performance obligations are to be satisfied around one year. The amounts disclosed above do not include variable consideration which is constrained.

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7. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Interest income	170,106	180,719	140,930
Government grants*	234,252	212,070	192,278
Value-added tax additional deduction	92,918	83,754	64,299
Dividend income and gain on disposal of on financial assets at fair value through profit or loss	–	13,621	5,263
Rental income	128	515	1,754
Others	10,884	11,785	8,653
Total other income	508,288	502,464	413,177
Gains			
Fair value gains on financial assets and liabilities at fair value through profit or loss	28,774	4,267	62,014
Foreign exchange gains, net	8,686	20,838	–
Total gains	37,460	25,105	62,014
Other income and gains	545,748	527,569	475,191

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with.

8. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		11,339,110	10,435,779	11,000,839
Depreciation of property, plant and equipment	15	718,022	894,612	1,069,343
Amortization of other intangible assets	16	11,919	15,620	18,874
Depreciation of right-of-use assets	17	35,511	35,216	22,410
Research and development expenses (excluding amortization, depreciation and employee benefit expense)		912,964	690,996	824,867
Lease payments not included in the measurement of lease liabilities	17	37,373	36,261	31,261
Loss/(gain) on disposal of/(dividend income) from financial assets at fair value through profit or loss	7	5,791	(13,621)	(5,263)
Fair value gains on financial assets and liabilities at fair value through profit or loss	7	28,774	4,267	62,014
Auditors’ remuneration		2,380	2,380	2,380
Interest income	7	(170,106)	(180,719)	(140,930)
Impairment losses of property, plant and equipment**	15	–	64,012	7,603
Impairment losses of right-of-use assets**	17	–	22,203	–
Impairment loss of goodwill**	20	–	10,918	–
Impairment loss of investments in joint ventures**	18	–	–	17,612
Product warranty provision	33	17,448	25,931	13,304
Impairment losses of inventories, net		1,050,435	688,222	283,455
Impairment of financial and contract assets, net:				
(Reversal of impairment)/impairment of trade and bills receivables	23	(11,045)	18,454	46,605
(Reversal of impairment)/impairment of other receivables	24	(6,150)	16,026	8,550
Impairment of contract assets	25	24,365	2,388	536
Total		7,170	36,868	55,691

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	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Foreign exchange differences, net	7	(8,686)	(20,838)	1,218
Losses on disposal of items of property, plant and equipment, net**		12,164	4,696	5,948
Employee benefit expenses (excluding directors’ remuneration (note 10)):				
– Wages and salaries		1,649,650	1,445,297	1,698,946
– Share-based payment expense		9,281	143	26,425
– Pension scheme contributions		205,399	215,941	243,146
Subtotal		1,864,330	1,661,381	1,968,517

* The amounts disclosed for cost of inventories sold included the impairment of inventories, product warranty provision expenses, and expenses relating to employees’ expenses, depreciation and amortisation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amounts are included in “Other expenses” in profit or loss.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank loans and other borrowings	322,603	347,002	303,469
Interest on lease liabilities	1,367	655	214
Total interest expenses	323,970	347,657	303,683
Less: Interest capitalise	(71,654)	(91,719)	(68,197)
Total	252,316	255,938	235,486

10. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration paid or payable to the directors and chief executive of the Company during the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	240	240	240
Other emoluments:			
Salaries, allowances and benefits in kind	4,850	4,850	9,200
Pension scheme contributions	429	435	435
Share-based payment expenses	–	–	516
Total	5,519	5,525	10,391

During the year ended 31 December 2025, a director was granted share options, in respect of his service to the Group, under the share option scheme of the Company, further details are set out in note 38 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the year ended 31 December 2025 is included in the above directors’ and chief executive’s remuneration disclosures.

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(i) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Mr. Yuan Bin (f)	120	–	–
Mr. Pang Jinwei (d)	120	120	120
Mr. Huang Yong (e)	–	120	120
Total	<u>240</u>	<u>240</u>	<u>240</u>

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(ii) Executive directors

	Salaries, allowances and bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023				
Directors:				
Mr. Liang Feng (a)	1,600	143	–	1,743
Mr. Chen Wei (b)	1,600	143	–	1,743
Mr. Han Zhongwei (c)	1,650	143	–	1,793
Total	<u>4,850</u>	<u>429</u>	<u>–</u>	<u>5,279</u>

	Salaries, allowances and bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024				
Directors:				
Mr. Liang Feng (a)	1,600	145	–	1,745
Mr. Chen Wei (b)	1,600	145	–	1,745
Mr. Han Zhongwei (c)	1,650	145	–	1,795
Total	<u>4,850</u>	<u>435</u>	<u>–</u>	<u>5,285</u>

	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2025				
Directors:				
Mr. Liang Feng (a)	3,300	145	–	3,445
Mr. Chen Wei (b)	3,300	145	–	3,445
Mr. Han Zhongwei (c)	2,600	145	516	3,261
Total	<u>9,200</u>	<u>435</u>	<u>516</u>	<u>10,151</u>

Notes:

- (a) Mr. Liang Feng was appointed as the chairman of the board of the directors on 27 December 2021.
- (b) Mr. Chen Wei was appointed as the chief executive officer on 27 December 2021.
- (c) Mr. Han Zhongwei was appointed as the director and executive deputy general manager on 27 December 2021.
- (d) Mr. Pang Jinwei was appointed as an independent director on 27 December 2021.
- (e) Mr. Huang Yong was appointed as an independent director on 8 December 2023.
- (f) Mr. Yuan Bin was appointed as an independent director between December 2021 and December 2023.

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There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

As the Company dissolved the supervisory committee on 16 May 2025, the supervisors’ remuneration was not included in the above disclosures.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the Relevant Periods included nil, nil and 3 directors, respectively. Details of the remuneration for the Relevant Periods of the remaining 5, 5, and 2 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	12,684	12,497	6,700
Pension scheme contributions	504	554	1,186
Share-based payment expenses	—	—	253
Total	<u>13,188</u>	<u>13,051</u>	<u>8,139</u>

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	2023	2024	2025
HKD2,500,001 to HKD3,000,000	—	1	—
HKD3,000,001 to HKD3,500,000	5	4	—
HKD4,000,001 to HKD4,500,000	—	—	1
HKD4,500,001 to HKD5,000,000	—	—	1
Total	<u>5</u>	<u>5</u>	<u>2</u>

During the year ended 31 December 2025, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the year ended 31 December 2025 is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

12. INCOME TAX EXPENSES

Hong Kong

The subsidiaries incorporated in Hong Kong was subject to Hong Kong profits tax at the rate of 8.25% for taxable income not exceeding HKD2,000,000, and 16.5% for taxable income exceeding HKD2,000,000 on any estimated assessable profits arising in Hong Kong during the Relevant Periods.

Singapore

The subsidiary incorporated in Singapore is subject to income tax at the rate of 17% on the estimated assessable profits arising in Singapore during the Relevant Periods.

Germany

The subsidiary incorporated in Germany is subject to income tax at the rate of 27.4% on the estimated assessable profits arising in Germany during the Relevant Periods.

The United States of America (“USA”)

The subsidiaries incorporated in USA are subject to income tax at the rate of 29.7% on the estimated assessable profits arising in the USA during the Relevant Periods.

Chinese Mainland

Under the Corporate Income Tax (the “CIT Law”) and Implementation Regulation of the CIT Law of Chinese Mainland, the corporate income tax (“CIT”) rate was 25% during the Relevant Periods unless subject to tax concession as set out below:

- (1) Certain subsidiaries of the Group were accredited as high and new technology enterprises and were entitled to a preferential CIT rate of 15% during the Relevant Periods.

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- (2) Certain subsidiaries of the Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy, pursuant to which the portion of annual taxable income amount not exceeding RMB3,000,000 were subject to an effective reduced CIT tax rate of 5% from 1 January 2022 to 1 January 2027.
- (3) Pursuant to the local incentive policy, Ruyuan HEC Fluororesin Co., Ltd., which established in Ruyuan Yao Autonomous County, Shaoguan City, Guangdong Province, is subject to a reduced CIT rate of 9% from 2018 to 2025.
- (4) Hainan Putailai New Energy Technology Co., Ltd, is a qualified encouraged industrial enterprise registered in the Hainan free trade port of the Chinese Mainland is subject to a preferential CIT rate of 15% from 1 January 2020 to 31 December 2035.
- (5) Inner Mongolia Zichen Xingfeng New Energy Technology Co., Ltd., is qualified as an encouraged enterprise established in western regions, and is subject to a preferential CIT tax rate of 15% during the Relevant Periods.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	419,938	352,967	390,695
Deferred income tax	(205,570)	(220,468)	(46,287)
Tax charge for the year	<u>214,368</u>	<u>132,499</u>	<u>344,408</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	2,367,519	1,519,722	2,958,359
Tax at the statutory tax rate	587,831	379,184	737,241
Effect of different tax rates of subsidiaries	(258,606)	(193,502)	(317,223)
Adjustments in respect of current tax of previous periods	8,427	9,770	37,372
Profit attributable to associates and joint ventures	(6,459)	(7,457)	(16,719)
Effect of tax rate changes on opening deferred income tax balances	24,270	1,214	–
Deductible temporary differences and tax losses not recognised	267	55,558	13,951
Tax losses utilised from previous periods	(312)	–	–
Additional deductible allowance for qualified research and development expenses*	(145,620)	(118,850)	(139,115)
Expenses not deductible for tax	5,526	6,991	28,938
Other	(956)	(409)	(37)
Tax charge for the year at the Group’s effective tax rate	<u>214,368</u>	<u>132,499</u>	<u>344,408</u>

* According to the CIT Law, the Company and its subsidiaries are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2023.

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation is effective for the Group’s financial year beginning 1 January 2024.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in year of 2024 and 2025. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

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13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends declared for ordinary shareholders of the Company recognised during the year:			
Final dividends	472,882	297,951	357,770

The dividends of RMB0.34 (tax inclusive), RMB0.14 (tax inclusive) and RMB0.17 (tax inclusive) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the years ended 31 December 2022, 2023 and 2024 were approved by the Annual General Meeting of the Company.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average numbers of ordinary shares outstanding during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average numbers of ordinary shares used in the calculation are the number of ordinary shares outstanding during the Relevant Periods, as used in the basic earnings per share calculation, and the weighted average numbers of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

On 28 April 2023, the Company implemented the conversion of capital reserve into share capital such that 4.5 new shares were issued for every 10 existing shares. After the conversion, the number of shares was increased from 1,390,829,959 to 2,016,703,441. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest period presented.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Earnings</u>			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,923,214	1,192,754	2,365,338
Less: Cash dividends attributable to the shareholders of restricted share units	(803)	—	—
Total	1,922,411	1,192,754	2,365,338
	Number of shares		
	2023	2024	2025
Shares ('000)			
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	2,017,030*	2,134,388*	2,103,103*
Effect of dilution – weighted average number of ordinary shares: Restricted share units and share option	21,195	—	1,354
Total	2,038,225	2,134,388	2,104,457

* The weighted average number of shares was after taking into account the effect of treasury shares held.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements and renovations	Plant and machinery	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	2,713,158	335,733	3,686,700	448,901	36,828	2,555,764	9,777,084
Accumulated depreciation and impairment	(257,165)	(72,092)	(775,165)	(134,084)	(20,935)	–	(1,259,441)
Net carrying amount	<u>2,455,993</u>	<u>263,641</u>	<u>2,911,535</u>	<u>314,817</u>	<u>15,893</u>	<u>2,555,764</u>	<u>8,517,643</u>
At 1 January 2023, net of accumulated depreciation and impairment	2,455,993	263,641	2,911,535	314,817	15,893	2,555,764	8,517,643
Additions	45,741	74,846	–	2,495	1,395	4,244,437	4,368,914
Transfers	557,230	13,356	977,213	169,083	2,477	(1,719,359)	–
Disposals	(262)	–	(6,427)	(6,290)	(367)	–	(13,346)
Depreciation provided during the year	(131,167)	(86,844)	(334,515)	(162,468)	(3,028)	–	(718,022)
At 31 December 2023, net of accumulated depreciation and impairment	<u>2,927,535</u>	<u>264,999</u>	<u>3,547,806</u>	<u>317,637</u>	<u>16,370</u>	<u>5,080,842</u>	<u>12,155,189</u>
At 31 December 2023:							
Cost	3,315,819	423,935	4,590,426	605,334	39,289	5,080,842	14,055,645
Accumulated depreciation and impairment	(388,284)	(158,936)	(1,042,620)	(287,697)	(22,919)	–	(1,900,456)
Net carrying amount	<u>2,927,535</u>	<u>264,999</u>	<u>3,547,806</u>	<u>317,637</u>	<u>16,370</u>	<u>5,080,842</u>	<u>12,155,189</u>

The Group

	Buildings	Leasehold improvements and renovations	Plant and machinery	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	3,315,819	423,935	4,590,426	605,334	39,289	5,080,842	14,055,645
Accumulated depreciation and impairment	(388,284)	(158,936)	(1,042,620)	(287,697)	(22,919)	–	(1,900,456)
Net carrying amount	<u>2,927,535</u>	<u>264,999</u>	<u>3,547,806</u>	<u>317,637</u>	<u>16,370</u>	<u>5,080,842</u>	<u>12,155,189</u>
At 1 January 2024, net of accumulated depreciation and impairment	2,927,535	264,999	3,547,806	317,637	16,370	5,080,842	12,155,189
Additions	24,499	21,922	12,908	52,066	3,042	3,738,209	3,852,646
Transfers	1,412,208	32,810	1,364,108	28,747	807	(2,838,680)	–
Acquisition of a subsidiary (note 40)	75,653	670	569	684	127	48,293	125,996
Disposals	–	–	(18,033)	(13,479)	(346)	–	(31,858)
Impairment recognised (note 8)	–	–	(15,476)	(91)	–	(48,445)*	(64,012)
Depreciation provided during the year	(210,856)	(91,647)	(541,182)	(44,069)	(6,858)	–	(894,612)
At 31 December 2024, net of accumulated depreciation and impairment	<u>4,229,039</u>	<u>228,754</u>	<u>4,350,700</u>	<u>341,495</u>	<u>13,142</u>	<u>5,980,219</u>	<u>15,143,349</u>
At 31 December 2024:							
Cost	4,832,076	479,337	5,921,591	664,830	41,515	5,980,219	17,919,568
Accumulated depreciation and impairment	(603,037)	(250,583)	(1,570,891)	(323,335)	(28,373)	–	(2,776,219)
Net carrying amount	<u>4,229,039</u>	<u>228,754</u>	<u>4,350,700</u>	<u>341,495</u>	<u>13,142</u>	<u>5,980,219</u>	<u>15,143,349</u>

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	Buildings	Leasehold improvements and renovations	Plant and machinery	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost	4,832,076	479,337	5,921,591	664,830	41,515	5,980,219	17,919,568
Accumulated depreciation and impairment	(603,037)	(250,583)	(1,570,891)	(323,335)	(28,373)	–	(2,776,219)
Net carrying amount	<u>4,229,039</u>	<u>228,754</u>	<u>4,350,700</u>	<u>341,495</u>	<u>13,142</u>	<u>5,980,219</u>	<u>15,143,349</u>
At 1 January 2025, net of accumulated depreciation and impairment	4,229,039	228,754	4,350,700	341,495	13,142	5,980,219	15,143,349
Additions	7,809	130,255	25,787	29,546	17,143	2,585,321	2,795,861
Transfers	1,373,524	4,138	1,524,090	65,492	3,895	(2,971,139)	–
Disposals	(2,659)	–	(2,312)	(3,895)	(707)	–	(9,573)
Impairment	–	–	(7,468)	(129)	(6)	–	(7,603)
Depreciation provided during the year	<u>(247,457)</u>	<u>(118,604)</u>	<u>(577,284)</u>	<u>(113,169)</u>	<u>(12,829)</u>	<u>–</u>	<u>(1,069,343)</u>
At 31 December 2025, net of accumulated depreciation and impairment	<u>5,360,256</u>	<u>244,543</u>	<u>5,313,513</u>	<u>319,340</u>	<u>20,638</u>	<u>5,594,401</u>	<u>16,852,691</u>
At 31 December 2025:							
Cost	6,210,291	613,730	7,451,492	748,225	59,671	5,594,401	20,677,810
Accumulated depreciation and impairment	<u>(850,035)</u>	<u>(369,187)</u>	<u>(2,137,979)</u>	<u>(428,885)</u>	<u>(39,033)</u>	<u>–</u>	<u>(3,825,119)</u>
Net carrying amount	<u>5,360,256</u>	<u>244,543</u>	<u>5,313,513</u>	<u>319,340</u>	<u>20,638</u>	<u>5,594,401</u>	<u>16,852,691</u>

Certain of the Group’s plant and machinery and construction in progress with aggregate net book values of approximately RMB1,740,373,000, RMB2,270,247,000 and RMB2,018,144,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged as security for the Group’s interest-bearing bank borrowings.

The application for the property ownership certificates for certain buildings with net book values of approximately RMB254,407,000, RMB668,642,000, and RMB400,462,000 as at 31 December 2023, 2024 and 2025, respectively, was still in progress.

* During the year ended 31 December 2024, the Group terminated one construction project for battery material manufacturing due to the changes in the business plan, resulting in an impairment loss of RMB48,445,000 recognised for construction in progress.

The Company

	Buildings	Leasehold improvements and renovations	Electronic and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023:					
Cost	30,279	1,254	2,208	1,085	34,826
Accumulated depreciation	(11,266)	(601)	(1,859)	(1,031)	(14,757)
Net carrying amount	<u>19,013</u>	<u>653</u>	<u>349</u>	<u>54</u>	<u>20,069</u>
At 1 January 2023, net of accumulated depreciation	19,013	653	349	54	20,069
Additions	–	236	993	–	1,229
Depreciation provided during the year	<u>(1,438)</u>	<u>(479)</u>	<u>(285)</u>	<u>–</u>	<u>(2,202)</u>
At 31 December 2023, net of accumulated depreciation	<u>17,575</u>	<u>410</u>	<u>1,057</u>	<u>54</u>	<u>19,096</u>
At 31 December 2023:					
Cost	30,279	1,490	3,201	1,085	36,055
Accumulated depreciation	<u>(12,704)</u>	<u>(1,080)</u>	<u>(2,144)</u>	<u>(1,031)</u>	<u>(16,959)</u>
Net carrying amount	<u>17,575</u>	<u>410</u>	<u>1,057</u>	<u>54</u>	<u>19,096</u>

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	Buildings	Leasehold improvements and renovations	Electronic and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024:					
Cost	30,279	1,490	3,201	1,085	36,055
Accumulated depreciation	(12,704)	(1,080)	(2,144)	(1,031)	(16,959)
Net carrying amount	17,575	410	1,057	54	19,096
At 1 January 2024, net of accumulated depreciation	17,575	410	1,057	54	19,096
Additions	–	–	59	–	59
Depreciation provided during the year	(1,439)	(273)	(401)	–	(2,113)
At 31 December 2024, net of accumulated depreciation	16,136	137	715	54	17,042
At 31 December 2024:					
Cost	30,279	1,490	3,261	1,085	36,115
Accumulated depreciation	(14,143)	(1,353)	(2,546)	(1,031)	(19,073)
Net carrying amount	16,136	137	715	54	17,042
	Buildings	Leasehold improvements and renovations	Electronic and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025					
At 1 January 2025:					
Cost	30,279	1,490	3,261	1,085	36,115
Accumulated depreciation	(14,143)	(1,353)	(2,546)	(1,031)	(19,073)
Net carrying amount	16,136	137	715	54	17,042
At 1 January 2025, net of accumulated depreciation	16,136	137	715	54	17,042
Additions	–	130	370	320	820
Disposals	–	–	–	(24)	(24)
Depreciation provided during the year	(1,438)	(153)	(449)	(13)	(2,053)
At 31 December 2025, net of accumulated depreciation	14,698	114	636	337	15,785
At 31 December 2025:					
Cost	30,279	1,620	3,631	931	36,461
Accumulated depreciation	(15,581)	(1,506)	(2,995)	(594)	(20,676)
Net carrying amount	14,698	114	636	337	15,785

16. OTHER INTANGIBLE ASSETS

The Group

	Patents and licences	Non-patented knowhow	Software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	58,856	393	26,826	86,075
Accumulated amortisation	(22,270)	(393)	(14,028)	(36,691)
Net carrying amount	36,586	–	12,798	49,384
At 1 January 2023, net of accumulated amortisation	36,586	–	12,798	49,384
Additions	2,650	–	10,543	13,193
Amortisation provided during the year	(4,928)	–	(6,991)	(11,919)
At 31 December 2023, net of accumulated amortisation	34,308	–	16,350	50,658
At 31 December 2023:				
Cost	61,506	393	37,369	99,268
Accumulated amortisation	(27,198)	(393)	(21,019)	(48,610)
Net carrying amount	34,308	–	16,350	50,658

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	Patents and licences	Non-patented knowhow	Software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024				
At 1 January 2024:				
Cost	61,506	393	37,369	99,268
Accumulated amortisation	(27,198)	(393)	(21,019)	(48,610)
Net carrying amount	<u>34,308</u>	<u>—</u>	<u>16,350</u>	<u>50,658</u>
At 1 January 2024, net of accumulated amortisation	34,308	—	16,350	50,658
Additions	13,305	—	9,753	23,058
Acquisition of a subsidiary (note 40)	—	—	35	35
Amortisation provided during the year	(7,181)	—	(8,439)	(15,620)
At 31 December 2024, net of accumulated amortisation	<u>40,432</u>	<u>—</u>	<u>17,699</u>	<u>58,131</u>
At 31 December 2024:				
Cost	74,811	393	47,157	122,361
Accumulated amortisation	(34,379)	(393)	(29,458)	(64,230)
Net carrying amount	<u>40,432</u>	<u>—</u>	<u>17,699</u>	<u>58,131</u>
	Patents and licences	Non-patented knowhow	Software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025				
At 1 January 2025:				
Cost	74,811	393	47,157	122,361
Accumulated amortisation	(34,379)	(393)	(29,458)	(64,230)
Net carrying amount	<u>40,432</u>	<u>—</u>	<u>17,699</u>	<u>58,131</u>
At 1 January 2025, net of accumulated amortisation	40,432	—	17,699	58,131
Additions	28	—	7,142	7,170
Disposals	(189)	—	(83)	(272)
Amortisation provided during the year	(9,843)	—	(9,031)	(18,874)
At 31 December 2025, net of accumulated amortisation	<u>30,428</u>	<u>—</u>	<u>15,727</u>	<u>46,155</u>
At 31 December 2025:				
Cost	74,650	393	53,947	128,990
Accumulated amortisation	(44,222)	(393)	(38,220)	(82,835)
Net carrying amount	<u>30,428</u>	<u>—</u>	<u>15,727</u>	<u>46,155</u>

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of properties and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 45 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Leasehold land	Buildings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	584,650	30,978	615,628
Additions	293,099	11,916	305,015
Depreciation provided during the year	(15,768)	(19,743)	(35,511)
Lease termination	—	(2,403)	(2,403)
At 31 December 2023 and 1 January 2024	<u>861,981</u>	<u>20,748</u>	<u>882,729</u>

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	Leasehold land	Buildings	Total
	RMB’000	RMB’000	RMB’000
Additions	52,399	13,903	66,302
Acquisition of a subsidiary (<i>note 40</i>)	25,489	–	25,489
Depreciation provided during the year	(19,846)	(15,370)	(35,216)
Lease termination	–	(6,272)	(6,272)
Impairment losses recognised* (<i>note 8</i>)	(22,203)	–	(22,203)
At 31 December 2024 and 1 January 2025	897,820	13,009	910,829
Additions	8,420	–	8,420
Depreciation provided during the year	(19,815)	(2,595)	(22,410)
Disposal and termination of lease	(1,776)	(1,114)	(2,890)
At 31 December 2025	884,649	9,300	893,949

* During the year ended 31 December 2024, the Group terminated one construction project for battery material manufacturing due to the changes in the business plan, resulting in an impairment loss of RMB22,203,000 recognised for leasehold land.

As at 31 December 2023, 2024 and 2025, the Group’s leasehold land with net carrying amounts of RMB323,638,000, RMB357,576,000 and RMB322,207,000 were pledged for the bank borrowings (*note 32*).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at the beginning of the year	33,023	21,067	13,244
Additions	11,916	13,903	–
Accretion of interest recognised during the year	1,367	655	214
Payments	(22,551)	(15,556)	(2,220)
Lease termination	(2,688)	(6,825)	(1,253)
Carrying amount at the end of the year	21,067	13,244	9,985
Analysed into:			
Current portion	13,145	3,505	2,574
Non-current portion	7,922	9,739	7,411

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on lease liabilities	1,367	655	214
Gains on termination and disposal of right-of-use assets and lease liabilities	(285)	(553)	(254)
Depreciation charge of right-of-use assets	35,511	35,216	22,410
Expense relating to short-term leases	37,373	36,261	31,261
Total amount recognised in profit or loss	73,966	71,579	53,631

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(d) The total cash outflow for leases is set out in note 42 to the Historical Financial Information.

18. INVESTMENTS IN JOINT VENTURES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	243,868	218,241	214,796
Impairment provision	(60,000)	(60,000)	(77,612)
	<u>183,868</u>	<u>158,241</u>	<u>137,184</u>

Particulars of the Group’s principal joint venture are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
棗莊振興炭材科技有限公司 (Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.*)	Paid-in capital share	Chinese mainland	38.62%	Manufacture of graphite and carbon products

* The English names of the company is translation of its respective Chinese name for identification purpose only as it has not registered any official English name.

The above entity is a joint venture of the Group as the decisions about the relevant activities of the entity require the unanimous consent of the shareholders. The above investment is directly held by the Company.

The above joint venture incurred losses during the Relevant Periods. The Group performed an impairment assessment on the investment in the joint venture and the recoverable amount is its fair value less costs of disposal or its value in use. The recoverable amount of the investment in the joint venture has been determined based on its value in use in 2023 and 2024. The recoverable amount of the investment in the joint venture has been determined based on its fair value less costs of disposal in 2025. Based on the impairment assessment, an impairment provision of RMB60,000,000 was recognised prior to the Relevant Periods and additional impairment provision of RMB17,612,000 were recognised during the year ended 31 December 2025.

The joint venture of the Group are considered not individually material for the Relevant Periods and the following table illustrates the aggregate financial information of the Group’s joint venture:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the joint ventures’ loss and total comprehensive loss for the year	(16,969)	(25,627)	(19,994)
Impairment provision	–	–	(17,612)
Aggregate carrying amount of the Group’s investments in the joint ventures	<u>183,868</u>	<u>158,241</u>	<u>137,184</u>

The Group’s balances with the joint venture are set out in note 45 to the Historical Financial Information.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	193,713	168,016	148,396
Impairment provision	(60,000)	(60,000)	(77,612)
	<u>133,713</u>	<u>108,016</u>	<u>70,784</u>

19. INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	<u>236,176</u>	<u>292,504</u>	<u>379,326</u>

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Particulars of the principal associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
四川茵地藥材料科技集團有限公司 (Sichuan Indigo Materials Technology Group Co., Ltd.*)	Paid-in capital	PRC/Chinese mainland	26%	Provision of technical services for lithium-ion batteries

* The English names of the company is translation of its respective Chinese name for identification purpose only as it has not registered any official English name.

The above investment is directly held by the Company.

The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ profit and total comprehensive income for the year	42,811	55,506	86,558
Aggregate carrying amount of the Group’s investments in the associates	<u>236,176</u>	<u>292,504</u>	<u>379,326</u>

The Group’s balances with the associates are disclosed in note 45 to the Historical Financial Information.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of net assets	<u>234,256</u>	<u>290,604</u>	<u>377,102</u>

20. GOODWILL

The Group

	Li Yang TNS Electro-Energy Co., Ltd.	Shanghai Lufeng Venture Capital Management Co., Ltd.	Dongguan Advanced Electronic Technology Co., Ltd.	Dongguan Chao HONG Automation Equipment Co., Ltd.	Jiangsu Gaoyuan Membrane Material Technology Co., Ltd.	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023:						
Cost	83,808	1,295	1,798	10,918	–	97,819
Accumulated impairment . . .	(19,174)	–	–	–	–	(19,174)
Net carrying amount	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>10,918</u>	<u>–</u>	<u>78,645</u>
Cost and net carrying amount at 1 January 2023	64,634	1,295	1,798	10,918	–	78,645
At 31 December 2023	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>10,918</u>	<u>–</u>	<u>78,645</u>
At 31 December 2023:						
Cost	83,808	1,295	1,798	10,918	–	97,819
Accumulated impairment . . .	(19,174)	–	–	–	–	(19,174)
Net carrying amount	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>10,918</u>	<u>–</u>	<u>78,645</u>
Cost and net carrying amount at 1 January 2024	64,634	1,295	1,798	10,918	–	78,645
Acquisition of a subsidiary (note 40)	–	–	–	–	35,777	35,777
Impairment during the year (note 8)	–	–	–	(10,918)	–	(10,918)
At 31 December 2024, 1 January 2025 and 31 December 2025:	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>–</u>	<u>35,777</u>	<u>103,504</u>

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Impairment testing of goodwill

Goodwill arises from business combinations and is allocated to the following cash-generating units (“CGU”) for impairment testing:

- Li Yang TNS Electro-Energy Co., Ltd. CGU
 - Shanghai Lufeng Venture Capital Management Co., Ltd. CGU
 - Dongguan Advanced Electronic Technology Co., Ltd. CGU
 - Dongguan Chao HONG Automation Equipment Co., Ltd. CGU
 - Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. CGU
- (a) Li Yang TNS Electro-Energy Co., Ltd. CGU

The recoverable amount of Li Yang TNS Electro-Energy Co., Ltd. CGU has been determined based on a value in use calculation using cash flow projections for financial budgets covering a five-year period. As the recoverable amount of Li Yang TNS Electro-Energy Co., Ltd. CGU exceeded the carrying value as at 31 December 2023, 2024 and 2025, no impairment was required during the Relevant Periods.

The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, gross profit margin and the terminal growth rate used to extrapolate the cash flows of Li Yang TNS Electro-Energy Co., Ltd. CGU beyond the five-year period are as follows:

	As at 31 December		
	2023	2024	2025
Revenue growth rate	-31.55% to 5.00%	-12.42% to 5.00%	-10.67% to 0.50%
Gross profit margin	30.00% to 42.00%	17.00% to 31.00%	51.00% to 58.00%
Pre-tax discount rate	13.27%	10.48%	11.88%
Terminal growth rate	0.00%	0.00%	0.00%

The values assigned to the key assumptions on expected revenue, gross profit margin and pre-tax discount rate are consistent with management’s past experience and external information sources.

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 5% of expected revenue, decreasing 3% of gross profit margin or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amounts by the CGU’s recoverable amount above its carrying amount (Headroom) are as below:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Headroom	107,504	76,739	330,608
Impact by decreasing expected revenue	(62,942)	(73,548)	(24,827)
Impact by decreasing terminal growth rate	(52,660)	(59,010)	(53,956)
Impact by increasing pre-tax discount rate	(24,239)	(28,970)	(42,760)

In the opinion of the directors of the Company, for the Li Yang TNS Electro-Energy Co., Ltd. CGU, a reasonably possible change in the key assumptions of the cash flow projections would not cause its carrying amount exceed its recoverable amount. The headroom was RMB107,504,000, RMB76,739,000 and RMB330,608,000 as at 31 December 2023, 2024 and 2025.

If the expected revenue decreases by 8.54%, or the gross profit rate decreases by 6.13%, or the pre-tax discount rate increased from 13.27% to 18.22%, the carrying amount of the Li Yang TNS Electro-Energy Co., Ltd. CGU would be equal to its recoverable amount as at 31 December 2023.

If the expected revenue decreases by 5.22%, or the gross profit rate decreases by 3.91%, or the pre-tax discount rate increased from 10.48% to 13.61%, the carrying amount of the Li Yang TNS Electro-Energy Co., Ltd. CGU would be equal to its recoverable amount as at 31 December 2024.

If the expected revenue decreases by 66.59%, or the gross profit rate decreases by 18.39%, or the pre-tax discount rate increased from 11.88% to 28.93%, the carrying amount of the Li Yang TNS Electro-Energy Co., Ltd. CGU would be equal to its recoverable amount as at 31 December 2025.

- (b) Dongguan Chao HONG Automation Equipment Co., Ltd. CGU

Goodwill arising from acquisition of Dongguan Chao HONG Automation Equipment Co., Ltd. CGU, was not material in carrying amount fully impaired in 2024.

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21. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	729,480	641,474	727,660
Contract costs	543,629	562,409	598,727
Work in progress	3,817,587	2,410,307	2,904,768
Finished goods	1,125,418	778,863	834,008
Goods delivered*	5,261,845	3,971,421	3,839,636
	<u>11,477,959</u>	<u>8,364,474</u>	<u>8,904,799</u>

* “Goods delivered” primarily represents the new energy battery automation equipment delivered to the customer’s location under installation.

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Receivables classified at financial assets at fair value through other comprehensive income	<u>963,528</u>	<u>442,028</u>	<u>201,270</u>

The Group received trade receivables that can be endorsed and transferred within the customer’s supply chain on a non-recourse basis. In its daily cash management activities, the Group may either endorse these trade receivables for discounting or hold them to maturity to collect contractual cash flows. Given that the Group’s business model involves both the objective of collecting contractual cash flows and the objective of selling the financial assets, these trade receivables are classified as financial assets measured at fair value through other comprehensive income.

23. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	3,436,166	4,153,168	5,080,988
Bank bills receivables	579,963	550,940	946,339
Commercial bills receivables	9,418	5,467	9,056
	<u>4,025,547</u>	<u>4,709,575</u>	<u>6,036,383</u>
Less: allowance for credit losses	<u>(197,907)</u>	<u>(216,326)</u>	<u>(208,218)</u>
Total	<u>3,827,640</u>	<u>4,493,249</u>	<u>5,828,165</u>

The Group’s trading terms with its customers are mainly on credit. For sales of materials, the credits period is normally within 60 to 120 days from delivery or accepted the customers. For sales of equipment, the settlement is made in accordance with the terms specified in the sales contracts. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The Group’s bills receivable were all aged within six months and were neither past due nor impaired.

As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 47.1%, 44.3% and 40.5% and 78.5%, 75.3% and 62.2% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively.

Included in the Group’s trade receivables are amounts due from the Group’s related companies of RMB681,000, RMB461,000, and RMB1,438,000 as at 31 December 2023, 2024 and 2025 (note 45), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

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The Group pledged trade receivables of approximately RMB27,904,000 to secure a bank loan granted as at 31 December 2023 (note 32).

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An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the date of recognition, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	3,474,651	4,234,040	5,218,537
1 to 2 years	337,625	194,666	457,310
2 years to 3 years	12,423	63,160	139,744
Over 3 years	2,941	1,383	12,574
Total	<u>3,827,640</u>	<u>4,493,249</u>	<u>5,828,165</u>

The movements in loss allowance for impairment of trade receivables are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at beginning of year	218,820	197,907	216,326
Impairment losses, net (<i>note 8</i>)	(11,045)	18,454	46,605
Amount write off as uncollectible	(9,868)	(35)	(54,713)
Balance at end of year	<u>197,907</u>	<u>216,326</u>	<u>208,218</u>

An impairment analysis was made based on expected credit loss model on the recoverability of trade and bills receivables. The identification of impairment requires management’s judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence of macroeconomic conditions. Generally, trade receivables are written off according to management approval. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided full impairment for the defaulted receivables.

Set out below is the information about the credit risk exposure on the trade and bills receivables using a provision matrix:

As at 31 December 2023

The Group

	Provision on an individual basis	Provision on a collective basis				
		Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	100.0%	1.8%	10.0%	20.4%	62.6%	4.9%
Gross carrying amount (RMB'000)	89,108	3,537,849	375,124	15,600	7,866	4,025,547
Expected credit losses (RMB'000)	89,108	63,198	37,499	3,177	4,925	197,907

As at 31 December 2024

The Group

	Provision on an individual basis	Provision on a collective basis				
		Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	100.0%	1.7%	14.7%	13.3%	71.5%	4.6%
Gross carrying amount (RMB'000)	95,720	4,307,906	228,273	72,830	4,846	4,709,575
Expected credit losses (RMB'000)	95,720	73,866	33,607	9,670	3,463	216,326

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As at 31 December 2025

The Group

	Provision on an individual basis	Provision on a collective basis				Total
		Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	100.0%	1.6%	10.2%	16.0%	32.2%	3.4%
Gross carrying amount (RMB'000)	36,536	5,305,757	509,240	166,298	18,552	6,036,383
Expected credit losses (RMB'000)	36,536	87,220	51,930	26,554	5,978	208,218

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Prepayments for property, plant and equipment	761,350	1,234,676	252,898
Prepayments for acquisition of a subsidiary (<i>note 40</i>)	85,165	–	–
	<u>846,515</u>	<u>1,234,676</u>	<u>252,898</u>
Current portion:			
Prepayments to suppliers	370,294	263,459	394,290
Other receivables	67,178	80,920	77,950
Other tax recoverable	322,447	381,083	365,742
Other assets*	505,398	343,393	341,268
Deposits	54,842	21,074	14,069
	<u>1,320,159</u>	<u>1,089,929</u>	<u>1,193,319</u>
Less: Impairment allowance	(12,803)	(28,803)	(37,353)
	<u>1,307,356</u>	<u>1,061,126</u>	<u>1,155,966</u>
Total	<u>2,153,871</u>	<u>2,295,802</u>	<u>1,408,864</u>

* Other assets represent the consumables used in the production of battery materials, which are amortized to cost of inventories sold based on the units of consumption.

As at 31 December 2023, 2024 and 2025, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

As at 31 December 2023, 2024 and 2025, other receivables included amounts of RMB60,670,000 RMB50,613,000 and RMB38,613,000 due from Ningde Ali Technology Co., Ltd. which were secured by a 40% equity interest in Ningde Wanhua Investment Group Co., Ltd. (an independent third party). The receivables bears an interest rate of 5.25% per annum prior to 1 January 2026 and an interest rate of 3.50% per annum thereafter. Since the receivables had a significant increase in credit risk since initial recognition, they were measured based on lifetime expected credit loss and impairment provisions of RMB8,780,000, RMB15,184,000 and RMB19,307,000 were recognised as at the end of each of the Relevant Periods.

Other than above, the other receivables were interest-free, unsecured and repayable on demand.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Due from subsidiaries	1,870,887	1,863,529	1,485,452
Dividends receivable	304,861	304,861	411,291
Other tax recoverable	18	9,394	3,482
Other receivables	1,042	191	108
Deposits	235	226	56
	<u>2,177,043</u>	<u>2,178,021</u>	<u>1,900,389</u>
Impairment allowance	(36)	(20)	(21)
	<u>2,177,007</u>	<u>2,178,181</u>	<u>1,900,368</u>

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The movements in loss allowance for impairment of other receivables are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at beginning of year	18,959	12,803	28,803
(Reversal of impairment)/impairment recognised during the year (<i>note 8</i>)	(6,150)	16,026	8,550
Amount written off as uncollectible	(6)	(26)	–
Balance at end of year	<u>12,803</u>	<u>28,803</u>	<u>37,353</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at beginning of year	24	36	20
Impairment/(reversal of impairment) recognised during the year	12	(16)	1
Balance at end of year	<u>36</u>	<u>20</u>	<u>21</u>

25. CONTRACT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Retention receivables	489,758	511,956	519,169
Impairment	(24,471)	(26,859)	(27,395)
Total	<u>465,287</u>	<u>485,097</u>	<u>491,774</u>

Contract assets are mainly from sales of new energy automation equipment. According to the contract term, a certain percentage of the contract amount is classified as retention receivables which will be collected upon the completion of warranty period. The retention receivables are recognised as contract assets when the equipment is accepted by the customer and are reclassified to trade receivables upon the completion of the warranty period which is normally one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	106	24,471	26,859
Impairment losses recognised (<i>note 8</i>)	24,365	2,388	536
At end of year	<u>24,471</u>	<u>26,859</u>	<u>27,395</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are referred to those of the trade and bills receivables as the contract assets and the trade and bills receivables are from the same customer bases. The determination of provision rates for contract assets also takes into account the probability of default, historical loss record as well as forward-looking information. The calculation is adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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Set out below is the information about the credit risk exposure on contract assets:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expected credit loss rate	5.00%	5.25%	5.28%
Gross carrying amount	489,758	511,956	519,169
Expected credit losses	<u>24,471</u>	<u>26,859</u>	<u>27,395</u>

26. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

Financial assets

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Wealth management products	954,434	1,407,618	2,629,524
Bank bills receivables*	567,237	572,688	1,534,557
Unlisted equity investments	79,806	76,853	96,764
Listed equity investment	3,008	2,073	–
Foreign exchange forward contracts	410	–	–
	<u>1,604,895</u>	<u>2,059,232</u>	<u>4,260,845</u>
Analysed into:			
Current portion	1,525,089	1,982,379	4,164,081
Non-current portion	<u>79,806</u>	<u>76,853</u>	<u>96,764</u>

* All bank bills receivables are with aging within one year.

Financial liabilities

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss:			
Foreign exchange forward contracts	–	<u>1,640</u>	–
	–	–	–

The Company

Financial assets

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Wealth management products	<u>934,434</u>	<u>737,606</u>	<u>997,829</u>

The wealth management products are primarily issued by banks in the Chinese mainland and were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above investment in equity instruments is classified as financial assets at fair value through profit or loss as the Group had not irrevocably elected to classify them at fair value through other comprehensive income and the purpose is mainly for trading.

Bank bills receivables were classified and measured as financial assets at fair value through profit or loss as they are not held within the business model with the objective to collect contractual cashflows nor the business model with the objective of both collecting contractual cashflows and selling.

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27. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	8,640,395	9,883,256	10,853,529

28. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	8,352,507	6,136,514	5,189,698
Time deposits	–	46,000	327,617
Restricted cash	749,544	403,906	466,007
Subtotal	9,102,051	6,586,420	5,983,322
Less:			
Time deposits:			
Pledged time deposits for bank loans and bank bills	–	–	(320,000)
Non-pledged time deposits with original maturity of more than three months when acquired	–	(46,000)	(7,617)
Subtotal	–	(46,000)	(327,617)
Restricted cash for:			
bank bills issued	(705,341)	(255,913)	(430,094)
letters of credit	(7,273)	(67,572)	(9,065)
bank loans	–	(75,000)	–
letter of guarantee	(36,930)	(5,421)	(26,848)
Cash and cash equivalents	8,352,507	6,136,514	5,189,698

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Denominated in:			
RMB	8,922,252	6,484,592	5,814,856
USD	176,716	98,780	164,172
EUR	2,747	2,646	3,675
Others	336	402	619
Total cash and bank balances	9,102,051	6,586,420	5,983,322

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	2,693,991	1,134,568	2,075,496

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total cash and cash equivalents	2,693,991	1,134,568	2,075,496

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The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits and restricted cash are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	3,921,620	3,064,555	4,551,176
Bills payables	3,389,694	1,556,151	2,981,843
	<u>7,311,314</u>	<u>4,620,706</u>	<u>7,533,019</u>

Included in the Group’s trade payables are amounts due to the Group’s related companies of RMB36,838,000, RMB36,439,000 and RMB44,212,000 as at 31 December 2023, 2024 and 2025 (note 45), respectively, which are payable on terms similar to those offered by the major suppliers of the Group.

An ageing analysis of trade and bills payables as at the end of each of the Relevant Periods, based on the date of recognition, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Less than 1 year	7,266,860	4,384,539	7,341,364
1 to 2 years	40,470	210,948	147,792
2 to 3 years	1,837	22,188	36,407
Over 3 years	2,147	3,031	7,456
Total	<u>7,311,314</u>	<u>4,620,706</u>	<u>7,533,019</u>

The trade payables are non-interest-bearing, unsecured, and repayable on demand.

30. CONTRACT LIABILITIES

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Advance from customers	<u>4,791,783</u>	<u>4,326,404</u>	<u>3,470,330</u>	<u>3,169,854</u>

Contract liabilities mainly include advance payments for the sale of new energy automation equipment. The decrease in contract liabilities during the Relevant Periods was mainly due to the Group fulfilling its obligations under contracts at the end of the year.

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31. OTHER PAYABLES AND ACCRUALS

The Group

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Deposit received		24,814	17,069	14,745
Payroll and welfare payables		496,885	465,637	480,602
Shares repurchase obligation under share award scheme		48,096	18,768	–
Payables for property, plant and equipment		1,025,205	1,291,582	1,256,973
Other payables and accrued expenses	(a)	187,289	240,602	222,651
Other tax payables		88,348	177,257	166,415
Total		<u>1,870,637</u>	<u>2,210,915</u>	<u>2,141,386</u>

The Company

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Payroll and welfare payables		1,846	1,916	977
Shares repurchase obligation under share award scheme		48,096	18,769	–
Other payables and accrued expenses	(a)	1,088	1,326	1,383
Other tax payables		367	289	244
Total		<u>51,397</u>	<u>22,300</u>	<u>2,604</u>

(a) Other payables are non-interest-bearing and unsecured and repayable on demand.

Included in the Group’s other payables are amounts due to the Group’s related companies of RMB1,072,000, RMB1,063,000 and RMB1,072,000 as at 31 December 2023, 2024 and 2025 (note 45), respectively.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000
Current									
Bank loans – secured	0.75-2.35	2024	658,646	0.40-2.40	2025	1,541,985	0.43-2.90	2026	2,095,959
Bank loans – unsecured	1.25-3.20	2024	3,011,275	2.16-3.05	2025	2,090,513	1.75-3.05	2026	2,039,875
Short-term bonds – unsecured	3.42	2024	1,020,524	2.90-3.35	2025	603,130	1.90	2026	602,125
Current portion of long term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2026	1,880
Current portion of long term bank loans – secured	2.05-4.05	2024	353,196	1.80-4.90	2025	965,450	2.45-2.85	2026	688,526
Current portion of long term bank loans – unsecured	2.40-3.70	2024	1,638,570	2.05-3.55	2025	1,192,111	1.52-3.00	2026	1,486,441
			<u>6,682,211</u>			<u>6,393,189</u>			<u>6,914,806</u>
Non-current									
Bank loans – secured	2.05-4.05	2025 to 2030	2,332,905	1.80-4.90	2026 to 2030	2,849,368	2.45-2.85	2027 to 2030	1,606,731
Bank loans – unsecured	2.50-3.70	2025 to 2029	1,622,490	2.45-3.55	2026 to 2030	1,937,864	2.18-3.00	2027 to 2030	1,692,856
Long-term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2028	199,443
			<u>3,955,395</u>			<u>4,787,232</u>			<u>3,499,030</u>
Total			<u>10,637,606</u>			<u>11,180,421</u>			<u>10,413,836</u>

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	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Bank loans repayable:			
Within one year	6,682,211	6,393,189	6,914,806
In the second year	1,341,697	2,261,327	1,736,746
In the third year	1,069,614	1,270,009	1,130,617
Beyond three years	1,544,084	1,255,896	631,667
Total	<u>10,637,606</u>	<u>11,180,421</u>	<u>10,413,836</u>

Notes:

The bank borrowings amounting to RMB403,351,000 as at 31 December 2023 were secured by the pledge of the Group’s construction in progress (note 15).

The bank borrowings amounting to RMB2,322,781,000, RMB3,850,767,000 and RMB2,577,285,000 as at 31 December 2023, 2024 and 2025, respectively, were secured by the pledge of the Group’s plant and machinery (note 15) and leasehold land (note 17).

The bank borrowings amounting to RMB27,904,000 as at 31 December 2023 were secured by the pledge of the Group’s trade receivables (note 23).

The bank borrowings amounting to RMB590,711,000, RMB1,506,036,000 and RMB1,813,931,000 as at 31 December 2023, 2024 and 2025, respectively, were secured by the pledge of restricted cash and time deposits (note 28).

The Company

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity (year)	RMB’000	Effective interest rate (%)	Maturity (year)	RMB’000	Effective interest rate (%)	Maturity (year)	RMB’000
Current									
Bank loans – unsecured	2.16-3.20	2024	945,000	2.16-3.01	2025	915,706	2.15-2.30	2026	720,000
Short-term bonds – unsecured	3.42	2024	1,020,524	2.90-3.35	2025	603,130	1.90	2026	602,125
Current portion of long term bank loans – unsecured	N/A	N/A	–	N/A	N/A	–	2.24	2026	19,500
Current portion of long term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2026	1,880
			<u>1,965,524</u>			<u>1,518,836</u>			<u>1,343,505</u>
Non-current									
Bank loans – unsecured	N/A	N/A	–	N/A	N/A	–	2.24	2027	175,500
Lone-term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2028	199,443
			<u>–</u>			<u>–</u>			<u>374,943</u>
Total			<u>1,965,524</u>			<u>1,518,836</u>			<u>1,718,448</u>

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Bank loans repayable:			
Within one year	1,965,524	1,518,836	1,343,505
In the second year	–	–	175,500
In the third to fifth years, inclusive	–	–	199,443
Total	<u>1,965,524</u>	<u>1,518,836</u>	<u>1,718,448</u>

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33. PROVISION

	Onerous contract provisions	Warranty provision	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	1,375	24,134	25,509
Additional provision	37,576	17,448	55,024
Amounts utilised during the year	(38,951)	(30,239)	(69,190)
At 31 December 2023 and 1 January 2024	—	11,343	11,343
Additional provision	—	25,931	25,931
Amounts utilised during the year	—	(23,840)	(23,840)
At 31 December 2024 and 1 January 2025	—	13,434	13,434
Additional provision	—	13,304	13,304
Amounts utilised during the year	—	(8,159)	(8,159)
At 31 December 2025	—	18,579	18,579

The Group provides warranties to its customers for equipment for general repairs of defects occurring during the warranty period which is generally one year. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

The Group

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from assets at fair value through profit or loss	Fair value adjustments arising from acquisitions of subsidiaries	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2023	58,943	3,051	14,520	4,648	81,162
Deferred tax charged/(credited) to profit or loss during the year . . .	20,812	6,703	(564)	(1,163)	25,788
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	79,755	9,754	13,956	3,485	106,950
Addition as a result of acquisition of a subsidiary (<i>note 40</i>)	—	—	4,080	—	4,080
Deferred tax (credited)/charged to profit or loss during the year . . .	(10,218)	1,347	(729)	(1,942)	(11,542)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	69,537	11,101	17,307	1,543	99,488
Deferred tax (credited)/charged to profit or loss during the year . . .	(5,585)	7,497	(704)	(740)	468
Gross deferred tax liabilities at 31 December 2025	63,952	18,598	16,603	803	99,956

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The Group

Deferred tax assets

	Provision for impairment losses	Intra Group of unrealised profits	Losses available for offsetting against future taxable profits	Deferred income	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2023	54,900	142,157	49,083	79,093	5,001	15,529	345,763
Deferred tax credited/(charged) to the profit or loss during the year	44,976	(43,881)	210,638	7,407	(1,355)	13,573	231,358
Deferred tax debited to other capital reserve during the year	—	—	—	—	—	(6,565)	(6,565)
Deferred tax credited to other comprehensive income during the year	—	—	—	—	—	2,114	2,114
Gross deferred tax assets at 31 December 2023 and 1 January 2024	99,876	98,276	259,721	86,500	3,646	24,651	572,670
Deferred tax credited/(charged) to the profit or loss during the year	52,980	(20,943)	123,769	49,225	(2,247)	6,142	208,926
Deferred tax credited to other capital reserve during the year	—	—	—	—	—	1,801	1,801
Deferred tax charged to other comprehensive income during the year	—	—	—	—	—	(1,187)	(1,187)
Gross deferred tax assets at 31 December 2024 and 1 January 2025	152,856	77,333	383,490	135,725	1,399	31,407	782,210
Deferred tax credited/(charged) to the profit or loss during the year	16,253	25,458	(24,001)	21,494	(801)	8,352	46,755
Deferred tax credited to other capital reserve during the year	—	—	—	—	—	14,852	14,852
Deferred tax charged to other comprehensive income during the year	—	—	—	—	—	(348)	(348)
Gross deferred tax assets at 31 December 2025	<u>169,109</u>	<u>102,791</u>	<u>359,489</u>	<u>157,219</u>	<u>598</u>	<u>54,263</u>	<u>843,469</u>

The Company

Deferred tax liabilities

	Fair value adjustments arising from assets at fair value through profit or loss
	RMB'000
Gross deferred tax liabilities at 1 January 2023	3,051
Deferred tax charged to profit or loss during the year	6,703
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	9,754
Deferred tax charged to profit or loss during the year	765
Gross deferred tax liabilities at 31 December 2024	10,519
Deferred tax charged to profit or loss during the year	8,152
Gross deferred tax liabilities at 31 December 2025	<u>18,671</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

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The Group

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	492,450	710,695	778,859
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>26,730</u>	<u>27,973</u>	<u>35,346</u>

The Company

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax liabilities recognised in the statements of financial position	<u>9,754</u>	<u>10,519</u>	<u>18,671</u>

Deferred tax assets not recognised

The Group has unrecognised accumulated tax losses in the Chinese mainland of nil, RMB400,326,000 and RMB468,972,000 as at 31 December 2024 and 2025, respectively, that will expire in five to ten years for offsetting against future taxable profits.

The Group had unrecognised deductible temporary differences of RMB59,960,000, RMB60,020,000 and RMB77,612,000 as at 31 December 2023, 2024 and 2025, respectively.

Deferred tax assets have not been recognised in respect of the above tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses and the deductible temporary differences can be utilised.

35. DEFERRED INCOME

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants			
At 1 January	392,147	563,864	879,920
Received during the year	195,433	358,050	223,932
Released during the year	<u>(23,716)</u>	<u>(41,994)</u>	<u>(67,502)</u>
At 31 December	<u>563,864</u>	<u>879,920</u>	<u>1,036,350</u>

The Group’s deferred income represented government grants received for projects and is credited to profit or loss on a straight-line basis over the expected lives of the related assets for which they are intended to compensate.

36. SHARE CAPITAL

The Group and the Company

	Number of shares	Share capital
		RMB'000
As at 1 January 2023	1,390,829,959	1,390,830
Issue of shares (<i>note (a)</i>)	121,787,554	121,788
Capitalisation of capital reserve (<i>note (a)</i>)	625,873,482	625,873
Cancellation of treasury shares (<i>note (b)</i>)	<u>(495,349)</u>	<u>(495)</u>
As at 31 December 2023 and 1 January 2024	2,137,995,646	2,137,996
Cancellation of treasury shares (<i>note (b)</i>)	<u>(830,274)</u>	<u>(831)</u>
As at 31 December 2024	2,137,165,372	2,137,165
Cancellation of treasury shares (<i>note (b)</i>)	<u>(766,296)</u>	<u>(766)</u>
As at 31 December 2025	<u>2,136,399,076</u>	<u>2,136,399</u>

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Notes:

- (a) In November 2023, the Company issued 121,787,554 shares with par value of each for RMB23.16 per share. The difference between the proceeds received and the par value of RMB2,693,342,000 (after deducting issuance expenses of RMB5,469,000) was credited to the Company’s capital reserves.

In April 2023, the shareholders of the Company approved a profit distribution in the annual general meeting to issue 625,873,482 new shares to the shareholders with application of RMB625,873,000 as stated in the capital reserve to pay up share capital.

- (b) The Company repurchased and cancelled 495,349 shares, 830,274 shares and 766,296 shares during the years ended 31 December 2023, 2024 and 2025, respectively.

37. TREASURY SHARES

The Group and the Company

	Number of shares	Treasury shares
		RMB'000
At 1 January 2023	1,667,357	94,636
Share reissued for equity-settled share-based payment arrangements (<i>note (a)</i>)	(2,234,516)	(34,677)
Repurchase of treasury shares (<i>note (b)</i>)	9,751,415	299,999
Cancellation of treasury shares	(495,349)	(11,844)
At 31 December 2023 and 1 January 2024	8,688,907	348,114
Shares reissued for equity-settled share-based payment arrangements (<i>note (a)</i>)	(1,793,800)	(10,338)
Repurchase of treasury shares (<i>note (b)</i>)	22,881,000	300,006
Cancellation of treasury shares	(830,274)	(19,455)
At 31 December 2024 and 1 January 2025	28,945,833	618,327
Cancellation of treasury shares	(766,296)	(18,322)
At 31 December 2025	28,179,537	600,005

Notes:

- (a) During the years ended 31 December 2023 and 2024, the Company reissued treasury shares of 2,234,516 shares and 1,793,800 shares, respectively, as equity share base payment upon vesting for the share award scheme.
- (b) During the years ended 31 December 2023 and 2024, the Company repurchased 9,751,415 shares and 22,881,000 shares with average prices of RMB30.76 and RMB13.11 per share for aggregate considerations of RMB299,998,900 and RMB300,006,000, respectively.

38. SHARE-BASED PAYMENTS

The Group approved and adopted a share award scheme (the “Share Award Scheme”) and a share option scheme (the “Share Option Scheme”) for certain employees of the Group (“Incentive Participants”) in order to recognise the contributions of the Incentive Participants to the growth and development of the Group.

As of 31 December 2025, the awarded restricted shares units (“RSUs”) and share options granted to employees under the Share Award Scheme and the Share Option Scheme, respectively, are set out below:

Grant date	Notes	Number of RSUs and share option granted	Subscription/ exercise price	Fair values of RSUs/options on the grant date	The basis for determining the fair value as of the grant date
			RMB per share	RMB per share	
12 November 2018	(a)	1,992,600	22.59	24.29	The open market price on the Shanghai Stock Exchange
27 September 2019	(a)	556,300	25.60	25.10	The open market price on the Shanghai Stock Exchange
21 April 2022	(a)	1,068,300	69.34	48.86	The open market price on the Shanghai Stock Exchange
21 April 2022	(b)	6,370,000	138.68	5.59	Black-Scholes model valuation*

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Grant date	Notes	Number of RSUs and share option granted	Subscription/ exercise price	Fair values of RSUs/options on the grant date	The basis for determining the fair value as of the grant date
10 April 2025	(b)	28,480,900	RMB per share 15.43	RMB per share 2.19	Black-Scholes model valuation*

* The key parameters of the Black-Scholes model are expected volatility, dividend yield and risk-free rate.

(a) Share Awards Scheme

On 12 November 2018, the Company granted 1,992,600 RSUs to 170 Incentive Participants at a subscription price of RMB22.59 per share. The restricted shares will be vested by 5 instalments subject to the Company’s annual performance appraisal and individual performance appraisal during 2018 to 2022.

On 27 September 2019, the Company granted 556,300 RSUs to 51 Incentive Participants at a subscription price of RMB25.60 per share. The restricted shares will be vested by 5 instalments subject to the Company’s annual performance appraisal and individual performance appraisal during 2019 to 2023.

On 21 April 2022, the Company granted 1,068,300 RSUs to 65 Incentive Participants at a subscription price of RMB69.34 per share. The restricted shares will be vested by 3 instalments subject to the Company’s annual performance appraisal and individual performance appraisal during 2022 to 2024.

The Company has repurchase obligation for those RSUs should the Incentive Participants be unable to meet the performance conditions. The repurchase price of RSUs is the original granted price. As at 31 December 2023 and 2024, the repurchase obligation based on the grant price was RMB48,096,000 and RMB18,768,000, respectively, as recognised in other payables (note 31).

The number of restricted shares granted by the Company is summarised as follows:

	Number of shares of the Company		
	2023	2024	2025
At the beginning of the year	6,120,235*	3,390,370	766,296
Vested during the year	(2,234,516)	(1,793,800)	–
Forfeited during the year	(495,349)	(830,274)	(766,296)
At the end of the year	<u>3,390,370*</u>	<u>766,296</u>	<u>–</u>

* The number of shares has been adjusted after the capitalisation of capital reserve. As some of the performance conditions were not met as at 31 December 2023, the Group recognised a reversal of share award expense of RMB2,992,000 for the year ended 31 December 2023 for the above share awards.

(b) Share Option Scheme

On 21 April 2022, the Company granted 6,370,000 share options (before share number adjustment for capitalisation of capital reserve) to 17 Incentive Participants, at an exercise price of RMB138.68 per share. The vesting periods for the share options were 12 months, 24 months, and 36 months from the grant date, and the performance conditions to be satisfied. As the performance conditions were not met as at 31 December 2023, the granted shares options were forfeited, resulting in a reversal of share options expenses of RMB6,907,000 for the year ended 31 December 2023.

On 10 April 2025, the Company granted 28,480,900 share options to 262 Incentive Participants, at an exercise price of RMB15.43 per share. The vesting periods for the share options were 12 months, 24 months, and 36 months from the grant date, and the performance conditions to be satisfied. The Group recognised a share base payment expense of RMB20,757,000 for the year ended 31 December 2025.

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A summary of activities of the share options granted by the Company is as follows:

	Number of shares options of the Company		
	2023	2024	2025
At the beginning of the year	18,473,000*	17,532,820	5,280,900
Granted during the year	–	–	28,480,900
Forfeited during the year	(940,180)	(12,251,920)	(5,280,900)
At the end of the year	<u>17,532,820</u>	<u>5,280,900</u>	<u>28,480,900</u>

* The number of shares has been adjusted after the capitalisation of capital reserve.

39. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve of the Group represents the difference between the par value of the Company’s shares and the proceeds from the shares issued, dilution of non-controlling interest upon capital injection by the Group in a subsidiary, the share of reserves in associates, and the share-based compensation for the equity-settled share-based payment transactions.

Fair value reserve

The fair value reserve represents fair value changes of debt investments at fair value through other comprehensive income.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the entities registered in the Chinese Mainland are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years’ losses) as prepared in accordance with generally accepted accounting principles in the Chinese Mainland, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity’s registered capital. The statutory reserve can be utilised to offset prior years’ losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Reserve funds

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

The Company

The amounts of the Company’s reserves and the movements for the Relevant Periods are presented as follows:

	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	6,178,750	261,111	1,282,267	7,722,128
Profit for the year	–	–	1,782,550	1,782,550
Total comprehensive income for the year	–	–	1,782,550	1,782,550
Issue of shares, net (<i>note 36</i>)	2,693,342	–	–	2,693,342
Share-based payments	(8,291)	–	–	(8,291)
Issue of shares upon capitalisation of capital reserve	(625,873)	–	–	(625,873)
Cancellation of treasury shares	(11,349)	–	–	(11,349)
Transfer to statutory surplus reserve	–	178,255	(178,255)	–
Dividend declared	–	–	(472,882)	(472,882)
Divestment of interest in a subsidiary	(770)	–	–	(770)
At 31 December 2023 and 1 January 2024	<u>8,225,809</u>	<u>439,366</u>	<u>2,413,680</u>	<u>11,078,855</u>
Profit for the year	–	–	580,052	580,052
Total comprehensive income for the year	–	–	580,052	580,052
Share-based payments	290	–	–	290
Cancellation of treasury shares	(18,624)	–	–	(18,624)
Transfer to statutory surplus reserve	–	58,006	(58,006)	–
Dividend declared	–	–	(297,951)	(297,951)
Share of reserves of associates	822	–	–	822

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	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024 and 1 January 2025 . . .	8,208,297	497,372	2,637,775	11,343,444
Profit for the year	—	—	2,107,712	2,107,712
Total comprehensive income for the year	—	—	2,107,712	2,107,712
Share-based payments	21,001	—	—	21,001
Cancellation of treasury shares	(16,559)	—	—	(16,559)
Transfer to statutory surplus reserve	—	210,771	(210,771)	—
Dividend declared	—	—	(357,770)	(357,770)
At 31 December 2025	8,212,739	708,143	4,176,946	13,097,828

40. BUSINESS COMBINATION

On 1 February 2024, the Group acquired a 50.01% equity interest in 江蘇高遠膜材料科技有限公司 (Jiangsu Gaoyuan Membrane Material Technology Co., Ltd.) at a total cash consideration of RMB93,165,000. Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. is engaged in the new energy battery materials business. The purchase consideration for the acquisition was in the form of cash.

The Group has elected to measure the non-controlling interest in Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. at the non-controlling interest’s proportionate share of Jiangsu Gaoyuan Membrane Material Technology Co., Ltd.’s identifiable net assets.

The fair values of the identifiable assets and liabilities of Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Cash and cash equivalents		5,232
Prepayments, other receivables and other assets		21,439
Inventories		5,565
Property, plant and equipment	15	125,996
Other intangible assets	16	35
Right-of-use assets	17	25,489
Trade payables		(12,095)
Other payables and accruals		(18,851)
Interest-bearing bank and other borrowings		(33,973)
Deferred tax liabilities	34	(4,080)
Total identifiable net assets at fair value		114,757
Non-controlling interests		(57,369)
Goodwill	20	35,777
Total		93,165
Satisfied by:		
Cash paid during the year ended 31 December 2024		8,000
Cash prepaid during the year ended 31 December 2023		85,165
Total		93,165

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

An analysis of cash flows for the year ended 31 December 2024 in respect of the acquisition of Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. is as follows:

	RMB'000
Cash consideration paid during the year ended 31 December 2024	(8,000)
Cash and cash equivalents acquired	5,232
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,768)

Since the acquisition, Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. contributed RMB6,352,000 to the Group’s consolidated revenue and recorded a loss of RMB4,217,000 for the year ended 31 December 2024.

Had the acquisition been taken place on 1 January 2024, the revenue of the Group and the profit of the Group for the year ended 31 December 2024 would have been RMB13,401,368,000 and RMB1,385,374,000, respectively.

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41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

- (a) Details of the Group’s subsidiary Ruyuan Dongyangguang Fluorine Resin Co., Ltd. that has material non-controlling interests are set out below:

	As at 31 December		
	2023	2024	2025
Percentage of equity interest held by non-controlling interests	45%	45%	45%
Year ended 31 December			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit for the year allocated to non-controlling interests . . .	181,270	151,892	217,017
Dividends paid	54,360	54,000	54,000
As at 31 December			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Accumulated balances of non-controlling interests	493,679	591,571	754,588

The following tables illustrate the summarised financial information of Ruyuan Dongyangguang Fluorine Resin Co., Ltd. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	1,023,409	1,074,145	1,509,304
Profit for the year	403,773	338,490	483,211
Total comprehensive income for the year	403,773	336,988	483,211
Net cash flows from operating	355,557	192,960	501,185
As at 31 December			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current assets	1,209,042	1,400,665	1,749,110
Non-current assets	933,270	996,379	1,037,901
Current liabilities	715,597	762,493	1,040,091
Non-current liabilities	326,705	317,553	64,278

(b) Change in subsidiary ownership without loss of control

In May 2023, the Group acquired a further 35% equity interest in Dongguan Chao HONG Automation Equipment Co., Ltd., from non-controlling equity holder for a consideration of RMB63,000,000. The difference between the consideration paid and the share of net asset of non-controlling equity holder being acquired was debited to the capital reserve by RMB50,946,000.

In May 2023, the Group acquired a further 30% equity interest in Shanghai Lufeng Venture Capital Management Co., Ltd., from non-controlling equity holder for a consideration of RMB3,452,000. The difference between the consideration paid and the share of net asset of non-controlling equity holder being acquired was debited to the capital reserve by RMB741,000.

42. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During years ended 31 December 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,916,000 and RMB13,903,000, respectively, in respect of lease arrangements for buildings.

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(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
As at 1 January 2023	6,977,316	33,023
Changes from financing cash flows	4,168,045	(22,551)
New leases	–	11,916
Interest expense	322,603	1,367
Change in trade and bills receivables	(830,358)	–
Termination of leases	–	(2,688)
As at 31 December 2023 and 1 January 2024	10,637,606	21,067
Changes from financing cash flows	(119,283)	(15,556)
New leases	–	13,903
Interest expense	347,002	655
Change in trade and bills receivables	315,096	–
Termination of leases	–	(6,825)
As at 31 December 2024 and 1 January 2025	11,180,421	13,244
Changes from financing cash flows	(312,556)	(2,220)
Interest expense	303,469	214
Change in trade and bills receivables	(757,498)	–
Termination of leases	–	(1,253)
As at 31 December 2025	10,413,836	9,985

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	(37,373)	(36,261)	(31,261)
Within investing activities	(293,099)	(52,399)	(8,420)
Within financing activities	(22,551)	(15,556)	(2,220)
Total	(353,023)	(104,216)	(41,901)

43. PLEDGE OF ASSETS

Details of the Group’s pledge of assets are included in note 15, note 17, note 23, note 26 and note 28 to the Historical Financial Information.

44. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	5,274,960	3,092,463	4,737,206

45. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

(a) Name and relationship

Name of related party	Relationship with the Group
貴州高點科技有限公司 (Guizhou Gaodian Technology Co., Ltd) . .	A company of which a director of the Company has beneficial interest as an equity holder
王曉明 (Wang Xiaoming)	Vice general manager of the Company
劉勇標 (Liu Yongbiao)	Vice general manager of the Company

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Name of related party	Relationship with the Group
唐承均 (Tang Chengjun)	Spouse of Wang Xiaoming, the Vice general manager of the Company
上海安勝礦業有限公司 (Shanghai Ansheng Mining Co., Ltd.)	A company of which a director of the Company has beneficial interest as an equity holder
上海錦源晟新能源材料集團有限公司 (Shanghai Jayson New Energy Materials Group Co., Ltd.)	A company of which a director of the Company has beneficial interest as an equity holder
棗莊振興炭材科技有限公司 (Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.)	A joint venture
四川茵地樂材料科技集團有限公司 (Sichuan Indigo Materials Technology Group Co., Ltd.)	An associate
南京市廬峰新能新興產業創業投資基金合夥企業(有限合夥) (Nanjing Lufeng New Energy Emerging Industry Venture Capital Fund Partnership (Limited Partnership))	An associate
寧波梅山保稅港區廬峰凱臨投資合夥企業(有限合夥) (Ningbo Meishan Bonded Port Area Lufeng Kailin Investment Partnership (Limited Partnership))	An associate
廣州雲趣信息技術有限公司 (Guangzhou Yunqu Information Technology Co., Ltd.)	A company of which a director of the Company has beneficial interest as an equity holder

(b) Transactions with related parties

		Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
(i) Services rendered				
Sichuan Indigo Materials Technology Group Co., Ltd.	Subcontracting services	1,419	1,000	1,911
Nanjing Lufeng New Energy Emerging Industry Venture Capital Fund Partnership (Limited Partnership)	Management services	4,774	4,774	4,774
Ningbo Meishan Bonded Port Area Lufeng Kailin Investment Partnership (Limited Partnership)	Management services	194	–	–
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	Technical support services	300	219	102
Shanghai Jayson New Energy Materials Group Co., Ltd.	Equipment and accessories	–	–	145
		<u>6,687</u>	<u>5,993</u>	<u>6,932</u>
(ii) Raw materials purchased and services provided				
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	Purchases of raw materials and others	4,565	6,191	15,652
Sichuan Indigo Materials Technology Group Co., Ltd.	Purchases of raw materials	44,378	43,312	47,519
Guizhou Gaodian Technology Co., Ltd.	Purchases of raw materials	24	18	–
Guangzhou Yunqu Information Technology Co., Ltd.	Technical support services	–	–	149
		<u>48,967</u>	<u>49,521</u>	<u>63,320</u>
(iii) Lease				
As a lessor				
Shanghai Jayson New Energy Materials Group Co., Ltd.	Lease of buildings	–	321	352
Shanghai Ansheng Mining Co., Ltd.	Lease of motor vehicles	39	–	–
		<u>39</u>	<u>321</u>	<u>352</u>
As a lessee				
Tang Chengjun	Lease of buildings	–	–	39
Shanghai Jayson New Energy Materials Group Co., Ltd.	Lease of buildings	–	–	132
		<u>–</u>	<u>–</u>	<u>171</u>

The transactions with related parties were made according to the published prices and conditions similar to those offered to other independent customers and suppliers.

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(c) Outstanding balances with related parties

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills receivables			
Sichuan Indigo Materials Technology Group Co., Ltd. . . .	681	66	1,438
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	—	395	—
	<u>681</u>	<u>461</u>	<u>1,438</u>
Trade and bills payables			
Sichuan Indigo Materials Technology Group Co., Ltd. . . .	36,838	36,439	38,172
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	—	—	6,040
	<u>36,838</u>	<u>36,439</u>	<u>44,212</u>
Other payables			
Wang Xiaoming (non-trade)	587	587	587
Liu Yongbiao (non-trade)	476	476	476
Shanghai Jayson New Energy Materials Group Co., Ltd. (trade)	9	—	9
	<u>1,072</u>	<u>1,063</u>	<u>1,072</u>
Contract liabilities			
Sichuan Indigo Materials Technology Group Co., Ltd. . . .	—	—	504

The amounts with related parties are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other emoluments:			
Salaries, allowances and benefits in kind	11,663	14,245	19,902
Pension scheme contributions	391	625	625
Share-based payment expenses	—	—	2,682
	<u>12,054</u>	<u>14,870</u>	<u>23,209</u>

Further details of directors’ and the chief executive’s remuneration are included in note 10 to the Historical Financial Information. As the Company dissolved the supervisory committee on 16 May 2025, the supervisors’ remuneration was not included in the above amounts disclosed.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	—	—	—	3,827,640	3,827,640
Financial assets included in prepayments, other receivables and other assets	—	—	—	109,217	109,217
Financial assets at fair value through profit or loss	1,522,081	82,814	—	—	1,604,895
Debt investment at fair value through other comprehensive income	—	—	963,528	—	963,528
Restricted cash	—	—	—	749,544	749,544
Cash and cash balances	—	—	—	8,352,507	8,352,507
Total	<u>1,522,081</u>	<u>82,814</u>	<u>963,528</u>	<u>13,038,908</u>	<u>15,607,331</u>

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Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	7,311,314
Financial liabilities included in other payables and accruals	1,285,404
Interest-bearing bank and other borrowings	10,637,606
Total	<u>19,234,324</u>

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	—	—	—	4,493,249	4,493,249
Financial assets included in prepayments, other receivables and other assets	—	—	—	73,191	73,191
Financial assets at fair value through profit or loss	1,980,306	78,926	—	—	2,059,232
Debt investment at fair value through other comprehensive income	—	—	442,028	—	442,028
Time deposits	—	—	—	46,000	46,000
Restricted cash	—	—	—	403,906	403,906
Cash and cash balances	—	—	—	6,136,514	6,136,514
Total	<u>1,980,306</u>	<u>78,926</u>	<u>442,028</u>	<u>11,152,860</u>	<u>13,654,120</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Derivative financial instruments	1,640	—	1,640
Trade payables	—	4,620,706	4,620,706
Financial liabilities included in other payables and accruals	—	1,568,021	1,568,021
Interest-bearing bank and other borrowings	—	11,180,421	11,180,421
Total	<u>1,640</u>	<u>17,369,148</u>	<u>17,370,788</u>

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	—	—	—	5,828,165	5,828,165
Financial assets included in prepayments, other receivables and other assets	—	—	—	54,666	54,666
Financial assets at fair value through profit or loss	4,164,081	96,764	—	—	4,260,845

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	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Debt investment at fair value through other comprehensive income	—	—	201,270	—	201,270
Time deposits	—	—	—	327,617	327,617
Restricted cash	—	—	—	466,007	466,007
Cash and cash balances	—	—	—	5,189,698	5,189,698
Total	<u>4,164,081</u>	<u>96,764</u>	<u>201,270</u>	<u>11,866,153</u>	<u>16,328,268</u>

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade and bills payables	7,533,019	7,533,019
Financial liabilities included in other payables and accruals	1,494,369	1,494,369
Interest-bearing bank and other borrowings	10,413,836	10,413,836
Total	<u>19,441,224</u>	<u>19,441,224</u>

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024 and 2025, as part of its normal business, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In addition, the Group discounted certain bills receivable accepted by banks in the Mainland China (the “Discounted Bills”) to certain banks to finance its operating cash flows. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and Discounted Bills, and the associated trade payables settled. Subsequent to the Endorsement and Discounting, the Group did not retain any rights on the use of the Endorsed Bills and Discounted Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. At 31 December 2023, 2024, and 2025, the Group had Endorsed Bills and Discounted Bills with carrying amounts of RMB489,900,000, RMB432,535,000 and RMB651,607,000, respectively.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain commercial bills, bank bills receivable and trade receivables in the Chinese mainland to certain of its suppliers in order to settle the trade payables due to such suppliers, and discounted certain commercial bills, bank bills receivable and trade receivables to banks in the Chinese mainland, (collectively, the “Derecognised Financial Assets”), with carrying amounts in aggregate of RMB4,241,697,000, RMB4,486,998,000 and RMB5,261,301,000. The Derecognised Financial Assets had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments of the Chinese mainland or the agreements with the customers, the holders of the Derecognised Financial Assets may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Financial Assets, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Financial Assets is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Financial Assets. Accordingly, it has derecognised the full carrying amounts of the Derecognised Financial Assets. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Financial Assets and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Financial Assets are not significant.

During the years ended 31 December 2023, 2024 and 2025, the Group recognised finance costs of RMB19,522,000, RMB23,541,000 and RMB25,122,000 on the dates of transfer of the Derecognised Financial Assets. No gains or losses were recognised from the Continuing Involvement, both during the Relevant Periods or cumulatively.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023, 2024 and 2025, the fair values of the Group’s financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, time deposits and restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023, 2024 and 2025 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

Fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”) multiple and price to earnings (“P/E”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks in the Chinese mainland. The Group has estimated the fair value of wealth management products by using discounted cash flow valuation models with reference to observable inputs including fluctuations of market prices or rates.

The fair values of the trade receivables classified as financial assets at fair value through other comprehensive income and bank bills receivables classified as financial assets at fair value through profit or loss as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the receivables.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments.

Assets measured at fair value

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current				
Equity investments at fair value through profit or loss	—	—	79,806	79,806
Current				
Debt investment at fair value through other comprehensive income	—	963,528	—	963,528
Financial assets at fair value through profit or loss	3,008	1,522,081	—	1,525,089
	<u>3,008</u>	<u>2,485,609</u>	<u>—</u>	<u>2,488,617</u>

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current				
Equity investments at fair value through profit or loss	—	—	76,853	76,853
Current				
Debt investment at fair value through other comprehensive income	—	442,028	—	442,028
Financial assets at fair value through profit or loss	2,073	1,980,306	—	1,982,379
	<u>2,073</u>	<u>2,422,334</u>	<u>—</u>	<u>2,424,407</u>

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As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Non-current				
Equity investments at fair value through profit or loss	–	–	96,764	96,764
Current				
Debt investment at fair value through other comprehensive income	–	201,270	–	201,270
Financial assets at fair value through profit or loss	–	4,164,081	–	4,164,081
	–	4,365,351	–	4,365,351
	–	–	–	–

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023, 2024 and 2025:

As at 31 December 2023

	Valuation technique	Significant unobservable input	Value range multiples	Sensitivity of fair value to the input
Unlisted equity investments . .	Valuation multiples	average P/E multiple of peers	21.77-21.87	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB137,000
		Discount for lack of marketability	27.5%	2% increase/decrease in discount would result in decrease/increase in fair value by RMB1,646,000

As at 31 December 2024

	Valuation technique	Significant unobservable input	Value range multiples	Sensitivity of fair value to the input
Unlisted equity investments . .	Valuation multiples	average P/E multiple of peers	1.28-1.38	5% increase/decrease in multiple would result in increase/ decrease in fair value by RMB2,099,000
		Discount for lack of marketability	25%	2% increase/decrease in discount would result in decrease/increase in fair value by RMB1,368,000/1,642,000

As at 31 December 2025

	Valuation technique	Significant unobservable input	Value range multiples	Sensitivity of fair value to the input
Unlisted equity investments . .	Valuation multiples	average P/E multiple of peers	0.90-4.10	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,201,820/3,644,011
		Discount for lack of marketability	25%	2% increase/decrease in discount would result in decrease/increase in fair value by RMB2,045,150

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Liabilities measured at fair value

As at 31 December 2024

	Fair value measurement categorised into			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss	–	1,640	–	1,640
	–	–	–	–

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	54,615	79,806	76,853
Total gains/(losses) recognised in profit or loss included in other income	24,883	(3,254)	20,366
Exchange realignment	308	301	(455)
At 31 December	79,806	76,853	96,764

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long term debt obligations with a floating interest rate. The Group manages such exposure by closely monitoring interest rate movements and conducting regular reviews of its borrowing portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group’s profit after tax (through the impact on floating rate borrowings) and the Group’s equity.

	Increase/(decrease) in basis points	Increase/(decrease) in profit after tax	Increase/(decrease) in equity
		RMB'000	RMB'000
2023			
RMB.	100	(71,601)	(71,601)
RMB.	(100)	71,601	71,601
2024			
RMB.	100	(105,773)	(105,773)
RMB.	(100)	105,773	105,773
2025			
RMB.	100	(90,504)	(90,504)
RMB.	(100)	90,504	90,504

Foreign currency risk

The Group mainly operates in the Chinese mainland with most of the Group’s monetary assets, liabilities and transactions principally denominated in RMB.

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The following table indicates the approximate change in the Group’s profit after tax and the Group’s equity (including retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Relevant Periods with all other variables held constant:

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit after tax	Increase/(decrease) in equity
	%	RMB’000	RMB’000
Year ended 31 December 2023			
If the RMB weakens against the USD	5	18,267	18,267
If the RMB strengthens against the USD	(5)	(18,267)	(18,267)
Year ended 31 December 2024			
If the RMB weakens against the USD	5	11,380	11,380
If the RMB strengthens against the USD	(5)	(11,380)	(11,380)
Year ended 31 December 2025			
If the RMB weakens against the USD	5	6,773	6,773
If the RMB strengthens against the USD	(5)	(6,773)	(6,773)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific verification procedures.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2023

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	4,025,547	4,025,547
Debt investments at fair value through other comprehensive income	963,528	–	–	–	963,528
Financial assets included in prepayments, deposits and other receivables					
– Normal**	61,350	–	–	–	61,350
– Doubtful**	–	60,670	–	–	60,670
Contract assets	–	–	–	489,758	489,758
Restricted cash	749,544	–	–	–	749,544
Cash and cash equivalents	8,352,507	–	–	–	8,352,507
Total	10,126,929	60,670	–	4,515,305	14,702,904

As at 31 December 2024

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	4,709,575	4,709,575
Debt investments at fair value through other comprehensive income	442,028	–	–	–	442,028
Financial assets included in prepayments, deposits and other receivables					
– Normal**	37,115	–	–	–	37,115
– Doubtful**	–	64,879	–	–	64,879
Contract assets	–	–	–	511,956	511,956
Time Deposit	46,000	–	–	–	46,000
Restricted cash	403,906	–	–	–	403,906
Cash and cash equivalents	6,136,514	–	–	–	6,136,514
Total	7,065,563	64,879	–	5,221,531	12,351,973

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As at 31 December 2025

	12-months ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	6,036,383	6,036,383
Debt investments at fair value through other comprehensive income	201,270	–	–	–	201,270
Financial assets included in prepayments, deposits and other receivables					
– Normal**	38,235	–	–	–	38,235
– Doubtful**	–	53,784	–	–	53,784
Contract assets	–	–	–	519,169	519,169
Time Deposit	327,617	–	–	–	327,617
Restricted cash	466,007	–	–	–	466,007
Cash and cash equivalents	5,189,698	–	–	–	5,189,698
Total	<u>6,222,827</u>	<u>53,784</u>	<u>–</u>	<u>6,555,552</u>	<u>12,832,163</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is set out in notes 23 and 25 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

As at the end of each of the Relevant Periods, cash and bank balances were deposited in banks of high quality without significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group’s objective is to maintain a balance between continuity of funding and flexibility. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

The maturity profile of the Group’s financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

The Group

31 December 2023

	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	13,244	9,089	–	22,333
Interest-bearing bank and other borrowings	6,787,302	4,163,754	38,371	10,989,427
Trade and bills payables	7,311,314	–	–	7,311,314
Financial liabilities included in payables and accruals	1,285,404	–	–	1,285,404
Total	<u>15,397,264</u>	<u>4,172,843</u>	<u>38,371</u>	<u>19,608,478</u>

31 December 2024

	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	3,953	10,176	–	14,129
Interest-bearing bank and other borrowings	6,603,058	4,987,840	19,371	11,610,269
Trade and bills payables	4,620,706	–	–	4,620,706
Financial liabilities included in payables and accruals	1,568,021	–	–	1,568,021
Financial liabilities at fair value through profit or loss	1,640	–	–	1,640
Total	<u>12,797,378</u>	<u>4,998,016</u>	<u>19,371</u>	<u>17,814,765</u>

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31 December 2025

	Within 1 year or on demand	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	2,900	7,943	10,843
Interest-bearing bank and other borrowings	7,069,047	3,619,412	10,688,459
Trade and bills payables	7,533,019	–	7,533,019
Financial liabilities included in other payables and accruals	1,494,369	–	1,494,369
Total	16,099,335	3,627,355	19,726,690

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders’ value.

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

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total assets	43,674,946	42,103,555	46,270,707
Total liabilities	24,944,922	22,563,175	24,488,943
debt-to-asset ratio	57%	54%	53%

49. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to the board resolution dated 5 March 2026, the Company proposed and declared to distribute a cash dividend of RMB0.23 (tax inclusive) for each ordinary share, amounting to RMB483,866,000, to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the year ended 31 December 2025. Such proposed dividend distribution is subject to approval in the next Annual General Meeting of the Company.

50. SUBSEQUENT FINANCIAL STATEMENTS

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