

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[99], received from the Company’s reporting accountants, Rongcheng (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the [REDACTED] pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU HSC NEW ENERGY MATERIALS CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Jiangsu HSC new energy materials co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[4] to I-[•], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on page I-[4] to I-[—] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “**Documents**”) in connection with the [REDACTED] of [REDACTED] of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

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

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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-[4] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the years ended December 31, 2023, 2024 and 2025.

Rongcheng (Hong Kong) CPA Limited

Certified Public Accountants

[•]

Practising Certificate Number: [•]

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 form an integral part of this accountants’ report.

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

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	525,031	504,899	869,489
Cost of sales	8	<u>(490,411)</u>	<u>(620,672)</u>	<u>(785,478)</u>
Gross profit/(loss)		34,620	(115,773)	84,011
Other income	6	31,924	19,261	29,706
Other gains and losses, net	7	42,618	35,637	84,627
Research and development expenses	8	(47,459)	(41,024)	(51,795)
Administrative and other operating expenses	8	(91,930)	(101,588)	(109,704)
Selling expenses	8	(7,356)	(5,744)	(9,062)
Provision for impairment losses on financial assets		(509)	(7,023)	(13,359)
Finance costs	10	(1,121)	(2,184)	(2,719)
Share of results of associates, net	17	<u>—</u>	<u>(1,224)</u>	<u>(17,949)</u>
Loss before income tax		(39,213)	(219,662)	(6,244)
Income tax credited	11	<u>5,271</u>	<u>31,111</u>	<u>3,680</u>
Loss for the year		<u>(33,942)</u>	<u>(188,551)</u>	<u>(2,564)</u>
(Loss)/profit for the year attributable to:				
Owners of the Company		(23,912)	(174,675)	13,257
Non-controlling interests		<u>(10,030)</u>	<u>(13,876)</u>	<u>(15,821)</u>
		<u>(33,942)</u>	<u>(188,551)</u>	<u>(2,564)</u>
Total comprehensive (loss)/income for the year attributable to:				
Owners of the Company		(23,912)	(174,675)	13,257
Non-controlling interests		<u>(10,030)</u>	<u>(13,876)</u>	<u>(15,821)</u>
		<u>(33,942)</u>	<u>(188,551)</u>	<u>(2,564)</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company				
Basic (in RMB per share)	13	<u>(0.150)</u>	<u>(1.102)</u>	<u>0.085</u>
Diluted (in RMB per share)	13	<u>(0.150)</u>	<u>(1.102)</u>	<u>0.085</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	1,511,379	1,700,080	1,898,125
Right-of-use assets	15(a)	180,494	200,075	255,422
Intangible assets	16	454	6,397	5,566
Investments in associates	17	—	100,776	198,885
Financial assets at fair value through profit or loss (“FVTPL”)	20	—	5,000	20,000
Prepayments, other receivables and other assets	23	74,159	27,033	29,151
Deferred tax assets	25	16,485	48,232	65,029
		<u>1,782,971</u>	<u>2,087,593</u>	<u>2,472,178</u>
Current assets				
Inventories	26	107,542	87,071	110,566
Trade and notes receivables	22	167,819	310,588	592,803
Prepayments, other receivables and other assets	23	49,859	50,284	49,220
Amounts due from related parties	24	—	2,291	—
Prepaid income tax		2,183	—	—
Financial assets at FVTPL	20	80,000	917,438	554,642
Financial assets at FVTOCI	21	187,478	52,669	46,242
Restricted bank deposits	27	59,122	54,887	221,900
Cash and cash equivalents	28	1,984,795	727,264	333,204
		<u>2,638,798</u>	<u>2,202,492</u>	<u>1,908,577</u>
Current liabilities				
Trade payables	29	97,134	106,196	194,565
Notes payables	29	154,863	186,342	80,498
Contract liabilities	30	38	205	4,078
Other payables and accruals	31	189,229	200,129	195,996
Amounts due to related parties	32	720	977	1,830
Borrowings	33	4,297	6,087	15,748
Lease liabilities	15(b)	733	220	159
Income tax payable		2	2	2
		<u>447,016</u>	<u>500,158</u>	<u>492,876</u>
Net current assets		<u>2,191,782</u>	<u>1,702,334</u>	<u>1,415,701</u>
Total assets less current liabilities		<u>3,974,753</u>	<u>3,789,927</u>	<u>3,887,879</u>

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		As at December 31		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
	Notes			
Non-current liabilities				
Other payables and accruals	31	58,128	54,127	29,936
Borrowings	33	123,100	169,250	333,143
Lease liabilities.	15(b)	468	—	164
Deferred tax liabilities.	25	—	54	—
		<u>181,696</u>	<u>223,431</u>	<u>363,243</u>
Net assets		<u>3,793,057</u>	<u>3,566,496</u>	<u>3,524,636</u>
EQUITY				
Share capital	34	159,500	159,500	159,500
Treasury Shares	34	(9,997)	(50,319)	(104,541)
Reserves	36	<u>3,579,375</u>	<u>3,358,552</u>	<u>3,376,355</u>
Equity attributable to owners of the Company		3,728,878	3,467,733	3,431,314
Non-controlling interests.	19	<u>64,179</u>	<u>98,763</u>	<u>93,322</u>
Total equity		<u>3,793,057</u>	<u>3,566,496</u>	<u>3,524,636</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at December 31		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	1,035,906	1,019,989	1,124,428
Right-of-use assets	15	78,742	94,431	92,080
Intangible assets	16	360	6,315	5,496
Investments in associates	17	—	71,368	195,385
Financial assets at FVTPL	21	—	—	20,000
Prepayments, other receivables and other assets	23	32,066	10,699	1,298
Investments in subsidiaries	18	524,430	606,210	682,630
Deferred tax assets	25	14,838	43,355	54,314
		<u>1,686,342</u>	<u>1,852,367</u>	<u>2,175,631</u>
Current assets				
Inventories	26	83,859	55,935	68,797
Trade and notes receivables	22	166,491	303,016	578,332
Amounts due from subsidiaries and related parties	24	26,873	91,363	145,594
Prepayments, deposits and other assets	23	24,242	4,008	4,037
Prepaid income tax		988	—	—
Financial assets at FVTPL	20	80,000	896,317	544,589
Financial assets at FVTOCI	21	187,467	52,194	38,759
Restricted bank deposits	27	45,052	39,657	206,502
Cash and cash equivalents	28	1,928,477	684,359	314,564
		<u>2,543,449</u>	<u>2,126,849</u>	<u>1,901,174</u>
Current liabilities				
Trade payables	29	52,396	70,436	79,671
Notes payables	29	140,911	171,112	38,256
Contract liabilities	30	38	129	112
Other payables and accruals	31	124,733	93,998	58,505
Amounts due to subsidiaries and related parties	32	166,784	123,722	254,925
Borrowings	33	20	—	592
		<u>484,882</u>	<u>459,397</u>	<u>432,061</u>
Net current assets		<u>2,058,567</u>	<u>1,667,452</u>	<u>1,469,113</u>
Total assets less current liabilities		<u>3,744,909</u>	<u>3,519,819</u>	<u>3,644,744</u>

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		As at December 31		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
	Notes			
Non-current liabilities				
Other payables and accruals	31	18,169	15,777	21,639
Borrowings	33	—	—	99,647
		<u>18,169</u>	<u>15,777</u>	<u>121,286</u>
Net assets		<u><u>3,726,740</u></u>	<u><u>3,504,042</u></u>	<u><u>3,523,458</u></u>
EQUITY				
Share capital	34	159,500	159,500	159,500
Treasury Shares	34	(9,997)	(50,319)	(104,541)
Reserves	36	<u>3,577,237</u>	<u>3,394,861</u>	<u>3,468,499</u>
Total equity		<u><u>3,726,740</u></u>	<u><u>3,504,042</u></u>	<u><u>3,523,458</u></u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i> <i>Note 35</i>	Treasury shares <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>Note (a)</i>	Safety production fund <i>RMB'000</i> <i>Note (b)</i>	Statutory reserve <i>RMB'000</i> <i>Note (c)</i>	Retained earnings <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at January 1, 2023	110,000	—	2,954,194	20,204	55,000	732,635	3,872,033	60,463	3,932,496
Loss for the year	—	—	—	—	—	(23,912)	(23,912)	(10,030)	(33,942)
Total comprehensive (loss)/ income for the year	—	—	—	—	—	(23,912)	(23,912)	(10,030)	(33,942)
Repurchase of shares (<i>Note 34</i>)	—	(9,997)	—	—	—	—	(9,997)	—	(9,997)
Capital injection by non-controlling interest ("NCI")	—	—	—	—	—	—	—	15,855	15,855
Transfer	—	—	—	—	8,058	(8,058)	—	—	—
Dividend distribution (<i>Note 12</i>)	—	—	—	—	—	(110,000)	(110,000)	—	(110,000)
Conversion of capital reserve into share capital (<i>Note 34</i>)	49,500	—	(49,500)	—	—	—	—	—	—
Special reserve for work safety	—	—	—	895	—	—	895	—	895
Others	—	—	(141)	—	—	—	(141)	(2,109)	(2,250)
As at December 31, 2023	159,500	(9,997)	2,904,553	21,099	63,058	590,665	3,728,878	64,179	3,793,057
	Share capital <i>RMB'000</i> <i>Note 35</i>	Treasury shares <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>Note (a)</i>	Safety production fund <i>RMB'000</i> <i>Note (b)</i>	Statutory reserve <i>RMB'000</i> <i>Note (c)</i>	Retained earnings <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at January 1, 2024	159,500	(9,997)	2,904,553	21,099	63,058	590,665	3,728,878	64,179	3,793,057
Loss for the year	—	—	—	—	—	(174,675)	(174,675)	(13,876)	(188,551)
Total comprehensive loss for the year	—	—	—	—	—	(174,675)	(174,675)	(13,876)	(188,551)
Repurchase of shares (<i>Note 34</i>)	—	(40,322)	—	—	—	—	(40,322)	—	(40,322)
Capital injection by NCI	—	—	—	—	—	—	—	48,460	48,460
Equity-settled share-based compensation	—	—	2,895	—	—	—	2,895	—	2,895
Dividend distribution (<i>Note 12</i>)	—	—	—	—	—	(47,282)	(47,282)	—	(47,282)
Special reserve for work safety	—	—	—	(1,761)	—	—	(1,761)	—	(1,761)
As at December 31, 2024	159,500	(50,319)	2,907,448	19,338	63,058	368,708	3,467,733	98,763	3,566,496

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	Share capital <i>RMB'000</i> <i>Note 35</i>	Treasury shares <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>Note (a)</i>	Safety production fund <i>RMB'000</i> <i>Note (b)</i>	Statutory reserve <i>RMB'000</i> <i>Note (c)</i>	Retained earnings <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at January 1, 2025	159,500	(50,319)	2,907,448	19,338	63,058	368,708	3,467,733	98,763	3,566,496
Profit/(loss) for the year	—	—	—	—	—	13,257	13,257	(15,821)	(2,564)
Total comprehensive income for the year	—	—	—	—	—	13,257	13,257	(15,821)	(2,564)
Repurchase of shares (<i>Note 34</i>)	—	(69,976)	—	—	—	—	(69,976)	—	(69,976)
Capital injection by NCI	—	—	—	—	—	—	—	9,800	9,800
Transfer with NCI	—	—	(2,880)	—	—	—	(2,880)	580	(2,300)
Transfer	—	—	—	—	6,974	(6,974)	—	—	—
Exercise of restricted stock incentive plan (<i>Note 34</i>)	—	15,754	(7,485)	—	—	—	8,269	—	8,269
Equity-settled share-based compensation.	—	—	18,276	—	—	—	18,276	—	18,276
Special reserve for work safety	—	—	—	(3,365)	—	—	(3,365)	—	(3,365)
As at December 31, 2025	159,500	(104,541)	2,915,359	15,973	70,032	374,991	3,431,314	93,322	3,524,636

Notes:

- (a) Capital reserve mainly includes share premium and capital reserve recognised resulting from share-based compensation, repurchase of shares, acquisition of non-controlling interests and changes in interests in associates.
- (b) The Group is required to set aside an amount of maintenance, production and other similar funds according to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety.
- (c) It represents the statutory reserve of the Company established in the People’s Republic of China (the “PRC”).

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Operating activities			
Loss before tax	(39,213)	(219,662)	(6,244)
Adjustments for:			
— Share of losses of associates	—	1,224	17,852
— Net gain on financial assets	(41,387)	(35,363)	(96,014)
— Depreciation and impairment of property, plant and equipment	82,107	128,638	148,718
— Depreciation of right-of-use assets	4,478	5,231	6,199
— Amortisation of intangible assets	188	543	831
— Amortisation of other non-current assets	317	93	11
— Fair value gains on financial assets at FVTPL	—	(598)	(3,054)
— Net losses on disposal of items of property, plant and equipment	2,504	1,845	6,248
— Written down of inventories to net realisable value	24,581	17,761	3,700
— Finance costs	1,121	2,184	2,719
— Exchange gain/(loss), net	(1,629)	(1,741)	2,657
— Provision for impairment of trade receivables and other receivables	509	7,023	13,359
— Share-based payment expenses	—	2,294	5,297
— Deemed loss on disposal of subsidiary	—	—	3,081
Decrease in restricted bank deposits	171,279	4,235	25,447
Decrease/(increase) in safety reserve	894	(1,761)	(3,365)
Increase in trade and notes receivables	(197,382)	(82,335)	(403,342)
Increase/(decrease) in prepayments, deposits and other receivables	(23,545)	(2,857)	1,058
(Increase)/decrease in inventories	(53,925)	2,710	(27,195)
(Decrease)/increase in trade and notes payables	(91,298)	26,732	13,766
Increase in other payables and accruals	40,754	30,767	26,713
Increase in contract liabilities	5	179	4,300
Cash used in operations	(119,642)	(112,858)	(257,258)
Income tax paid	(15,252)	2,201	(192)
Net cash flows used in operating activities	(134,894)	(110,657)	(257,450)

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	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investing activities			
Receipt of bank wealth management products	7,416,000	4,866,200	3,570,564
Proceeds from disposal of debt investments	850	—	—
Proceeds from sale of financial assets at fair value through profit or loss	40,775	35,363	19,458
Proceeds from disposal of items of property, intangible assets and other non-current assets . .	—	3	211
Proceeds from other investment	—	—	2,412
Payment for the purchase of property, plant and equipment, intangible assets and other non-current assets	(363,758)	(307,713)	(350,375)
Payment of bank wealth management products . .	(7,496,000)	(5,703,040)	(3,224,714)
Payment for acquisition of associates	—	(40,000)	(31,900)
Prepayment of investment in associates	(62,000)	—	—
Payments for acquisition of financial assets at fair value through profit or loss	—	(5,000)	(23,000)
Prepaid investment in bank wealth management products	—	—	(138,000)
Net cash outflows on deemed disposal of subsidiary Others	(2,250)	—	—
Net cash flows used in investing activities	(466,383)	(1,154,187)	(216,389)
Financing activities			
Contributions from non-controlling interests	15,855	48,460	9,800
Contributions from exercise of Restricted Shares Scheme	—	—	8,270
Proceeds from new borrowings	52,460	52,000	180,318
Contributions from other partners arising from the establishment of a fund	30,200	—	29,800
Repayment of borrowings	(200)	(4,120)	(6,850)
Dividends paid	(110,000)	(47,282)	—
Interest paid	(4,967)	(2,127)	(10,208)
Capital element of lease rentals paid	(747)	(1,037)	(418)
Placement of restricted bank deposits	—	—	(56,000)
Transaction with NCI	—	—	(2,300)
Repurchase of shares	(9,997)	(40,322)	(69,976)
Net cash flows (used in)/generated from financing activities	(27,396)	5,572	82,436
Net decrease in cash and cash equivalents	(628,673)	(1,259,272)	(391,403)
Cash and cash equivalents at beginning of year . .	2,611,839	1,984,795	727,264
Effect of foreign exchange rate changes, net	1,629	1,741	(2,657)
Cash and cash equivalents at end of year (Note 28).	1,984,795	727,264	333,204

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The predecessor of the Company was formerly known as Zhangjiagang HSC Textile Auxiliary Factory, which was registered and established in Zhangjiagang, Jiangsu Province, the PRC in August 1997. It was renamed Jiangsu Changyuan HSC New Energy Materials Co., Ltd. in May 2016, and restructured and incorporated as Jiangsu HSC New Energy Materials Co., Ltd., a joint stock limited company, in July 2019. The Company’s A-Shares were listed on the Shanghai Stock Exchange on July 13, 2022, under the stock code 688353. Its registered office and principal place of business are located at No. 1 Desheng Road, Jiangsu Yangtze River International Chemical Industrial Park, the PRC.

During the Track Record Period, the Company and its subsidiaries together (the “Group”) are principally engaged in the research and development, production and sales of lithium-ion electrolyte battery additives.

The actual controllers of the Company are Mr. Shen Jinliang and Mr. Shen Ming.

In this Historical Financial Information, certain English name of the companies referred herein represent the management’s best effort to translate the Chinese name of the companies as no English name has been registered.

2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards (“IFRSs”), International Accounting Standards and Interpretations approved by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the List of Securities of the Stock Exchange of Hong Kong limited and by the Hong Kong Companies Ordinance.

Historical Financial Information has been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The material accounting policy information that has been used in the preparation of this Historical Financial Information are disclosed in Note 3.2. These accounting policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. The adoption of the IFRS Accounting Standards do not have any significant impact on the financial position or results of the Group during the Track Record Period.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not early adopted the following new and amended IFRS Accounting Standards which have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 7 and IFRS 9	Contracts Referencing Nature-dependent Electricity ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without public accountability: disclosures ²
Annual Improvements to IFRSs — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²

¹ Effective for accounting periods beginning on or after January 1, 2026

² Effective for accounting periods beginning on or after January 1, 2027

³ Effective dates not yet determined

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

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined

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performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for accounting periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 has no impact on the Group’s financial positions and performance but has impact on presentation of the consolidated statements of comprehensive income.

3.2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealized losses on sales of intra-group assets are reversed in consolidation, the underlying asset is also tested for impairment from the Group’s perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, respectively.

In the Company’s statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Non-controlling interests (“NCI”)

NCI are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in associates

An associate is an entity over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. 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. Interests in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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Where the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at the end of the reporting period are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e., only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the end of the reporting period. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the other comprehensive income reserve in equity.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group’s management, including costs of testing whether the related assets are functioning properly). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values using the straight-line basis over their estimated useful lives as follow:

Properties and buildings	20–30 years
Machinery and equipment	10 years
Transportation equipment	4 years
Office and electronic equipment	3–5 years
Leasehold improvement	3–5 years

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each year for the Track Record Period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Right-of-use assets

Accounting policies of right-of-use assets (other than prepaid land lease payments) are set out in “Leases” below.

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Prepaid land lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of assets.

Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The useful lives are as follows:

Patent rights	10 years
Software and others	5 years

The assets’ amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each year for the Track Record Period.

Intangible assets are tested for impairment as described in “Impairment of non-financial assets” below.

Research and development

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group’s ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or know-how that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 “Revenue from Contracts with Customers”, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- FVTOCI.

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The classification is determined by both:

- the Group’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Debt instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group’s restricted bank deposits, time deposits, cash and cash equivalents, trade and notes receivables, other receivables fall into this category of financial instruments.

Financial assets at FVTOCI — recycling

If the contractual cash flows of the financial assets comprise solely payments of principal and interest and are held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit loss (“ECL”), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

Equity instruments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in “other comprehensive income reserve” in equity. Such elections are made on an instrument-by-instrument basis but only be made if the investment meets the definition of equity from the issuer’s perspective.

The equity instruments at FVTOCI are not subject to impairment assessment. The cumulative gain or loss in “other comprehensive income reserve” will not be reclassified to profit or loss upon disposal of the equity investments and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in “other income” in profit or loss.

Impairment of financial assets

IFRS 9’s impairment requirements use forward-looking information to recognise ECL — the “ECL model”. Instruments within the scope included cash and bank deposits, trade receivables, notes receivables and other financial assets measured at amortised cost.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this general model approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”); and

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- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the end of the reporting period.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 categories.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Cash and bank deposits

Cash and bank deposits are considered to have low credit risk because the counterparties are banks and have a low risk of default, and have a strong capacity to meet its contractual cash flow obligations in the near term. Cash and bank deposits are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

Trade and notes receivables

For trade and notes receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of each year for the Track Record Period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, except for trade and notes receivables with significant outstanding balances which are assessed individually, the remaining trade and notes receivables have been grouped based on shared credit risk characteristics.

For notes receivables measured at FVTOCI, the Group assumes that the credit risk on notes receivables measured at FVTOCI has not increased significantly since initial recognition if the notes receivables measured at FVTOCI is determined to have low credit risk at the end of each reporting period. Notes receivables measured at FVTOCI is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Other receivables and other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

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

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

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

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

Detailed analysis of the ECL assessment of trade receivables, other financial assets measured at amortised cost and notes receivables measured at FVTOCI are set out in Note 42.

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Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and notes payables, contract liabilities, other payables and accruals, redemption liabilities, borrowings, and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group classified or designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included in finance costs or other income.

Accounting policies of lease liabilities are set out in “Leases” below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings and bonds payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Track Record Period.

Trade payables, other payables and accruals

Trade payables, other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Contract liabilities

Contract liabilities are recognised when the customer pays consideration before the Group recognises the related revenue. Contract liabilities would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of semi-finished goods and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

Cash and cash equivalents

Cash and cash equivalents include cash and cash in bank, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 27.

Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

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Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each year for the Track Record Period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Share capital

Share capital are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issue of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Revenue recognition

Revenue is primarily derived from the manufacture of specialty chemicals, the main products of which include VC and FEC.

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To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when or as performance obligations are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time or over time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from sale of goods

Revenue from sale of goods between the Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognised when the performance obligation has been satisfied at a point in time.

Domestic sales

For sales under the non-consignment model, the Company recognizes revenue upon delivery of goods to the location designated in the contract or purchase order and upon the customer’s confirmation of receipt.

For sales under the consignment model, revenue is recognized when the goods are taken up by the customer from the designated consignment location (as per the contract or purchase order).

Export sales

Revenue is recognized on the date of customs declaration, after the goods have been shipped and all required export customs procedures are completed, in compliance with the agreed terms.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. 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 and is released to the consolidated statements of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Impairment of non-financial assets

The following assets are subject to impairment testing:

- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company’s investments in subsidiaries and the Group’s interests in associates.

Assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset’s recoverable amount and only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Short-term employee benefits

Salaries, discretionary bonuses, paid annual leave and the cost of non-monetary benefits are accrued and recognised in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pension scheme

Retirement benefits to employees are provided through defined contribution plans. The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these plans based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these plans is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

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.

Share-based compensation

The Group operates share-based compensation plans for remuneration of its employees including share incentive plans.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the “capital reserve” in equity. If vesting conditions apply, the expense is recognised over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting for income taxes

Income tax comprises current tax and deferred income tax.

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Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred income tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred income tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each year for the Track Record Period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Group presents deferred tax assets and deferred income tax liabilities in net if, and only if,
 - (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (b) the deferred tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) 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 income tax liabilities or assets are expected to be settled or recovered.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions, as well as forward-looking estimates at the end of each year for the Track Record Period. Details of the key assumptions and inputs used are disclosed in the tables in Note 43.

Inventory provision for impairment

The Group measures the inventory at the lower of cost and net realisable value, and makes inventory provision for the obsolete inventory, slow-moving inventory and the inventory of which the cost is higher than their net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Even though the management of the Group has made the best estimate about the inventory impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of market situation.

Income taxes and deferred income taxations

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgements are required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involves management’s judgements and estimations about the timing and the amount of taxable profits of the companies who has tax losses.

Recognition of share-based payment expenses

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the significant input of expected life of the share incentive granted, expected volatility, and risk-free rate and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

5. REVENUE AND SEGMENT INFORMATION

Disaggregated revenue information

Disaggregation of revenue	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of products			
Disaggregated by major products			
— VC	328,108	343,489	580,899
— FEC	153,124	111,469	237,177
— Others	43,799	49,941	51,413
	<u>525,031</u>	<u>504,899</u>	<u>869,489</u>

Note: (1) All revenue is recognized at a point in time.

(2) VC refers to vinylene carbonate.

(3) FEC refers to fluoroethylene carbonate.

Segment information

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group’s management reviews the performance of the Group as a single operating segment based on the internal organisation structure, management requirements and internal reporting system. Accordingly, only entity-wide disclosure, along with the Group’s result and financial position as a whole, major customers and geographic information are presented.

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Geographical information

The following table sets out the information about the geographical location of the Group’s revenue from external customers based on the geographical location of customers to which the goods are delivered.

Disaggregation of revenue	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Types of products or service			
Revenue from external customers			
— Mainland China	441,639	445,409	830,649
— Other countries/regions	83,392	59,490	38,840
	<u>525,031</u>	<u>504,899</u>	<u>869,489</u>

The geographical location of the Group’s non-current assets (excluding deferred tax assets, financial assets and interests in associates), mainly comprised of the property, plant and equipment and right-of-use assets, is based on the location of these assets. As at the end of each reporting period, the geographical location of the Group’s non-current assets are all in Mainland China.

Information about major customers

Revenue derived from customers individually contributed over 10% of the Group’s revenue during the Track Record Period is as follows:

	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	166,328	174,306	330,501
Customer B	107,087	165,505	245,152
Customer C	62,825	N/A*	N/A*
	<u>336,240</u>	<u>339,811</u>	<u>575,653</u>

* The corresponding revenue for the customer didn’t contribute over 10% of the total revenue of the Group during the year.

The group of entities under common control of a reporting entity are considered as a single customer.

6. OTHER INCOME

	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest income	24,542	12,069	7,228
Government grants and additional deduction of input VAT (Note)	7,270	7,039	22,402
Others	112	153	76
	<u>31,924</u>	<u>19,261</u>	<u>29,706</u>

Note: During the Track Record Period, government grants except for the deferred government grants have no unfulfilled conditions or contingencies.

During the Track Record Period, the amount of derred government grants were approximately of RMB3,675,000, RMB4,001,000 and RMB4,431,000 for the years ended December 31, 2023, 2024 and 2025, respectively.

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7. OTHER GAINS AND LOSSES, NET

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investment income from financial assets at FVTPL	41,387	35,363	96,014
Deemed loss on disposal of subsidiary	—	—	(3,081)
Fair value gains on financial assets at FVTPL	—	598	3,054
Foreign exchange gains/(loss)	2,068	1,974	(2,853)
Losses on disposal of property, plant and equipment and other assets	(2,504)	(1,845)	(6,248)
Capital market incentives	2,700	—	—
Impairment losses of property, plant and equipment	—	—	(1,990)
Others	(1,033)	(453)	(269)
	<u>42,618</u>	<u>35,637</u>	<u>84,627</u>

8. EXPENSES BY NATURE

Expenses included in cost of sales, research and development expenses, general and administrative expenses and selling expenses are analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Changes in semi-finished goods and work in progress, contract fulfillment costs and finished goods	(53,136)	27,346	(11,659)
Raw materials consumed	266,492	241,739	364,961
Employee benefit expenses and share-based payment expenses	139,843	148,308	168,272
Depreciation of property, plant and equipment	82,107	128,638	146,728
Amortisation of intangible assets	188	543	831
Amortisation of other non-current assets	317	93	11
Depreciation of right-of-use assets	4,478	5,231	6,199
Utility Expenses	58,039	84,881	116,894
Research and development materials consumed	21,781	14,290	15,791
Consumables used	20,753	21,803	23,313
Repairs and maintenance expenses	19,557	17,386	18,658
Environmental and waste treatment expenses	13,725	17,331	31,949
Logistics fees	12,806	16,617	17,924
Safety production fund	10,605	8,451	7,955
Tax and surcharges	6,993	9,052	9,415
Others	32,608	27,319	38,797
	<u>637,156</u>	<u>769,028</u>	<u>956,039</u>

9. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wages, salaries, bonuses and other benefits in kind	129,236	134,517	150,456
Retirement scheme contributions	10,607	11,497	12,519
Equity-settled share-based payment expenses	—	2,294	5,297
	<u>139,843</u>	<u>148,308</u>	<u>168,272</u>

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(b) Directors’ and supervisors’ emoluments

Directors’ and supervisors’ emoluments for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Fees	Salaries, allowances, bonuses, discretionary benefits in kind	Retirement scheme contributions	Share-based payment expenses	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2023					
Executive directors					
Mr. Shen Jinliang	—	1,906	—	—	1,906
Mr. Shen Ming (chief executive)	—	1,666	42	—	1,708
Mr. Li Weifeng	—	1,303	42	—	1,345
Mr. Lin Gang	—	1,061	40	—	1,101
Independent non-executive directors					
Mr. Huang Xiong	80	—	—	—	80
Mr. Hu Bo	80	—	—	—	80
Ms. Wen Meiqin	80	—	—	—	80
Supervisors					
Mr. Zhou Chao	—	—	—	—	—
Mr. Yang Zhiyong	—	376	29	—	405
Ms. Zhang Liya	—	290	29	—	319
Year ended December 31, 2024					
Executive directors					
Mr. Shen Jinliang	—	1,636	—	145	1,781
Mr. Shen Ming (chief executive)	—	1,509	42	97	1,648
Mr. Li Weifeng	—	1,246	42	48	1,336
Mr. Lin Gang	—	1,004	40	48	1,092
Independent non-executive directors					
Mr. Huang Xiong	100	—	—	—	100
Mr. Hu Bo	100	—	—	—	100
Ms. Wen Meiqin	100	—	—	—	100
Supervisors					
Mr. Zhou Chao	—	—	—	—	—
Mr. Yang Zhiyong	—	347	29	—	376
Ms. Zhang Liya	—	287	29	—	316
Year ended December 31, 2025					
Executive directors					
Mr. Shen Jinliang	—	1,906	—	279	2,185
Mr. Shen Ming (chief executive)	—	1,766	42	186	1,994
Mr. Li Weifeng	—	1,408	42	93	1,543
Mr. Lin Gang	—	1,339	40	93	1,472
Independent non-executive directors					
Mr. Huang Xiong	75	—	—	—	75
Mr. Hu Bo	75	—	—	—	75
Ms. Wen Meiqin	75	—	—	—	75
Ms. Yu Beifang	29	—	—	—	29
Mr. Shi Haoming	29	—	—	—	29
Mr. Zhou Haoshen	29	—	—	—	29
Supervisors					
Mr. Zhou Chao	—	—	—	—	—
Mr. Yang Zhiyong	—	238	23	—	261
Ms. Zhang Liya	—	210	23	—	233

Fees, salaries, allowances and benefits in kind paid to or for the executive directors, independent non-executive directors of the Company and supervisors are generally emoluments paid or receivable in respect of services in connection with the management of the affairs of the Company and its subsidiaries.

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(c) Five highest paid individuals

During the years ended December 31, 2023, 2024 and 2025, the five highest paid individuals included 4, 4, and 4 directors, respectively, whose emoluments are reflected in Note 9(b) above. The aggregate emoluments payable to the remaining 1, 1, and 1 individuals during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances, discretionary bonuses, benefits in kind and retirement scheme contributions	1,500	1,529	1,656

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group. The emoluments of the remaining highest paid individuals fell within the following bands:

	Year ended December 31		
	2023	2024	2025
HK\$500,001-HK\$1,000,000	—	—	—
HK\$1,000,001-HK\$1,500,000	—	—	—
HK\$1,500,001-HK\$2,000,000	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>

10. FINANCE COSTS

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expense on borrowings	4,019	5,048	8,764
Interest expense on amounts due to other investors of a fund (note 31)	1,003	2,003	1,529
Interest expense on lease liabilities	<u>56</u>	<u>29</u>	<u>7</u>
	5,078	7,080	10,300
Less:			
Capitalisation	<u>(3,957)</u>	<u>(4,896)</u>	<u>(7,581)</u>
Total finance costs	<u>1,121</u>	<u>2,184</u>	<u>2,719</u>

11. INCOME TAX CREDITED

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	1,499	(18)	2,396
Deferred income tax (Note 25)	<u>(6,770)</u>	<u>(31,093)</u>	<u>(6,076)</u>
Income tax credited	<u>(5,271)</u>	<u>(31,111)</u>	<u>(3,680)</u>

Taxes on profits assessable have been calculated at the rate of tax prevailing in the jurisdictions in which relevant entities operate.

(a) PRC Enterprise Income Tax (“EIT”)

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, the Company and Taixing Huasheng Fine Chemical Co., Ltd. were qualified as “High and New Technology Enterprises (HNTE)” and are therefore entitled to a preferential tax rate of 15% from 2023 to 2025. Other subsidiaries are subject to an income tax rate of 25% for the period from 2023 to 2025.

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(b) Corporate income tax in other jurisdictions

Taxation for other overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

Reconciliation between the income tax expenses and loss before income tax in the consolidated statements of comprehensive income is as follows:

	Year ended December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Loss before income tax	(39,213)	(219,662)	(6,244)
Tax at the preferential tax rate of 15%	(5,882)	(32,949)	(937)
Tax effect of			
— different tax rates of the subsidiaries	(2,461)	(4,087)	(5,179)
— non-deductible expenses	381	380	1,431
— deductible temporary differences and tax losses not recognised	7,266	10,723	13,781
— adjustments in respect of current tax of previous periods.	15	(18)	1,077
— additional deduction of research and development expense	(6,476)	(5,403)	(5,368)
— non-taxable income.	—	243	(8,485)
— changes in tax rates on deferred tax items at the beginning of the year.	1,886	—	—
Income tax expense.	(5,271)	(31,111)	(3,680)

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for the years ended December 31, 2023, 2024 and 2025.

12. DIVIDENDS

	Year ended December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Dividends attributable to the year			
Final dividends.	110,000	47,282	—
	110,000	47,282	—

During the year ended December 31, 2023, a dividend of RMB110,000,000 (RMB1 per ordinary share) was declared by the Company to its equity shareholders, of which RMB110,000,000 was paid during the year ended December 31, 2023. During the year ended December 31, 2024, a dividend of RMB47,282,000 (RMB0.3 per ordinary share) was declared by the Company to its equity shareholders, of which RMB47,282,000 was paid during the year ended December 31, 2024.

No dividend has been paid or declared by the Company or the subsidiaries of the Company for the year ended December 31, 2025.

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13. (LOSS)/EARNINGS PER SHARES ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period, excluding treasury shares held for share schemes as these not considered outstanding for loss per share calculation purposes.

The following table illustrates the earnings and shares information used in the calculation of basic loss per share:

	Year ended December 31		
	2023	2024	2025
(Loss)/profit attributable to owners of the Company used in calculation basic (loss)/earnings per share (RMB’000)	(23,912)	(174,675)	13,257
Issued shares as at January 1	159,500	159,500	159,500
Effect of repurchase of shares for equity-settled share-based payment scheme (thousand shares)	(70)	(1,058)	(4,318)
Weighted average number of ordinary shares in issue (thousand shares)	159,430	158,442	155,182
Basic (loss)/earnings per share (RMB per share)	(0.150)	(1.102)	0.085

(b) Diluted (loss)/earnings per share

The Group had no potentially dilutive ordinary shares in issue for the years ended December 31, 2023 and 2024. For the year ended December 31, 2025, the share schemes granted by the Company have potential dilutive effect on the (loss)/earnings per share. Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted (loss)/earnings per share).

	Year ended December 31		
	2023	2024	2025
(Loss)/profits attributable to owners of the Company used in calculating diluted (loss)/earnings per share (RMB’000)	(23,912)	(174,675)	13,257
Weighted average number of ordinary shares at December 31 (thousand shares)	159,430	158,442	155,182
Effect of shares for equity-settled share-based payment scheme (thousand shares)	—	—	1,230
Weighted average number of ordinary shares in issue (thousand shares)	159,430	158,442	156,412
Diluted (loss)/earnings per share (RMB per share)	(0.150)	(1.102)	0.085

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14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties and buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Office and electronic equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2023							
Cost.	212,595	414,339	9,521	89,871	690,806	—	1,417,132
Accumulated depreciation.	(61,564)	(191,971)	(7,555)	(69,336)	—	—	(330,426)
Net carrying amount.	<u>151,031</u>	<u>222,368</u>	<u>1,966</u>	<u>20,535</u>	<u>690,806</u>	<u>—</u>	<u>1,086,706</u>
Year ended December 31, 2023							
Opening net carrying amount.	151,031	222,368	1,966	20,535	690,806	—	1,086,706
Additions	—	3,827	1,465	4,585	498,963	587	509,427
Disposals	—	(2,647)	—	—	—	—	(2,647)
Depreciation	(17,616)	(56,464)	(742)	(7,275)	—	(10)	(82,107)
Transfer	323,731	437,954	—	7,399	(769,084)	—	—
Closing net carrying amount	<u>457,146</u>	<u>605,038</u>	<u>2,689</u>	<u>25,244</u>	<u>420,685</u>	<u>577</u>	<u>1,511,379</u>
As at December 31, 2023							
Cost.	536,326	851,178	10,986	101,855	420,685	587	1,921,617
Accumulated depreciation.	(79,180)	(246,140)	(8,297)	(76,611)	—	(10)	(410,238)
Net carrying amount.	<u>457,146</u>	<u>605,038</u>	<u>2,689</u>	<u>25,244</u>	<u>420,685</u>	<u>577</u>	<u>1,511,379</u>
Year ended December 31, 2024							
Opening net carrying amount.	457,146	605,038	2,689	25,244	420,685	577	1,511,379
Additions	1,664	12,271	1,277	2,997	300,658	144	319,011
Disposals	(1,664)	—	(8)	—	—	—	(1,672)
Depreciation	(28,890)	(90,726)	(882)	(7,999)	—	(141)	(128,638)
Transfer	127,054	178,262	118	155	(305,589)	—	—
Others	—	(22,527)	—	(347)	22,874	—	—
Closing net carrying amount	<u>555,310</u>	<u>682,318</u>	<u>3,194</u>	<u>20,050</u>	<u>438,628</u>	<u>580</u>	<u>1,700,080</u>
As at December 31, 2024							
Cost.	663,380	992,223	11,963	102,775	438,628	731	2,209,700
Accumulated depreciation.	(108,070)	(309,905)	(8,769)	(82,725)	—	(151)	(509,620)
Net carrying amount.	<u>555,310</u>	<u>682,318</u>	<u>3,194</u>	<u>20,050</u>	<u>438,628</u>	<u>580</u>	<u>1,700,080</u>
Year ended December 31, 2025							
Opening net carrying amount.	555,310	682,318	3,194	20,050	438,628	580	1,700,080
Additions	—	6,694	553	2,632	346,666	—	356,545
Disposals	—	(6,422)	—	—	—	—	(6,422)
Depreciation	(33,774)	(105,052)	(1,174)	(6,580)	—	(148)	(146,728)
Impairment	—	(1,990)	—	—	—	—	(1,990)
Transfer	200,549	215,141	284	5,279	(421,253)	—	—
Others	—	—	—	—	(3,360)	—	(3,360)
Closing net carrying amount	<u>722,085</u>	<u>790,689</u>	<u>2,857</u>	<u>21,381</u>	<u>360,681</u>	<u>432</u>	<u>1,898,125</u>
As at December 31, 2025							
Cost.	863,929	1,199,956	12,800	110,686	360,681	731	2,548,783
Accumulated depreciation.	(141,844)	(407,277)	(9,943)	(89,305)	—	(299)	(648,668)
Accumulated impairment	—	(1,990)	—	—	—	—	(1,990)
Net carrying amount.	<u>722,085</u>	<u>790,689</u>	<u>2,857</u>	<u>21,381</u>	<u>360,681</u>	<u>432</u>	<u>1,898,125</u>

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Notes:

- (a) The Group’s buildings included in property, plant and equipment and located in the PRC, with carrying amounts of approximately RMB275,719,000, RMB46,393,000 and RMB73,160,000 as at December 31, 2023, December 31, 2024 and December 31, 2025 respectively, were in the process of obtaining ownership certificates. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Group’s consolidated statements of financial position as at December 31, 2023, 2024 and 2025.
- (b) The Group has pledged certain buildings, included in property, plant and equipment, with the following carrying amounts to secure borrowings granted to the Group. Details of the Group’s buildings pledged for the Group’s borrowings are disclosed below:

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Buildings	—	42,693	98,200

- (c) Depreciation of the Group’s property, plant and equipment has been recognised as follows:

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of sales	72,562	111,128	127,157
General and administrative expenses	4,545	11,012	12,179
Research and development expenses	5,000	6,498	7,392
	82,107	128,638	146,728

The Company

	Properties and buildings RMB’000	Machinery and equipment RMB’000	Transportation equipment RMB’000	Office and electronic equipment RMB’000	Construction in progress RMB’000	Total RMB’000
As at January 1, 2023						
Cost.	94,207	174,763	7,543	31,591	562,311	870,415
Accumulated depreciation.	(32,963)	(100,344)	(6,126)	(23,277)	—	(162,710)
Net carrying amount.	61,244	74,419	1,417	8,314	562,311	707,705
Year ended December 31, 2023						
Opening net carrying amount	61,244	74,419	1,417	8,314	562,311	707,705
Additions	—	1,651	1,402	2,957	370,330	376,340
Depreciation	(11,930)	(32,701)	(580)	(2,928)	—	(48,139)
Transfer	323,731	427,019	—	7,181	(757,931)	—
Closing net carrying amount.	373,045	470,388	2,239	15,524	174,710	1,035,906
As at December 31, 2023						
Cost.	417,938	603,433	8,945	41,729	174,710	1,246,755
Accumulated depreciation.	(44,893)	(133,045)	(6,706)	(26,205)	—	(210,849)
Net carrying amount.	373,045	470,388	2,239	15,524	174,710	1,035,906
Year ended December 31, 2024						
Opening net carrying amount	373,045	470,388	2,239	15,524	174,710	1,035,906
Additions	—	3,007	992	2,674	69,032	75,705
Disposals	—	—	(8)	—	—	(8)
Depreciation	(20,064)	(66,839)	(665)	(4,046)	—	(91,614)
Transfer	—	178,262	—	—	(178,262)	—
Closing net carrying amount.	352,981	584,818	2,558	14,152	65,480	1,019,989

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	Properties and buildings RMB'000	Machinery and equipment RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at December 31, 2024						
Cost.	417,938	784,702	9,519	44,403	65,480	1,322,042
Accumulated depreciation.	(64,957)	(199,884)	(6,961)	(30,251)	—	(302,053)
Net carrying amount.	<u>352,981</u>	<u>584,818</u>	<u>2,558</u>	<u>14,152</u>	<u>65,480</u>	<u>1,019,989</u>
Year ended December 31, 2025						
Opening net carrying amount	352,981	584,818	2,558	14,152	65,480	1,019,989
Additions	—	3,954	474	3,053	196,589	204,070
Depreciation	(21,990)	(72,256)	(916)	(4,469)	—	(99,631)
Transfer	99,641	34,086	—	168	(133,895)	—
Closing net carrying amount.	<u>430,632</u>	<u>550,602</u>	<u>2,116</u>	<u>12,904</u>	<u>128,174</u>	<u>1,124,428</u>
As at December 31, 2025						
Cost.	517,579	822,742	9,993	47,624	128,174	1,526,112
Accumulated depreciation.	(86,947)	(272,140)	(7,877)	(34,720)	—	(401,684)
Net carrying amount.	<u>430,632</u>	<u>550,602</u>	<u>2,116</u>	<u>12,904</u>	<u>128,174</u>	<u>1,124,428</u>

Notes:

- (a) The Company’s buildings included in property, plant and equipment and located in the PRC, with carrying amounts of approximately RMB275,719,000 as at December 31, 2023, was in the process of obtaining ownership certificates. The directors of the Company are of the opinion that the Company is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Company’s statements of financial position as at December 31, 2023, 2024 and 2025.
- (b) The Company has pledged certain buildings, included in property, plant and equipment, with the following carrying amounts to secure borrowings granted to the Group. Details of the Group’s buildings pledged for the Group’s borrowings are disclosed below:

	As at December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Buildings	—	—	57,651

15. LEASES

The Group as a lessee

(a) Right-of-use assets

The movements in the net carrying amount of right-of-use assets are analysed as follows:

	Buildings and structures RMB'000	Land use rights RMB'000	Total RMB'000
As at January 1, 2023	2,171	148,023	150,194
Additions.	1,305	34,830	36,135
Depreciation	(731)	(3,747)	(4,478)
Lease modification and termination	(1,357)	—	(1,357)
As at December 31, 2023	<u>1,388</u>	<u>179,106</u>	<u>180,494</u>
As at January 1, 2024	1,388	179,106	180,494
Additions.	—	24,812	24,812
Depreciation	(731)	(4,500)	(5,231)
As at December 31, 2024	<u>657</u>	<u>199,418</u>	<u>200,075</u>
As at January 1, 2025	657	199,418	200,075
Additions.	489	61,057	61,546
Depreciation	(698)	(5,501)	(6,199)
As at December 31, 2025	<u>448</u>	<u>254,974</u>	<u>255,422</u>

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Note: The Group has obtained the right to use buildings and structures used in its operations through tenancy agreements. The leases typically run for an initial period of 3 years. Land in respect of land use rights are all located in the PRC with a lease period of 50 years. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities.

Certain right-of-use assets are pledged, details refer to Note 37.

(b) Lease liabilities

	As at December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Total minimum lease payments	1,226	224	335
Future interest expense on lease liabilities	(25)	(4)	(12)
	<u>1,201</u>	<u>220</u>	<u>323</u>
Portion due within one year included under current liabilities	733	220	159
Portion due after one year included under non-current liabilities	468	—	164
	<u>1,201</u>	<u>220</u>	<u>323</u>

(c) The amounts recognised in the consolidated statements of comprehensive income in relation to leases are as follows:

	Year ended December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Interest on lease liabilities	56	29	7
Depreciation of right-of-use assets	4,478	5,231	6,199
Expenses relating to short-term leases and leases of low-value assets	200	113	29
	<u>4,734</u>	<u>5,373</u>	<u>6,206</u>

The Company as a lessee

(a) Right-of-use assets

The movements in the net carrying amount of right-of-use assets are analysed as follows:

	Land use rights RMB'000
As at January 1, 2023	80,499
Depreciation	(1,757)
As at December 31, 2023	<u>78,742</u>
As at January 1, 2024	78,742
Additions	17,843
Depreciation	(2,154)
As at December 31, 2024	<u>94,431</u>
As at January 1, 2025	94,431
Depreciation	(2,351)
As at December 31, 2025	<u>92,080</u>

(b) The amounts recognised in the consolidated statements of comprehensive income in relation to leases are as follows:

	Year ended December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Depreciation of right-of-use assets	1,757	2,154	2,351
Expenses relating to short-term leases and leases of low-value assets	—	14	—
	<u>1,757</u>	<u>2,168</u>	<u>2,351</u>

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16. INTANGIBLE ASSETS

The Group

	Patent rights <i>RMB'000</i>	Software and others <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2023			
Cost	220	1,324	1,544
Accumulated amortisation	(96)	(806)	(902)
Net carrying amount	124	518	642
Year ended December 31, 2023			
Opening net carrying amount	124	518	642
Amortisation	(20)	(168)	(188)
Closing net carrying amount	104	350	454
As at December 31, 2023			
Cost	220	1,324	1,544
Accumulated amortisation	(116)	(974)	(1,090)
Net carrying amount	104	350	454
Year ended December 31, 2024			
Opening net carrying amount	104	350	454
Additions	—	6,486	6,486
Amortisation	(20)	(523)	(543)
Closing net carrying amount	84	6,313	6,397
As at December 31, 2024			
Cost	220	7,810	8,030
Accumulated amortisation	(136)	(1,497)	(1,633)
Closing net carrying amount	84	6,313	6,397
Year ended December 31, 2025			
Opening net carrying amount	84	6,313	6,397
Amortisation	(15)	(816)	(831)
Closing net carrying amount	69	5,497	5,566
As at December 31, 2025			
Cost	220	7,810	8,030
Accumulated amortisation	(151)	(2,313)	(2,464)
Net carrying amount	69	5,497	5,566

Notes:

- (a) Amortisation of the Group’s intangible assets has been recognised as follows:

	As at December 31		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
General and administrative expenses	188	543	831

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The Company

	Patent rights	Software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023			
Cost	100	1,324	1,424
Accumulated amortisation	(82)	(806)	(888)
Net carrying amount	18	518	536
Year ended December 31, 2023			
Opening net carrying amount	18	518	536
Amortisation	(8)	(168)	(176)
Closing net carrying amount	10	350	360
As at December 31, 2023			
Cost	100	1,324	1,424
Accumulated amortisation	(90)	(974)	(1,064)
Net carrying amount	10	350	360
Year ended December 31, 2024			
Opening net carrying amount	10	350	360
Additions	—	6,486	6,486
Amortisation	(8)	(523)	(531)
Closing net carrying amount	2	6,313	6,315
As at December 31, 2024			
Cost	100	7,810	7,910
Accumulated amortisation	(98)	(1,497)	(1,595)
Closing net carrying amount	2	6,313	6,315
Year ended December 31, 2025			
Opening net carrying amount	2	6,313	6,315
Amortisation	(2)	(817)	(819)
Closing net carrying amount	—	5,496	5,496
As at December 31, 2025			
Cost	100	7,810	7,910
Accumulated amortisation	(100)	(2,314)	(2,414)
Net carrying amount	—	5,496	5,496

17. INVESTMENTS IN ASSOCIATES

The Group

	As at December 31		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments	—	100,776	198,885
At the beginning of the year	—	—	100,776
Lost of control of a subsidiary and accounted for as an associate (<i>Note 18</i>)	—	—	112,868
Additions	—	102,000	31,900
Share of results, net	—	(1,224)	(17,949)
Others	—	—	(28,710)
At the end of the year	—	100,776	198,885

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The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	—	—	71,368
Additions.	—	72,000	141,268
Share of results, net	—	(632)	(17,251)
At the end of the year.	—	71,368	195,385

Note:

(a) There were no material contingent liabilities relating to the Group’s interest in associates.

18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	524,430	606,210	682,634

As at the date of this report, the Company’s principal subsidiaries are as follows:

Name of entity	Place of incorporation/ operation	Registered share capital (<i>'000</i>)	Effective interest held by the Company								Principal activities
			As at December 31						As at the date of this report		
			2023		2024		2025				
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Taixing Huasheng Fine Chemical Co., Ltd. 泰興華 盛精細化工 有限公司 (<i>Note (b)</i>)	PRC	RMB340,000	100%	—	100%	—	100%	—	100%	—	Manufactures and sells semi-finished electrolyte additives for lithium-ion batteries, acting as the pre-production process for the Issuer's Zhangjiagang facility.
Wuxi Huaying Sitai New Energy Materials Technology Co., Ltd. 蘇州華贏新 能源材料科技 有限公司 (<i>Note (b)</i>)	PRC	RMB10,000	70%	—	70%	—	70%	—	70%	—	R&D of electrolyte additives, cathode and anode active materials for lithium-ion batteries
Zhejiang Shengmei Lithium Battery Materials Co., Ltd. 浙江盛美鋰電 材料有限公司 (<i>Note (b)</i>)	PRC	RMB220,000	51%	—	51%	—	51%	—	51%	—	R&D, manufacturing and distribution of fluorinated electrolyte additive
Hubei Huasheng Xianghe New Energy Materials Co., Ltd. 湖北華 盛祥和新能源材料 有限公司 (<i>Note (b)</i>)	PRC	RMB150,000	74%	—	74%	—	95%	—	95%	—	R&D, manufacturing and distribution of Chloroethylene Carbonate (CEC)
Jiangsu Huasheng Lianying New Energy Materials Co., Ltd. Jiangsu Huasheng Lianying New Energy Materials Co., Ltd. 江蘇華 盛聯贏新能源材料 有限公司 (<i>Note (b)</i>)	PRC	RMB50,000	70%	21%	70%	21%	70%	21%	70%	21%	R&D, manufacturing and distribution of anode active materials for lithium-ion batteries

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Name of entity	Place of incorporation/ operation	Registered share capital ('000)	Effective interest held by the Company								Principal activities
			As at December 31						As at the date of this report		
			2023		2024		2025				
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) 蘇州華盛南園敦行創業投資合夥企業 (有限合夥) (Note (c))	PRC	RMB180,000	44%	—	44%	—	N/A	N/A	N/A	N/A	Industrial Investment Fund

Notes:

- (a) The English names of the subsidiaries with Chinese names represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.
- (b) The financial statements of the entity for the years ended December 31, 2023 and 2024 were audited by RSM China CPA LLP. The audited financial statements for the year ended December 31, 2025 have not yet been issued.
- (c) The Company initiated the establishment of Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership, hereinafter referred to as “**Huasheng Nanyuan Dunxing**”) in July 2023, initially holding 44.4444% of its partnership interests. The Company is the largest contributor to Huasheng Nanyuan Dunxing.

According to the cooperation agreement signed between the Company and Suzhou Dunxing Investment Management Co., Ltd., the investment Decision-Making Committee comprises five 5 members. An investment decision shall be adopted only upon the affirmative vote of no less than four 4 members. The representative appointed by the Company serves as a member of the Investment Decision-Making Committee of Huasheng Nanyuan Dunxing. In addition to being reviewed in accordance with the procedures set forth in the partnership agreement, any major investment decision of the partnership shall also require the approval of the committee member appointed by the Company. Based on the aforementioned de facto control over Huasheng Nanyuan Dunxing, the Group has included it in the scope of its consolidated financial statements.

In September 2025, the Company entered into a partnership interest transfer agreement in respect of Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) with Suzhou Nanyuan Shanyuan Technology Development Co., Ltd., pursuant to which the Company agreed to transfer a 2% partnership interest in the partnership to Suzhou Nanyuan Shanyuan Technology Development Co., Ltd. Following such transfer, the Company’s holding percentage in the partnership was reduced to 42.4444%. In addition, the veto power previously held by the nominee representative of the Group was revoked and the Group lost the control in Huasheng Nanyuan Dunxing. The investment has been accounted for as an associate with effect from the disposal date.

Analysis of the assets and liabilities of Huasheng Nanyuan Dunxing as at disposal date was as follows.

The following table illustrates the aggregate financial information of Huasheng Nanyuan Dunxing as at disposal date:

	RMB’000
Cash and cash equivalents	41,045
Financial assets at FVTPL	251,482
Other liabilities	(31,627)
Net assets disposed of subsidiaries	<u>260,900</u>
Total consideration	—
Plus: Fair value of the equity interest retained	112,868
Plus: Amounts due to other investors of a fund	60,000
Plus: Investment income attributable to other investors	84,951
Less: Net assets disposed of subsidiaries	<u>(260,900)</u>
Loss on disposal of subsidiaries	<u>(3,081)</u>
Total consideration	—
Less: bank balances and cash disposed of	<u>(41,045)</u>
Net cash inflow arising on deemed disposal	<u>(41,045)</u>

- (d) All subsidiaries have adopted December 31 as their financial year end date.

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

Details of the Group’s subsidiary that have material non-controlling interests are set out below:

	As at December 31		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Percentage of equity interest held by non-controlling interests:			
Zhejiang Shengmei Lithium Battery Materials Co., Ltd. . .	49%	49%	49%
Loss for the year allocated to non-controlling interests:			
Zhejiang Shengmei Lithium Battery Materials Co., Ltd. . .	(7,898)	(9,778)	(11,690)
Accumulated balances of non-controlling interests:			
Zhejiang Shengmei Lithium Battery Materials Co., Ltd. . .	45,873	75,296	73,406

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Zhejiang Shengmei Lithium Battery Materials Co., Ltd.	As at December 31		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Current assets	32,301	48,594	33,734
Non-current assets	218,311	241,878	248,912
Current liabilities	33,893	14,736	12,177
Non-current liabilities	123,100	121,950	119,850
Net assets	93,619	153,786	150,619
	Year ended December 31		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Revenue.	62	233	367
Loss for the year	(16,119)	(19,955)	(23,857)
Total comprehensive loss for the year	(16,119)	(19,955)	(23,857)
Net cash flows used in operating activities.	(20,658)	(15,437)	(15,691)
Net cash flows from investing activities.	—	—	—
Net cash flows from financing activities	—	—	—

As at December 31, 2023, 2024 and 2025, the aggregated immaterial non-controlling interests amounted to approximately RMB18,306,000, RMB23,467,000, RMB19,916,000, respectively.

20. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Current			
— Bank WMPs and structured deposits (<i>Note</i>)	80,000	917,438	554,642
Non-current:			
— Unlisted equity investments	—	5,000	20,000

The Company

	As at December 31		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Current			
— Bank WMPs and structured deposits (<i>Note</i>)	80,000	896,317	544,589
Non-current:			
— Unlisted equity investments	—	—	20,000

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Note: The Bank wealth management products (“WMPs”) and structured deposits are mainly managed by licensed financial institutions in the PRC to invest principally in certain financial assets. They are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. FINANCIAL ASSETS AT FVTOCI

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current:			
— Notes receivables measured at FVTOCI	187,478	52,669	46,242

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current:			
— Notes receivables measured at FVTOCI	187,467	52,194	38,759

Note: The balance represents notes receivables held by the Group which are issued or guaranteed by reputable PRC banks with high credit ratings. The notes receivables had a maturity of within six months at the end of each year/period for the Track Record Period. The notes receivables are measured at FVTOCI since the notes are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The Group believes that the notes receivables do not expose to significant credit risk and will not cause significant losses due to the bank default. The changes in the fair value of the notes receivables are minimal due to its short-term nature.

Certain notes receivables measured at FVTOCI are pledged as security for the Group’s notes, details are disclosed in Note 37 to the Historical Financial Information.

22. TRADE AND NOTES RECEIVABLES

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	161,215	312,257	579,601
Notes receivables	15,693	14,303	42,648
	176,908	326,560	622,249
Less: provision of impairment	(9,089)	(15,972)	(29,446)
Trade and notes receivables, net	167,819	310,588	592,803

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	159,896	310,092	570,310
Notes receivables	15,611	8,751	36,902
	175,507	318,843	607,212
Less: provision of impairment	(9,016)	(15,827)	(28,880)
Trade and notes receivables, net	166,491	303,016	578,332

Certain trade and notes receivables are pledged as security for the Group’s borrowings, details are disclosed in Note 37 to the Historical Financial Information.

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The credit period granted to customers generally ranges from 30 to 120 days during the Track Record Period. The ageing analysis of trade receivables based on recognition date is as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	159,558	311,804	578,438
Over 1 year but within 2 years	1,465	121	710
Over 2 years but within 3 years	—	140	121
Over 3 years	192	192	332
	<u>161,215</u>	<u>312,257</u>	<u>579,601</u>

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	158,379	309,810	569,920
Over 1 year but within 2 years	1,325	90	108
Over 2 years but within 3 years	—	—	90
Over 3 years	192	192	192
	<u>159,896</u>	<u>310,092</u>	<u>570,310</u>

Movements in impairment of trade and notes receivables are as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	8,533	9,089	15,972
Impairment recognized, net	<u>556</u>	<u>6,883</u>	<u>13,474</u>
At the end of the year	<u>9,089</u>	<u>15,972</u>	<u>29,446</u>

Note: Detail information about the impairment of trade receivables and the Group’s exposure to credit risk is described in Note 43.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	8,509	9,016	15,827
Impairment recognized, net	<u>507</u>	<u>6,811</u>	<u>13,053</u>
At the end of the year	<u>9,016</u>	<u>15,827</u>	<u>28,880</u>

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23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-Current			
Prepayment for investment in an associate	62,000	—	—
Prepayments for acquisition of long-term assets	12,159	27,033	29,151
	<u>74,159</u>	<u>27,033</u>	<u>29,151</u>
Current			
Other receivables			
— Deposits and guarantees	240	242	245
— Employee advances	42	20	7
— Social security and housing fund receivable from employees	958	1,006	1,071
— Others	426	—	—
	<u>1,666</u>	<u>1,268</u>	<u>1,323</u>
Less: provision of impairment	<u>(203)</u>	<u>(222)</u>	<u>(228)</u>
	<u>1,463</u>	<u>1,046</u>	<u>1,095</u>
Advance payments for materials	7,943	4,025	5,058
VAT recoverable (Note (a))	40,453	45,213	43,067
	<u>49,859</u>	<u>50,284</u>	<u>49,220</u>

Notes:

- (a) Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rates for domestic sales of the Group are 13% and 6%.
- (b) The information about the credit risk exposure on the Group’s other receivables is disclosed in Note 43.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-Current			
Prepayment for investment	32,000	—	—
Prepayments for acquisition of long-term assets	66	10,699	1,298
	<u>32,066</u>	<u>10,699</u>	<u>1,298</u>
Current			
Other receivables	694	700	720
Advance payments for materials	6,867	1,723	3,367
VAT recoverable	16,723	1,629	—
	<u>24,284</u>	<u>4,052</u>	<u>4,087</u>
Less: provision of impairment	<u>(42)</u>	<u>(44)</u>	<u>(50)</u>
	<u>24,242</u>	<u>4,008</u>	<u>4,037</u>

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The movements on the provision of impairment of deposits and other assets are as follows:

The Group

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2023	250	—	—	250
Reversal	(47)	—	—	(47)
As at December 31, 2023	203	—	—	203
As at January 1, 2024	203	—	—	203
Provision	19	—	—	19
As at December 31, 2024	222	—	—	222
As at January 1, 2025	222	—	—	222
Provision	6	—	—	6
As at December 31, 2025	228	—	—	228

The Company

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2023	145	—	—	145
Reversal	(103)	—	—	(103)
As at December 31, 2023	42	—	—	42
As at January 1, 2024	42	—	—	42
Provision	2	—	—	2
As at December 31, 2024	44	—	—	44
As at January 1, 2025	44	—	—	44
Provision	6	—	—	6
As at December 31, 2025	50	—	—	50

24. AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

The Group

	As at December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Other receivables	—	2,412	—
Less:provision of impairment	—	(121)	—
	—	2,291	—

The Company

	As at December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables			
— Due from subsidiaries	—	—	1,800
Other receivables			
— Due from subsidiaries	28,735	98,035	164,135
— Due from other related parties	—	1,245	—
	28,735	99,280	165,935
Less: provision of impairment	(1,862)	(7,917)	(20,341)
	26,873	91,363	145,594

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25. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to the same tax authority.

	As at December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Gross deferred tax assets	16,871	48,472	65,678
Offsetting against deferred tax liabilities	(386)	(240)	(649)
Net deferred tax assets	16,485	48,232	65,029
Gross deferred tax liabilities	(386)	(294)	(649)
Offsetting against deferred tax assets	386	240	649
Net deferred tax liabilities	—	(54)	—

(a) Deferred tax assets

The movements in deferred tax assets during the Track Record Period, without taking into consideration the off setting of balances within the same tax jurisdiction, are as follows:

	Recoverable Tax losses RMB'000	Unrealized profit from intra-group transactions RMB'000	Lease liability RMB'000	Impairment provision RMB'000	Deferred income RMB'000	Credit loss allowance RMB'000	Depreciation allowances in excess of the related depreciation	Share-based payment RMB'000	Total RMB'000
As at January 1, 2023 . . .	—	3,334	147	293	4,810	1,311	66	—	9,961
Recognised in profit or loss	6,805	(2,384)	123	3,565	(1,245)	57	(11)	—	6,910
As at December 31, 2023 and January 1, 2024 . .	6,805	950	270	3,858	3,565	1,368	55	—	16,871
Recognised in profit or loss	32,428	(749)	(215)	(1,168)	(584)	1,025	(12)	276	31,001
Charged to equity	—	—	—	—	—	—	—	600	600
As at December 31, 2024 and January 1, 2025 . .	39,233	201	55	2,690	2,981	2,393	43	876	48,472
Recognised in profit or loss	4,125	1,242	(6)	(1,845)	662	1,961	(11)	303	6,431
Charged to equity	—	—	—	—	—	—	—	10,775	10,775
As at December 31, 2025 . .	43,358	1,443	49	845	3,643	4,354	32	11,954	65,678

(b) Deferred tax liabilities

The movements in deferred tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Right-of-use assets RMB'000	Fair value changes of financial assets at fair value RMB'000	Depreciation of property, plant and equipment RMB'000	Total RMB'000
As at January 1, 2023	(127)	—	(119)	(246)
Recognised in profit or loss	(168)	—	28	(140)
As at December 31, 2023 and January 1, 2024	(295)	—	(91)	(386)
Recognised in profit or loss	153	(89)	28	92
As at December 31, 2024 and January 1, 2025	(142)	(89)	(63)	(294)
Recognised in profit or loss	75	47	(477)	(355)
As at December 31, 2025	(67)	(42)	(540)	(649)

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(c) Tax losses and deductible temporary differences with deferred tax assets not recognised

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred tax assets have not been recognised in respect of the following items:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	54,309	96,326	137,574
Deferred income	4,162	4,054	5,649
Expected credit losses	169	361	648
Impairment on non-current assets	—	917	3,371
Share-based payment	—	455	1,074
	<u>58,640</u>	<u>102,113</u>	<u>148,316</u>

The Group has unused tax losses of approximately RMB99,677,000, RMB357,878,000 and RMB426,630,000 as at December 31, 2023, 2024 and 2025, respectively, available for offset against future profits. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB54,309,000, RMB96,326,000, and RMB137,574,000, respectively.

Deductible tax losses that are not recognised for deferred income tax assets will expire as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2024	4	—	—
2025	3,625	3,625	—
2026	9,710	9,710	9,710
2027	11,713	11,713	11,646
2028	29,257	29,220	27,133
2029	—	42,058	39,883
2030	—	—	49,202
	<u>54,309</u>	<u>96,326</u>	<u>137,574</u>

26. INVENTORIES

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	17,218	20,503	20,411
Semi-finished goods	15,375	8,507	12,227
Work-in-progress	48,238	41,379	48,171
Finished goods	33,119	14,508	10,398
Goods in transit	3,734	8,372	12,562
Spare parts	15,581	12,651	12,929
Materials in outsourced processing	—	—	881
	<u>133,265</u>	<u>105,920</u>	<u>117,579</u>
Less: provision for impairment	<u>(25,723)</u>	<u>(18,849)</u>	<u>(7,013)</u>
	<u>107,542</u>	<u>87,071</u>	<u>110,566</u>

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The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	10,654	13,444	5,564
Semi-finished goods	15,376	—	18,445
Work-in-progress	41,719	29,517	30,220
Finished goods	33,066	22,299	5,521
Goods in transit	3,854	8,372	11,762
Spare parts	3,896	—	2,892
	108,565	73,632	74,404
Less: provision for impairment (<i>Note</i>)	(24,706)	(17,697)	(5,607)
	83,859	55,935	68,797

Inventories are stated at the lower of cost and net realisable value at the end of each reporting period. The net realisable value is the estimated selling price in the current course of business, less applicable costs, selling expenses and tax charges. Management of the Group and the Company make the best estimate on the net realisable value and the corresponding impairment of inventory, while the impairment assessment may still be significantly changed due to the change of market conditions.

27. RESTRICTED BANK DEPOSITS

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bill deposits	57,112	52,874	27,900
Guarantee Deposit	2,010	2,013	—
Others (<i>Note</i>)	—	—	194,000
	59,122	54,887	221,900

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bill deposits	43,042	37,644	12,502
Guarantee Deposit	2,010	2,013	—
Others (<i>Note</i>)	—	—	194,000
	45,052	39,657	206,502

Notes: As at December 31, 2025, the Group had restricted bank balances of RMB194,000,000. This amount includes RMB138,000,000 relating to wealth management products for which the purchase process has not yet been completed, as well as RMB56,000,000 of deposits placed in a pledged bank account as requested by the bank due to the withdrawal of the property ownership certificates for renewal used as collateral.

28. CASH AND CASH EQUIVALENTS

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash in bank	1,984,795	727,264	333,204

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Denominated in:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB	1,860,661	542,496	109,101
United States dollars (“USD”)	113,455	171,422	209,498
European dollars (“EUR”)	10,679	13,346	14,605
	<u>1,984,795</u>	<u>727,264</u>	<u>333,204</u>

RMB is not freely convertible into other currencies, however, under 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. The bank balances are deposited with creditworthy banks with no recent history of default.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash in bank	<u>1,928,477</u>	<u>684,359</u>	<u>314,564</u>

Denominated in:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB	1,804,343	499,591	90,461
EUR	10,679	13,346	14,605
USD	113,455	171,422	209,498
	<u>1,928,477</u>	<u>684,359</u>	<u>314,564</u>

29. TRADE PAYABLES

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	<u>97,134</u>	<u>106,196</u>	<u>194,565</u>

The carrying amounts of the Group’s trade and notes payables approximated their fair values as at the balance sheet dates.

The credit period granted by suppliers generally ranges from 10 to 75 days. The ageing analysis of the trade payables of the Group as at December 31, 2023, 2024 and 2025 based on recognition date is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
— Within 1 year	93,112	95,826	191,826
— Over 1 year but within 2 years	2,547	8,094	573
— Over 2 years but within 3 years	469	971	433
— Over 3 years	1,006	1,305	1,733
	<u>97,134</u>	<u>106,196</u>	<u>194,565</u>

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Notes payables	<u>154,863</u>	<u>186,342</u>	<u>80,498</u>

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As at the end of each reporting period, no matured notes payable were unpaid.

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	52,396	70,436	79,671

The ageing analysis of the trade payables of the Company as at December 31, 2023, 2024 and 2025 based on recognised date is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
— Within 1 year	50,458	63,227	78,804
— Over 1 year but within 2 years	1,391	6,427	66
— Over 2 years but within 3 years	62	243	86
— Over 3 years	485	539	715
	52,396	70,436	79,671

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Notes payables	140,911	171,112	38,256

30. CONTRACT LIABILITIES

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments from customers	38	205	4,078

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments from customers	38	129	112

Revenue recognised in relation to contract liabilities

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

The Group

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year . . .	34	38	205

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31. OTHER PAYABLES AND ACCRUALS

The Group

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-Current			
Deferred government grant income	27,928	23,927	29,936
Amounts due to other investors of a fund (<i>Note</i>)	30,200	30,200	—
	<u>58,128</u>	<u>54,127</u>	<u>29,936</u>
	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current			
Construction and equipment payables	163,398	173,988	162,772
Employee benefits payables	21,970	21,885	26,077
Other tax payable	3,661	4,026	6,603
Deferred output VAT	5	27	453
Others	<u>195</u>	<u>203</u>	<u>91</u>
	<u>189,229</u>	<u>200,129</u>	<u>195,996</u>

Note: The fund is Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) (“Huasheng Nanyuan Dunxing”). As disclosed in Note 18(c), pursuant to the terms of the relevant agreements, the fund has a term of eight years, comprising a 3-year investment period and a 5-year exit period. During the investment period, the management fee is 2% per annum based on the total committed capital. During the exit period, the management fee is 1.5% per annum based on the outstanding invested principal amount. The Fund provides for an 8% annual simple return to partners, which is calculated based on the actual contributed capital and the actual fund utilization period from the date of capital contribution to the date of distribution. Such return shall be distributed only after all partners have received full repayment of their invested capital, and shall not be paid if the Fund incurs an overall loss. Such return is payable only if the fund generates sufficient net income. Accordingly, the Group recognised financial liabilities, as it has a contractual obligation to pay the other investors of the consolidated structured entities their respective principal amounts and the 8% annual return for the specified interest period.

The Company

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-Current			
Deferred government grant income	18,169	15,777	21,639
	<u>18,169</u>	<u>15,777</u>	<u>21,639</u>
	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current			
Construction and equipment payables	108,465	77,056	37,843
Employee benefits payables	14,246	14,417	16,600
Other tax payable	1,960	2,452	4,038
Others	<u>62</u>	<u>73</u>	<u>24</u>
	<u>124,733</u>	<u>93,998</u>	<u>58,505</u>

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32. AMOUNTS DUE TO SUBSIDIARIES AND RELATED PARTIES

The Group

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	720	977	1,830

Note: (1) The credit period granted by related parties is 30 days.

(2) The age of trade payables to related parties of the Group is all within one year.

The Company

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables			
— Due to subsidiaries	138,547	66,230	144,789
— Due to other related parties	131	—	—
Notes payables			
— Due to subsidiaries	28,106	56,978	52,844
Other payables			
— Due to subsidiaries	—	514	57,292
	166,784	123,722	254,925

Note: (1) The age of trade payables to related parties of the Company is all within one year.

33. BORROWINGS

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-Current			
Long-term bank borrowings — Secured but unguaranteed (<i>Note (a)</i>)	123,100	169,250	174,997
Long-term bank borrowings — Secured and guaranteed (<i>Note (b)</i>)	—	—	113,646
Long-term bank borrowings — Unsecured and unguaranteed	—	—	44,500
	123,100	169,250	333,143
Current			
Short-term bank borrowings — Unsecured and unguaranteed	3,440	—	—
Current portion of long-term bank borrowings — Secured and guaranteed (<i>Note (b)</i>)	—	—	12,825
Current portion of long-term bank borrowings — Secured but unguaranteed (<i>Note (a)</i>)	700	5,850	2,100
Current portion of long-term bank borrowings — Unsecured and unguaranteed	—	—	500
Short-term bank borrowings — Secured and unguaranteed	20	—	—
Interest payable	137	237	323
	4,297	6,087	15,748
Total borrowings	127,397	175,337	348,891

As at December 31, 2023, the annual interest rates of short-term bank borrowings was 3.10%.

As at December 31, 2023, 2024 and 2025, the annual interest rates of long-term bank borrowings ranged from 2.50% to 4.05%, 2.50% to 3.90%, and 1.98% to 2.65% respectively.

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Notes:

- (a) As at December 31, 2023, the long-term bank borrowings are secured by the right-of-use assets, owned by Zhejiang Shengmei Lithium Battery Materials Co., Ltd., a subsidiary, with carrying amount of RMB25,062,000. As at December 31, 2024, the long-term bank borrowings are secured by a mortgage of the property, plant and equipment and right-of-use assets, owned by Zhejiang Shengmei Lithium Battery Materials Co., Ltd., Hubei Huasheng Xianghe New Energy Materials Co., Ltd. and Jiangsu Huasheng Lianying New Energy Materials Co., Ltd., subsidiaries, with carrying amount of RMB42,693,000 and RMB68,155,000, respectively. As at December 31, 2025, the long-term bank borrowings are secured by the property, plant and equipment and right-of-use assets owned by Zhejiang Shengmei Lithium Battery Materials Co., Ltd. And Jiangsu HSC New Energy Materials Co., Ltd., with carrying amount of RMB98,200,000 and RMB40,836,000, respectively. Details are set out in Note 37.
- (b) As at December 31, 2025, the long-term bank borrowings are secured by the right-of-use assets owned by the subsidiaries, Hubei Huasheng Xianghe New Energy Materials Co., Ltd. and Jiangsu Huasheng Lianying New Energy Materials Co., Ltd., and guaranteed by the Company. The carrying amount of the right-of-use assets are RMB45,263,000. Details are set out in Note 37.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-Current			
Long-term bank borrowings — Secured but unguaranteed (Note (a))	—	—	55,147
Long-term bank borrowings — Unsecured and unguaranteed	—	—	44,500
	—	—	99,647
Current			
Short-term bank borrowings — Secured but unguaranteed	20	—	—
Current portion of long-term bank borrowings — Unsecured and unguaranteed	—	—	500
Interest payable	—	—	92
	20	—	592

The Group’s and the Company’s borrowings were repayable as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed as:			
— Within 1 year	4,297	6,087	15,748
— Over 1 year but within 2 years	1,150	6,800	167,352
— Over 2 years but within 3 years	2,100	113,725	99,871
— Over 3 years	119,850	48,725	65,920
	127,397	175,337	348,891

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed as:			
— Within 1 year	20	—	592
— Over 1 year but within 2 years	—	—	9,875
— Over 2 years but within 3 years	—	—	60,820
— Over 3 years	—	—	28,952
	20	—	100,239

The Group’s and the Company’s borrowings are denominated in RMB.

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Details of the Group’s borrowing with floating rate are disclosed in Note 43 to the Historical Financial Information.

34. SHARE CAPITAL AND TREASURY SHARES

The Group and the Company

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share capital	159,500	159,500	159,500
Treasury shares	(9,997)	(50,319)	(104,541)
	<u>149,503</u>	<u>109,181</u>	<u>54,959</u>

The changes in share capital are as follows:

	Share capital
	RMB'000
Ordinary shares of RMB1 each	
As at January 1, 2023	110,000
Conversion of capital reserve into share capital	<u>49,500</u>
As at December 31, 2023, December 31, 2024 and December 31, 2025	<u>159,500</u>

The changes in treasury shares are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	—	9,997	50,319
Repurchase of shares for share schemes	9,997	40,322	69,976
Treasury shares transferred to the grantees or cancelled under share scheme	<u>—</u>	<u>—</u>	<u>(15,754)</u>
At the end of the year	<u>9,997</u>	<u>50,319</u>	<u>104,541</u>
Number of treasury shares (in thousands)	<u>327</u>	<u>2,135</u>	<u>4,690</u>

Note: During the year ended December 31, 2023, the Company repurchased 327,056 of its own ordinary shares through the Shanghai Stock Exchange with an aggregate consideration of approximately RMB9,997,000 paid.

During the year ended December 31, 2024, the Company repurchased 1,807,712 of its own ordinary shares through the Shanghai Stock Exchange with an aggregate consideration of approximately RMB40,322,000 paid.

During the year ended December 31, 2025, the Company repurchased 3,262,120 of its own ordinary shares through the Shanghai Stock Exchange with an aggregate consideration of approximately RMB69,976,000 paid.

Upon expiry of the first lock-up period under the employee share ownership plan, a total of 706,800 shares were unlocked.

35. SHARE-BASED EMPLOYEE COMPENSATION

Share-based payment expenses during the Track Record Period were as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Equity-settled share-based compensation	<u>—</u>	<u>2,294</u>	<u>5,297</u>

Type 2 Restricted Shares Scheme

The Company has a Type 2 Restricted Shares Scheme (“2024 Restricted Shares Scheme”) which was approved by the Company on June 28, 2024, whereby the directors of the Company are authorised, at their discretion, to grant restricted shares to employees at certain consideration. The first batch of restricted shares under the 2024 Restricted Shares Scheme was granted on August 22, 2024, where 2,370,000 shares were granted to 160 staff at consideration of RMB12.00 per share. The second batch of restricted shares under the 2024 Restricted Shares Scheme was granted on June 13, 2025, where 150,000 shares were granted to 23 staff at consideration of RMB11.70 per share. The vesting conditions of each batch of restricted shares of the 2024 Restricted Shares Scheme is as below.

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The terms and conditions of the grants during the Track Record Periods:

Restricted Shares granted to employees:	Number of instruments	Vesting conditions
— on August 22, 2024.	2,370,000	First Batch of 2024 Restricted Shares Scheme: — 30%, 30%, and 40% vest after 12 months, 24 months and 36 months from the date of grant subject to performance guarantee mechanism with reference to revenue growth rate or sales volume of VC and FEC
— on June 13, 2025	150,000	Second Batch of 2024 Restricted Shares Scheme: — 50%, and 50% vest after 12 months, and 24 months from the date of grant subject to performance guarantee mechanism with reference to revenue growth rate or sales volume of VC and FEC
	<u>2,520,000</u>	

Set out below are details of the movements of the outstanding number of the restricted shares throughout the Track Record Period:

	As at December 31		
	2023	2024	2025
	<i>'000</i>	<i>'000</i>	<i>'000</i>
As at the beginning of the year	—	—	2,370
Granted during the year	—	2,370	150
Exercised of shares during the year.	—	—	(707)
Forfeited during the year.	—	—	(25)
As at end of the year	<u>—</u>	<u>2,370</u>	<u>1,788</u>

The fair value of the equity-settled equity incentive granted on the grant date is estimated using the Black-Scholes option pricing model, in combination with the terms and conditions of the equity incentive granted. The following table lists the significant inputs to the model used:

	2024 Stock Option Incentive Plan	
	First batch	Second batch
Exercise price (RMB) (<i>Note</i>)	12.00	11.70
Expected volatility	13.32%–13.47%	17.46%–20.21%
Expected life (Years)	3	2
Risk-free rate	1.50%–2.75%	1.5%–2.10%

Note: The exercise price of restricted stock may be adjusted in case of any [REDACTED] of shares, payments of share dividends or other similar changes in the Company’s share capital.

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36. RESERVE

The Group

During the Track Record Period, the amounts of the Group’s reserves and the changes therein are presented in the consolidated statements of changes in equity.

The Company

	Share capital <i>RMB’000</i>	Treasury shares <i>RMB’000</i>	Capital reserve <i>RMB’000</i>	Safety production fund <i>RMB’000</i>	Statutory reserve <i>RMB’000</i>	Retained earnings <i>RMB’000</i>	Total <i>RMB’000</i>
As at January 1, 2023 . .	110,000	—	2,955,602	16,434	55,000	628,743	3,765,779
Profit for the year	—	—	—	—	—	80,583	80,583
Total comprehensive loss for the year	—	—	—	—	—	80,583	80,583
Repurchase of shares . .	—	(9,997)	—	—	—	—	(9,997)
Conversion of capital reserve into share capital	49,500	—	(49,500)	—	—	—	—
Special reserve for work safety	—	—	—	375	—	—	375
Dividend distribution . .	—	—	—	—	—	(110,000)	(110,000)
Transfer	—	—	—	—	8,058	(8,058)	—
As at December 31, 2023	159,500	(9,997)	2,906,102	16,809	63,058	591,268	3,726,740
As at January 1, 2024 . .	159,500	(9,997)	2,906,102	16,809	63,058	591,268	3,726,740
Loss for the year	—	—	—	—	—	(134,746)	(134,746)
Total comprehensive loss for the year	—	—	—	—	—	(134,746)	(134,746)
Repurchase of shares . .	—	(40,322)	—	—	—	—	(40,322)
Equity-settled share-based compensation	—	—	2,795	—	—	—	2,795
Special reserve for work safety	—	—	—	(3,143)	—	—	(3,143)
Dividend distribution . .	—	—	—	—	—	(47,282)	(47,282)
As at December 31, 2024	159,500	(50,319)	2,908,897	13,666	63,058	409,240	3,504,042
As at January 1, 2025 . .	159,500	(50,319)	2,908,897	13,666	63,058	409,240	3,504,042
Profit for the year	—	—	—	—	—	69,439	69,439
Total comprehensive income for the year . .	—	—	—	—	—	69,439	69,439
Repurchase of shares . .	—	(69,976)	—	—	—	—	(69,976)
Transfer	—	—	—	—	7,132	(7,132)	—
Equity-settled share-based compensation	—	—	15,691	—	—	—	15,691
Exercise of restricted stock incentive plan . .	—	15,754	(7,485)	—	—	—	8,269
Special reserve for work safety	—	—	—	(4,007)	—	—	(4,007)
As at December 31, 2025	159,500	(104,541)	2,917,103	9,659	70,190	471,547	3,523,458

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37. PLEDGED ASSETS

The Group

At the end of each reporting period, the Group’s certain assets have been pledged to secure notes payables, borrowings and banking facilities granted to the Group. The carrying amounts of the pledged assets of the Group at the end of each reporting period are as follows:

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Restricted cash (<i>Note 27</i>)	59,122	54,887	221,900
Notes receivables (<i>Note 22</i>)	13,050	7,862	17,480
Financial assets at FVTOCI (<i>Note 21</i>)	38,486	22	—
Property, plant and equipment (<i>Note 14</i>)	—	42,693	98,200
Right-of-use assets (<i>Note 15(a)</i>)	25,062	68,155	86,099
	<u>135,720</u>	<u>173,619</u>	<u>423,679</u>

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities during the Track Record Period are as follows:

	Borrowings	Lease liabilities	Dividends payable	Amounts due to other investors of a fund	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	<i>Note 33</i>	<i>Note 15 (b)</i>	<i>Note 12</i>		
As at January 1, 2023	75,082	2,051	—	—	77,133
Cash flows	48,296	(747)	(110,000)	29,197	(33,254)
Interest expense	4,019	56	—	1,003	5,078
Dividends paid	—	—	110,000	—	110,000
New leases or termination	—	(159)	—	—	(159)
As at December 31, 2023 and January 1, 2024	127,397	1,201	—	30,200	158,798
Cash flows	42,912	(1,010)	(47,282)	(2,003)	(7,383)
Interest expense	5,048	29	—	2,003	7,080
Dividends paid	—	—	47,282	—	47,282
Other non-cash movements	(20)	—	—	—	(20)
As at December 31, 2024 and January 1, 2025	175,337	220	—	30,200	205,757
Cash flows	164,790	(392)	—	28,271	192,669
Interest expense	8,764	7	—	1,529	10,300
New leases	—	489	—	—	489
Other non-cash movements	—	—	—	(60,000)	(60,000)
As at December 31, 2025	<u>348,891</u>	<u>324</u>	<u>—</u>	<u>—</u>	<u>349,215</u>

39. COMMITMENTS

At the end of each year for the Track Record Period, the Group’s capital commitments contracted but not provided for in the Historical Financial Information were as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contracted but not provided for property, plant and equipment and intangible assets	<u>593,409</u>	<u>273,272</u>	<u>320,918</u>

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40. RELATED PARTY TRANSACTIONS

Saved as disclosed in elsewhere to the Historical Financial Information, the Group entered into the following related party transactions during the Track Record Period.

(a) Relationships with related parties

Name of related party	Relationship with the Group
Wuxi Tiande Polymer Technology Co., Ltd.	A company in which Mr. Shen Gang, son of Shen Jinliang, one of the major shareholders of the Company, exercises significant influence
Wuxi Deying New Energy Material Technology Co., Ltd.	A company in which Mr. Shen Gang, son of Shen Jinliang, one of the major shareholders of the Company, exercises significant influence
Wuxi Deying Recycling Co., Ltd.	A company in which Mr. Shen Gang, son of Shen Jinliang, one of the major shareholders of the Company, exercises significant influence
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	The non-controlling shareholder holding a 49% equity interest in Zhejiang Shengmei Lithium Battery Materials Co., Ltd.
Suzhou Dunxing Investment Management Co., Ltd.	Mr. Ma Yangguang, a director of the Company, serves as the legal representative and executive director of Suzhou Dunxing Investment Management Co., Ltd.; Mr. Zhao Jiaming, a director of the Company, serves as the investment director of Suzhou Dunxing Investment Management Co., Ltd.. Suzhou Dunxing Investment Management Co., Ltd. (“Dunxing Capital”) acts as the general partner of Suzhou Dunxing Value No.2 Venture Capital Partnership (Limited Partnership) and Suzhou Dunxing Value No.3 Venture Capital Partnership (Limited Partnership), which are shareholders of the Company holding more than 5% of the Company’s shares. Dunxing Capital also acts as the general partner of Suzhou Dunxing Value Venture Capital Partnership (Limited Partnership), a shareholder of the Company.
Beijing Yijin New Energy Technology Co., Ltd. and its subsidiaries	A company in which Mr. Shen Ming, one of the major shareholders of the Company, exercises significant influence
Hubei Senteri New Energy Technology Co., Ltd.	An associate of the Company’s subsidiary
Jiangsu Purestar Environmental Protection Technology Co., Ltd. and its subsidiaries	A company in which Mr. Huang Zhendong, secretary of the board and deputy general manager of the Company, exercise significant influence

(b) Transactions with related parties

	Year ended December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Purchase of good:			
Wuxi Tiande Polymer Technology Co., Ltd. . . .	216	—	—
Wuxi Deying New Energy Material Technology Co., Ltd.	904	2,325	3,382
Wuxi Deying Recycling Co., Ltd.	116	56	1,033
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	1,410	1,704	2,978
Beijing Yijin New Energy Technology Co., Ltd. and its subsidiaries	—	8	—
Hubei Senteri New Energy Technology Co., Ltd.	—	—	4,904
Jiangsu Pustar Environmental Protection Technology Co., Ltd.	—	—	290
	<u>2,646</u>	<u>4,093</u>	<u>12,587</u>

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	Year ended December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sale of good:			
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	—	102	—
Entrusted Management Fee			
Suzhou Dunxing Investment Management Co., Ltd.	1,775	3,600	2,700
Taking operating leases			
Zhe Jiang Sanmei Chemical Industry Co., Ltd. .	200	55	—
Purchase of land use rights and buildings from related parties			
Zhe Jiang Sanmei Chemical Industry Co., Ltd. .	—	8,381	—
Other transactions with related parties			

Based on its long-term strategic planning, the Company leverages the existing investment management experience of Dunxing Capital, the high-quality industrial chain resources of the Group, and the resources of Nanjing University alumni and related venture capital enterprises to further identify technology teams and entrepreneurial projects in the new energy, intelligent manufacturing and other sub-sectors and support their implementation, strengthen the integration of industry and capital, vigorously promote the transfer and transformation of scientific and technological achievements, institutional and mechanism innovation, and enhance the Group’s market competitiveness.

The Group together with Dunxing Capital, Suzhou High-tech Industrial Investment Development Enterprise (Limited Partnership) (Suzhou High-tech Zone Government Guidance Fund) and other parties, has jointly funded the establishment of Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership).

Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) was registered and established on July 5, 2023, with a registered capital of RMB170 million. On November 30, 2023, the registered capital was increased from RMB170 million to RMB180 million. In this investment, the Company has subscribed a capital contribution of RMB80 million, accounting for 44.4444% of the total subscribed capital.

(c) **Balances with related parties**

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other receivables:			
Beijing Yijin New Energy Technology Co., Ltd..	—	2,291	—
Trade payables:			
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	265	481	157
Wuxi Deying New Energy Material Technology Co., Ltd.	324	482	1,421
Wuxi Deying Recycling Co., Ltd.	—	14	14
Wuxi Tiande Polymer Technology Co., Ltd. . . .	131	—	—
Hubei Senteri New Energy Technology Co., Ltd.	—	—	1,046
	720	977	2,638

Note: As at December 31, 2023, December 31, 2024, and December 31, 2025, the non-trade balances of the Group with Beijing Yijin New Energy Technology Co., Ltd. were nil, RMB2,291,000, and nil respectively. Such balances arose from loan granted by the Company. All other balances are of trade nature.

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(d) Compensation of key management personnel of the Group

	Year ended December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees	4,963	5,066	5,216
Salaries, allowances, discretionary bonuses and benefits in kind	3,716	3,074	4,145
Retirement scheme contributions	573	591	544
Share-based compensation expenses	—	513	931
Total compensation paid to key management personnel	9,252	9,244	10,836

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each financial instrument as at the end of each year for the reporting periods are as follows:

	As at December 31		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets			
Financial assets at amortised cost			
— Trade and notes receivables	167,819	310,588	592,803
— Other receivables	1,463	1,046	1,095
— Amounts due from related parties	—	2,291	—
— Restricted bank deposits	59,122	54,887	221,900
— Cash and cash equivalents	1,984,795	727,264	333,204
Financial assets at FVTPL			
— Bank WMPs and structured deposits	80,000	917,438	554,642
— Unlisted equity investments	—	5,000	20,000
Financial assets at FVTOCI			
— Notes receivables measured at FVTOCI	187,478	52,669	46,242
	2,480,677	2,071,183	1,769,886
Financial liabilities			
Financial liabilities measured at amortised cost			
— Trade payables	97,134	106,196	194,565
— Notes payables	154,863	186,342	80,498
— Other payables and accruals	193,798	204,418	163,316
— Amounts due to related parties	720	977	1,830
— Borrowings	127,397	175,337	348,891
	573,912	673,270	789,100

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The table below analyses the Group’s financial instruments carried at fair value as at December 31, 2023, 2024 and 2025 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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(a) Fair value hierarchy

As at December 31, 2023, 2024 and 2025, the financial instruments measured at fair value on a recurring basis by the above three levels were analysed below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As at December 31, 2023				
Financial assets				
Financial assets at FVTPL				
— Bank WMPs and structured deposits	—	80,000	—	80,000
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	187,478	—	187,478
	<u>—</u>	<u>267,478</u>	<u>—</u>	<u>267,478</u>
As at December 31, 2024				
Financial assets				
Financial assets at FVTPL				
— Bank WMPs and structured deposits	—	917,438	—	917,438
— Unlisted equity investments	—	—	5,000	5,000
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	52,669	—	52,669
	<u>—</u>	<u>970,107</u>	<u>5,000</u>	<u>975,107</u>
As at December 31, 2025				
Financial assets				
Financial assets at FVTPL				
— Bank WMPs and structured deposits	—	554,642	—	554,642
— Unlisted equity investments	—	—	20,000	20,000
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	46,242	—	46,242
	<u>—</u>	<u>600,884</u>	<u>20,000</u>	<u>620,884</u>

(b) Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly discounted cash flow approach. The inputs of the valuation technique mainly include expected rate of return, net assets value, and discount rate.

During the Track Record Period, there was no transfer between Level 1 and Level 2 and between Level 2 and Level 3.

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The quantitative information of fair value measurements as at December 31, 2023, 2024 and 2025 for Level 2 and Level 3 is as follows:

	Fair value hierarchy	As at December 31			Valuation technique and key input(s)	Impact of significant unobservable input(s)
		2023	2024	2025		
		RMB'000	RMB'000	RMB'000		
Financial assets at FVTPL						
— Bank WMPs and structured deposits	Level 2	80,000	917,438	554,642	Expected rate of return	N/A
— Unlisted equity investments	Level 3	—	—	20,000	Market approach, Recent transaction price	The higher the recent transaction price, the higher the fair value.
— Unlisted equity investments	Level 3	—	5,000	—	Market approach, Recent transaction price	The higher the recent transaction price, the higher the fair value
Financial assets at FVTOCI						
— Trade and notes receivables measured at FVTOCI	Level 2	187,478	52,669	46,242	Discounted rate	N/A

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at December 31, 2023, 2024 and 2025, the Group’s major monetary assets and liabilities exposed to foreign currency risk are listed below:

	USD	EUR
	RMB'000	RMB'000
As at December 31, 2023		
Cash and cash equivalents	113,455	10,679
Trade and notes receivables	14,955	723
Net exposure	128,410	11,402
As at December 31, 2024		
Cash and cash equivalents	171,422	13,346
Trade and notes receivables	15,044	—
Net exposure	186,466	13,346
As at December 31, 2025		
Cash and cash equivalents	209,498	14,605
Trade and notes receivables	12,577	764
Net exposure	222,075	15,369

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Sensitivity analysis

As shown in the table above, the Group is primarily exposed to changes in USD and EUR exchange rates. The sensitivity of profit before income tax to changes in the exchange rates arising from USD and EUR denominated financial instruments is as below:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
USD exchange rate			
— Increase 1%	1,284	1,865	2,221
— Decrease 1%	(1,284)	(1,865)	(2,221)
EUR exchange rate			
— Increase 1%	114	133	154
— Decrease 1%	(114)	(133)	(154)

Price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as either FVTPL or FVTOCI. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group’s liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Interest rate risk

The Group’s interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates, and lease liabilities bearing fixed rates expose the Group to fair value interest rate risk.

The Group has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact the performance of the Group.

The following tables list out the interest rate profiles of the Group’s variables interest-bearing financial instruments as at December 31, 2023, 2024 and 2025:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Floating rate instruments			
— Borrowings	123,100	169,250	333,143

If interest rates of floating rate instruments had been 100 basis points higher/lower with all other variables held constant, the profit before income tax would have been lower/higher by approximately RMB1,231,000, RMB1,693,000 and RMB3,331,000 as at December 31, 2023, 2024 and 2025, respectively.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group’s exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group’s maximum exposure to credit risk is represented by cash and cash equivalents, restricted bank deposits, trade and notes receivables at amortised cost and at FVTOCI, other receivables, as disclosed in Note 42 to the Historical Financial Information. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group’s concentration of credit risk by geographical locations is mainly in the People’s Republic of China (the “PRC”). As at December 31, 2023, 2024 and 2025, trade receivables in respect of sales within the PRC reported by the Group accounted for 91.76%, 96.36% and 97.96% of the total trade receivables, respectively. The Group has a concentration of credit risk. As at December 31, 2023, 2024 and 2025, trade receivables due from the Group’s largest single customer accounted for 53.60%, 44.60% and 37.77% of the total trade receivables, respectively. As at December 31, 2023, December 31, 2024 and December 31, 2025, trade receivables due from the Group’s five largest customers accounted for 83.70%, 85.90% and 84.38% of the total trade receivables, respectively. In addition, there is a concentration of credit risk on bank balances, pledged bank deposits and term deposits which are deposited with several authorised banks in the PRC. Other than the above, the Group does not have any other significant concentration of credit risk.

As at December 31, 2023, 2024 and 2025, The Group have no credit risk other than financial assets whose carrying amounts best represent the maximum exposure to credit risk.

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(a) Cash and cash equivalents and restricted bank deposits

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. Cash and cash equivalents, time deposits and restricted bank deposits are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

(b) Trade receivables, notes receivables at amortised cost and at FVTOCI

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected for all trade receivables and notes receivables. To measure the expected credit losses, trade receivables and notes receivables have been grouped based on shared credit risk characteristics and ageing.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales and probability of default of counter parties on an ongoing basis throughout each year/period for the Track Record Period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product, inflation rates, and unemployment rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables and notes receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

The Group’s trade receivables as described in Note 22 mainly represented receivables received from the sales of products to customers.

Trade receivables

Except for receivables assessed for credit risk on an individual basis, the Group groups its receivables into different portfolios based on common credit risk characteristics as below:

Group 1: Receivables from customers

As at December 31, 2023, 2024 and 2025, the allowance for impairment for the trade receivables were determined as follows:

	Gross carrying amount <i>RMB’000</i>	ECL allowance <i>RMB’000</i>	Expected loss rate
As at December 31, 2023			
Assessed based on grouping	159,351	8,157	5.12%
Assessed individual	1,864	932	50.00%
	<u>161,215</u>	<u>9,089</u>	<u>5.64%</u>
As at December 31, 2024			
Assessed based on grouping	312,067	15,823	5.07%
Assessed individual	190	149	78.42%
	<u>312,257</u>	<u>15,972</u>	<u>5.12%</u>
As at December 31, 2025			
Assessed based on grouping	579,411	29,256	5.05%
Assessed individual	190	190	100.00%
	<u>579,601</u>	<u>29,446</u>	<u>5.08%</u>

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Notes receivables

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that the notes receivables held by the Group are not subject to significant credit risk, and will not incur material losses as a result of default by banks or other issuers.

	Gross carrying amount <i>RMB'000</i>	Allowance for impairment <i>RMB'000</i>	Average expected loss rate
As at December 31, 2023			
Bank acceptance notes.	15,693	—	0.00%
As at December 31, 2024			
Bank acceptance notes.	14,303	—	0.00%
As at December 31, 2025			
Bank acceptance notes.	42,648	—	0.00%

(c) Other receivables

Over the term of other receivables, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. To assess whether there is a significant increase in credit risk in other receivables, the Group compares the risk of a default occurring on the financial assets at the end of each year/period for the Track Record Period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Based on historical experiences and consideration of forward-looking information, other receivables from related parties were settled within 12 months after upon maturity hence the ECL is minimal. The impairment on other receivables as stated in Note 23 to the Historical Financial Information were accounted as amortised cost is measured as either 12-month ECL or lifetime ECL. On such basis, the following table sets forth the impairment for other receivables as at December 31, 2023, 2024 and 2025:

	Stage 1 12-month ECL <i>RMB'000</i>	Stage 2 Lifetime ECL <i>RMB'000</i>	Stage 3 Lifetime ECL <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2023				
Expected loss rate.	12.18%	—	—	12.18%
Gross carrying amount	1,666	—	—	1,666
ECL allowance.	203	—	—	203
As at December 31, 2024				
Expected loss rate.	17.51%	—	—	17.51%
Gross carrying amount	1,268	—	—	1,268
ECL allowance.	222	—	—	222
As at December 31, 2025				
Expected loss rate.	17.23%	—	—	17.23%
Gross carrying amount	1,323	—	—	1,323
ECL allowance.	228	—	—	228

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(d) *Amounts due from related parties*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at December 31, 2023				
Expected loss rate	—	—	—	—
Gross carrying amount	—	—	—	—
ECL allowance	—	—	—	—
As at December 31, 2024				
Expected loss rate	5.02%	—	—	5.02%
Gross carrying amount	2,412	—	—	2,412
ECL allowance	121	—	—	121
As at December 31, 2025				
Expected loss rate	—	—	—	—
Gross carrying amount	—	—	—	—
ECL allowance	—	—	—	—

Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate balances of such. The table below analyses the Group’s financial liabilities by relevant maturity groupings based on the remaining period since the end of each year for the Track Record Period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows amount of the financial liabilities to be delivered.

	Within 1 year RMB’000	1 to 2 years RMB’000	2 to 3 years RMB’000	Over 3 years RMB’000	Total RMB’000
As at December 31, 2023					
Borrowings	7,892	4,638	5,556	121,748	139,834
Trade payables	97,134	—	—	—	97,134
Notes payables	154,863	—	—	—	154,863
Other payables and accruals	163,598	—	—	30,200	193,798
Lease liabilities	748	478	—	—	1,226
Amounts due to related parties	720	—	—	—	720
	<u>424,955</u>	<u>5,116</u>	<u>5,556</u>	<u>151,948</u>	<u>587,575</u>
As at December 31, 2024					
Borrowings	10,779	11,467	116,520	49,382	188,148
Trade payables	106,195	—	—	—	106,195
Notes payables	186,342	—	—	—	186,342
Other payables and accruals	174,218	—	—	30,200	204,418
Lease liabilities	224	—	—	—	224
Amounts due to related parties	977	—	—	—	977
	<u>478,735</u>	<u>11,467</u>	<u>116,520</u>	<u>79,582</u>	<u>686,304</u>
As at December 31, 2025					
Borrowings	24,396	173,202	102,330	63,431	363,359
Trade payables	194,565	—	—	—	194,565
Notes payables	80,498	—	—	—	80,498
Other payables and accruals	163,316	—	—	—	163,316
Lease liabilities	165	170	—	—	335
Amounts due to related parties	1,830	—	—	—	1,830
	<u>464,770</u>	<u>173,372</u>	<u>102,330</u>	<u>63,431</u>	<u>803,903</u>

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Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to the shareholders or return capital to the shareholders. The Group is not subject to any external capital requirements. During the Track Record Period, there were no changes in capital management objectives, policies or procedures.

	As at December 31		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total assets	4,421,769	4,290,085	4,380,755
Total liabilities	628,712	723,589	856,119
Liability-to-asset ratio	14.22%	16.87%	19.54%

As of December 31, 2023, 2024 and 2025, the Group has no significant outstanding litigation or contingent liability that in the opinion of the directors of the Company would have material impact to the Group’s financial position.

44. CONTINGENT LIABILITY

As of the end of each year during the Track Record Period, the Group did not have any material contingent liabilities.

45. EVENT AFTER THE END OF THE REPORTING PERIOD

Other than those disclosed elsewhere in the Historical Financial Information, the Group has no other significant events subsequent to December 31, 2025.

III. SUBSEQUENT FINANCIAL STATEMENTS

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