

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company’s reporting accountants, Forvis Mazars CPA Limited, Certified Public Accountants, Hong Kong.

[Forvis Mazars Letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUNAN YUNENG NEW ENERGY BATTERY MATERIAL CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Hunan Yuneng New Energy Battery Material Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group at 31 December 2023, 2024 and 2025, the statements of financial position of the Company at 31 December 2023, 2024 and 2025 and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation 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 (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on 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, reporting accountants consider internal control relevant to the Group’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 Group’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

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

Opinion

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

Review of stub period financial information

We have reviewed the stub period financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2026 and other explanatory information (the “Stub Period Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared by the Company during the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2026.

APPENDIX I

ACCOUNTANTS’ REPORT

Preparation or audit of financial statements

No audited financial statements have been prepared in accordance with IFRS Accounting Standards or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2026.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2026 have been audited and, if applicable, the name of the auditors.

Forvis Mazars CPA Limited
Certified Public Accountants

Hong Kong, [●]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the years ended 31 December 2023, 2024, 2025 and three months ended 31 March 2026 (the “Track Record Period”), on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with IFRS Accounting Standards as issued by the International Accounting Standards Board and were audited by Forvis Mazars CPA Limited, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	5	41,357,671	22,598,527	34,624,768	6,762,141	14,965,444
Cost of sales		(38,528,226)	(20,857,291)	(31,472,441)	(6,388,852)	(12,547,451)
Gross profit		2,829,445	1,741,236	3,152,327	373,289	2,417,993
Selling and marketing expenses		(45,486)	(46,160)	(49,826)	(10,223)	(10,997)
Research and development expenses	7	(358,167)	(291,542)	(380,853)	(67,023)	(180,493)
General and administrative expenses		(474,153)	(499,011)	(642,668)	(143,948)	(219,682)
Other income and other gains and (losses), net	6	74,742	57,023	(183,062)	11,532	(169,692)
Reversal of expected credit losses (expected credit losses) on financial assets	8	52,220	(61,240)	(127,116)	(10,985)	(129,095)
Finance income (costs), net	11	(196,098)	(153,554)	(201,572)	(46,095)	(61,733)
Impairment loss on non-financial assets	8	–	(29,248)	(86,825)	–	–
Share of results of associates	21	(7,816)	(11,674)	(7,973)	(1,517)	420
Profit before tax	8	1,874,687	705,830	1,472,432	105,030	1,646,721
Income tax expense	12	(294,178)	(115,875)	(205,378)	(11,444)	(287,259)
Profit for the year/period		1,580,509	589,955	1,267,054	93,586	1,359,462
Attributable to:						
Owners of the Company		1,580,629	593,552	1,277,183	94,316	1,356,057
Non-controlling interests		(120)	(3,597)	(10,129)	(730)	3,405
		<u>1,580,509</u>	<u>589,955</u>	<u>1,267,054</u>	<u>93,586</u>	<u>1,359,462</u>
Earnings per share	15					
Basic (RMB)		<u>2.18</u>	<u>0.78</u>	<u>1.68</u>	<u>0.12</u>	<u>1.78</u>
Diluted (RMB)		<u>2.18</u>	<u>0.78</u>	<u>1.67</u>	<u>0.12</u>	<u>1.77</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Profit for the year/period		<u>1,580,509</u>	<u>589,955</u>	<u>1,267,054</u>	<u>93,586</u>	<u>1,359,462</u>
Other comprehensive income						
Other comprehensive income (loss) that are or will be reclassified to profit or loss in subsequent periods						
Exchange differences on translation of foreign operations		–	(442)	2,676	877	(13,730)
Cash flow hedging reserves (effective part of profit or loss of cash flow hedging)	24(c)	<u>137</u>	<u>(7,814)</u>	<u>(39,509)</u>	<u>7,677</u>	<u>47,186</u>
Total other comprehensive income (loss) for the year/period		<u>137</u>	<u>(8,256)</u>	<u>(36,833)</u>	<u>8,554</u>	<u>33,456</u>
Total comprehensive income for the year/period		<u>1,580,646</u>	<u>581,699</u>	<u>1,230,221</u>	<u>102,140</u>	<u>1,392,918</u>
Attributable to:						
Owners of the Company .		<u>1,580,766</u>	<u>585,296</u>	<u>1,240,350</u>	<u>102,870</u>	<u>1,389,513</u>
Non-controlling interests .		<u>(120)</u>	<u>(3,597)</u>	<u>(10,129)</u>	<u>(730)</u>	<u>3,405</u>
		<u>1,580,646</u>	<u>581,699</u>	<u>1,230,221</u>	<u>102,140</u>	<u>1,392,918</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 March
		2023	2024	2025	2026
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current assets					
Property, plant and equipment	16	11,392,268	13,511,235	16,380,751	16,942,005
Right-of-use assets	17	856,612	968,304	1,126,910	1,122,072
Intangible assets	18	39,565	42,584	54,344	52,737
Goodwill	19	180,235	180,235	180,235	180,235
Interests in associates	21	41,433	29,759	31,786	32,206
Pledged deposits	29	—	—	155,277	149,521
Prepayment for acquisition of property, plant and equipment		5,425	25,393	48,019	62,012
Financial assets at FVTOCI	28	—	—	—	150,000
Deferred tax assets	22	103,331	129,995	257,656	281,992
		<u>12,618,869</u>	<u>14,887,505</u>	<u>18,234,978</u>	<u>18,972,780</u>
Current assets					
Inventories	23	1,324,853	2,798,355	3,628,717	5,112,106
Derivative financial instruments	24	161	—	—	21,612
Trade and bills receivables	25	4,999,738	6,051,727	9,303,197	12,094,799
Prepayments, deposits and other receivables	26	299,425	585,739	1,024,516	1,353,273
Prepaid income tax		28,882	9,704	4,187	206
Other current assets	27	1,380,132	1,339,348	1,314,906	1,104,711
Financial assets at FVTOCI	28	4,253,684	3,178,314	3,244,816	3,878,832
Pledged deposits	29	1,225,616	948,730	1,298,353	1,028,297
Bank balances and cash	29	663,285	542,649	1,038,484	5,704,470
		<u>14,175,776</u>	<u>15,454,566</u>	<u>20,857,176</u>	<u>30,298,306</u>
Current liabilities					
Trade and bills payables	30	6,096,154	6,241,655	7,117,423	9,756,585
Other payables and accruals	31	3,585,118	4,068,678	4,924,356	4,948,540
Contract liabilities	32	453,386	19,407	18,672	31,730
Interest-bearing borrowings	33	2,011,080	3,774,995	6,606,479	6,593,113
Derivative financial instruments	24	—	9,032	132,696	53,862
Other current liabilities	35	290,958	543,378	1,462,251	1,805,653
Income tax payables		32,275	29,996	156,290	316,538
		<u>12,468,971</u>	<u>14,687,141</u>	<u>20,418,167</u>	<u>23,506,021</u>
Net current assets		<u>1,706,805</u>	<u>767,425</u>	<u>439,009</u>	<u>6,792,285</u>
Total assets less current liabilities .		<u>14,325,674</u>	<u>15,654,930</u>	<u>18,673,987</u>	<u>25,765,065</u>
Non-current liabilities					
Interest-bearing borrowings	33	2,600,779	3,755,833	5,339,347	6,230,069
Lease liabilities	34	—	3,020	3,116	3,141
Contract liabilities	32	150,089	—	—	—
Deferred income	36	255,306	232,814	379,299	386,406
Deferred tax liabilities	22	3,717	2,720	8,791	10,501
Provision for mine site environmental rehabilitation	39	—	—	—	31,705
		<u>3,009,891</u>	<u>3,994,387</u>	<u>5,730,553</u>	<u>6,661,822</u>
NET ASSETS		<u>11,315,783</u>	<u>11,660,543</u>	<u>12,943,434</u>	<u>19,103,243</u>
Capital and reserves					
Share capital	37	757,253	757,253	760,803	843,340
Reserves	38	10,525,170	10,848,927	12,122,000	18,194,717
		<u>11,282,423</u>	<u>11,606,180</u>	<u>12,882,803</u>	<u>19,038,057</u>
Non-controlling interests		33,360	54,363	60,631	65,186
TOTAL EQUITY		<u>11,315,783</u>	<u>11,660,543</u>	<u>12,943,434</u>	<u>19,103,243</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	At 31 December			At 31 March
		2023	2024	2025	2026
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
Non-current assets					
Investments in subsidiaries	20	2,503,710	2,603,897	4,511,768	4,675,433
Interests in associates	21	41,433	29,759	31,786	32,206
Property, plant and equipment	16	1,097,334	1,071,865	957,152	969,490
Right-of-use assets	17	76,180	74,612	73,109	72,688
Intangible assets		23,845	17,472	10,855	10,615
Prepayment for acquisition of property, plant and equipment		–	649	–	–
Financial assets at FVTOCI	28	–	–	–	150,000
Deferred tax assets		68,304	92,333	114,863	126,401
		<u>3,810,806</u>	<u>3,890,587</u>	<u>5,699,533</u>	<u>6,036,833</u>
Current assets					
Inventories	23	252,369	460,074	292,112	413,098
Derivative financial instruments		161	–	–	–
Trade and bills receivables	25	4,995,316	6,048,940	4,449,810	5,637,836
Prepayments, deposits and other receivables	26	2,292,647	4,043,910	7,921,164	8,628,665
Other current assets		561,297	296,893	182,278	84,520
Financial assets at FVTOCI	28	4,100,262	3,166,289	2,500,753	2,791,886
Pledged deposits	29	1,211,016	856,570	1,134,830	911,119
Bank balances and cash	29	542,251	299,541	442,466	4,893,987
		<u>13,955,319</u>	<u>15,172,217</u>	<u>16,923,413</u>	<u>23,361,111</u>
Current liabilities					
Trade and bills payables	30	4,117,285	4,938,038	6,918,401	8,442,678
Other payables and accruals	31	1,405,189	724,675	696,693	821,614
Contract liabilities	32	446,050	9,704	118	5,440
Interest-bearing borrowings	33	1,537,031	1,748,335	2,135,006	2,464,150
Derivative financial instruments		–	9,032	–	–
Other current liabilities	35	288,883	540,581	828,795	654,357
		<u>7,794,438</u>	<u>7,970,365</u>	<u>10,579,013</u>	<u>12,388,239</u>
Net current assets		<u>6,160,881</u>	<u>7,201,852</u>	<u>6,344,400</u>	<u>10,972,872</u>
Total assets less current liabilities		<u>9,971,687</u>	<u>11,092,439</u>	<u>12,043,933</u>	<u>17,009,705</u>
Non-current liabilities					
Interest-bearing borrowings	33	1,593,796	2,273,507	3,182,465	3,305,833
Contract liabilities	32	150,089	–	–	–
Deferred income		115,464	88,551	61,997	55,459
Deferred tax liabilities		24	133	–	–
		<u>1,859,373</u>	<u>2,362,191</u>	<u>3,244,462</u>	<u>3,361,292</u>
NET ASSETS		<u>8,112,314</u>	<u>8,730,248</u>	<u>8,799,471</u>	<u>13,648,413</u>
Capital and reserves					
Share capital	37	757,253	757,253	760,803	843,340
Reserves	38	7,355,061	7,972,995	8,038,668	12,805,073
TOTAL EQUITY		<u>8,112,314</u>	<u>8,730,248</u>	<u>8,799,471</u>	<u>13,648,413</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023								
At 1 January 2023	567,940	926,355	234,270	–	–	3,985,419	5,713,984	480
Profit for the year	–	–	–	–	–	1,580,629	1,580,629	(120)
Other comprehensive income								
- Cash flow hedging reserves (effective part of profit or loss of cash flow hedging)	–	–	–	–	137	–	137	–
Total other comprehensive income	–	–	–	–	137	–	137	–
Total comprehensive income (loss)	–	–	–	–	137	1,580,629	1,580,766	(120)
Transactions with owners:								
<i>Contributions and distributions</i>								
Issue of shares	189,313	4,099,179	–	–	–	–	4,288,492	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	33,000
Dividend declared (Note 14)	–	–	–	–	–	(301,386)	(301,386)	–
	189,313	4,099,179	–	–	–	(301,386)	3,987,106	33,000
Transfer of statutory reserve	–	–	28,999	–	–	(28,999)	–	–
Specific reserve								
Provision	–	–	–	1,375	–	–	1,375	–
Utilisation	–	–	–	(808)	–	–	(808)	–
	–	–	–	567	–	–	567	–
At 31 December 2023	757,253	5,025,534	263,269	567	137	5,235,663	11,282,423	33,360
	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024								
At 1 January 2024	757,253	5,025,534	263,269	567	137	5,235,663	11,282,423	33,360
Profit for the year	–	–	–	–	–	593,552	593,552	(3,597)
Other comprehensive income								
- Cash flow hedging reserves (effective part of profit or loss of cash flow hedging)	–	–	–	–	(7,814)	–	(7,814)	–
- Exchange differences on translation of foreign operations	–	–	–	–	(442)	–	(442)	–
Total other comprehensive income (loss)	–	–	–	–	(8,256)	–	(8,256)	–

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income (loss)	—	—	—	—	(8,256)	593,552	585,296	(3,597) 581,699
Transactions with owners:								
<i>Contributions and distributions</i>								
Contribution from non-controlling interests	—	—	—	—	—	—	24,600	24,600
Dividend declared (Note 14)	—	—	—	—	—	(316,532)	—	(316,532)
Share-based payments	—	54,425	—	—	—	—	—	54,425
	—	54,425	—	—	—	(316,532)	(262,107)	24,600 (237,507)
Transfer of statutory reserve	—	—	89,240	—	—	(89,240)	—	—
Specific reserve								
Provision	—	—	—	1,375	—	—	1,375	— 1,375
Utilisation	—	—	—	(807)	—	—	(807)	— (807)
	—	—	—	568	—	—	568	— 568
At 31 December 2024	757,253	5,079,959	352,509	1,135	(8,119)	5,423,443	11,606,180	54,363 11,660,543

	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025								
At 1 January 2025	757,253	5,079,959	352,509	1,135	(8,119)	5,423,443	11,606,180	54,363 11,660,543
Profit for the year	—	—	—	—	—	1,277,183	1,277,183	(10,129) 1,267,054
Other comprehensive income								
- Cash flow hedging reserves (effective part of profit or loss of cash flow hedging)	—	—	—	—	(39,509)	—	(39,509)	— (39,509)
- Exchange differences on translation of foreign operations	—	—	—	—	2,676	—	2,676	— 2,676
Total other comprehensive income (loss)	—	—	—	—	(36,833)	—	(36,833)	— (36,833)
Total comprehensive income (loss)	—	—	—	—	(36,833)	1,277,183	1,240,350	(10,129) 1,230,221
Transactions with owners:								
<i>Contributions and distributions</i>								
Issue of shares	3,550	56,279	—	—	—	—	59,829	— 59,829
Contribution from non-controlling interests	—	—	—	—	—	—	18,225	18,225
Dividend declared (Note 14)	—	—	—	—	—	(118,889)	(118,889)	— (118,889)
Refund to non-controlling shareholders upon deregistration of a subsidiary	—	—	—	—	—	—	(1,828)	(1,828)
Share-based payments	—	94,050	—	—	—	—	94,050	— 94,050

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	3,550	150,329	—	—	—	(118,889)	34,990	16,397
Transfer of statutory reserve	—	—	3,161	—	—	(3,161)	—	—
Specific reserve								
Appropriation	—	—	—	3,259	—	—	—	3,259
Utilisation	—	—	—	(1,976)	—	—	—	(1,976)
	—	—	—	1,283	—	—	—	1,283
At 31 December 2025	760,803	5,230,288	355,670	2,418	(44,952)	6,578,576	12,882,803	60,631
								12,943,434

	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Period ended 31 March 2025								
(unaudited)								
At 1 January 2025	757,253	5,079,959	352,509	1,135	(8,119)	5,423,443	11,606,180	54,363
Profit for the period	—	—	—	—	—	94,316	94,316	(730)
Other comprehensive income								
- Cash flow hedging reserves (effective part of profit or loss of cash flow hedging)	—	—	—	—	7,677	—	7,677	—
- Exchange differences on translation of foreign operations	—	—	—	—	877	—	877	—
Total other comprehensive income	—	—	—	—	8,554	—	8,554	—
Total comprehensive income (loss)	—	—	—	—	8,554	94,316	102,870	(730)
Transactions with owners:								
<i>Contributions and distributions</i>								
Contribution from non-controlling interests	—	—	—	—	—	—	—	5,000
Share-based payments	—	18,921	—	—	—	—	18,921	—
	—	18,921	—	—	—	—	18,921	5,000
Specific reserve								
Provision	—	—	—	1,747	—	—	1,747	—
Utilisation	—	—	—	(38)	—	—	(38)	—
	—	—	—	1,709	—	—	1,709	—
At 31 March 2025	757,253	5,098,880	352,509	2,844	435	5,517,759	11,729,680	58,633
								11,788,313

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company							
	Reserves						Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Specific reserve	Other comprehensive income	Accumulated profits		
	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Period ended 31 March 2026								
(unaudited)								
At 1 January 2026	760,803	5,230,288	355,670	2,418	(44,952)	6,578,576	12,882,803	60,631
Profit for the period	–	–	–	–	–	1,356,057	1,356,057	3,405
Other comprehensive income								
- Cash flow hedging reserves (effective part of profit or loss of cash flow hedging)	–	–	–	–	47,186	–	47,186	–
- Exchange differences on translation of foreign operations	–	–	–	–	(13,730)	–	(13,730)	–
Total other comprehensive income	–	–	–	–	33,456	–	33,456	–
Total comprehensive income	–	–	–	–	33,456	1,356,057	1,389,513	3,405
Transactions with owners:								
<i>Contributions and distributions</i>								
Issue of shares	82,537	4,649,652	–	–	–	–	4,732,189	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	1,150
Share-based payments	–	30,793	–	–	–	–	30,793	–
	82,537	4,680,445	–	–	–	–	4,762,982	1,150
Specific reserve								
Provision	–	–	–	3,456	–	–	3,456	–
Utilisation	–	–	–	(697)	–	–	(697)	–
	–	–	–	2,759	–	–	2,759	–
At 31 March 2026	843,340	9,910,733	355,670	5,177	(11,496)	7,934,633	19,038,057	65,186

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
OPERATING ACTIVITIES					
Profit before tax	1,874,687	705,830	1,472,432	105,030	1,646,721
Adjustments for:					
(Reversal of expected credit losses)/Expected credit losses on financial assets	(52,220)	61,240	127,116	10,985	129,095
Depreciation on property, plant and equipment	1,064,726	1,575,044	2,108,154	486,767	638,725
Depreciation on right-of-use assets	13,453	17,460	22,341	5,253	6,647
Amortisation on intangible assets	12,571	13,237	12,533	3,263	3,142
Gain on disposal of a subsidiary	—	(233)	—	—	—
Loss on disposal of property, plant and equipment, intangible assets and other non-current assets	3,429	8,470	2,975	1,081	195
Impairment loss on property, plant and equipment	—	29,248	80,561	—	—
Impairment loss on right-of-use assets	—	—	6,264	—	—
Share of results of associates	7,816	11,674	7,973	1,517	(420)
Share-based payments	—	46,102	77,133	22,765	16,029
Unpaid specific reserve	567	964	1,447	1,709	2,759
(Reversal of write-down)/Write-down on inventories, net	(126,493)	(5,435)	12,457	(1,007)	(40)
Interest income	(47,803)	(22,465)	(14,815)	(2,980)	(4,347)
Investment income from wealth management products	(1,021)	—	—	—	—
Interest expense	191,138	158,080	211,956	47,634	59,950
Changes in working capital:					
Inventories	3,773,054	(1,468,068)	(842,819)	(427,031)	(1,483,349)
Trade and bills receivables	(493,436)	(3,631,656)	(6,362,165)	(1,155,353)	(4,394,280)
Financial assets at FVTOCI	(883,758)	1,075,370	(66,503)	28,639	(634,015)
Prepayments, deposits and other receivables	203,687	(292,499)	(469,217)	(22,869)	(328,051)
Derivative financial instruments, net	—	—	69,782	—	(37,531)
Other current assets	(395,913)	40,741	24,442	127,169	210,196
Deferred income	217,101	(22,492)	146,485	(8,978)	13,830
Pledged deposits	(577,395)	533,276	(569,646)	160,762	142,852
Trade and bills payables	(2,881,303)	189,107	1,060,125	(85,018)	2,540,843
Contract liabilities	(1,151,624)	(584,068)	(735)	(8,665)	13,058
Other payables and accruals	396,306	360,906	565,554	65,381	211,984
Other current liabilities	(163,004)	252,420	918,873	140,406	343,402
Cash generated from (used in) operations	984,565	(947,747)	(1,397,297)	(503,540)	(902,605)
Interest received	47,803	22,465	14,815	2,980	4,347
Income tax paid	(531,124)	(116,933)	(163,867)	(30,198)	(146,622)
Net cash from (used in) operating activities	501,244	(1,042,215)	(1,546,349)	(530,758)	(1,044,880)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
INVESTING ACTIVITIES					
Interest received from wealth management products	1,021	—	—	—	—
Sale proceeds of disposal of property, plant and equipment, intangible assets and other non-current assets	11	183	—	—	—
Proceeds of redemption of wealth management products	185,000	—	—	—	—
Refund of security deposits for bills	1,510	39,610	95,585	45,605	71,385
Refund of security deposits for construction and equipment . . .	117,594	24,882	54,279	6,380	8,579
Payment of purchase of property, plant and equipment, intangible assets and right-of-use assets . . .	(2,676,869)	(1,300,799)	(2,225,655)	(459,915)	(311,025)
Investment in an associate	(12,600)	—	(10,000)	—	—
Investment in an unlisted equity investment	—	—	—	—	(150,000)
Payment for wealth management products	(185,000)	—	—	—	—
Payment for security deposits for bills	(39,610)	(95,585)	(100,150)	(66,146)	(44,181)
Payment for leasehold land and security deposits for construction and equipment . . .	(12,920)	(414)	(10,494)	—	—
Net cash received from disposal of subsidiaries	—	1,236	—	—	—
Net cash used in investing activities	(2,621,863)	(1,330,887)	(2,196,435)	(474,076)	(425,242)
FINANCING ACTIVITIES					
Issue of shares, net of cost	4,275,868	—	59,829	—	4,734,960
Capital injection from non-controlling interests	33,000	24,600	18,225	5,000	1,150
Proceeds from bank borrowings . .	2,459,200	4,006,421	4,702,327	1,025,432	2,515,353
Payment for bank borrowings . . .	(4,022,905)	(2,344,234)	(2,535,585)	(290,923)	(725,415)
Proceeds from discounted bills . . .	99,568	2,095,243	3,979,726	551,637	327,730
Dividend paid	(301,386)	(316,532)	(118,889)	—	—
Interest paid	(193,610)	(153,670)	(187,668)	(42,785)	(52,577)
Payment for settlement of bills . .	(1,000)	(850,000)	(1,760,000)	(400,000)	(750,000)
Payment for security deposits for bills/borrowings	—	(200,000)	(120,194)	(60,440)	—
Refund of security deposits for bills/borrowings	—	—	200,000	120,000	100,000
Payment of lease liabilities	—	(8,920)	—	—	—
Refund interests in a deregistered subsidiary to non-controlling interests	—	—	(1,828)	—	—
Net cash from financing activities	2,348,735	2,252,908	4,235,943	907,921	6,151,201

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Net increase (decrease) in cash and cash equivalents	228,116	(120,194)	493,159	(96,913)	4,681,079
Exchange realignment	–	(442)	2,676	877	(15,093)
Cash and cash equivalents at beginning of the reporting period	<u>435,169</u>	<u>663,285</u>	<u>542,649</u>	<u>542,649</u>	<u>1,038,484</u>
Cash and cash equivalents at end of the reporting period . . .	<u><u>663,285</u></u>	<u><u>542,649</u></u>	<u><u>1,038,484</u></u>	<u><u>446,613</u></u>	<u><u>5,704,470</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hunan Yuneng New Energy Battery Material Co., Ltd. (the “Company”), a company incorporated in the People’s Republic of China (the “PRC”), was established on 23 June 2016. On 9 February 2023, the shares of the Company were listed on Shenzhen Stock Exchange in the PRC. The Company’s registered office is located at No.18, Rili Road, Heling Town, Yuhu District, Xiangtan City, Hunan Province, the PRC.

The Company and its subsidiaries (the “Group”) is principally engaged in the research and development, production, and sales of phosphate-based cathode materials.

At the date of this report, in the opinion of the directors of the Company, the Company did not have ultimate holding company/controlling party.

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

At the date of this Historical Financial Information, the particulars of the Company’s principal subsidiaries are as follows:

Name	Notes	Type of entity	Place of operation/ incorporation/ establishment	Registered/Issued paid-up capital	Attributable equity interests held by the Company		Principal activities
					Directly	Indirectly	
Sichuan Yuneng New Energy Battery Materials Co., Ltd.* 四川裕能新能源電池材料有限公司 . . .	i	Limited liability company	Chinese Mainland	RMB350,000,000	100.0%	–	Research and development, production and sale of lithium-ion battery materials
Sichuan Yuning New Energy Materials Co., Ltd.* 四川裕寧新能源材料有限公司	i	Limited liability company	Chinese Mainland	RMB210,000,000	–	100.0%	Research and development, production and sale of lithium-ion battery materials
Yunnan Yuneng New Energy Battery Materials Co., Ltd.* 雲南裕能新能源電池材料有限公司 . .	i	Limited liability company	Chinese Mainland	RMB900,000,000	100.0%	–	Research and development, production and sale of lithium-ion battery materials
Guizhou Yuneng New Energy Battery Materials Co., Ltd.* 貴州裕能新能源電池材料有限公司 . .	i	Limited liability company	Chinese Mainland	RMB1,200,000,000	100.0%	–	Research and development, production and sale of lithium-ion battery materials
Guizhou Yuneng Mining Co., Ltd.* 貴州裕能礦業有限公司	i	Limited liability company	Chinese Mainland	RMB100,000,000	–	67.0%	Mining of mineral resources and mineral processing
Hunan Yuneng Recycling Technology Co., Ltd.* 湖南裕能循環科技有限公司	i	Limited liability company	Chinese Mainland	RMB500,000,000	100.0%	–	Processing, recycling and production of lithium carbonate resources
Yuneng International (Spain) New Energy Battery Material, S.L. . .	ii	Limited liability company	Spain	EUR40,500,000	–	100.0%	Research and development, production and sale of lithium-ion battery materials

Notes:

- i. The statutory financial statements for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by Pan-China Certified Public Accountants LLP.
- ii. No statutory audited financial statements were prepared for the years ended 2024 and 2025 as there was no statutory requirement to conduct a statutory audit.

* The official names are in Chinese and the English names are translated for identification purpose only.

APPENDIX I

ACCOUNTANTS’ REPORT

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards and Interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period beginning on 1 January 2026, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. The early adoption of the IFRS Accounting Standards do not have any significant impact on the financial positions or results of the Group during the Track Record Period.

The material accounting policies that have been used in the preparation of this Historical Financial Information are summarised below. These policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

The 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 judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

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:

IFRS 18	Presentation and Disclosure in Financial Statements ¹
IFRS 19	Subsidiaries without Public Accountability: Disclosures ¹
IFRS 20	Regulatory Assets and Regulatory Liabilities ²
Amendments to IAS 21	Translation to Hyperinflationary Presentation Currency ¹
Amendments to IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures ¹
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2027

² Effective for annual periods beginning on or after 1 January 2029

³ Effective date not yet determined

The Group has already commenced an assessment of the impact of these new and amended IFRS Accounting Standards, certain of which are relevant to the Group’s operations. According to the preliminary assessment made by management, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on sales of intra-group asset are reversed on 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 are presented, separately from owners of the Company, in the consolidated statements of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

APPENDIX I

ACCOUNTANTS’ REPORT

Allocation of total comprehensive income

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

Changes in the Group’s investments in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). 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 “Financial Instruments” or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company’s statements 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.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee’s profits or not, are recognised in the Company’s profit or loss.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not subsequently remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as a financial liability is subsequently remeasured at each reporting date at fair value with changes in fair value recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

APPENDIX I

ACCOUNTANTS’ REPORT

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Associates

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

In the Historical Financial Information, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group’s share of the associate or joint venture’s profit or loss in the period in which the investment is acquired.

Under the equity method, the Group’s investments in associates are carried at cost and adjusted for the post-acquisition changes in the Group’s share of the associates’ net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group’s share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on the investment in associates recognised for the year. The Group’s other comprehensive income for the year includes its share of the associates’ other comprehensive income for the year, if any.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group’s perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate’s accounting policies to those of the Group when the associate’s financial statements are used by the Group in applying the equity method.

When the Group’s share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group’s investment in the associate is the carrying amount of the investment under the equity method together with the Group’s other long-term investments that in substance form part of the Group’s net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group’s investment in its associate. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value-in-use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value-in-use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial investment in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

In the Company’s statements of financial position, investments in associates are accounted for using the equity method.

Foreign currency translation

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

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 retranslation of monetary assets and liabilities at the end of the reporting period are recognised in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

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 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 follows:

Categories	Estimated useful lives	Residual values
Buildings	20-30 years	5%
Machinery	5-10 years	5%
Electronic equipment	5 years	5%
Transportation equipment	5 years	5%
Other equipment	5 years	5%
Leasehold improvements	Shorter of 5 years or remaining lease terms	0%

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting 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.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Right-of-use assets

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

Land use rights (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 the land.

Goodwill

Set out below are the accounting policies on goodwill arising on business combination. Accounting for goodwill arising on acquisition of investments in associates is set out in “Associates” above.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the Group’s interest in the net fair value of the acquiree’s identifiable assets and liabilities measured at the acquisition date.

APPENDIX I

ACCOUNTANTS’ REPORT

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (“CGUs”) and is tested annually for impairment (see “Impairment of non-financial assets” below).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

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 or unit production basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The useful lives are as follows:

Patent technology and non-patent technology	Shorter of 10 years and period during which it can bring economic benefits to the company.
Software	Shorter of 5 years and period during which it can bring economic benefits to the company.
Mining rights	Period during which it can bring economic benefits to the company.
Production quota	Period during which it can bring economic benefits to the company.

Mining rights are stated at cost less accumulated amortisation and any impairment losses.

The assets’ amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting 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 it is extinguished, discharged, cancelled or expires.

APPENDIX I

ACCOUNTANTS’ REPORT

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 fair value through profit or loss (“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
- fair value through other comprehensive income (“FVTOCI”).

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.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses (“ECL”) on financial assets which is presented as a separate item in consolidated statements of profit or loss.

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 in “other gains and losses” in profit or loss. Discounting is ignored where the effect of discounting is immaterial. The Group’s bank balances and cash, pledged deposits, trade and bills receivables, deposits and other receivables fall into this category of financial instruments.

Financial assets at FVTOCI — recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is 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 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 “revaluation 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 “revaluation reserve” will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained earnings.

APPENDIX I

ACCOUNTANTS’ REPORT

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 gains and losses” in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments, 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 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 incurred. 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 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 end of the reporting period.

Trade and bills payables, other payables and accruals.

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Details of accounting policy of derivative financial instruments are set out in “Derivative financial instruments” below.

Impairment of financial assets

IFRS 9’s impairment requirements use forward-looking information to recognise ECL – the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVTOCI and trade and bills receivables.

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 forward-looking 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
- 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 category.

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

APPENDIX I

ACCOUNTANTS’ REPORT

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of each reporting 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 receivables with significant outstanding balances which are assessed individually, the remaining trade receivables have been grouped based on shared credit risk characteristics.

Other financial assets measured at amortised cost and financial assets measured at FVTOCI

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 reporting 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.

Despite the foregoing, the Group assumes that the credit risk on bank acceptance notes and electronic debt claims certificates measured at FVTOCI not increased significantly since initial recognition if the bank acceptance notes and electronic debt claims certificates measured at FVTOCI is determined to have low credit risk at the end of each reporting period. Financial assets 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 fulfill its contractual cash flow obligations.

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 and bills receivables and other financial assets measured are set out in Note 48.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, 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 42.

Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration in advance of performance. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under IFRS 9 as set out in “Impairment of financial assets” above and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

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 work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to commodity price risks, including commodity futures contracts. Further details of derivative financial instruments are set out in Note 24.

Derivative financial instruments are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under IFRS 9. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined) on an ongoing basis. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity price.

Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in other comprehensive income reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in other gains and losses line item. Amounts previously recognised in other comprehensive income and accumulated in other comprehensive income reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statements of profit or loss as the recognised hedged item.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

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.

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 changes 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.

On the consolidated statements of financial position, land use rights and leased properties have been included in “right-of-use-assets” under non-current assets.

Provisions, contingent liabilities and contingent assets

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 reporting period and adjusted to reflect the current best estimate.

APPENDIX I

ACCOUNTANTS’ REPORT

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.

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract (which includes both incremental costs and an allocation of other costs that relate directly to fulfilling that contract).

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered as contingent assets.

Share capital

Share capital is 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 and other contract costs

(a) *Revenue from contracts with customers*

Revenue mainly arises from the sales of phosphate-based cathode materials related products.

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

Further details of the Group’s revenue and other income recognition policies are as follows:

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.

For customers whose products require acknowledgement of receipt, the Company will deliver the goods to the place of delivery designated by the purchasers according to the delivery dates as stipulated in the sales contracts or orders signed with the customers, and transfer the goods to the customers with revenue recognized upon customers’ acknowledgement of receipt.

For customers whose products require acknowledgement of receipt and warehousing confirmation, the Company will deliver the goods to the place of delivery designated by the purchasers according to the delivery dates as stipulated in the sales contracts or orders signed with the customers, and transfer the goods to the customers for acknowledgement of receipt with revenue recognized upon warehousing.

For customers whose products require acknowledgement of receipt and usage confirmation, the Company will deliver the goods to the place of delivery designated by the purchasers according to the delivery dates as stipulated in the sales contracts or orders signed with the customers, and transfer the goods to the customers for acknowledgement of receipt with revenue recognized upon usage.

Revenue for export sale of goods is recognised when the Group has declared the goods for customs clearance in accordance with the contract terms, and has obtained a customs declaration or received acceptance and other proof of receipt from the customers.

No significant warranties, rights of return, financing components, or variable consideration arrangements are typically provided in the ordinary course of the Group’s cathode materials business, unless specifically stated in the relevant customer contracts.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Other contract costs

Contract costs are either the costs to fulfil a contract or the incremental costs of obtaining a contract.

Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer which are not capitalised as inventories, property, plant and equipment and intangible assets, the Group capitalises the costs incurred to fulfil a contract with a customer as an asset (included in “inventories” in the consolidated statements of financial position) if all of the following criteria are met:

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

An asset is amortised and charged to the profit or loss on a systematic basis (i.e. over the period of sales contracts that is consistent with the transfer to the customer of the goods or services to which the asset relates). The asset is subject to impairment review. Other costs of fulfilling a contract, which are not capitalised, are expensed as incurred.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e., gross carrying amount net of ECL allowance) of the asset.

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. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of subsidiaries;
- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets;
- Investment properties; and
- The Company’s investments in subsidiaries, associates and joint ventures.

Goodwill and intangible 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 purposes 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. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

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.

APPENDIX I

ACCOUNTANTS’ REPORT

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 as an expense in profit or loss 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.

Retirement benefits

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. The Group 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 plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds 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 employee compensation

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

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. The number of vested shares ultimately exercised by holders does not impact the expense recorded in any 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.

Income taxes

Income tax comprises current tax and deferred tax.

APPENDIX I

ACCOUNTANTS’ REPORT

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 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 consolidated financial statements and their respective tax bases. Deferred 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 tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, 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 tax liability for all taxable temporary differences.

Deferred 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 reporting 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 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 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 tax liabilities or assets are expected to be settled or recovered.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (the “CODM”) for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to the CODM are determined by the Group’s major product and service lines.

The CODM has been identified as the executive directors of the Company, who determine the operating segments of the Group and review the Group’s internal reporting in order to assess performance and allocate resources. All of the Group’s business operations relate to the research, development, production, and sales of phosphate-based cathode materials with similar economic characteristics. Accordingly, the executive directors review the performance of the Group as a single business segment. No separate analysis of the segment results by reportable segment is necessary.

APPENDIX I

ACCOUNTANTS’ REPORT

Related parties

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

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

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

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of fair value of financial instruments not traded in an active market

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy are detailed in Note 47.

Impairment of property, plant and equipment, intangible assets with finite useful lives and right-of-use assets

Property, plant and equipment, intangible assets with finite useful lives and right-of-use assets are stated at costs less accumulated depreciation or amortisation and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Valuation and Depreciation of long-term assets

The Group makes estimates and judgments regarding the useful lives, residual values, and timing of transfers from construction in progress to other property, plant and equipment items. These judgments are based on historical experience, actual operating conditions of similar assets, and the future anticipated economic benefits.

APPENDIX I

ACCOUNTANTS’ REPORT

Construction in progress is transferred to other property, plant and equipment items when the asset is deployed and reaches the condition intended by management for use. Management must assess the actual readiness, testing outcomes, and physical condition of the assets to determine the exact cut-off date. Incorrect timing of this transfer could result in misstatements of both asset values and the corresponding depreciation expenses for the period.

Property, plant and equipment are depreciated over their estimated useful lives after taking into account their estimated residual values. Management reviews the estimated useful lives, residual values, and depreciation methods at least at each financial year-end. If expectations differ from previous estimates due to technological obsolescence, physical wear and tear, or changes in business strategy, adjustments are made prospectively as changes in accounting estimates.

As of 31 December 2023, 2024 and 2025, and 31 March 2026, the carrying amounts of construction in progress were RMB659,232,000, RMB1,224,803,000, RMB1,457,247,000, and RMB1,360,477,000, respectively. If actual future outcomes differ from management’s current estimates, there could be a material impact on the Group’s financial position and operating results.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. If the actual net realisable values of inventories are more or less than expected as a result of change in market conditions, material reversal of write-down or write-down may result.

Estimation of impairment of trade and bills receivables

The Group makes allowances on trade and bills receivables based on assumptions about risk of default and expected loss rates. The Group uses judgment 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 reporting period.

The provision of ECL is sensitive to changes in estimates. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables and credit losses in the periods in which such estimate has been changed.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses at 31 December 2023, 2024 and 2025 and 31 March 2026 are detailed in Note 22 to the Historical Financial Information.

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete and its ability to use or sell the asset, (iii) how the asset will generate future economic benefits, (iv) the availability of resources to complete the project and (v) the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

5. REVENUE AND SEGMENT INFORMATION

a. Revenue

The Group’s principal activities are disclosed in Note 1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group derives revenue from the transfer of goods and services at a point in time or services over time are analysed as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Type of goods and services					
– Phosphate-based cathode material .	41,105,774	22,214,955	33,909,853	6,653,351	14,705,738
– Others	251,897	383,572	714,915	108,790	259,706
	<u>41,357,671</u>	<u>22,598,527</u>	<u>34,624,768</u>	<u>6,762,141</u>	<u>14,965,444</u>
Timing of revenue recognised					
– At a point in time	<u>41,357,671</u>	<u>22,598,527</u>	<u>34,624,768</u>	<u>6,762,141</u>	<u>14,965,444</u>

b. Segment information

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management reviews the performance of the Group as a single operating segment based on the internal organisation structure, management requirements and internal reporting system. No separate analysis of the segment results by reportable segment is necessary.

Geographical information

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

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from external customers					
Chinese Mainland	41,351,015	22,586,193	34,340,238	6,759,877	14,465,239
Others	6,656	12,334	284,530	2,264	500,205
	<u>41,357,671</u>	<u>22,598,527</u>	<u>34,624,768</u>	<u>6,762,141</u>	<u>14,965,444</u>

The geographical location of non-current assets (other than financial instruments, interests in associates and deferred tax assets) is based on the physical location of the assets, in the case of property, plant and equipment, prepayments in relation to property, plant and equipment, right-of-use assets and intangible assets, and the location of the operation, in the case of goodwill. 100%, 100%, 99.8%, and 99.6% of these Group’s assets are located in Chinese Mainland for the years ended 31 December 2023, 2024, 2025 and 31 March 2026, respectively.

Information about major customers

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

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from external customers					
Customer A	16,947,263	7,023,576	5,981,264	1,647,629	1,604,127
Customer B	15,647,797	6,183,540	10,294,697	2,349,050	4,125,270
Customer C	N/A*	N/A*	3,743,840	N/A*	N/A*

Note: The revenue contributed from the above customers is derived from sales of phosphate-based cathode materials.

* The corresponding revenue did not exceed 10% of the Group’s total revenue.

APPENDIX I

ACCOUNTANTS’ REPORT

6. OTHER INCOME AND OTHER GAINS AND (LOSSES), NET

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Other income					
Compensation income	3,538	1,820	16,778	362	1,574
Others	8	134	137	31	84
	<u>3,546</u>	<u>1,954</u>	<u>16,915</u>	<u>393</u>	<u>1,658</u>
Other gains (losses), net					
Income-related government grants . .	60,438	12,373	21,210	4,121	13,091
Asset-related government grants . . .	21,046	41,104	45,499	11,119	12,028
Tax incentives/VAT input tax super deduction	40,860	21,575	(40,366)	6,407	465
Loss on fair value changes from derivatives	–	–	(159,641)	–	(178,581)
Loss on discounting of financial assets at FVTOCI	(47,755)	(8,342)	(40,270)	(9,879)	(18,366)
Write off of property, plant and equipment	(3,429)	(8,470)	(2,975)	(1,081)	(195)
Donation	(660)	(2,290)	(7,720)	–	(100)
Others	696	(881)	(15,714)	452	308
	<u>71,196</u>	<u>55,069</u>	<u>(199,977)</u>	<u>11,139</u>	<u>(171,350)</u>
	<u>74,742</u>	<u>57,023</u>	<u>(183,062)</u>	<u>11,532</u>	<u>(169,692)</u>

7. RESEARCH AND DEVELOPMENT EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Direct materials	273,591	176,148	257,942	40,711	145,008
Depreciation and amortisation	36,061	42,934	48,531	11,453	13,549
Fuel and power	26,736	37,374	39,231	8,756	11,288
Direct labour	19,357	24,172	25,568	3,819	8,120
Share-based payments	–	3,200	4,511	1,140	1,216
Others	2,422	7,714	5,070	1,144	1,312
	<u>358,167</u>	<u>291,542</u>	<u>380,853</u>	<u>67,023</u>	<u>180,493</u>

APPENDIX I

ACCOUNTANTS’ REPORT

8. EXPENSES BY NATURE

This is stated after charging (crediting):

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Depreciation on property, plant and equipment (charged to “cost of sales”, “selling and marketing expenses”, “research and development expenses” and “general and administrative expenses”, as appropriate)	1,064,726	1,575,044	2,108,154	486,767	638,725
Depreciation on right-of-use asset (charged to “selling and marketing expenses” and “general and administrative expenses”, as appropriate)	13,453	17,460	22,341	5,253	6,647
Amortisation on intangible assets (charged to “cost of sales”, “selling and marketing expenses”, “research and development expenses” and “general and administrative expenses”, as appropriate)	12,571	13,237	12,533	3,263	3,142
Loss on disposal of property, plant and equipment, intangible assets and other non-current assets	3,429	8,470	2,975	1,081	195
Impairment loss on non-financial assets					
- Right-of-use assets	—	—	6,264	—	—
- Property, plant and equipment	—	29,248	80,561	—	—
	<u>—</u>	<u>29,248</u>	<u>86,825</u>	<u>—</u>	<u>—</u>
(Reversal of expected credit losses)/Expected credit losses on financial assets					
- Trade receivables	(92,023)	55,358	71,720	10,683	154,757
- Bills receivables	—	—	24,956	—	(24,956)
- Other receivables	39,803	5,882	30,440	302	(706)
	<u>(52,220)</u>	<u>61,240</u>	<u>127,116</u>	<u>10,985</u>	<u>129,095</u>
Write-down on inventories	332,770	32,270	17,532	—	—
Reversal of write-down on inventories	(459,263)	(37,705)	(5,075)	(1,007)	(40)
Direct cost of inventories recognised as an expense					
- Cost of sales	34,068,274	15,614,712	23,281,488	4,670,563	10,213,184
- Research and development expenses	273,591	176,148	257,942	40,711	145,008
	<u>34,341,865</u>	<u>15,790,860</u>	<u>23,539,430</u>	<u>4,711,274</u>	<u>10,358,192</u>
Auditors’ remuneration	1,280	1,400	1,400	—	—
Short-term lease charges	17,737	40,197	67,538	16,481	16,810
	<u>17,737</u>	<u>40,197</u>	<u>67,538</u>	<u>16,481</u>	<u>16,810</u>

APPENDIX I

ACCOUNTANTS’ REPORT

9. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses (including directors’ remuneration) are analysed as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Fees, salaries, allowances, discretionary bonuses, benefits in kind	611,741	627,298	889,976	200,133	293,777
Retirement scheme contributions . . .	90,945	99,858	134,474	30,738	38,728
Share-based compensation expenses .	–	46,102	77,133	22,765	16,029
	<u>702,686</u>	<u>773,258</u>	<u>1,101,583</u>	<u>253,636</u>	<u>348,534</u>

(b) Directors’ emoluments

	<i>Note</i>	Fees, salaries, allowances, discretionary bonuses, benefits in kind	Retirement scheme contributions	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2023				
Directors				
Tan Xin Qiao (譚新喬)		2,680	71	2,751
Zhao Huai Qiu (趙懷球)		2,287	71	2,358
Wang Yong Mei (汪詠梅)		2,094	71	2,165
Liu Gan Jiang (劉干江)		—	—	—
Lu Yi Hao (陸怡皓)		—	—	—
Long Shao Fei (龍紹飛)		—	—	—
Independent directors				
Zhong Chao Fan (鍾超凡)		100	—	100
Xia Yun Feng (夏雲峰)		100	—	100
Dai Jing (戴靜)		100	—	100
Supervisors				
Xie Jun Heng (謝軍恒)		1,471	71	1,542
Peng Jian Gui (彭建規)		—	—	—
Li Xin (李昕)		—	—	—
	(i)	<u>8,832</u>	<u>284</u>	<u>9,116</u>

	Fees, salaries, allowances, discretionary bonuses, benefits in kind	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024			
Directors			
Tan Xin Qiao (譚新喬)	1,680	72	1,752
Zhao Huai Qiu (趙懷球)	1,234	72	1,306
Wang Yong Mei (汪詠梅)	1,109	72	1,181
Liu Gan Jiang (劉干江)	—	—	—
Lu Yi Hao (陸怡皓)	—	—	—
Long Shao Fei (龍紹飛)	—	—	—
Independent directors			
Zhong Chao Fan (鍾超凡)	100	—	100
Xia Yun Feng (夏雲峰)	100	—	100
Dai Jing (戴靜)	100	—	100
Supervisors			
Xie Jun Heng (謝軍恒)	891	72	963
Peng Jian Gui (彭建規)	—	—	—
Li Xin (李昕)	—	—	—
(i)	5,214	288	5,502

APPENDIX I

ACCOUNTANTS’ REPORT

<i>Note</i>	Fees, salaries, allowances, discretionary bonuses, benefits in kind	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2025			
Directors			
Tan Xin Qiao (譚新喬)	2,680	72	2,752
Zhao Huai Qiu (趙懷球)	2,267	72	2,339
Wang Yong Mei (汪詠梅)	1,474	72	1,546
Liu Gan Jiang (劉干江)	—	—	—
Lu Yi Hao (陸怡皓)	—	—	—
Long Shao Fei (龍紹飛)	—	—	—
Independent directors			
Zhong Chao Fan (鍾超凡)	100	—	100
Xia Yun Feng (夏雲峰)	100	—	100
Dai Jing (戴靜)	100	—	100
Supervisors			
Xie Jun Heng (謝軍恒) (<i>note (ii)</i>)	1,231	72	1,303
Peng Jian Gui (彭建規) (<i>note (ii)</i>)	—	—	—
Li Xin (李昕) (<i>note (ii)</i>)	—	—	—
(i)	<u>7,952</u>	<u>288</u>	<u>8,240</u>

	Fees, salaries, allowances, discretionary bonuses, benefits in kind	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Three months ended 31 March 2025			
Directors			
Tan Xin Qiao (譚新喬)	157	18	175
Zhao Huai Qiu (趙懷球)	131	18	149
Wang Yong Mei (汪詠梅)	107	18	125
Liu Gan Jiang (劉干江)	—	—	—
Lu Yi Hao (陸怡皓)	—	—	—
Long Shao Fei (龍紹飛)	—	—	—
Independent directors			
Xia Yun Feng (夏雲峰)	25	—	25
Dai Jing (戴靜)	25	—	25
Zhong Chao Fan (鍾超凡)	25	—	25
Supervisors			
Xie Jun Heng (謝軍恒) (<i>note (ii)</i>)	88	18	106
Peng Jian Gui (彭建規) (<i>note (ii)</i>)	—	—	—
Li Xin (李昕) (<i>note (ii)</i>)	—	—	—
(i)	<u>558</u>	<u>72</u>	<u>630</u>

	Fees, salaries, allowances, discretionary bonuses, benefits in kind	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Three months ended 31 March 2026			
Directors			
Tan Xin Qiao (譚新喬)	168	18	186
Zhao Huai Qiu (趙懷球)	204	18	222
Wang Yong Mei (汪詠梅)	118	18	136
Liu Gan Jiang (劉干江)	—	—	—
Lu Yi Hao (陸怡皓)	—	—	—
Long Shao Fei (龍紹飛)	—	—	—
Independent directors			
Zhong Chao Fan (鍾超凡)	25	—	25
Xia Yun Feng (夏雲峰)	25	—	25
Dai Jing (戴靜)	25	—	25
(i)	<u>565</u>	<u>54</u>	<u>619</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Note:

- (i) The share-based payment expense recognised in the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026 granted to the executive director, non-executive director and supervisors above of the Group was nil, RMB7,509,000, RMB12,545,000, RMB3,754,000 and RMB2,636,000, respectively, which is not included in the above remuneration.
- (ii) Subsequent to the end of the Track Record Period, the Company dissolved its committee of supervisors, pursuant to a resolution approved by the shareholders at the shareholders’ meeting on 12 December 2025.

10. FIVE HIGHEST PAID INDIVIDUALS

During the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2025 and 2026 the five highest paid individuals included three, three, two, three and two directors, respectively, whose emoluments are reflected in Note 9(b) above. The aggregate emoluments payable to the remaining two, two, three, two and three individuals during the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2025 and 2026 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, allowances, discretionary bonuses, benefits in kind	3,800	4,018	7,084	206	302
Retirement scheme contributions	143	129	215	36	54
Share-based compensation expenses	—	1,907	7,268	1,430	2,378
	<u>3,943</u>	<u>6,054</u>	<u>14,567</u>	<u>1,672</u>	<u>2,734</u>
The emoluments fell within the following bands:					
HK\$0 – HK\$1,000,000	—	—	—	1	2
HK\$1,000,001 – HK\$1,500,000	—	—	—	1	1
HK\$2,000,001 – HK\$2,500,000	2	—	—	—	—
HK\$2,500,001 – HK\$3,000,000	—	1	—	—	—
HK\$3,500,001 – HK\$4,000,000	—	1	—	—	—
HK\$5,000,001 – HK\$5,500,000	—	—	2	—	—
HK\$5,500,001 – HK\$6,000,000	—	—	1	—	—

11. FINANCE (INCOME) COSTS, NET

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest expenses on borrowings	191,170	165,209	216,198	47,833	62,104
Less: interest capitalised on borrowings . .	(32)	(7,199)	(4,338)	(223)	(2,179)
	<u>191,138</u>	<u>158,010</u>	<u>211,860</u>	<u>47,610</u>	<u>59,925</u>
Interest expenses on lease liabilities	—	70	96	24	25
Total interest expenses	<u>191,138</u>	<u>158,080</u>	<u>211,956</u>	<u>47,634</u>	<u>59,950</u>
Financing component expense	47,801	8,737	—	—	—
Bank charges	5,024	5,459	7,937	1,434	3,292
Exchange (gains)/loss	(62)	3,743	1,684	7	2,994
Interest subsidy	—	—	(5,190)	—	(156)
Interest income	(47,803)	(22,465)	(14,815)	(2,980)	(4,347)
	<u>196,098</u>	<u>153,554</u>	<u>201,572</u>	<u>46,095</u>	<u>61,733</u>

12. INCOME TAX EXPENSE

PRC Enterprise Income Tax (“EIT”)

The income tax provision of PRC entities of the Group has been calculated at the statutory tax rate of 25%, except for the Company and certain subsidiaries which qualify for preferential income tax rates ranging from 12% to 20% (2023: 9% to 20%), on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

APPENDIX I

ACCOUNTANTS’ REPORT

Corporate income tax in other jurisdictions

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. The income tax rates of the subsidiaries in Singapore and Spain are 17% and 25%, respectively.

The major components of income tax expense are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Current income tax	290,993	133,834	295,677	29,684	310,850
Deferred income tax (<i>Note 22</i>)	3,185	(17,959)	(90,299)	(18,240)	(23,591)
Income tax expense	<u>294,178</u>	<u>115,875</u>	<u>205,378</u>	<u>11,444</u>	<u>287,259</u>

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit before income tax	<u>1,874,687</u>	<u>705,830</u>	<u>1,472,432</u>	<u>105,030</u>	<u>1,646,721</u>
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	281,203	105,874	220,865	15,842	251,348
Tax effects of:					
– different tax rates	18,406	(4,133)	(34,265)	(2,375)	35,631
– underprovision in respect of prior years	3,080	14,013	4,512	–	–
– share of results of an associate . .	1,172	1,751	1,196	228	(63)
– non-deductible expenses	2,322	565	5,476	318	12,880
– deductible temporary differences not recognised	18,371	18,605	38,572	7,744	3,104
– utilisation of tax losses previously not recognised	(6)	–	(2,116)	(5,039)	–
– additional deduction on research and development expenses . . .	(30,159)	(23,780)	(28,862)	(5,274)	(15,641)
– others	(211)	2,980	–	–	–
	<u>294,178</u>	<u>115,875</u>	<u>205,378</u>	<u>11,444</u>	<u>287,259</u>

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the years ended 31 December 2023, 2024 and 2025, the profit for the year attributable to owners of the Company amounted to RMB1,580,629,000, RMB593,552,000 and RMB1,277,183,000, respectively.

For the three months ended 31 March 2025 and 2026, the profit for the period attributable to owners of the Company amounted to RMB94,316,000 (unaudited) and RMB1,356,057,000 (unaudited), respectively.

14. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Dividends attributable to the year/period					
Final dividends for year ended					
2022	301,386	–	–	–	–
2023	–	316,532	–	–	–
2024	–	–	118,889	–	–
	<u>301,386</u>	<u>316,532</u>	<u>118,889</u>	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2022

The profit distribution proposal was approved in the Company’s 2022 Annual General Meeting held on 4 May 2023 as follows:

Based on the Company’s existing total share capital of 757,253,070 shares, a cash dividend of RMB3.98 (inclusive of tax) will be distributed for every 10 shares to all shareholders, amounting to a total cash dividend of RMB301,386,689 (inclusive of tax).

Year ended 31 December 2023

The profit distribution proposal was approved in the Company’s 2023 Annual General Meeting held on 15 May 2024 as follows:

Based on the Company’s existing total share capital of 757,253,070 shares, a cash dividend of RMB4.18 (inclusive of tax) will be distributed for every 10 shares to all shareholders, amounting to a total cash dividend of RMB316,531,781 (inclusive of tax).

Year ended 31 December 2024

The profit distribution proposal was approved in the Company’s 2024 Annual General Meeting held on 18 April 2025 as follows:

Based on the Company’s existing total share capital of 757,253,070 shares, a cash dividend of RMB1.57 (inclusive of tax) will be distributed for every 10 shares to all shareholders, amounting to a total cash dividend of RMB118,888,730 (inclusive of tax).

Year ended 31 December 2025

The profit distribution proposal was approved in the Company’s 2025 Annual General Meeting held on 19 May 2026 as follows:

Based on the Company’s existing total share capital of 843,340,214 shares, a cash dividend of RMB3.56 (inclusive of tax) will be distributed for every 10 shares to all shareholders, amounting to a total cash dividend of RMB300,229,113 (inclusive of tax).

Three months ended 31 March 2025 and 2026

No dividends have been declared by the Company for the three months ended 31 March 2025 and 2026.

15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the 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 shares are not considered outstanding for earnings per share calculation purposes.

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

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025 (unaudited)	2026 (unaudited)
Profit attributable to owners of the Company used in calculating basic earnings per share (RMB’000) . . .	1,580,629	593,552	1,277,183	94,316	1,356,057
Weighted average number of ordinary shares in issue	725,700,870	757,253,070	759,027,895	757,253,070	760,802,721
Basic earnings per share (RMB) . . .	2.18	0.78	1.68	0.12	1.78

(b) Diluted earnings per share

The share schemes granted by the Company have potential dilutive effect on the earnings per share. Diluted 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 earnings per share).

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025 (unaudited)	2026 (unaudited)
Profit attributable to owners of the Company used in calculating basic earnings per share (RMB’000) . . .	1,580,629	593,552	1,277,183	94,316	1,356,057
Weighted average number of ordinary shares in issue	725,700,870	757,253,070	759,027,895	757,253,070	760,802,721
Adjustments for potential shares arising from share schemes	–	1,426,912	4,803,290	2,160,798	6,831,629
Weighted average number of ordinary shares used in calculating diluted earnings per share	725,700,870	758,679,982	763,831,185	759,413,868	767,634,350
Diluted earnings per share (RMB) . .	2.18	0.78	1.67	0.12	1.77

APPENDIX I

ACCOUNTANTS’ REPORT

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023							
Cost	2,139,154	5,000,192	78,099	21,844	63,276	1,034,583	8,337,148
Accumulated depreciation	(88,473)	(737,290)	(20,540)	(4,381)	(9,179)	–	(859,863)
Net carrying amount	2,050,681	4,262,902	57,559	17,463	54,097	1,034,583	7,477,285
Year ended 31 December 2023							
Opening net carrying amount	2,050,681	4,262,902	57,559	17,463	54,097	1,034,583	7,477,285
Additions	108,342	40,906	14,383	2,337	3,216	4,814,589	4,983,773
Transferred from construction in progress	1,582,302	3,541,412	33,066	5,090	28,070	(5,189,940)	–
Depreciation	(125,047)	(904,240)	(17,659)	(4,606)	(13,798)	–	(1,065,350)
Disposal	(209)	(2,903)	(159)	(33)	(136)	–	(3,440)
Net carrying amount	3,616,069	6,938,077	87,190	20,251	71,449	659,232	11,392,268
As at 31 December 2023 and 1 January 2024.							
Cost	3,829,565	8,566,578	125,205	29,222	94,313	659,232	13,304,115
Accumulated depreciation	(213,496)	(1,628,501)	(38,015)	(8,971)	(22,864)	–	(1,911,847)
Net carrying amount	3,616,069	6,938,077	87,190	20,251	71,449	659,232	11,392,268

	Buildings	Machinery	Electronic equipment	Transportation equipment	Other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024								
Opening net carrying amount	3,616,069	6,938,077	87,190	20,251	71,449	–	659,232	11,392,268
Additions	124,220	20,315	5,947	2,645	4,733	3,872	3,578,777	3,740,509
Transferred from construction in progress	944,760	1,993,463	6,913	1,931	65,136	–	(3,012,203)	–
Depreciation	(186,178)	(1,339,844)	(22,975)	(5,926)	(20,545)	(194)	–	(1,575,662)
Disposal	–	(8,257)	(101)	(196)	(99)	–	–	(8,653)
Disposal of subsidiaries	–	–	–	–	(6,976)	–	(1,003)	(7,979)
Impairment	–	(24,535)	(122)	–	(4,591)	–	–	(29,248)
Net carrying amount	4,498,871	7,579,219	76,852	18,705	109,107	3,678	1,224,803	13,511,235
As at 31 December 2024 and 1 January 2025								
Cost	4,898,443	10,551,338	137,599	33,338	156,945	3,872	1,224,803	17,006,338
Accumulated depreciation	(399,572)	(2,947,584)	(60,625)	(14,633)	(43,247)	(194)	–	(3,465,855)
Accumulated impairment	–	(24,535)	(122)	–	(4,591)	–	–	(29,248)
Net carrying amount	4,498,871	7,579,219	76,852	18,705	109,107	3,678	1,224,803	13,511,235
Year ended 31 December 2025								
Opening net carrying amount	4,498,871	7,579,219	76,852	18,705	109,107	3,678	1,224,803	13,511,235
Additions	–	61,182	11,903	7,513	200	–	5,074,779	5,155,577
Transferred from construction in progress	1,544,677	3,132,243	65,156	15,292	(5,886)	–	(4,751,482)	–
Transferred to right of use assets	–	–	–	–	–	–	(90,853)	(90,853)
Depreciation	(243,688)	(1,801,672)	(29,097)	(7,534)	(27,234)	(774)	–	(2,109,999)
Disposal	(540)	(3,612)	(158)	(223)	(115)	–	–	(4,648)
Impairment	(32,661)	(45,851)	(34)	(21)	(1,994)	–	–	(80,561)
Net carrying amount	5,766,659	8,921,509	124,622	33,732	74,078	2,904	1,457,247	16,380,751
As at 31 December 2025 and 1 January 2026								
Cost	6,446,348	13,727,098	220,130	57,525	143,147	3,872	1,457,247	22,055,367
Accumulated depreciation	(647,028)	(4,736,367)	(95,352)	(23,772)	(62,484)	(968)	–	(5,565,971)
Accumulated impairment	(32,661)	(69,222)	(156)	(21)	(6,585)	–	–	(108,645)
Net carrying amount	5,766,659	8,921,509	124,622	33,732	74,078	2,904	1,457,247	16,380,751

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Electronic equipment	Transportation equipment	Other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2026 (unaudited)								
Opening net carrying amount	5,766,659	8,921,509	124,622	33,732	74,078	2,904	1,457,247	16,380,751
Additions	–	5,856	3,816	1,413	31,920	695	1,156,495	1,200,195
Transferred from construction in progress	376,466	877,639	5,504	13	(6,357)	–	(1,253,265)	–
Disposals	–	(98)	(56)	(31)	(31)	–	–	(216)
Depreciation	(75,555)	(546,362)	(9,998)	(2,675)	(3,895)	(240)	–	(638,725)
Net carrying amount	<u>6,067,570</u>	<u>9,258,544</u>	<u>123,888</u>	<u>32,452</u>	<u>95,715</u>	<u>3,359</u>	<u>1,360,477</u>	<u>16,942,005</u>
As at 31 March 2026 (unaudited)								
Cost	6,822,814	14,610,407	229,317	58,862	168,652	4,567	1,360,477	23,255,096
Accumulated depreciation	(722,583)	(5,282,641)	(105,273)	(26,389)	(66,352)	(1,208)	–	(6,204,446)
Accumulated impairment	(32,661)	(69,222)	(156)	(21)	(6,585)	–	–	(108,645)
Net carrying amount	<u>6,067,570</u>	<u>9,258,544</u>	<u>123,888</u>	<u>32,452</u>	<u>95,715</u>	<u>3,359</u>	<u>1,360,477</u>	<u>16,942,005</u>

Notes:

- (a) The management of the Group considered that there were indications of impairment in certain groups of assets and therefore conducted an impairment test. As a result, impairments of RMB29,248,000 and RMB80,561,000 were recognised for property, plant and equipment for the years ended 31 December 2024 and 2025, respectively.

Based on the assessment report, the management conducted an impairment assessment by determining the recoverable amount of the relevant asset groups based on their fair value less cost of disposal. The fair value and cost of disposal were valued by the management using the market approach with reference to transaction prices for similar property, plant and equipment and other factors such as the characteristics of the assets and transaction methods.

- (b) As at 31 December 2023, 2024, 2025 and 31 March 2026, certain property ownership certificates had not yet been obtained for the properties. The Group had obtained written confirmations issued by the competent authorities in the PRC stating that there are no legal impediments to obtaining the ownership certificates for the relevant properties. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, 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 the following dates.
- (c) The Group has pledged certain buildings and construction in progress to secure borrowings granted to the Group. Details of the Group's assets pledged for the Group's borrowings are disclosed in Note 42 to the Historical Financial Information.
- (d) As at 31 December 2023, 2024, 2025 and 31 March 2026, the depreciation charges on property, plant and equipment of the Group were capitalised to construction in progress or offset against specific reserves, amount to RMB624,000, RMB 618,000, RMB1,845,000 and nil respectively.

The Company

	Buildings	Machinery	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023							
Cost	166,755	528,308	32,585	3,498	6,989	252,043	990,178
Accumulated depreciation	(16,148)	(119,195)	(7,694)	(1,135)	(709)	–	(144,881)
Net carrying amount	<u>150,607</u>	<u>409,113</u>	<u>24,891</u>	<u>2,363</u>	<u>6,280</u>	<u>252,043</u>	<u>845,297</u>
Year ended 31 December 2023							
Opening net carrying amount	150,607	409,113	24,891	2,363	6,280	252,043	845,297
Additions	36,489	3,037	5,046	26	756	334,957	380,311
Transferred from construction in progress	137,695	376,062	12,066	1,726	13,000	(540,549)	–
Disposal	–	(546)	(4)	–	–	–	(550)
Depreciation	(12,923)	(103,549)	(7,365)	(812)	(3,075)	–	(127,724)
Net carrying amount	<u>311,868</u>	<u>684,117</u>	<u>34,634</u>	<u>3,303</u>	<u>16,961</u>	<u>46,451</u>	<u>1,097,334</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023 and 1 January 2024							
Cost	340,939	906,218	49,013	5,250	20,745	46,451	1,368,616
Accumulated depreciation	(29,071)	(222,101)	(14,379)	(1,947)	(3,784)	–	(271,282)
Net carrying amount	<u>311,868</u>	<u>684,117</u>	<u>34,634</u>	<u>3,303</u>	<u>16,961</u>	<u>46,451</u>	<u>1,097,334</u>
Year ended 31 December 2024							
Opening net carrying amount	311,868	684,117	34,634	3,303	16,961	46,451	1,097,334
Additions	9,560	6,188	1,763	589	2,666	127,291	148,057
Transferred from construction in progress	49,810	100,649	5,425	–	11,197	(167,081)	–
Depreciation	(17,246)	(135,687)	(9,528)	(915)	(5,765)	–	(169,141)
Disposal	–	(4,363)	(12)	(10)	–	–	(4,385)
Net carrying amount	<u>353,992</u>	<u>650,904</u>	<u>32,282</u>	<u>2,967</u>	<u>25,059</u>	<u>6,661</u>	<u>1,071,865</u>
As at 31 December 2024 and 1 January 2025							
Cost	400,309	996,270	56,157	5,822	34,594	6,661	1,499,813
Accumulated depreciation	(46,317)	(345,366)	(23,875)	(2,855)	(9,535)	–	(427,948)
Net carrying amount	<u>353,992</u>	<u>650,904</u>	<u>32,282</u>	<u>2,967</u>	<u>25,059</u>	<u>6,661</u>	<u>1,071,865</u>
	Buildings	Machinery	Electronic equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025							
Opening net carrying amount	353,992	650,904	32,282	2,967	25,059	6,661	1,071,865
Additions	16,411	4,814	3,348	999	254	62,639	88,465
Transferred from construction in progress	(2,567)	52,452	10,615	–	3,293	(63,793)	–
Depreciation	(18,605)	(150,866)	(12,023)	(1,060)	(6,635)	–	(189,189)
Disposal	–	(85)	(14)	–	(9,076)	–	(9,175)
Impairment	(124)	(4,685)	(5)	–	–	–	(4,814)
Net carrying amount	<u>349,107</u>	<u>552,534</u>	<u>34,203</u>	<u>2,906</u>	<u>12,895</u>	<u>5,507</u>	<u>957,152</u>
As at 31 December 2025 and 1 January 2026							
Cost	417,528	1,053,179	69,574	6,822	25,691	5,507	1,578,301
Accumulated depreciation	(68,297)	(495,960)	(35,366)	(3,916)	(12,796)	–	(616,335)
Accumulated impairment	(124)	(4,685)	(5)	–	–	–	(4,814)
Net carrying amount	<u>349,107</u>	<u>552,534</u>	<u>34,203</u>	<u>2,906</u>	<u>12,895</u>	<u>5,507</u>	<u>957,152</u>
Three months ended 31 March 2026 (unaudited)							
Opening net carrying amount	349,107	552,534	34,203	2,906	12,895	5,507	957,152
Additions	–	505	2,261	31	–	57,689	60,486
Transferred from construction in progress	–	607	–	–	–	(607)	–
Depreciation	(4,723)	(38,796)	(3,194)	(271)	(1,162)	–	(48,146)
Disposal	–	–	(2)	–	–	–	(2)
Net carrying amount	<u>344,384</u>	<u>514,850</u>	<u>33,268</u>	<u>2,666</u>	<u>11,733</u>	<u>62,589</u>	<u>969,490</u>
As at 31 March 2026 (unaudited)							
Cost	417,527	1,054,261	71,819	6,852	25,690	62,589	1,638,738
Accumulated depreciation	(73,019)	(534,726)	(38,546)	(4,186)	(13,957)	–	(664,434)
Accumulated impairment	(124)	(4,685)	(5)	–	–	–	(4,814)
Net carrying amount	<u>344,384</u>	<u>514,850</u>	<u>33,268</u>	<u>2,666</u>	<u>11,733</u>	<u>62,589</u>	<u>969,490</u>

APPENDIX I

ACCOUNTANTS’ REPORT

17. RIGHT-OF-USE ASSETS

The Group

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

	Land use rights	Leasehold land	Buildings	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	499,216	–	–	499,216
Additions	370,849	–	–	370,849
Depreciation	(13,453)	–	–	(13,453)
As at 31 December 2023 and 1 January 2024	856,612	–	–	856,612
Additions	118,198	7,920	3,949	130,067
Depreciation	(18,147)	(79)	(149)	(18,375)
As at 31 December 2024 and 1 January 2025	956,663	7,841	3,800	968,304
Additions	100,427	–	–	100,427
Transferred from construction in progress	90,853	–	–	90,853
Depreciation	(26,055)	(158)	(197)	(26,410)
Impairment	(6,264)	–	–	(6,264)
As at 31 December 2025 and 1 January 2026	1,115,624	7,683	3,603	1,126,910
Additions	2,455	–	–	2,455
Depreciation	(7,204)	(40)	(49)	(7,293)
As at 31 March 2026 (unaudited)	1,110,875	7,643	3,554	1,122,072

	Land use rights	Leasehold land	Buildings	Total
	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023				
Cost	878,200	–	–	878,200
Accumulated depreciation	(21,588)	–	–	(21,588)
	856,612	–	–	856,612
31 December 2024				
Cost	996,398	7,920	3,949	1,008,267
Accumulated depreciation	(39,735)	(79)	(149)	(39,963)
	956,663	7,841	3,800	968,304
31 December 2025				
Cost	1,187,678	7,920	3,949	1,199,547
Accumulated depreciation	(65,790)	(237)	(346)	(66,373)
Accumulated impairment	(6,264)	–	–	(6,264)
	1,115,624	7,683	3,603	1,126,910
31 March 2026 (unaudited)				
Cost	1,190,133	7,920	3,949	1,202,002
Accumulated depreciation	(72,994)	(277)	(395)	(73,666)
Accumulated impairment	(6,264)	–	–	(6,264)
	1,110,875	7,643	3,554	1,122,072

Notes:

- As at 31 December 2023, 2024, 2025 and 31 March 2026, land use rights represented the upfront payment for the land use rights which with remaining lease terms ranging from 35 to 50 years, 34 to 49 years, 33 to 65 years and 33 to 64 years, respectively and are situated in the PRC.
- The Group has pledged certain land use rights to secure borrowings granted to the Group. Details of the Group’s assets pledged for the Group’s borrowings are disclosed in Note 42 to the Historical Financial Information.
- As at 31 December 2023, 2024, 2025 and 31 March 2026, the depreciation charges on right-of-use assets of the Group were capitalised to construction in progress, amounting to nil, RMB915,000, RMB4,069,000 and RMB646,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

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

	Land use rights	Total
	RMB’000	RMB’000
As at 1 January 2023	77,858	77,858
Depreciation	(1,678)	(1,678)
As at 31 December 2023 and 1 January 2024	76,180	76,180
Additions	112	112
Depreciation	(1,680)	(1,680)
As at 31 December 2024 and 1 January 2025	74,612	74,612
Additions	182	182
Depreciation	(1,685)	(1,685)
As at 31 December 2025 and 1 January 2026	73,109	73,109
Depreciation	(421)	(421)
As at 31 March 2026 (unaudited)	72,688	72,688

18. INTANGIBLE ASSETS

	Patent technology	Non-patent technology	Software	Mining rights	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023					
Cost	178	93,149	5,491	–	98,818
Accumulated amortisation	(82)	(45,409)	(1,960)	–	(47,451)
Net carrying amount	96	47,740	3,531	–	51,367
Year ended 31 December 2023					
Opening net carrying amount	96	47,740	3,531	–	51,367
Additions	30	–	739	–	769
Amortisation	(22)	(11,364)	(1,185)	–	(12,571)
Closing net carrying amount	104	36,376	3,085	–	39,565
As at 31 December 2023 and 1 January 2024					
Cost	208	93,149	6,230	–	99,587
Accumulated amortisation	(104)	(56,773)	(3,145)	–	(60,022)
Net carrying amount	104	36,376	3,085	–	39,565
Year ended 31 December 2024					
Opening net carrying amount	104	36,376	3,085	–	39,565
Additions	–	–	1,483	14,773	16,256
Amortisation	(24)	(11,365)	(1,848)	–	(13,237)
Closing net carrying amount	80	25,011	2,720	14,773	42,584
As at 31 December 2024 and 1 January 2025					
Cost	208	93,149	7,713	14,773	115,843
Accumulated amortisation	(128)	(68,138)	(4,993)	–	(73,259)
Net carrying amount	80	25,011	2,720	14,773	42,584

	Patent technology	Non-patent technology	Software	Mining rights	Production quota	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2025						
Opening net carrying amount	80	25,011	2,720	14,773	–	42,584
Additions	–	–	1,087	–	23,206	24,293
Amortisation	(18)	(11,364)	(1,151)	–	–	(12,533)

APPENDIX I

ACCOUNTANTS’ REPORT

	Patent technology	Non-patent technology	Software	Mining rights	Production quota	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Closing net carrying amount	62	13,647	2,656	14,773	23,206	54,344
As at 31 December 2025 and 1 January 2026						
Cost	208	93,149	8,800	14,773	23,206	140,136
Accumulated amortisation	(146)	(79,502)	(6,144)	–	–	(85,792)
Net carrying amount . . .	62	13,647	2,656	14,773	23,206	54,344
Three months ended 31 March 2026 (unaudited)						
Opening net carrying amount	62	13,647	2,656	14,773	23,206	54,344
Additions	–	–	1,535	–	–	1,535
Amortisation	(4)	(2,841)	(297)	–	–	(3,142)
Closing net carrying amount	58	10,806	3,894	14,773	23,206	52,737
As at 31 March 2026 (unaudited)						
Cost	208	93,149	10,336	14,773	23,206	141,672
Accumulated amortisation	(150)	(82,343)	(6,442)	–	–	(88,935)
Net carrying amount . . .	58	10,806	3,894	14,773	23,206	52,737

Note: The Group has pledged mining rights to secure borrowings granted to the Group. Details of the Group’s assets pledged for the Group’s borrowings are disclosed in Note 42 to the Historical Financial Information.

19. GOODWILL

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Net carrying amount of goodwill can be analysed as follows:				
Gross carrying amount	180,235	180,235	180,235	180,235
Accumulated impairment	–	–	–	–
Net carrying amount at the end of the year/period	180,235	180,235	180,235	180,235

Impairment tests for a cash-generating unit containing goodwill

Goodwill acquired through business combination is allocated to the cash-generating unit (“CGU”) of Guangxi Yuning New Energy Materials Co., Ltd. (“Guangxi Yuning”)

Notes:

- (a) At the end of each reporting period, the recoverable amount of the Guangxi Yuning CGU has been assessed by management, which was determined based on value-in-use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows.

The following describes each key assumption on which management has based its expected cash flows to undertake the impairment of the CGU:

- (i) Average revenue growth rate and long-term revenue growth rate

Based on past performance and management’s expectations for market development and prudence’s sake.

The average revenue growth rate is considered to be slightly negative at approximately -1%, -3%, -1% and -1% for the years ended 31 December 2023, 2024, 2025, and period ended 31 March 2026, respectively.

The long-term revenue growth rate is considered to be zero for the years ended 31 December 2023, 2024, 2025, and period ended 31 March 2026, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Discount rate

The discount rate applied to the cash flow projections are approximately 12%, 12%, 13% and 13% for the years ended 31 December 2023, 2024, 2025, and period ended 31 March 2026, respectively, which reflects specific risk relating to Guangxi Yuning CGU.

- (b) No impairment losses have been recognised for the years ended 31 December 2023, 2024, 2025, and period ended 31 March 2026 in respect of the goodwill. Apart from the considerations described in determining the value-in-use of Guangxi Yuning CGU, management is not currently aware of any other probable changes that would necessitate changes in its key estimates and could cause the CGU’s carrying amounts to exceed their recoverable amounts.

20. INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Cost	2,503,710	2,603,897	4,511,768	4,675,433
Impairment loss	—	—	—	—
	<u>2,503,710</u>	<u>2,603,897</u>	<u>4,511,768</u>	<u>4,675,433</u>

Details of the Company’s principal subsidiaries are set out in Note 1 to the Historical Financial Information.

21. INTERESTS IN ASSOCIATES

(a) The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Unlisted investments, at cost	42,000	42,000	52,000	52,000
Share of net assets	(567)	(12,241)	(20,214)	(19,794)
	<u>41,433</u>	<u>29,759</u>	<u>31,786</u>	<u>32,206</u>

- (i) Details of associates at the end of the reporting period are as follows:

Name of associates	Place of operation/ incorporation/ establishment	Class of shares held	Proportion of value of issued capital directly held by the Company, as at				Principal activities
			31 December			31 March	
			2023	2024	2025	2026 (unaudited)	
Tongling Anweining New Energy Technology Co.,* Ltd. 銅陵安偉寧新能 源科技有限公司 . . .	Chinese Mainland	Ordinary share capital	35%	35%	35%	35%	Production and sale of iron phosphate
Hunan New Energy Materials Research Institute Co., Ltd.* 湖南省新能源材料研 究院有限公司	Chinese Mainland	Ordinary share capital	—	—	25%	25%	Research and development of specialised materials for the electronics industry

* English names are translated for identification purpose only.

- (ii) The following table illustrates the aggregated financial information of associates that are not individually material:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Aggregate carrying amount	<u>41,433</u>	<u>29,759</u>	<u>31,786</u>	<u>32,206</u>
Share of results, net	<u>(7,816)</u>	<u>(11,674)</u>	<u>(7,973)</u>	<u>420</u>
Share of total comprehensive (loss) income . .	<u>(7,816)</u>	<u>(11,674)</u>	<u>(7,973)</u>	<u>420</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Unlisted investments, at cost	42,000	42,000	52,000	52,000
Share of net assets	(567)	(12,241)	(20,214)	(19,794)
	<u>41,433</u>	<u>29,759</u>	<u>31,786</u>	<u>32,206</u>

22. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same taxable entity.

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Deferred tax assets	103,331	129,995	257,656	281,992
Deferred tax liabilities	(3,717)	(2,720)	(8,791)	(10,501)
	<u>99,614</u>	<u>127,275</u>	<u>248,865</u>	<u>271,491</u>
At the beginning of the year/period	102,824	99,614	127,275	248,865
(Charged)/Credited to profit or loss (<i>Note 12</i>) .	(3,185)	17,959	90,299	23,591
(Charged)/Credited in other comprehensive income	(25)	1,379	14,374	(15,728)
Credited to capital reserve	–	8,323	16,917	14,763
At the end of the year/period	<u>99,614</u>	<u>127,275</u>	<u>248,865</u>	<u>271,491</u>

Recognised deferred tax assets and liabilities

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Recognised deferred tax assets				
Asset impairment provisions	42,366	49,625	86,378	114,156
Unrealised profits from internal transactions . .	1,284	6,599	13,419	44,078
Tax losses	–	10,769	68,064	37,818
Government grant	39,723	35,713	30,384	32,751
Staff benefit payable	19,958	10,178	4,331	4,331
Accrued share-based payments	–	15,618	35,126	52,018
Cash flows hedge	–	1,488	15,728	–
Lease liabilities	–	575	552	910
Changes in fair value of derivative financial instrument	–	–	17,445	8,063
	<u>103,331</u>	<u>130,565</u>	<u>271,427</u>	<u>294,125</u>
Offset with deferred tax liabilities	–	(570)	(13,771)	(12,133)
Balance	<u>103,331</u>	<u>129,995</u>	<u>257,656</u>	<u>281,992</u>

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Recognised deferred tax liabilities				
Fair value gain on business combination	3,693	2,587	1,481	1,204
Cash flows hedge	24	133	–	–
Right-of-use assets	–	570	540	889
Government grant	–	–	20,541	20,541
	<u>3,717</u>	<u>3,290</u>	<u>22,562</u>	<u>22,634</u>
Offset with deferred tax assets	–	(570)	(13,771)	(12,133)
Balance	<u>3,717</u>	<u>2,720</u>	<u>8,791</u>	<u>10,501</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Deferred tax assets not recognised

Deferred tax assets should be recognised when it is probable that taxable profits or taxable temporary differences will be available against which the deferred tax asset can be utilised. Temporary differences will not be recognised as deferred tax assets if management estimates that they will not be recovered from taxable profits generated from continuing operations in the foreseeable future. The following table sets forth the tax losses and deductible temporary differences which were not recognised as deferred tax assets at the end of each reporting period:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Deductible temporary differences	167,416	205,261	319,605	318,952
Tax losses	117,448	187,485	236,219	257,568
	<u>284,864</u>	<u>392,746</u>	<u>555,824</u>	<u>576,520</u>

The Group has unused tax losses of RMB117,448,000, RMB187,485,000, RMB236,219,000 and RMB257,568,000 as at 31 December 2023, 2024, 2025 and 31 March 2026, 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.

At the end of the reporting period, the Group has the following tax losses that can be offset against future taxable profits of the respective subsidiaries:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
2026	–	14,306	15,045	15,045
2027	3,018	2,969	–	–
2028	46,520	90,091	85,896	85,896
2029	9,130	78,819	57,404	57,404
2030	–	–	73,417	79,794
2031	14,306	–	–	14,291
2033	44,474	–	–	–
Do not expire	–	1,300	4,457	5,138
	<u>117,448</u>	<u>187,485</u>	<u>236,219</u>	<u>257,568</u>

23. INVENTORIES

The Group

At 31 December 2023

	Cost	Provision	Carrying amount
	RMB'000	RMB'000	RMB'000
Raw materials	410,958	9,800	401,158
Work in progress	271,004	–	271,004
Finished goods	675,930	23,239	652,691
	<u>1,357,892</u>	<u>33,039</u>	<u>1,324,853</u>

At 31 December 2024

	Cost	Provision	Carrying amount
	RMB'000	RMB'000	RMB'000
Raw materials	766,632	7,453	759,179
Work in progress	900,676	5,365	895,311
Finished goods	1,158,651	14,786	1,143,865
	<u>2,825,959</u>	<u>27,604</u>	<u>2,798,355</u>

APPENDIX I

ACCOUNTANTS’ REPORT

At 31 December 2025

	Cost	Provision	Carrying amount
	RMB'000	RMB'000	RMB'000
Raw materials	1,214,599	7,527	1,207,072
Work in progress	1,436,790	9,319	1,427,471
Finished goods	1,017,389	23,215	994,174
	<u>3,668,778</u>	<u>40,061</u>	<u>3,628,717</u>

At 31 March 2026

	Cost	Provision	Carrying amount
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Raw materials	1,891,576	7,516	1,884,060
Work in progress	1,726,894	9,319	1,717,575
Finished goods	1,533,657	23,186	1,510,471
	<u>5,152,127</u>	<u>40,021</u>	<u>5,112,106</u>

Note: The Group reviews the condition of inventories and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review at the end of each reporting period and makes allowance by reference to the latest market prices and current market conditions.

Inventories are stated at the lower of cost and net realisable value.

The allowances for inventories recognised for the years ended 31 December 2023, 2024, 2025 and period ended 31 March 2026 were RMB332,770,000, RMB32,270,000, RMB17,532,000, and nil, respectively.

At the end of the above reporting period, the management expected most of the balance to be recovered within 12 months.

The Company

At 31 December 2023

	Cost	Provision	Carrying amount
	RMB'000	RMB'000	RMB'000
Raw materials	55,076	9,800	45,276
Work in progress	36,992	–	36,992
Finished goods	181,214	11,113	170,101
	<u>273,282</u>	<u>20,913</u>	<u>252,369</u>

At 31 December 2024

	Cost	Provision	Carrying amount
	RMB'000	RMB'000	RMB'000
Raw materials	78,188	7,147	71,041
Work in progress	143,375	2,330	141,045
Finished goods	262,719	14,731	247,988
	<u>484,282</u>	<u>24,208</u>	<u>460,074</u>

APPENDIX I

ACCOUNTANTS’ REPORT

At 31 December 2025

	Cost	Provision	Carrying amount
	RMB'000	RMB'000	RMB'000
Raw materials	68,243	7,150	61,093
Work in progress	29,565	7,371	22,194
Finished goods	231,713	22,888	208,825
	<u>329,521</u>	<u>37,409</u>	<u>292,112</u>

At 31 March 2026

	Cost	Provision	Carrying amount
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Raw materials	114,415	7,150	107,265
Work in progress	54,384	7,371	47,013
Finished goods	281,681	22,861	258,820
	<u>450,480</u>	<u>37,382</u>	<u>413,098</u>

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group’s derivative financial instruments are measured at fair value and are summarised below:

		At 31 December			At 31 March
		2023	2024	2025	2026
Note		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Derivative financial instruments					
Current asset					
– Commodity futures contracts					
Cash flow hedge	(a)(i)	161	–	–	–
– Embedded derivatives					
Deferred pricing arrangements					
from purchases	(a)(ii)	–	–	–	21,612
		<u>161</u>	<u>–</u>	<u>–</u>	<u>21,612</u>
		<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Current liabilities					
– Commodity futures contracts					
Cash flow hedge	(a)(i)	–	9,032	62,914	–
– Embedded derivatives					
Deferred pricing arrangements					
from purchases	(a)(ii)	–	–	69,782	53,862
		<u>–</u>	<u>9,032</u>	<u>132,696</u>	<u>53,862</u>
		<u><u>–</u></u>	<u><u>9,032</u></u>	<u><u>132,696</u></u>	<u><u>53,862</u></u>

(a) (i) Commodity futures contracts — cash flow hedge

The Group uses futures contracts to hedge a portion of the lithium carbonate price exposure arising from its expected future sales and procurement activities. The hedging ineffectiveness for commodity price risk contracts during the Track Record Period were insignificant.

The hedge relationships relate to the commodity price risk arising from the highly probable sales and purchase transactions and the resulting receivables, payables and inventories. Reclassification to profit or loss occurs at the time of the associated transactions being recognised and then further movements to profit or loss to match the retranslation of the associated receivable, payable and inventory.

(ii) Embedded derivatives

The Group holds embedded derivatives in relation to the deferred pricing arrangements from purchases with certain suppliers. They are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Embedded derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Hedging relationships

The potential sources of ineffectiveness result from either (i) differences between the timing of the cash flows of the hedged item and hedging instrument and potential credit risk or (ii) over-hedging when the volumes of highly probable transactions fall below hedged amounts. The likelihood of the above factors is low. At the current time, no significant ineffectiveness has arisen from the above factors.

(c) Hedging reserves

The movement of the hedging reserves recognised as other comprehensive income in the consolidated statements of comprehensive income are as below:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	–	137	(7,677)	(47,186)
Add: change in fair value of hedging instrument recognised in other comprehensive income	161	(9,032)	(62,914)	–
Add: deferred tax impact	(24)	1,355	15,728	–
Add: reclassified from other comprehensive income to profit or loss	–	(137)	7,677	47,186
At the end of the year/period	<u>137</u>	<u>(7,677)</u>	<u>(47,186)</u>	<u>–</u>

25. TRADE AND BILLS RECEIVABLES

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables	4,828,693	5,665,152	7,015,200	10,113,303
Less: Allowances for expected credit loss . . .	(250,586)	(305,944)	(377,664)	(532,421)
Trade receivables, net	<u>4,578,107</u>	<u>5,359,208</u>	<u>6,637,536</u>	<u>9,580,882</u>
Bills receivable	421,631	692,519	2,690,617	2,513,917
Less: Allowances for expected credit loss . . .	–	–	(24,956)	–
Bills receivable, net	<u>421,631</u>	<u>692,519</u>	<u>2,665,661</u>	<u>2,513,917</u>
	<u>4,999,738</u>	<u>6,051,727</u>	<u>9,303,197</u>	<u>12,094,799</u>

Certain bills receivable are pledged as security for the Group’s borrowings, details are disclosed in Note 42 to the Historical Financial Information.

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables	4,825,405	5,664,245	3,016,353	5,093,129
Less: Allowances for expected credit loss . . .	(250,386)	(305,868)	(176,409)	(247,887)
Trade receivables, net	<u>4,575,019</u>	<u>5,358,377</u>	<u>2,839,944</u>	<u>4,845,242</u>
Bills receivable	420,297	690,563	1,634,822	792,594
Less: Allowances for expected credit loss . . .	–	–	(24,956)	–
Bills receivable, net	<u>420,297</u>	<u>690,563</u>	<u>1,609,866</u>	<u>792,594</u>
	<u>4,995,316</u>	<u>6,048,940</u>	<u>4,449,810</u>	<u>5,637,836</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The credit period granted to customers is generally within 60 days during the Track Record Period.

Bills receivable held by the Company and the Group are primarily bank acceptance bills with maturity periods within 6 months.

The aging analysis of trade receivables (based on date of revenue recognition) and before ECL allowance is as follows:

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
1 year	4,822,287	5,630,128	6,985,996	10,085,097
1-2 years	49	28,912	54	44
2-3 years	245	–	23,038	22,050
Over 3 years	6,112	6,112	6,112	6,112
	<u>4,828,693</u>	<u>5,665,152</u>	<u>7,015,200</u>	<u>10,113,303</u>

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
1 year	4,819,244	5,629,827	2,987,176	5,064,950
1-2 years	49	28,306	27	17
2-3 years	–	–	23,038	22,050
Over 3 years	6,112	6,112	6,112	6,112
	<u>4,825,405</u>	<u>5,664,245</u>	<u>3,016,353</u>	<u>5,093,129</u>

Movements in ECL allowance on trade receivables are as follows:

The Group

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	342,609	250,586	305,944	377,664
(Reversal of ECL)/ECL allowance recognised, net.	(92,023)	55,358	71,720	154,757
At the end of the year/period.	<u>250,586</u>	<u>305,944</u>	<u>377,664</u>	<u>532,421</u>

The Company

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	342,174	250,386	305,868	176,409
(Reversal of ECL)/ECL allowance recognised, net.	(91,788)	55,482	(129,459)	71,478
At the end of the year/period.	<u>250,386</u>	<u>305,868</u>	<u>176,409</u>	<u>247,887</u>

As at 31 December 2023, 2024 and 2025 and 31 March 2026, all the Group’s and the Company’s bills receivable were not past due. The directors do not expect that there will be any significant credit losses from non-performance by these counterparties.

APPENDIX I

ACCOUNTANTS’ REPORT

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayment for inventories	85,652	304,860	724,740	1,161,159
Government grant receivables	324,532	335,367	346,471	331,471
Security deposits	4,020	65,887	102,517	6,905
Others	52,637	52,923	54,490	56,734
	466,841	759,037	1,228,218	1,556,269
Allowances on other receivables	(167,416)	(173,298)	(203,702)	(202,996)
	<u>299,425</u>	<u>585,739</u>	<u>1,024,516</u>	<u>1,353,273</u>

The movements on the ECL allowance of deposits and other receivables are as follows:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	127,614	167,416	173,298	203,702
Provision/(reversal)	39,803	5,882	30,440	(706)
Written off	(1)	–	(36)	–
At the end of the year/period	<u>167,416</u>	<u>173,298</u>	<u>203,702</u>	<u>202,996</u>

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayment for inventories	7,527	14,479	11,568	12,465
Amount due from subsidiaries	2,280,998	3,981,056	7,908,883	8,615,182
Security deposits	3,681	47,655	5	305
Others	469	758	746	767
	2,292,675	4,043,948	7,921,202	8,628,719
Allowances on other receivables	(28)	(38)	(38)	(54)
	<u>2,292,647</u>	<u>4,043,910</u>	<u>7,921,164</u>	<u>8,628,665</u>

The movements on the ECL allowance of deposits and other receivables are as follows:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	119	28	38	38
(Reversal)/Provision	(91)	10	–	16
At the end of the year/period	<u>28</u>	<u>38</u>	<u>38</u>	<u>54</u>

APPENDIX I

ACCOUNTANTS’ REPORT

27. OTHER CURRENT ASSETS

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
VAT – input	1,376,042	1,251,948	1,214,242	1,037,757
Prepaid expenses	4,090	87,400	100,664	66,954
	<u>1,380,132</u>	<u>1,339,348</u>	<u>1,314,906</u>	<u>1,104,711</u>

28. FINANCIAL ASSETS AT FVTOCI

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current				
Unlisted equity investment (<i>note (a)</i>)	–	–	–	150,000
Current				
Bank acceptance notes and electronic debt claims certificates measured at FVTOCI (<i>note (b)</i>)	4,253,684	3,178,314	3,244,816	3,878,832
	<u>4,253,684</u>	<u>3,178,314</u>	<u>3,244,816</u>	<u>4,028,832</u>

Transfer of all derecognised financial assets

As large commercial banks and listed joint-stock commercial banks generally have high credit ratings, bank acceptance notes accepted by such banks are derecognised upon endorsement or discounting. Where the holders of the receivables have no right of recourse against the Company, electronic debt claims certificates endorsed or discounted by the Company are derecognised upon endorsement or discounting. As at 31 December 2023, 2024, 2025 and 31 March 2026, the outstanding endorsed and discounted bills receivable of the Group amounted to RMB10,651,812,000, RMB6,618,769,000, RMB13,087,395,000 and RMB16,846,290,000, respectively.

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current				
Unlisted equity investment (<i>note (a)</i>)	–	–	–	150,000
Current				
Bank acceptance notes and electronic debt claims certificates measured at FVTOCI (<i>note (b)</i>)	4,100,262	3,166,289	2,500,753	2,791,886
	<u>4,100,262</u>	<u>3,166,289</u>	<u>2,500,753</u>	<u>2,941,886</u>

Notes:

- (a) The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group and the Company considers this investment to be strategic investments.
- (b) Certain bills and electronic debt claims certificates held by the Group and the Company for the practice of discounting to financial institutions/endorsing to the suppliers before their maturity date were classified as “bank acceptance notes and electronic debt claims certificates measured at FVTOCI” under financial assets at FVTOCI in the consolidated statements of financial position. At the end of each reporting period, all the bills are with a maturity period of less than 12 months. The Group and the Company consider the credit risk is limited because counterparties are financial institutions with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

APPENDIX I

ACCOUNTANTS’ REPORT

29. BANK BALANCES AND CASH/PLEDGED DEPOSITS

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current				
Bank balances and cash	663,285	542,649	1,038,484	5,704,470
Pledged deposits	1,225,616	948,730	1,298,353	1,028,297
	<u>1,888,901</u>	<u>1,491,379</u>	<u>2,336,837</u>	<u>6,732,767</u>
Non-current				
Pledged deposits	—	—	155,277	149,521
	<u>—</u>	<u>—</u>	<u>155,277</u>	<u>149,521</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Details of the Group’s pledged deposits are disclosed in Note 42 to the Historical Financial Information.

The Company

The Company’s bank balances and cash/pledged deposits mainly comprise cash and cash equivalents and pledged deposits.

30. TRADE AND BILLS PAYABLES

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	1,999,817	2,109,782	2,695,415	3,385,760
Bills payable	4,096,337	4,131,873	4,422,008	6,370,825
	<u>6,096,154</u>	<u>6,241,655</u>	<u>7,117,423</u>	<u>9,756,585</u>

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	65,770	89,663	73,704	421,959
Bills payable	4,051,515	4,848,375	6,844,697	8,020,719
	<u>4,117,285</u>	<u>4,938,038</u>	<u>6,918,401</u>	<u>8,442,678</u>

The credit period granted by suppliers is generally within 60 days. At the end of each reporting period, there were no significant trade payables aged over 1 year (on goods arrival and acceptance date basis).

At the end of each reporting period, no matured bills payable were unpaid.

Details of the Group’s assets pledged for the Group’s bills payable are disclosed in Note 42 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

31. OTHER PAYABLES AND ACCRUALS

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Accrued charges	6,420	5,961	6,827	8,243
Payables on construction and equipment	3,260,865	3,728,135	4,460,526	4,399,569
Accrued staff benefits	223,797	192,937	204,827	168,646
Security deposits	74,014	110,061	200,705	215,612
Other taxes payable	20,022	31,584	51,471	156,470
	<u>3,585,118</u>	<u>4,068,678</u>	<u>4,924,356</u>	<u>4,948,540</u>

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Accrued charges	4,605	4,256	3,221	5,512
Payables on construction and equipment	314,312	242,275	108,323	93,614
Amount due to subsidiaries	967,243	349,772	481,850	638,949
Accrued staff benefits	106,559	107,762	75,436	51,426
Security deposits	7,749	15,960	23,320	25,839
Other taxes payable	4,721	4,650	4,543	6,274
	<u>1,405,189</u>	<u>724,675</u>	<u>696,693</u>	<u>821,614</u>

32. CONTRACT LIABILITIES

Contract liabilities represent the obligation to transfer goods to customers in consideration of payments received from customers. Contract liabilities are incurred when the payment schedule agreed under the contract is ahead of the performance of contract obligations.

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Contract liabilities				
Current	453,386	19,407	18,672	31,730
Non-current	150,089	–	–	–
	<u>603,475</u>	<u>19,407</u>	<u>18,672</u>	<u>31,730</u>

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the year are as follows:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At 1 January	1,755,098	603,475	19,407	18,672
Recognised as revenue	(1,159,069)	(603,087)	(19,297)	(17,011)
Receipt of advances or recognition of receivables	7,446	19,019	18,562	30,069
	<u>603,475</u>	<u>19,407</u>	<u>18,672</u>	<u>31,730</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Group receives payments of the contract from customers based on billing schedule as set out in the contracts for providing sales of phosphate-based cathode materials and related products.

For the years ended 31 December 2023 and 2024, the decrease in contract liabilities was primarily due to a major customer utilising advance payments made under a guaranteed supply arrangement to offset the purchase of products following the completion of the relevant arrangement in 2024.

Unsatisfied long-term contracts

The amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2023 is RMB579 million, of which RMB446 million and RMB133 million are expected to be recognised as revenue within 12 months and 13-24 months respectively. During the year ended 31 December 2024, at the request of the customer, the Group fulfilled its contractual obligations ahead of the agreed schedule. The amounts disclosed do not include variable consideration that is constrained.

All other contracts have a term of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of IFRS 15, the transaction price allocated to these performance obligations is not disclosed.

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Contract liabilities				
Current	446,050	9,704	118	5,440
Non-current	150,089	—	—	—
	<u>596,139</u>	<u>9,704</u>	<u>118</u>	<u>5,440</u>

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the year are as follows:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At 1 January	1,754,130	596,139	9,704	118
Performance obligations satisfied	(1,158,118)	(596,139)	(9,704)	(118)
Receipt of advances or recognition of receivables	127	9,704	118	5,440
	<u>596,139</u>	<u>9,704</u>	<u>118</u>	<u>5,440</u>

33. INTEREST-BEARING BORROWINGS

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Interest-bearing borrowings				
– Secured loans	—	20,650	351,649	428,452
– Guaranteed loans	1,076,365	1,158,674	1,319,731	1,308,385
– Secured and guaranteed loans	614,840	498,340	367,140	367,140
– Unsecured and unguaranteed loans	2,816,590	4,492,318	6,298,205	8,020,796
	<u>4,507,795</u>	<u>6,169,982</u>	<u>8,336,725</u>	<u>10,124,773</u>
Discounted bills	100,000	1,354,221	3,602,613	2,690,916
Accrued interests	4,064	6,625	6,488	7,493
	<u>4,611,859</u>	<u>7,530,828</u>	<u>11,945,826</u>	<u>12,823,182</u>
Current portion	2,011,080	3,774,995	6,606,479	6,593,113
Non-current portion	2,600,779	3,755,833	5,339,347	6,230,069
	<u>4,611,859</u>	<u>7,530,828</u>	<u>11,945,826</u>	<u>12,823,182</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023, 2024, 2025 and 31 March 2026, the borrowings bear effective interest rates from 2.30% to 4.6%, 1.9% to 4.05%, 1.80% to 4.05% and 1.80% to 4.05% per annum, respectively.

Notes:

- (a) Bank’s credit facilities amounted to RMB16,370,773,000, RMB12,126,626,000, RMB15,526,284,000 and RMB17,737,685,000 had not been utilised as at 31 December 2023, 2024, 2025 and 31 March 2026 respectively.
- (b) Details of the Group’s assets pledged for the Group’s borrowings are disclosed in Note 42 to the Historical Financial Information.
- (c) Guaranteed loans were guaranteed by the Company, the Company’s subsidiary and a shareholder of the Company. Subsequently, the guarantee provided by such shareholder has been released in June 2026.

During the Track Record Period, the Group did not violate any financial covenants under the agreements of borrowings. The Group’s and the Company’s borrowings were repayable as follows:

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Analysed as:				
Bank borrowings				
– Within 1 year	1,909,734	2,417,674	3,001,375	3,899,550
– Over 1 year but within 2 years	1,442,788	1,350,920	2,251,542	2,907,632
– Over 2 years but within 5 years	1,020,511	2,222,868	2,787,910	3,048,404
– Over 5 years	134,762	178,520	295,898	269,187
	<u>4,507,795</u>	<u>6,169,982</u>	<u>8,336,725</u>	<u>10,124,773</u>

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Interest-bearing borrowings				
– Guaranteed loans	46,600	39,900	33,200	33,200
– Secured and guaranteed loans	308,000	262,700	214,900	214,900
– Unsecured and unguaranteed loans	2,673,490	3,715,729	4,568,006	5,517,845
	<u>3,028,090</u>	<u>4,018,329</u>	<u>4,816,106</u>	<u>5,765,945</u>
Discounted bills	100,000	–	497,949	–
Accrued interests	2,736	3,513	3,416	4,038
	<u>3,130,826</u>	<u>4,021,842</u>	<u>5,317,471</u>	<u>5,769,983</u>
Current portion	1,537,031	1,748,335	2,135,006	2,464,150
Non-current portion	1,593,796	2,273,507	3,182,465	3,305,833
	<u>3,130,827</u>	<u>4,021,842</u>	<u>5,317,471</u>	<u>5,769,983</u>

As at 31 December 2023, 2024, 2025 and 31 March 2026, the borrowings bear effective interest rates from 2.30% to 4.45%, 1.90% to 4.05%, 1.80% to 4.05% and 1.80% to 4.05% per annum, respectively.

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Analysed as:				
Bank borrowings				
– Within 1 year	1,435,761	1,747,023	1,635,923	2,462,523
– Over 1 year but within 2 years	1,084,323	745,722	1,532,422	1,782,622
– Over 2 years but within 5 years	465,106	1,525,584	1,647,761	1,520,800
– Over 5 years	42,900	–	–	–
	<u>3,028,090</u>	<u>4,018,329</u>	<u>4,816,106</u>	<u>5,765,945</u>

APPENDIX I

ACCOUNTANTS’ REPORT

34. LEASE LIABILITIES

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Total minimum lease payments:				
– Within 1 year	–	–	–	–
– Over 1 year but within 5 years	–	4,000	4,000	4,000
	–	4,000	4,000	4,000
Future interest expense on lease liabilities . . .	–	(980)	(884)	(859)
Present value of lease liabilities	–	3,020	3,116	3,141

The following table shows the remaining contractual maturities of the Group’s lease liabilities:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Present value of minimum lease payments:				
– Within 1 year	–	–	–	–
– Over 1 year but within 5 years	–	3,020	3,116	3,141
	–	3,020	3,116	3,141
Less: portion due within one year included under current liabilities	–	–	–	–
Portion due after one year included under non- current liabilities	–	3,020	3,116	3,141

The total cash outflows for the leases including short-term leases for the years ended 31 December 2023, 2024, 2025 and period ended 31 March 2026 were RMB17,737,000, RMB49,117,000, RMB67,538,000 and RMB16,810,000 respectively.

35. OTHER CURRENT LIABILITIES

The Group

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Endorsed bills ^(Note)	232,230	541,134	1,460,131	1,802,242
Output VAT	58,728	2,244	2,120	3,411
	290,958	543,378	1,462,251	1,805,653

The Company

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Endorsed bills ^(Note)	230,896	539,321	828,780	653,650
Output VAT	57,987	1,260	15	707
	288,883	540,581	828,795	654,357

Note:

Endorsed bills represent bank acceptance notes received from customers that have been endorsed to suppliers for settlement of trade and other payables. As these bank acceptance notes are issued by banks with ordinary credit quality, the Group considers that it retains substantially all of the risks and rewards associated with such notes after endorsement. Therefore, these notes continue to be recognised as bills receivable, and a corresponding financial liability is recognised in other current liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

36. DEFERRED INCOME

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Government grant				
At beginning of the year/period	38,205	255,306	232,814	379,299
Addition	239,375	19,250	191,983	19,135
Amortisation	(22,274)	(41,742)	(45,498)	(12,028)
At the end of the year/period	<u>255,306</u>	<u>232,814</u>	<u>379,299</u>	<u>386,406</u>

37. SHARE CAPITAL

	Note	Share Capital	
		Number of shares	RMB'000
Issued and fully paid			
As at 1 January 2023		567,939,870	567,940
New shares issued	1	<u>189,313,200</u>	<u>189,313</u>
As at 31 December 2023 and 1 January 2024, 31 December 2024 and 1 January 2025		757,253,070	757,253
New shares issued	2	<u>3,549,651</u>	<u>3,550</u>
As at 31 December 2025 and 1 January 2026		760,802,721	760,803
New shares issued	3	<u>82,537,493</u>	<u>82,537</u>
As at 31 March 2026 (unaudited)		<u>843,340,214</u>	<u>843,340</u>

Notes:

1. According to the “Approval for the Registration of the Initial Public Offering of Hunan Yuneng New Energy Battery Material Co., Ltd.” issued by the China Securities Regulatory Commission (CSRC Approval No. [2022] 2321), the Company conducted an initial public offering of 189,313,200 ordinary shares (A shares) in Renminbi at an offer price of RMB23.77 per share, underwritten by CSC Financial Co., Ltd., the lead underwriter. The total proceeds amounted to RMB4,499,974,764, and after deducting underwriting and sponsorship fees (excluding VAT) of RMB178,300,887, the proceeds amounted to RMB4,321,673,877, which were remitted by CSC Financial Co., Ltd., the underwriter, into the Company’s supervision account for the proceeds on 3 February 2023. After further deducting other issuance expenses (excluding VAT), including audit and capital verification fees and legal fees, totaling RMB33,181,348, the net proceeds of the Company amounted to RMB4,288,492,530. Of which, RMB189,313,200 was recorded as share capital, and RMB4,099,179,330 was recorded as capital reserve (share premium).
2. During the year ended 31 December 2025, share capital increased by RMB3,549,651 which attributable to the issuance of 3,549,651 new shares upon the vesting of restricted shares granted under the first vesting period of the Company’s equity incentive plan.
3. Pursuant to the “Approval for the Registration of the Non-public Issuance of Shares by Hunan Yuneng New Energy Battery Material Co., Ltd.” (CSRC Approval (2026) No. 81) issued by the China Securities Regulatory Commission, the Company issued 82,537,493 ordinary shares (A shares) to specific investors, with a par value of RMB1.00 per share and an issue price of RMB58.01 per share. The total proceeds raised amounted to RMB4,787,999,969. After deducting issuance expenses (excluding VAT) of RMB55,810,265, the net proceeds were RMB4,732,189,704, which were deposited into the Company’s designated account on 16 March 2026. The newly issued shares were listed on 9 April 2026.

38. RESERVES

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.

Capital reserve

The capital reserve has been set up and is dealt with the following:

- the excess of the consideration received for subscription of the registered capital/shares of the Company;
- the effect of repurchase of the Company’s shares;
- the effect of granting/exercising the restricted stock incentive plan; and
- the difference between the consideration paid and net assets acquired by the Group for acquisition of non-controlling interests in subsidiaries.

APPENDIX I

ACCOUNTANTS’ REPORT

Translation reserve (under other comprehensive income reserve)

Translation reserve has been set up and is dealt with in accordance with accounting policies adopted for the foreign exchange differences arising from the translation of the financial statements of the Group’s foreign operations.

Statutory reserve

The Group is required to transfer 10% of profits after tax calculated in accordance with the PRC accounting regulations to statutory reserve funds until they reach 50% of registered capital, upon which any further appropriation is at the directors’ recommendation. These reserve funds may be used either to offset losses, or to be converted to increase share capital.

The Company

	Reserves					Total
	Share capital	Capital reserve	Other comprehensive income	Statutory reserve	Accumulated profits	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023						
At 1 January 2023	567,940	926,355	—	234,270	2,106,518	3,835,083
Profit for the year	—	—	—	—	289,988	289,988
Other comprehensive income						
Cash flow hedging reserves (effective part of profit or loss of cash flow hedging) . .	—	—	137	—	—	137
Total comprehensive income . .	—	—	137	—	289,988	290,125
Transactions with owners:						
<i>Contributions and distributions</i>						
Issue of shares	189,313	4,099,179	—	—	—	4,288,492
Dividends declared	—	—	—	—	(301,386)	(301,386)
	189,313	4,099,179	—	—	(301,386)	3,987,106
Transfer of statutory reserve . .	—	—	—	28,999	(28,999)	—
At 31 December 2023	757,253	5,025,534	137	263,269	2,066,121	8,112,314

	Reserves					Total
	Share capital	Capital reserve	Other comprehensive income	Statutory reserve	Accumulated profits	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024						
At 1 January 2024	757,253	5,025,534	137	263,269	2,066,121	8,112,314
Profit for the year	—	—	—	—	892,398	892,398
Other comprehensive income						
Cash flow hedging reserves (effective part of profit or loss of cash flow hedging) . .	—	—	(7,814)	—	—	(7,814)
Total comprehensive income . .	—	—	(7,814)	—	892,398	884,584
Transactions with owners:						
<i>Contributions and distributions</i>						
Dividends declared	—	—	—	—	(316,532)	(316,532)
Share-based payments	—	49,882	—	—	—	49,882
	—	49,882	—	—	(316,532)	(266,650)
Transfer of statutory reserve . .	—	—	—	89,240	(89,240)	—
At 31 December 2024	757,253	5,075,416	(7,677)	352,509	2,552,747	8,730,248

APPENDIX I

ACCOUNTANTS’ REPORT

	Reserves					Total
	Share capital	Capital reserve	Other comprehensive income	Statutory reserve	Accumulated profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025						
At 1 January 2025	757,253	5,075,416	(7,677)	352,509	2,552,747	8,730,248
Profit for the year	–	–	–	–	31,609	31,609
Other comprehensive income						
Cash flow hedging reserves						
(effective part of profit or						
loss of cash flow hedging) . .	–	–	7,677	–	–	7,677
Total comprehensive income . .	–	–	7,677	–	31,609	39,286
Transactions with owners:						
<i>Contributions and distributions</i>						
Issue of shares	3,550	56,279	–	–	–	59,829
Dividends declared	–	–	–	–	(118,889)	(118,889)
Share-based payments	–	88,997	–	–	–	88,997
	3,550	145,276	–	–	(118,889)	29,937
Transfer of statutory reserve . .	–	–	–	3,161	(3,161)	–
At 31 December 2025	760,803	5,220,692	–	355,670	2,462,306	8,799,471

	Reserves					Total
	Share capital	Capital reserve	Other comprehensive income	Statutory reserve	Accumulated profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Period ended 31 March 2025						
(unaudited)						
At 1 January 2025	757,253	5,075,416	(7,677)	352,509	2,552,747	8,730,248
Loss for the period	–	–	–	–	(26,849)	(26,849)
Other comprehensive income						
– Cash flow hedging reserves						
(effective part of profit or						
loss of cash flow hedging) . .	–	–	7,677	–	–	7,677
Total comprehensive income . .	–	–	7,677	–	(26,849)	(19,172)
Transactions with owners:						
<i>Contributions and distributions</i>						
Share-based payments	–	21,206	–	–	–	21,206
	–	21,206	–	–	–	21,206
At 31 March 2025	757,253	5,096,622	–	352,509	2,525,898	8,732,282

	Reserves					Total
	Share capital	Capital reserve	Other comprehensive income	Statutory reserve	Accumulated profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Period ended 31 March 2026						
(unaudited)						
At 1 January 2026	760,803	5,220,692	–	355,670	2,462,306	8,799,471
Profit for the period	–	–	–	–	91,009	91,009
Total comprehensive income . .	–	–	–	–	91,009	91,009
Transactions with owners:						
<i>Contributions and distributions</i>						
Issue of shares	82,537	4,649,652	–	–	–	4,732,189
Share-based payments	–	25,744	–	–	–	25,744
	82,537	4,675,396	–	–	–	4,757,933
At 31 March 2026	843,340	9,896,088	–	355,670	2,553,315	13,648,413

APPENDIX I

ACCOUNTANTS’ REPORT

39. PROVISION FOR MINE SITE ENVIRONMENTAL REHABILITATION

Pursuant to the regulations of the governmental authorities of the places where the mines are located, the Group recognises provision for environmental rehabilitation and restoration of mines. The amount of provision is an estimate based upon the life of mining tenements, timing of mine closure and cost of such rehabilitation. The management will update the estimation basis annually.

40. SHARE-BASED EMPLOYEE COMPENSATIONS

Restricted Stock Incentive Plan

The Company operates “2024 Restricted Stock Incentive Plan” (the “Scheme”), a restricted share incentive scheme approved by the Board of Directors and general meeting in 2024. The Scheme is accounted for as an equity-settled share-based payment transaction.

Grant and modification

On 18 April 2024, the Board approved the draft of the Scheme, which was subsequently revised and approved on 30 April 2024. The Scheme was approved by shareholders at the annual general meeting held on 15 May 2024.

On 3 July 2024, the Board approved the initial grant of restricted shares and certain modifications to the Scheme. The key terms of the initial grant, are as follows:

- Grant date: 3 July 2024
- Number of shares granted: 11,952,080
- Number of grantees: 280
- Grant price: RMB17.012 per share

On 28 April 2025, the Board approved the grant of reserved restricted shares to eligible participants.

On 20 June 2025, the Board approved an adjustment of the grant price from RMB17.012 to RMB16.855 per share following the completion of the 2024 profit distribution.

Vesting conditions

The restricted shares are subject to both service conditions and performance conditions. Vesting is contingent upon:

- The continued employment of the grantees during the vesting period; and
- The achievement of specified corporate and individual performance targets.

The vesting period of the initial grant was assessed during the year of 2025, and the Board resolved that the grantees who satisfied the relevant vesting conditions qualified as eligible participants and were subsequently be granted the restricted shares.

Lapsed

During the year ended 31 December 2025, 1,089,547 unvested restricted shares were lapsed.

After excluding shares that lapsed or were unlocked during the year, 9,914,282 restricted shares remained outstanding under the initial and reserved grant.

	Number of shares
As at 1 January 2024	–
Initial grant	11,796,540
As at 31 December 2024	11,796,540
Unit exercise price in respect of equity instruments outstanding at the end of the year	RMB17.012
Remaining contract terms of equity instruments outstanding at the end of the year	6-30 months
As at 1 January 2025	11,796,540
Reserved grant	2,756,940
Unlocked	(3,549,651)
Lapsed.	(1,089,547)
As at 31 December 2025 and 1 January 2026	9,914,282
Unit exercise price in respect of equity instruments outstanding at the end of the year	RMB16.855
Remaining contract terms of equity instruments outstanding at the end of the year	5-18 months
As at 1 January 2026	9,914,282
Lapsed.	(13,450)
As at 31 March 2026 (unaudited)	9,900,832
Unit exercise price in respect of equity instruments outstanding at the end of the period	RMB16.855
Remaining contract terms of equity instruments outstanding at the end of the period	2-15 months
Method for determining the fair value as at the grant date	Black-Scholes

APPENDIX I

ACCOUNTANTS’ REPORT

	Number of shares
Basis for determining the number of equity instruments with exercisable rights	Estimate the vesting conditions for each vesting period, and revise the estimated number of equity instruments expected to vest on the basis of the best estimate, taking into account subsequent information such as changes in the number of employees expected to satisfy the vesting conditions.

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Cumulative amount of equity settled share-based payment recognised into capital reserves	—	46,102	123,235	139,264
Total recognised fees of share-based payments settled in equity in the current year	—	46,102	77,133	16,029

Determination method of fair value of equity instruments: The fair value at the grant date was independently determined using an unadjusted form of Black-Scholes Model taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the inputs to the model used:

	2024 Restricted Stock Incentive Plan (initial grant)	2024 Restricted Stock Incentive Plan (reserved grant)
Reference share price at the date of grant	RMB30.05/share	RMB30.92/share
Expiry date	Year 2027	Year 2027
Grant price per share	RMB17.012	RMB17.012
Expected volatility of the Company’s shares	22.2%-24.9%	32.7%-39.7%
Expected dividend yield	1.02%	1.02%
Risk-free interest rate	1.5%-2.8%	1.5%-2.1%

No shares under 2024 Restricted Stock Incentive Plan were granted subsequent to the end of the reporting period.

41. FINANCIAL GUARANTEE CONTRACTS

At the end of each reporting period, certain banking facilities of the Group were secured by joint corporate guarantees provided by the Company’s subsidiary and a shareholder of the Company, as credit enhancement for the Group to obtain the relevant banking facilities. The guarantee amounts of the contracts are as follows:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
The Group				
Guarantees from a shareholder (note)	150,000	150,000	150,000	150,000
The Company				
Guarantees from a shareholder (note)	150,000	150,000	150,000	150,000
Guarantees from a subsidiary	300,000	300,000	300,000	300,000
Guarantees to subsidiaries	4,620,000	4,150,000	6,350,000	6,350,000

Note: The guarantees from a shareholder to the Group and the Company were released in June 2026.

APPENDIX I

ACCOUNTANTS’ REPORT

42. RESTRICTED ASSETS

At the end of each reporting period, the Group’s certain assets have been pledged to secure borrowings and banking facilities granted to the Group. Certain bills receivable are restricted from use due to having been endorsed or discounted without qualifying for derecognition. The carrying amounts of the restricted assets of the Group at the end of each reporting period are as follows:

	<i>Note</i>	At 31 December			At 31 March
		2023	2024	2025	2026
		RMB’000	RMB’000	RMB’000	RMB’000
Property, plant and equipment	(i)	579,078	557,489	547,843	548,730
Right-of-use assets	(i)	73,355	72,018	86,518	86,052
Intangible assets	(i)	–	3,579	3,579	3,579
Bills receivables	(ii)	415,598	555,503	2,232,191	2,183,869
Financial assets at FVTOCI	(ii)	1,354,166	139,436	58,239	135,611
Pledged deposits	(iii)	1,225,616	948,730	1,453,630	1,177,818
		<u>3,647,813</u>	<u>2,276,755</u>	<u>4,382,000</u>	<u>4,135,659</u>

Notes:

- (i) The property, plant and equipment, land use rights, and mining rights were pledged to secure the certain amount of bank borrowings (Note 33).
- (ii) Certain bills receivable and financial assets at FVTOCI were pledged to secure the banking financing. Certain bills receivable are restricted from use due to having been endorsed or discounted without derecognition.
- (iii) Pledged deposits represent security deposits for bank borrowings and government subsidies.

43. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the Track Record Period is as follows:

2023

	Bank loans and other borrowings	Lease liabilities	Total
	RMB’000	RMB’000	RMB’000
At beginning of the year	6,322,313	–	6,322,313
Net cash flows	(1,658,747)	–	(1,658,747)
Interest expenses	191,170	–	191,170
Other changes	(242,877)	–	(242,877)
At end of the year	<u>4,611,859</u>	<u>–</u>	<u>4,611,859</u>

2024

	Bank loans and other borrowings	Lease liabilities	Total
	RMB’000	RMB’000	RMB’000
At beginning of the year	4,611,859	–	4,611,859
Net cash flows	2,753,760	(8,920)	2,744,840
New leases	–	11,870	11,870
Interest expenses	165,209	70	165,279
At end of the year	<u>7,530,828</u>	<u>3,020</u>	<u>7,533,848</u>

APPENDIX I

ACCOUNTANTS’ REPORT

2025

	Bank loans and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At beginning of the year	7,530,828	3,020	7,533,848
Net cash flows	4,198,800	–	4,198,800
Interest expenses	216,198	96	216,294
At end of the year	11,945,826	3,116	11,948,942

31 March 2026 (unaudited)

	Bank loans and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At beginning of the period	11,945,826	3,116	11,948,942
Net cash flows	1,315,091	–	1,315,091
Changes in exchanges rates	(725)	–	(725)
Interest expenses	62,104	25	62,129
Other changes	(499,114)	–	(499,114)
At end of the period	12,823,182	3,141	12,826,323

(b) Major non-cash transaction

Property, plant and equipment settled by bills

The Group recognised the addition of property, plant and equipment, right-of-use assets, intangible assets and related prepayments, amounted to approximately of RMB5,360.8 million, RMB3,906.8 million, RMB5,302.9 million and RMB1,218.2 million during the year/period ended 31 December 2023, 2024, 2025, and 31 March 2026 respectively, of which RMB2,407 million, RMB2,524 million, RMB3,014 million and RMB973 million settled through the bills.

Trade payables settled by bills

The Group settled outstanding trade payables amounting to RMB17,387 million, RMB9,641 million, RMB15,574 million and RMB6,555 million during the year/period ended 31 December 2023, 2024, 2025, and 31 March 2026 respectively, via the bills to suppliers.

44. COMMITMENTS

a. Capital commitments

At the end of each reporting period, capital commitments contracted but not provided for in the Historical Financial Information are as follows:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Contracted, but not provided for, net of deposits				
– Property, plant and equipment and intangible assets	433,784	1,974,862	2,010,487	1,992,017

b. As lessee

At the end of each reporting period, the Group’s lease commitments for short-term leases are as follows:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within one year	14,660	24,925	29,876	12,318

APPENDIX I

ACCOUNTANTS’ REPORT

45. RELATED PARTY TRANSACTIONS

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

a. Relationships with related parties

Name of related party	Relationship with the Group
Tongling Anweining New Energy Technology Co., Ltd.* 銅陵安偉寧新能源科技有限公司	Associate

b. Material Transactions with related parties

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Purchase goods					
Tongling Anweining New Energy Technology Co., Ltd.* (銅陵安偉寧新能源科技有限公司)	Purchases	36,922	—	—	—

* English name is translated for identification purpose only.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each financial instrument at the end of each reporting period are as follows:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Financial assets				
<i>Financial assets at fair value</i>				
– Financial assets at FVTOCI	4,253,684	3,178,314	3,244,816	4,028,832
– Derivative financial instruments	161	—	—	21,612
<i>Financial assets at amortised cost</i>				
– Trade and bills receivables	4,999,738	6,051,727	9,303,197	12,094,799
– Deposits and other receivables	213,773	280,879	299,776	192,114
– Pledged deposits	1,225,616	948,730	1,453,630	1,177,818
– Bank balances and cash	663,285	542,649	1,038,484	5,704,470
	<u>11,356,257</u>	<u>11,002,299</u>	<u>15,339,903</u>	<u>23,219,645</u>
Financial liabilities				
<i>Financial liabilities at fair value</i>				
Derivative financial instruments	—	9,032	132,696	53,862
<i>Financial liabilities measured at amortised cost</i>				
– Trade and bills payables	6,096,154	6,241,655	7,117,423	9,756,585
– Other payables and accruals	3,341,299	3,844,157	4,668,058	4,623,424
– Interest-bearing borrowings	4,611,859	7,530,828	11,945,826	12,823,182
– Lease liabilities	—	3,020	3,116	3,141
– Other current liabilities	232,230	541,134	1,460,131	1,802,242
	<u>14,281,542</u>	<u>18,169,826</u>	<u>25,327,250</u>	<u>29,062,436</u>

APPENDIX I

ACCOUNTANTS’ REPORT

47. 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.

a. Fair value hierarchy

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
Financial assets				
Financial assets at FVTOCI	–	–	4,253,684	4,253,684
Derivative financial instruments	161	–	–	161
As at 31 December 2024				
Financial assets				
Financial assets at FVTOCI	–	–	3,178,314	3,178,314
Financial liabilities				
Derivative financial instruments	9,032	–	–	9,032
As at 31 December 2025				
Financial assets				
Financial assets at FVTOCI	–	–	3,244,816	3,244,816
Financial liabilities				
Derivative financial instruments	132,696	–	–	132,696
As at 31 March 2026 (unaudited)				
Financial assets				
Financial assets at FVTOCI	–	–	4,028,832	4,028,832
Derivative financial instruments	21,612	–	–	21,612
Financial liabilities				
Derivative financial instruments	53,862	–	–	53,862

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

The following table presents the movement of Level 3 fair value hierarchy for the Track Record Period:

	Bank acceptance notes and electronic debt claims certificates measured at FVTOCI	Unlisted equity investment measured at FVTOCI	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	3,369,926	–	3,369,926
Addition	883,758	–	883,758
As at 31 December 2023 and 1 January 2024	4,253,684	–	4,253,684
Disposal	(1,075,370)	–	(1,075,370)
As at 31 December 2024 and 1 January 2025	3,178,314	–	3,178,314
Additions	66,502	–	66,502
As at 31 December 2025 and 1 January 2026	3,244,816	–	3,244,816
Additions	634,016	150,000	784,016
As at 31 March 2026 (unaudited)	3,878,832	150,000	4,028,832

APPENDIX I

ACCOUNTANTS’ REPORT

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 comprise market approach, adjusted net assets approach and recent transaction price approach. The inputs of the valuation technique mainly include volatility, financial data of target companies, market multiple of comparable companies and discount for lack of marketability.

Assets subject to Level 3 fair value measurement were mainly included bank acceptance notes and electronic debt claims certificates measured at FVTOCI and unlisted equity investment measured at FVTOCI. These assets were measured mainly using market approach, adjusted net assets approach and recent transaction price approach. The judgment of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value.

The information of fair value measurements for Level 3 as at 31 December 2023, 2024 and 2025 and 31 March 2026 is as follows:

	At 31 December			At 31 March	Valuation technique	Significant unobservable input	Sensitivity relationship to unobservable input to fair value
	2023	2024	2025	2026			
	RMB'000	RMB'000	RMB'000	RMB'000			
				(unaudited)			
Bank acceptance notes and electronic debt claims certificates measured at FVTOCI	4,253,684	3,178,314	3,244,816	3,878,832	Discounted cash flow	Discount for lack of marketability, Counterparty risk	Assuming other factors remain unchanged, the higher discount rate, the lower the fair value
Unlisted equity investment measured at FVTOCI	—	—	—	150,000	Recent transaction price	N/A	N/A

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments of the Group comprise cash and cash equivalent, interest-bearing borrowings, and derivative financial instruments the main purpose of which is to support for the operations of the Group. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

The risks of the Group’s financial instruments are mainly arising from commodity price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Commodity price risk

The Group is exposed to commodity price risk mainly arising from lithium carbonate, the price volatility of which could affect the results of operations. The Group manages the commodity price risk of lithium carbonate mainly through the sales pricing mechanism linked to the price of lithium carbonate, supply chain management and commodity future contracts.

Interest rate risk

The Group’s interest rate risk primarily arises from interest-bearing borrowings. Interest-bearing borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group has been monitoring the level of interest rates. The increase in 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 variable interest-bearing financial instruments as at 31 December 2023, 2024 and 2025 and 31 March 2026:

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Interest-bearing borrowings with floating rates	2,834,730	4,255,589	6,517,709	8,447,467

APPENDIX I

ACCOUNTANTS’ REPORT

If interest rates of floating rate instruments had been 50 basis points higher/lower with all other variables held constant, the profit before income tax would be lower/higher RMB14,174,000, RMB21,278,000, RMB32,589,000 and RMB42,237,000 as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity.

As of 31 December 2023, 2024, 2025 and 31 March 2026, the Group’s financial assets and liabilities denominated in foreign currencies were minimal, as the majority of the Company’s and the Chinese Mainland subsidiaries’ transactions and balances were denominated in its functional currency, RMB. The functional currency of the subsidiary incorporated in Spain is Euro.

Consequently, management assesses that the Group’s exposure to foreign currency risk is immaterial. A reasonably possible change in the exchange rates of foreign currencies against the functional currency would not have a material impact on the Group’s profit after tax or equity. Therefore, no detailed sensitivity analysis has been presented.

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 the carrying amount of each financial asset measured at amortised cost as disclosed in the Historical Financial Information.

Trade receivables

The Group’s policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the management. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored.

The Group has applied the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for all trade receivables. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is assessed individually or based on provision matrix, as appropriate, and the expected loss rates are based on the historical settlement experience as well as the corresponding historical credit losses.

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.

A default on trade receivables is when the counterparty fails to make contractual payments when they fall due.

Trade receivables is written off when there is no reasonable expectation of recovery.

On that basis, the ECL allowance as at 31 December 2023, 2024 and 2025 and 31 March 2026 was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount	ECL allowance	Credit-impaired
	%	RMB'000	RMB'000	
As at 31 December 2023				
Under 1 year	5%	4,822,288	244,422	No
1 to 2 years	10%	49	5	No
2 to 3 years	20%	245	48	No
3 to 4 years	50%	–	–	No
4 to 5 years	80%	169	169	Yes
Over 5 years	100%	5,942	5,942	Yes
		<u>4,828,693</u>	<u>250,586</u>	
As at 31 December 2024				
Under 1 year	5%	5,630,128	281,506	No
1 to 2 years	10%	28,912	18,326	Yes
2 to 3 years	20%	–	–	No
3 to 4 years	50%	–	–	No
4 to 5 years	80%	–	–	No
Over 5 years	100%	6,112	6,112	Yes
		<u>5,665,152</u>	<u>305,944</u>	

APPENDIX I

ACCOUNTANTS’ REPORT

	Expected loss rate	Gross carrying amount	ECL allowance	Credit-impaired
	%	RMB'000	RMB'000	
As at 31 December 2025				
Under 1 year	5%	6,985,996	349,300	No
1 to 2 years	10%	54	5	No
2 to 3 years	20%	23,038	22,247	Yes
3 to 4 years	50%	–	–	No
4 to 5 years	80%	–	–	No
Over 5 years	100%	6,112	6,112	Yes
		<u>7,015,200</u>	<u>377,664</u>	
As at 31 March 2026 (unaudited)				
Under 1 year	5%	10,085,097	504,255	No
1 to 2 years	10%	44	4	No
2 to 3 years	20%	22,050	22,050	Yes
3 to 4 years	50%	–	–	No
4 to 5 years	80%	–	–	No
Over 5 years	100%	6,112	6,112	Yes
		<u>10,113,303</u>	<u>532,421</u>	

Other than the loss allowance using the provision matrix, included in the above allowance for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,522,000, RMB23,751,000, RMB28,161,000 and RMB28,161,000 as at 31 December 2023, 2024, 2025 and 31 March 2026, respectively with a carrying amount before provision of RMB28,161,000, RMB28,161,000, RMB28,161,000 and RMB28,161,000, respectively.

Bills receivable

Credit risk for bills receivable is considered to be immaterial, as almost all bills receivables are bank acceptance notes, and the Group did not expect that there would be any significant losses from non-performance by these banks.

Deposits and other receivables

Over the term of deposits and other receivables, the Group accounts for its credit risk by appropriately providing for ECL on a timely basis. To assess whether there is a significant increase in credit risk in deposits and other receivables, the Group compares the risk of a default occurring on the financial assets at the end of each reporting 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 behaviour of the counterparty, including changes in the payment status of the counterparty.

As stated in Note 26 to the Historical Financial Information, impairment on deposits and other receivables accounted as amortised cost is measured as either 12-month ECL or lifetime ECL. On such basis, the following table sets forth the ECL allowance for deposits and other receivables as at 31 December 2023, 2024 and 2025 and 31 March 2026:

	Gross carrying amount	ECL allowance	Expected loss rate
	RMB'000	RMB'000	
As at 31 December 2023			
Assessed based on grouping	<u>381,189</u>	<u>167,416</u>	<u>44%</u>
As at 31 December 2024			
Assessed based on grouping	<u>454,177</u>	<u>173,298</u>	<u>38%</u>
As at 31 December 2025			
Assessed based on grouping	<u>503,478</u>	<u>203,702</u>	<u>40%</u>
As at 31 March 2026 (unaudited)			
Assessed based on grouping	<u>395,110</u>	<u>202,996</u>	<u>51%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Other financial assets measured at amortised cost

Other financial assets measured at amortised cost include pledged deposits and bank balances and cash.

Credit risk for bank balances and cash is considered to be immaterial, as the counterparts are banks/financial institutions with high credit ratings by international credit rating agencies.

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 reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or the carrying amount of the financial liabilities to be delivered.

	Within 1 year	1-3 years	Over 3 years	Total undiscounted amount	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023					
Trade and bills payables	6,096,154	–	–	6,096,154	6,096,154
Other payables and accruals	3,341,299	–	–	3,341,299	3,341,299
Interest-bearing borrowings	2,124,931	2,156,475	584,759	4,866,165	4,611,859
Other current liabilities	232,230	–	–	232,230	232,230
	<u>11,794,614</u>	<u>2,156,475</u>	<u>584,759</u>	<u>14,535,848</u>	<u>14,281,542</u>
As at 31 December 2024					
Trade and bills payables	6,241,655	–	–	6,241,655	6,241,655
Other payables and accruals	3,844,157	–	–	3,844,157	3,844,157
Interest-bearing borrowings	3,925,372	3,230,290	683,844	7,839,506	7,530,828
Lease liabilities	–	–	4,000	4,000	3,020
Other current liabilities	541,134	–	–	541,134	541,134
Derivative financial instruments – liabilities	9,032	–	–	9,032	9,032
	<u>14,561,350</u>	<u>3,230,290</u>	<u>687,844</u>	<u>18,479,484</u>	<u>18,169,826</u>
As at 31 December 2025					
Trade and bills payables	7,117,423	–	–	7,117,423	7,117,423
Other payables and accruals	4,668,058	–	–	4,668,058	4,668,058
Interest-bearing borrowings	6,797,810	4,510,547	1,038,615	12,346,972	11,945,826
Lease liabilities	–	1,000	3,000	4,000	3,116
Other current liabilities	1,460,131	–	–	1,460,131	1,460,131
Derivative financial instruments – liabilities	132,696	–	–	132,696	132,696
	<u>20,176,118</u>	<u>4,511,547</u>	<u>1,041,615</u>	<u>25,729,280</u>	<u>25,327,250</u>
As at 31 March 2026 (unaudited)					
Trade and bills payables	9,756,585	–	–	9,756,585	9,756,585
Other payables and accruals	4,623,424	–	–	4,623,424	4,623,424
Interest-bearing borrowings	6,822,552	5,437,258	1,014,911	13,274,721	12,823,182
Lease liabilities	–	1,000	3,000	4,000	3,141
Other current liabilities	1,802,242	–	–	1,802,242	1,802,242
Derivative financial instruments – liabilities	53,862	–	–	53,862	53,862
	<u>23,058,665</u>	<u>5,438,258</u>	<u>1,017,911</u>	<u>29,514,834</u>	<u>29,062,436</u>

Capital management

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

APPENDIX I

ACCOUNTANTS’ REPORT

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 are no changes in capital management objectives, policies or procedures.

	At 31 December			At 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Total assets	26,794,645	30,342,071	39,092,154	49,271,086
Total liabilities	15,478,862	18,681,528	26,148,720	30,167,843
Asset-liability ratio	57.8%	61.6%	66.9%	61.2%

49. SUBSEQUENT EVENTS

There were no material events taken place subsequent to 31 March 2026.

50. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2026.