

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, [●], Certified Public Accountants, Hong Kong.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KUNLUN NEW ENERGY MATERIALS TECHNOLOGY (YICHANG) CO., LTD, CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Kunlun New Energy Materials Technology (Yichang) Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 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 [REDACTED] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

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Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2025 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as 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 Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

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I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	1,576,590	1,020,598	1,746,060	636,538	1,971,914
Cost of sales		(1,403,744)	(975,760)	(1,582,339)	(599,045)	(1,692,194)
Gross profit		172,846	44,838	163,721	37,493	279,720
Other income and gains	6	12,602	12,289	6,217	2,476	5,171
Other expense		–	–	(780)	(807)	(15,980)
Selling and distribution expenses		(8,777)	(8,811)	(9,542)	(4,471)	(6,894)
Administrative expenses		(44,390)	(52,138)	(72,819)	(27,180)	(51,677)
Research and development expenses		(19,662)	(24,094)	(30,175)	(11,272)	(25,812)
Impairment losses on financial assets, net		(436)	(9,154)	(9,491)	(6,023)	(20,086)
Finance costs	8	(3,425)	(4,701)	(8,345)	(2,772)	(5,557)
Profit/(loss) before tax		108,758	(41,771)	38,786	(12,556)	158,885
Income tax (charge)/credit	11	(22,590)	14,162	(2,724)	3,181	(11,182)
Profit/(loss) for the year/period		<u>86,168</u>	<u>(27,609)</u>	<u>36,062</u>	<u>(9,375)</u>	<u>147,703</u>
Attributable to:						
Owners of the parent		74,575	(22,114)	36,560	(7,866)	127,863
Non-controlling interests		<u>11,593</u>	<u>(5,495)</u>	<u>(498)</u>	<u>(1,509)</u>	<u>19,840</u>
		<u>86,168</u>	<u>(27,609)</u>	<u>36,062</u>	<u>(9,375)</u>	<u>147,703</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent						
Basic (RMB) and Diluted (RMB yuan)	13	<u>1.92</u>	<u>(0.57)</u>	<u>0.94</u>	<u>(0.20)</u>	<u>3.21</u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(Loss) for the year/period . .	<u>86,168</u>	<u>(27,609)</u>	<u>36,062</u>	<u>(9,375)</u>	<u>147,703</u>
Other comprehensive income					
Other comprehensive					
(loss)/income that may be					
reclassified to profit or loss in					
subsequent periods:					
Exchange differences on					
translation of					
foreign operations	<u>—</u>	<u>(22)</u>	<u>2,839</u>	<u>3,582</u>	<u>(2,682)</u>
Debt investments at fair value					
through other comprehensive					
income:					
Impairment losses	<u>—</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>59</u>
Income tax effect	<u>—</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>(10)</u>
Net other comprehensive					
(loss)/income that may be					
reclassified to profit or loss in					
subsequent periods	<u>—</u>	<u>(22)</u>	<u>2,858</u>	<u>3,582</u>	<u>(2,633)</u>
Other comprehensive income that					
will not be reclassified to profit					
or loss in subsequent periods:					
Equity investments at fair value					
through other comprehensive					
income/(loss):					
Changes in fair value	<u>4</u>	<u>4,999</u>	<u>(895)</u>	<u>350</u>	<u>1,040</u>
Income tax effect	<u>(1)</u>	<u>(750)</u>	<u>135</u>	<u>(51)</u>	<u>(156)</u>
Net other comprehensive					
income/(loss) that will not be					
reclassified to profit or loss in					
subsequent periods	<u>3</u>	<u>4,249</u>	<u>(760)</u>	<u>299</u>	<u>884</u>
Other comprehensive					
income/(loss) for the					
year/period, net of tax	<u>3</u>	<u>4,227</u>	<u>2,098</u>	<u>3,881</u>	<u>(1,749)</u>
Total comprehensive income/(loss)					
for the year/period.	<u>86,171</u>	<u>(23,382)</u>	<u>38,160</u>	<u>(5,494)</u>	<u>145,954</u>
Attributable to:					
Owners of the parent	<u>74,578</u>	<u>(17,887)</u>	<u>38,658</u>	<u>(3,985)</u>	<u>126,114</u>
Non-controlling interests	<u>11,593</u>	<u>(5,495)</u>	<u>(498)</u>	<u>(1,509)</u>	<u>19,840</u>
	<u>86,171</u>	<u>(23,382)</u>	<u>38,160</u>	<u>(5,494)</u>	<u>145,954</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . . .	14	487,159	466,408	835,616	894,982
Prepayments, other receivables and other assets	23	15,205	11,806	83,326	61,235
Right-of-use assets	15	68,489	66,197	103,982	140,982
Intangible assets	16	2,550	2,153	2,919	2,923
Debt investments at fair value through other comprehensive income	18	—	72,258	—	—
Equity investments designated at fair value through other comprehensive income	17	53,437	68,437	67,542	68,582
Deferred tax assets	20	—	14,947	29,437	35,004
Financial assets at fair value through profit or loss	19	—	—	30,276	30,722
Total non-current assets		626,840	702,206	1,153,098	1,234,430
CURRENT ASSETS					
Inventories	21	30,298	53,671	177,014	281,096
Trade and bills receivables	22	961,066	605,385	1,158,724	1,561,478
Debt investments at fair value through other comprehensive income	18	—	21,239	32,036	32,467
Prepayments, other receivables and other assets	23	47,605	66,567	45,090	54,508
Financial assets at fair value through profit or loss	19	36,914	41,890	53,136	84,533
Pledged deposits	24	57,854	46,786	68,255	81,493
Cash and cash equivalents	24	23,539	41,484	46,935	197,193
Total current assets		1,157,276	877,022	1,581,190	2,292,768
CURRENT LIABILITIES					
Trade and bills payables	25	(469,899)	(340,066)	(937,811)	(1,239,015)
Other payables and accruals	26	(100,623)	(46,059)	(116,518)	(69,603)
Interest-bearing bank borrowings	28	(74,483)	(55,438)	(283,907)	(448,202)
Lease liabilities	15	(386)	(436)	(184)	(163)
Tax payable		(3,779)	(158)	(10,010)	(14,277)
Contract liabilities	30	(836)	(33,697)	(26,661)	(45,531)
Derivative financial instruments		—	—	—	(661)
Total current liabilities		(650,006)	(475,854)	(1,375,091)	(1,817,452)
NET CURRENT ASSETS		507,270	401,168	206,099	475,316
TOTAL ASSETS LESS CURRENT LIABILITIES					
		1,134,110	1,103,374	1,359,197	1,709,746
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	28	(94,949)	(88,337)	(150,389)	(255,810)
Lease liabilities	15	(174)	(105)	(144)	(4)
Deferred government grants	27	(5,864)	(3,130)	(11,013)	(12,604)
Deferred tax liabilities	20	(2,693)	(4,227)	(10,971)	(7,026)
Total non-current liabilities		(103,680)	(95,799)	(172,517)	(275,444)
Net assets		1,030,430	1,007,575	1,186,680	1,434,302
EQUITY					
Share capital	29	38,922	38,922	38,922	40,216
Reserves	32	943,111	925,672	964,574	1,190,859
		982,033	964,594	1,003,496	1,231,075
Non-controlling interests		48,397	42,981	183,184	203,227
Total equity		1,030,430	1,007,575	1,186,680	1,434,302

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						Non-controlling interests	Total equity	
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Retained profits			Total
	RMB'000 (note 29)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000			RMB'000
At 1 January 2023 . . .	38,922	715,663	1,170	14,288	5,493	131,919	907,455	36,804	944,259
Profit for the year . . .	—	—	—	—	—	74,575	74,575	11,593	86,168
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax .	—	—	—	—	3	—	3	—	3
Total comprehensive income for the year .	—	—	—	—	3	74,575	74,578	11,593	86,171
Safety production reserve	—	—	—	9,334	—	(9,334)	—	—	—
Transfer to statutory surplus reserve . . .	—	—	629	—	—	(629)	—	—	—
At 31 December 2023 .	38,922	715,663*	1,799*	23,622*	5,496*	196,531*	982,033	48,397	1,030,430

Year ended 31 December 2024

	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits			Total
	RMB'000 (note 29)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000			RMB'000
At 1 January 2024	38,922	715,663	1,799	23,622	5,496	–	196,531	982,033	48,397	1,030,430
Loss for the year	–	–	–	–	–	–	(22,114)	(22,114)	(5,495)	(27,609)
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	4,249	–	–	4,249	–	4,249
Exchange differences on translation of foreign operations	–	–	–	–	–	(22)	–	(22)	–	(22)
Total comprehensive loss for the year	–	–	–	–	4,249	(22)	(22,114)	(17,887)	(5,495)	(23,382)
Safety production reserve .	–	–	–	7,035	–	–	(7,035)	–	–	–
Equity-settled share award expense	–	448	–	–	–	–	–	448	79	527
At 31 December 2024 . . .	38,922	716,111*	1,799*	30,657*	9,745*	(22)*	167,382*	964,594	42,981	1,007,575

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Year ended 31 December 2025

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	38,922	716,111	1,799	30,657	9,745	(22)	167,382	964,594	42,981	1,007,575
Profit for the year	-	-	-	-	-	-	36,560	36,560	(498)	36,062
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(760)	-	-	(760)	-	(760)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	19	-	-	19	-	19
Exchange differences on translation of foreign operations	-	-	-	-	-	2,839	-	2,839	-	2,839
Total comprehensive income for the year	-	-	-	-	(741)	2,839	36,560	38,658	(498)	38,160
Acquisition of a subsidiary (note 33).	-	-	-	-	-	-	-	-	140,666	140,666
Safety production reserve	-	-	-	(1,065)	-	-	1,065	-	-	-
Equity-settled share award expense	-	244	-	-	-	-	-	244	35	279
At 31 December 2025	38,922	716,355*	1,799*	29,592*	9,004*	2,817*	205,007*	1,003,496	183,184	1,186,680

Six months ended 30 June 2025 (unaudited)

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	38,922	716,111	1,799	30,657	9,745	(22)	167,382	964,594	42,981	1,007,575
Loss for the period (unaudited)	-	-	-	-	-	-	(7,866)	(7,866)	(1,509)	(9,375)
Other comprehensive income for the period (unaudited):										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	-	299	-	-	299	-	299
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	-	3,582	-	3,582	-	3,582
Total comprehensive loss for the period (unaudited)	-	-	-	-	299	3,582	(7,866)	(3,985)	(1,509)	(5,494)

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	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000 (note 29)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000	RMB'000
Safety production reserve (unaudited)	—	—	—	(4,192)	—	—	4,192	—	—	—
At 30 June 2025 (unaudited)	38,922	716,111	1,799	26,465	10,044	3,560	163,708	960,609	41,472	1,002,081

Six months ended 30 June 2026

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000 (note 29)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	38,922	716,355	1,799	29,592	9,004	2,817	205,007	1,003,496	183,184	1,186,680
Profit for the period	—	—	—	—	—	—	127,863	127,863	19,840	147,703
Other comprehensive income for the period:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	884	—	—	884	—	884
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	—	—	—	—	49	—	—	49	—	49
Exchange differences on translation of foreign operations	—	—	—	—	—	(2,682)	—	(2,682)	—	(2,682)
Total comprehensive income for the period	—	—	—	—	933	(2,682)	127,863	126,114	19,840	145,954
Issue of shares	1,294	98,706	—	—	—	—	—	100,000	—	100,000
Safety production reserve	—	—	—	2,768	—	—	(2,768)	—	—	—
Equity-settled share award expense	—	1,465	—	—	—	—	—	1,465	203	1,668
At 30 June 2026	40,216	816,526*	1,799*	32,360*	9,937*	135*	330,102*	1,231,075	203,227	1,434,302

* These reserve accounts comprise the consolidated reserves of RMB943,111,000, RMB925,672,000, RMB964,574,000 and RMB1,190,859,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and 30 June 2026.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		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>
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax . . .		108,758	(41,771)	38,786	(12,556)	158,885
Adjustments for:						
Finance costs	8	3,425	4,701	8,345	2,772	5,557
Interest income from debt investments at fair value through other comprehensive income . .	6	—	(611)	(2,352)	(1,218)	(431)
Dividends income from equity investments designated at fair value through other comprehensive income . .	6	(625)	—	—	—	—
Depreciation of property, plant and equipment . . .	14	35,145	48,483	53,215	25,015	43,477
Depreciation of right-of- use assets	15	2,632	2,742	2,639	1,312	2,016
Amortisation of intangible assets	16	584	1,052	785	412	530
Gains/Loss from changes in fair value of financial assets measured at fair value through profit or loss	6	(274)	(676)	(435)	(28)	12,887
Gain on early termination of leases	6	—	(54)	(27)	—	—
Gains on foreign exchanges		—	—	(337)	450	(2,675)
Written-down of inventories to net realisable value, net . . .		6,276	6,671	5,042	1,024	(1,282)
Impairment losses on financial assets, net . . .		436	9,154	9,491	6,023	20,086
Share-based payment expense		—	527	279	—	1,668
Loss/(gain) on disposal of items of property, plant, and equipment	6	41	(4)	18	(7)	333
		<u>156,398</u>	<u>30,214</u>	<u>115,449</u>	<u>23,199</u>	<u>241,051</u>
Decrease/(increase) in inventories		65,637	(30,043)	(107,679)	17,130	(102,800)
(Increase)/decrease in trade and bills receivables . . .		(228,756)	301,991	(519,124)	(179,574)	(422,837)
(Increase)/decrease in prepayments, other receivables and other assets		(7,223)	(21,372)	2,687	6,998	(10,453)
(Increase)/decrease in pledged deposits		(25,080)	11,068	(20,451)	32,401	(13,238)

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Notes	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Increase/(decrease) in trade and bills payables	124,600	(129,834)	571,723	52,674	301,203
Increase in other payables and accruals	28,419	3,017	14,457	24,278	(9,115)
(Decrease)/increase in deferred government grants	(705)	(2,734)	7,883	6,597	1,590
(Decrease)/increase in contract liabilities	(6,360)	32,860	(7,847)	(31,521)	18,870
Cash generated from/(used in) operations	106,930	195,167	57,098	(47,818)	4,271
Income tax paid	(22,164)	(4,328)	(487)	(157)	(21,683)
Net cash flows from operating activities	84,766	190,839	56,611	(47,975)	(17,412)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	625	—	—	—	—
Proceeds from disposal of items of property, plant and equipment	41	254	1,333	10	—
Proceeds from financial assets measured at fair value through profit or loss	100,403	342,345	129,360	85,000	54,430
Purchases of financial assets measured at fair value through profit or loss	(137,041)	(346,644)	(120,520)	(48,500)	(97,610)
Purchases of transferable certificate of bank deposit	—	(92,886)	—	—	—
Proceeds from transferable certificate of bank deposit	—	—	63,814	—	—
Purchase of convertible bonds	—	—	(30,000)	—	—
Payment of futures deposits	—	—	(2,000)	—	—
Acquisition of a subsidiary	—	—	(127,895)	—	—
Purchases of equity investments designated at fair value through other comprehensive income	(17,238)	(10,001)	—	—	—
Purchases of property, plant and equipment . . .	(221,669)	(35,934)	(84,258)	(45,455)	(99,964)
Purchases of land use right	—	—	—	—	(793)
Purchases of intangible assets	(2,162)	(655)	(945)	(204)	(534)
Prepayment for acquisition of land use right	—	—	(37,880)	—	—

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	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Repayment of land deposits		8,651	3,148	–	–	–
Payment of rental deposits		–	–	(124)	–	–
Net cash flows (used in)/from investing activities		(268,390)	(140,373)	(209,115)	(9,149)	(144,471)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings . . .		140,894	57,499	175,311	104,071	372,640
Repayment of bank borrowings		(50,803)	(83,328)	(63,071)	(31,107)	(102,918)
Interest paid		(6,815)	(6,231)	(8,185)	(2,772)	(5,557)
Advances from an investor		–	–	50,000	–	–
Capital injections from an investor		–	–	–	–	50,000
Repayment of capital injections receivables from non-controlling shareholder (note 33) . .		–	–	8,229	–	–
Payment of [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payment of loan service fee		–	–	(400)	–	(400)
Repayments of leases liabilities		(1,713)	(441)	(1,923)	(820)	(165)
Net cash flows from/(used in) financing activities . .		81,563	(32,501)	157,618	69,372	309,466
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(102,061)	17,965	5,114	12,248	147,583
Cash and cash equivalents at beginning of year/period		125,600	23,539	41,484	41,484	46,935
Effect of foreign exchange rate changes, net		–	(20)	337	(450)	2,675
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		23,539	41,484	46,935	53,282	197,193
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		23,539	41,484	46,935	53,282	197,193
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	24	23,539	41,484	46,935	53,282	197,193

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 June
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . . .	14	2,129	3,408	3,947	3,444
Prepayments, other receivables and other assets	23	8,664	9,464	28,664	33,660
Right-of-use assets	15	921	—	—	—
Intangible assets	16	22	17	120	100
Investments in subsidiaries	1	319,773	332,099	631,571	675,855
Equity investments designated at fair value through other comprehensive income	17	53,437	68,437	67,542	68,582
Financial assets at fair value through profit or loss	19	—	—	30,276	30,722
Total non-current assets		384,946	413,425	762,120	812,363
CURRENT ASSETS					
Inventories	21	117	5,907	18	—
Trade and bills receivables	22	53,935	73,605	74,461	21,290
Prepayments, other receivables and other assets	23	394,581	378,662	131,996	134,975
Cash and cash equivalents	24	948	7,288	2,766	41,025
Pledged deposits		—	—	—	2
Financial assets at fair value through profit or loss		—	—	—	28,090
Total current assets		449,581	465,462	209,241	225,382
CURRENT LIABILITIES					
Trade and bills payables	25	(33,019)	(82,430)	(137,261)	(50,686)
Other payables and accruals	26	(6,136)	(3,878)	(60,343)	(7,703)
Tax payable		(422)	—	—	—
Interest-bearing bank borrowings .		—	—	—	(30,842)
Contract liabilities	30	(555)	(573)	(5,606)	(593)
Total current liabilities		(40,132)	(86,881)	(203,210)	(89,824)
NET CURRENT ASSETS		409,449	378,581	6,031	135,558
TOTAL ASSETS LESS CURRENT LIABILITIES					
		794,395	792,006	768,151	947,921
NON-CURRENT LIABILITIES					
Deferred government grants		(4,300)	(300)	—	—
Interest-bearing bank borrowings .		—	—	—	(87,000)
Deferred tax liabilities		(970)	(1,720)	(1,586)	(1,856)
Total non-current liabilities		(5,270)	(2,020)	(1,586)	(88,856)
Net assets		789,125	789,986	766,565	859,065
EQUITY					
Share capital	29	38,922	38,922	38,922	40,216
Reserves	32	750,203	751,064	727,643	818,849
Total equity		789,125	789,986	766,565	859,065

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Kunlun New Energy Materials Technology (Yichang) Co., Ltd. (the “Company”) is a company established under the Law of the People’s Republic of China on 15 November 2004 and converted into a joint stock company with limited liability on 17 December 2021. The registered office address of the Company is Yichang High-tech Zone, Yichang, Hubei, the People’s Republic of China (the “PRC”).

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture, research and development and sale of lithium-ion battery electrolyte. The electrolyte is primarily used in three key sectors: power batteries (for electric vehicles), energy storage system (ESS) batteries, and consumer electronics batteries (for devices such as smartphones and laptops).

As at the date of this report, the particulars of the Company’s principal subsidiaries are set out below:

Company name	Place and date of registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huzhou Kunlun Yienke Battery Materials Co., Ltd.* (“湖州昆侖億恩科電池材料有限公司”) (note (a)) (note (b)) (note (d))	Chinese mainland 9 May 2017	RMB58,820,000	85.00%	–	Manufacture, R&D and sale of electrolytes
Yibin Kunlun New Energy Co., Ltd.* (“宜賓昆侖新能源有限公司”) (note (a)) (note (b)) (note (d))	Chinese mainland 11 April 2022	RMB300,000,000	100.00%	–	Manufacture, R&D and sale of electrolytes
Hubei Kunlun New Materials Co., Ltd.* (“湖北昆侖新材料有限公司”) (note (e))	Chinese mainland 17 April 2023	RMB100,000,000	100.00%	–	No operations since establishment
Shandong Lizhong New Energy Materials Co., Ltd.* (“山東立中新能源材料有限公司”) (note (c))	Chinese mainland 26 August 2021	RMB402,294,100	51.00%	–	Manufacture, R&D and sale of electrolytes raw materials
Kunlun Hungary Co., Ltd.* (“匈牙利昆侖有限公司”) (note (e))	Hungary 12 October 2023	HUF20,000,000	–	100.00%	No operations since establishment

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2023 prepared under China Accounting Standards of Business Enterprises were audited by Zhito Certified Public Accountants LLP (“致同會計師事務所(特殊普通合夥)”), certified public accountants registered in the PRC.
 - (b) The statutory financial statements of this entity for the years ended 31 December 2024 prepared under China Accounting Standards of Business Enterprises were audited by Pan-China Certified Public Accountants LLP (“天健會計師事務所(特殊普通合夥)”), certified public accountants registered in the PRC.
 - (c) The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 prepared under China Accounting Standards of Business Enterprises were audited by RSM CHINA Certified Public Accountants LLP (“容誠會計師事務所(特殊普通合夥)”), certified public accountants registered in the PRC.
 - (d) The statutory financial statements of these entities for the years ended 31 December 2025 prepared under China Accounting Standards of Business Enterprises were audited by Huzhou Tianheng United Certified Public Accountants (General Partnership) (“湖州天衡聯合會計師事務所(普通合夥)”), certified public accountants registered in the PRC.
 - (e) As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025.
- * The English names of these companies registered in the Chinese mainland represent the best effort made by the directors of the Company (the “Directors”) to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group.

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The Company

The carrying amounts of the Company’s investments in subsidiaries are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Investment, at cost	291,430	303,229	602,422	645,038
Share based payments awards	28,343	28,870	29,149	30,817
Total investments in subsidiaries	<u>319,773</u>	<u>332,099</u>	<u>631,571</u>	<u>675,855</u>

2. ACCOUNTING POLICIES

2.1 Basis Of Preparation

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). All HKFRS Accounting Standards effective for the accounting period commencing from 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 Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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2.2 Issued But Not Yet Effective HKFRS Accounting Standards

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

Amendments to HKRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
HKFRS 20	<i>Regulatory Assets and Regulatory Liabilities³</i>
Amendments to HKAS 28	<i>Amendments to the Fair Value Option for Investments in Associates and Joint Ventures in IAS 28⁴</i>

- 1 No mandatory effective date yet determined but available for adoption
- 2 Effective for annual/reporting periods beginning on or after 1 January 2027
- 3 Effective for annual periods beginning on or after 1 January 2029
- 4 The amendments are applied when an entity first applies HKFRS 18

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below:

HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to HKAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. There are also consequential amendments to several other standards. HKFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. HKFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Except for the HKFRS 18, the adoption of the above standards and amendments will not expect to have significant impact on the operating results, comprehensive income and financial position of the Group.

2.3 Material Accounting Policy

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred. The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Fair value measurement

The Group measures its debt investment at fair value through other comprehensive income, equity investment designated at fair value through other comprehensive income, equity instrument designated as fair value through other comprehensive income and financial assets at fair value through profit or loss, derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group;
 - (iii) is a minority shareholder of the Group; or
 - (iv) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (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; and the sponsoring employers of the post-employment benefit plan;

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- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i), (a)(iii) and (a)(iv) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Vehicles	3 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Plant and machinery	3 to 10 years
Buildings and related improvements	10 to 30 years

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

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

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

Intangible assets (other than goodwill)

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

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	5 years
Patents	10 years

Research and development costs

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

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

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

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Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Office premises	1 to 5 years

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Investments and other financial assets

Initial recognition and measurement

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

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

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

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified

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and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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General approach

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

The Group’s financial liabilities include trade and bills payables, other payables and interest-bearing bank borrowings.

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. The management classifies the category or the form of inventories in accordance with the way of consumption or the intended uses, inventories in the form of materials are held to consume in the production process, and when materials which are held for sale in the ordinary course of business, it is classified as finished goods. Cost is determined on a weighted average cost basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Income tax

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred government grants account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on customers’ acceptance of the products upon delivery.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised if it is material.

Other income

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

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

Contract liabilities

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

Share-based payments

The Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share award refers to the fair value of the underlying ordinary shares of the Company on the respective dates of grant, further details of which are given in note 31 to the financial statements.

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had unlocked on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

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

Borrowing costs

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

Events after the reporting period

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

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing financial assets. When determining the business model, the Group considers the methods used to evaluate and report financial asset performance to key management, the risks affecting the performance of financial assets and the risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reason, timing, frequency and value of the sale before the maturity date of the financial assets.

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 as well as the tax rate that is expected to apply to the period when the liability is settled, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 20 to the Historical Financial Information.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Provision for expected credit losses on trade and bills receivables

The loss allowances for trade and bills receivables are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group’s trade and bills receivables is disclosed in note 22 to the Historical Financial Information.

Provision for slow-moving inventories and net realisable value of inventories

The Group reviews the condition of its inventories at the end of each reporting period, and makes a provision for slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of the industry. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down

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amount requires management’s estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down/reversal of write-down of inventories in the period in which such estimate has been changed.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on recent transaction price approach and market approach as detailed in note 41 to the Historical Financial Information. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible, but this is not always available. In that case the Group uses the best information available. The Group classifies the fair values of these investments as Level 2 and Level 3. Further details are included in note 17 and 41 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of lithium-ion battery electrolyte.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) *Revenue from external customers*

Revenues are attributed to geographical areas based on locations of the customers. Revenues by geographical segment based on locations of the customers for the Relevant Period are presented as follows:

	As at 31 December			As at 30 June	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Chinese mainland	1,576,341	1,020,286	1,745,797	636,485	1,971,609
Other countries/regions . . .	249	312	263	53	305
Total	1,576,590	1,020,598	1,746,060	636,538	1,971,914

(b) *Non-current assets*

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Chinese mainland	573,403	546,425	1,030,463	1,104,744
Other countries/regions	–	139	25,656	26,100
Total	573,403	546,564	1,056,119	1,130,844

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from two customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group’s revenue during the Relevant Periods, is set out below:

	Year ended December 31			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Customer A	947,499	604,838	844,671	318,333	1,105,317
Customer B	198,388	N/A*	N/A*	N/A*	N/A*

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

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5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers	1,576,590	1,020,598	1,746,060	636,538	1,971,914

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of goods

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sale of electrolytes	1,570,254	1,010,151	1,705,572	630,544	1,903,822
Others	6,336	10,447	40,488	5,994	68,092
Total	1,576,590	1,020,598	1,746,060	636,538	1,971,914

Timing of revenue recognition

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At a point in time	1,576,590	1,020,598	1,746,060	636,538	1,971,914

The following table shows the amounts of revenue recognised in the Relevant Periods, that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year/period:					
Sale of electrolytes	6,638	273	8,509	1,388	12,546

(b) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon control of the asset is transferred to the customer, generally on customers’ acceptance of the products upon delivery. The payment is generally due within 180 days from delivery.

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6. OTHER INCOME AND GAINS

	Note	As at 31 December			As at 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income						
Government grants	(a)	10,560	9,324	2,231	783	1,182
Bank interest income		772	721	605	437	827
Interest income from debt investments at fair value through other comprehensive income		—	611	2,352	1,218	431
Dividends income from equity investments designated at fair value through other comprehensive income		625	—	—	—	—
Gains						
Gains from changes in fair value of financial assets measured at fair value through profit or loss		274	676	435	28	6
Gain on early termination of leases		—	54	27	—	—
(Loss)/gain on disposal of items of property, plant and equipment		(41)	4	(18)	7	(333)
Gains on foreign exchanges		—	—	337	—	2,675
Others, net		412	899	248	3	383
Total other income and gains		12,602	12,289	6,217	2,476	5,171

Note:

- (a) The government grants related to income are rewards for the contribution to the local economic growth. These grants related to income are recognised in the statement of profit or loss upon receipt or grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

The Group has also received certain government grants related to assets, which were recognised as deferred income upon receipt and released to profit or loss over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with.

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold*		1,403,744	975,760	1,582,339	599,045	1,692,194
Depreciation of property, plant and equipment	14	35,145	48,483	53,215	25,015	43,477
Depreciation of right-of-use assets	15	2,632	2,742	2,639	1,312	2,016
Amortisation of intangible assets	16	584	1,052	785	412	530
Research and development costs		19,662	24,094	30,175	11,272	25,812

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Notes	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employee benefit expense (excluding directors’ and chief executive’s remuneration as set out in note 9)*:					
Salaries, bonuses, allowances and benefits in kind		46,810	51,950	52,624	23,623
Pension scheme contributions, social welfare and other welfare**		8,086	7,564	9,767	4,119
Share-based compensation expense		—	527	279	—
Expense relating to short- term leases	15	1,012	285	126	46
Government grants	6	(10,560)	(9,324)	(2,231)	(783)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends income from equity investments designated at fair value through other comprehensive income	6	(625)	—	—	—
Gains from changes in fair value of financial assets measured at fair value through profit or loss	6	(274)	(676)	(435)	(28)
Bank interest income	6	(772)	(721)	(605)	(437)
Interest income from debt investments at fair value through other comprehensive income	6	—	(611)	(2,352)	(1,218)
Write-down/(Reversal of write-down) of inventories to net realisable value, net*		6,276	6,671	5,042	1,024
Impairment losses on financial assets, net		436	9,154	9,491	6,023
Loss/(gain) on disposal of items of property, plant, and equipment		41	(4)	18	(7)
Gain on early termination of leases		—	(54)	(27)	—

* Cost of inventories sold include costs relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, and employee benefit expense, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Write-down or reversal of write-down of inventories to net realisable value is included in “Cost of sales” in the consolidated statement of profit and loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Discount interest on bills receivable	543	—	391	—	167
Interest on bank borrowings	6,483	6,403	7,913	2,750	5,551
Interest on lease liabilities	20	24	41	22	4
Total borrowing costs	<u>7,046</u>	<u>6,427</u>	<u>8,345</u>	<u>2,772</u>	<u>5,722</u>
less: Interest capitalised in properties under development and construction in progress	<u>(3,621)</u>	<u>(1,726)</u>	<u>—</u>	<u>—</u>	<u>(165)</u>
Total	<u>3,425</u>	<u>4,701</u>	<u>8,345</u>	<u>2,772</u>	<u>5,557</u>

9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Details of the emoluments paid or payable to the directors, the chief executive and the supervisors of the Company for the services provided to the Group during the Relevant Periods and the six months ended 30 June 2025 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	240	120	—	—	—
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	5,681	5,106	7,560	3,771	2,968
Pension scheme contributions, social welfare and other welfare	74	86	92	43	54
Share-based compensation expense	—	—	—	—	—
Total	<u>5,995</u>	<u>5,312</u>	<u>7,652</u>	<u>3,814</u>	<u>3,022</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the six months ended 30 June 2025 are as follows:

		Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. Ma Liquan	(i)	80	40	—	—	—
Mr. Zhang Longfei		80	40	—	—	60
Mr. Wu Hui	(ii)	80	40	—	—	—
Ms. Liang Chengfang	(iii)	—	—	—	—	60
Mr. Nie Xin	(iv)	—	—	—	—	—
Total		<u>240</u>	<u>120</u>	<u>—</u>	<u>—</u>	<u>120</u>

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

- (i) Mr. Ma Liqun resigned as an independent non-executive director from 12 January 2026.
- (ii) Mr. Wu Hui resigned as an independent non-executive director from 17 April 2026.
- (iii) Ms. Liang Chengfang was appointed as an independent non-executive director since 12 January 2026.
- (iv) Mr. Nie Xin was appointed as an independent non-executive director since 23 June 2026.

(b) Executive directors and non-executive directors

		Year ended 31 December 2023			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Guo Yingjun	(i)	1,902	27	—	1,929
Ms. Li Xinli	(ii)	970	12	—	982
Mr. Guo Yingliang	(iii)	917	6	—	923
Mr. Wang Chuanshui	(iv)	933	9	—	942
Non-executive directors:					
Mr. Guan Bo	(v)	—	—	—	—
Mr. Dai Chenglong	(vi)	—	—	—	—
Total		4,722	54	—	4,776

		Year ended 31 December 2024			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Guo Yingjun	(i)	1,694	28	—	1,722
Ms. Li Xinli	(ii)	933	13	—	946
Mr. Guo Yingliang	(iii)	837	12	—	849
Mr. Wang Chuanshui	(iv)	876	12	—	888
Non-executive directors:					
Mr. Guan Bo	(v)	—	—	—	—
Mr. Dai Chenglong	(vi)	—	—	—	—
Total		4,340	65	—	4,405

		Year ended 31 December 2025			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Guo Yingjun	(i)	2,868	30	—	2,898
Ms. Li Xinli	(ii)	989	16	—	1,005
Mr. Guo Yingliang	(iii)	1,383	12	—	1,395
Mr. Wang Chuanshui	(iv)	1,414	12	—	1,426
Non-executive directors:					
Mr. Guan Bo	(v)	—	—	—	—
Mr. Dai Chenglong	(vi)	—	—	—	—
Total		6,654	70	—	6,724

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Six months ended 30 June 2025 (unaudited)					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Guo Yingjun	(i)	1,417	14	—	1,431
Ms. Li Xinli	(ii)	493	6	—	499
Mr. Guo Yingliang	(iii)	691	6	—	697
Mr. Wang Chuanshui	(iv)	709	6	—	715
Non-executive directors:					
Mr. Guan Bo	(v)	—	—	—	—
Mr. Dai Chenglong	(vi)	—	—	—	—
Total		3,310	32	—	3,342

Six months ended 30 June 2026					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Guo Yingjun	(i)	1,434	29	—	1,463
Ms. Li Xinli	(ii)	—	—	—	—
Mr. Guo Yingliang	(iii)	706	19	—	725
Mr. Wang Chuanshui	(iv)	828	6	—	834
Non-executive directors:					
Mr. Guan Bo	(v)	—	—	—	—
Mr. Dai Chenglong	(vi)	—	—	—	—
Mr. Ming Jun	(vii)	—	—	—	—
Mr. Xiong Shengjiang	(viii)	—	—	—	—
Total		2,968	54	—	3,022

- (i) Mr. Guo Yingjun was appointed as the chairman of the board, the chief executive and an executive director since April 2015.
- (ii) Ms. Li Xinli was appointed as an executive director since December 2021 and ceased to act as an executive director with effect from January 2026.
- (iii) Mr. Guo Yingliang was appointed as an executive director since December 2021.
- (iv) Mr. Wang Chuanshui was appointed as an executive director since August 2022.
- (v) Mr. Guan Bo was appointed as a non-executive director since June 2016.
- (vi) Mr. Dai Chenglong was appointed as a non-executive director since August 2021 and resigned with effect from January 2026.
- (vii) Mr. Ming Jun was appointed as a non-executive director since January 2026.
- (viii) Mr. Xiong Shengjiang was appointed as a non-executive director since January 2026.

(c) **Supervisors**

Year ended 31 December 2023					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:					
Mr. Sun Chunsheng	(i)	710	11	—	721
Ms. Du Yonghong	(ii)	249	9	—	258
Mr. Jiang Changchun	(iii)	—	—	—	—
Total		959	20	—	979

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Year ended 31 December 2024					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:					
Mr. Sun Chunsheng	(i)	532	12	—	544
Ms. Du Yonghong	(ii)	234	9	—	243
Mr. Jiang Changchun	(iii)	—	—	—	—
Total		766	21	—	787

Year ended 31 December 2025					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:					
Mr. Sun Chunsheng	(i)	649	12	—	661
Ms. Du Yonghong	(ii)	257	10	—	267
Mr. Jiang Changchun	(iii)	—	—	—	—
Mr. Xu Chenwei	(iv)	—	—	—	—
Total		906	22	—	928

Six months ended 30 June 2025 (unaudited)					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:					
Mr. Sun Chunsheng	(i)	338	6	—	344
Ms. Du Yonghong	(ii)	123	5	—	128
Mr. Jiang Changchun	(iii)	—	—	—	—
Mr. Xu Chenwei	(iv)	—	—	—	—
Total		461	11	—	472

Six months ended 30 June 2026					
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Supervisors:					
Mr. Sun Chunsheng	(i)	—	—	—	—
Ms. Du Yonghong	(ii)	—	—	—	—
Mr. Xu Chenwei	(iv)	—	—	—	—
Total		—	—	—	—

- (i) Mr. Sun Chunsheng was appointed as the chairman of the board of supervisors since August 2022 and resigned with effect from January 2026.
- (ii) Ms. Du Yonghong was appointed as a supervisor since November 2021 and resigned with effect from January 2026.
- (iii) Mr. Jiang Changchun was appointed as a supervisor since December 2021 and resigned with effect from January 2025.
- (iv) Mr. Xu Chenwei was appointed as a supervisor since January 2025 and resigned with effect from January 2026.

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

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026 did included four, four, four, four and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remaining one, one, one, one and two highest paid employees who were not directors of the Group during the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind	617	679	761	381	778
Pension scheme contributions, social welfare and other welfare	11	11	12	6	18
Total	<u>628</u>	<u>690</u>	<u>773</u>	<u>387</u>	<u>796</u>

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

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil to HK\$1,000,000	1	1	1	1	2
Total	1	1	1	1	2

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese mainland

The provision for corporate income tax in Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on 1 January 2008, except for the Company and certain subsidiaries of the Group in Chinese mainland which are granted tax concession and is taxed at preferential tax rates.

Kunlun New Energy Materials Technology (Yichang) Co., Ltd. and Shandong Lizhong New Energy Materials Co., Ltd. is qualified as High and New Technology Enterprises and is subject to a preferential income tax rate of 15% during the Relevant Periods. In addition, Yibin Kunlun New Energy Co., Ltd. enjoys a 15% corporate income tax preferential policy under the strategy for Large-scale Development of Western China during the Relevant Periods.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax under the two-tiered profits tax rates regime on the estimated assessable profits arising in Hong Kong during the Relevant Periods. The first HKD2.0 million of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Hungary

Pursuant to the relevant tax laws of the corporate income tax in Hungary, the subsidiary which operates in Hungary was subject to corporate income tax at the rate of 9% on the taxable income.

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The income tax charge/(credit) of the Group for the Relevant Periods and the six months ended 30 June 2025 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax	22,147	1	10,339	–	20,862
Deferred income tax	443	(14,163)	(7,615)	(3,181)	(9,680)
Total tax charge/(credit) for the year/period	<u>22,590</u>	<u>(14,162)</u>	<u>2,724</u>	<u>(3,181)</u>	<u>11,182</u>

A reconciliation of the tax expense applicable to profit/loss before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) before income tax	108,758	(41,771)	38,786	(12,556)	158,885
Tax at the income tax rate of 25%	27,190	(10,443)	9,697	(3,139)	39,721
Lower tax rates for some subsidiaries or different tax rates enacted by local authority of some subsidiaries	(1,170)	(1,257)	(7,331)	(430)	(15,263)
Expenses not deductible for tax	203	352	355	248	417
Tax loss and temporary differences not recognised	563	2,076	5,161	2,260	4,189
Utilisation of tax losses previously not recognised	–	–	–	–	(3,194)
Recognised of tax losses previously not recognised	–	–	–	–	(10,747)
Additional deductible allowance for research and development expenses	(4,196)	(4,891)	(5,157)	(2,120)	(3,941)
Total tax charge/(credit) for the year/period	<u>22,590</u>	<u>(14,162)</u>	<u>2,724</u>	<u>(3,181)</u>	<u>11,182</u>

According to the Corporate Income Tax Law, the Company and certain subsidiaries are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2022 to 31 December 2027.

12. DIVIDENDS

No dividend has been paid or declared by the Group during the Relevant Periods.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent. No adjustment has been made to the basic earnings/(loss) per share amounts presented in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2025.

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

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings/(loss)					
Profit/(loss) attributable to owners of the parent . . .	74,575	(22,114)	36,560	(7,866)	127,863

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	

Shares

Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation ('000)	38,922	38,922	38,922	38,922	39,830
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14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and freehold land	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	73,950	6,921	144,966	2,185	–	135,965	363,987
Accumulated depreciation and impairment	(6,959)	(3,059)	(33,584)	(354)	–	–	(43,956)
Net carrying amount	66,991	3,862	111,382	1,831	–	135,965	320,031
At 1 January 2023, net of accumulated depreciation and impairment	66,991	3,862	111,382	1,831	–	135,965	320,031
Additions	–	2,139	22,397	961	366	176,492	202,355
Disposals	–	(50)	(32)	–	–	–	(82)
Transfers from construction in progress	183,030	2,104	109,515	–	–	(294,649)	–
Depreciation provided during the year	(7,076)	(1,974)	(25,691)	(404)	–	–	(35,145)
At 31 December 2023, net of accumulated depreciation and impairment	242,945	6,081	217,571	2,388	366	17,808	487,159
At 31 December 2023:							
Cost	256,980	11,043	276,846	3,146	366	17,808	566,189
Accumulated depreciation and impairment	(14,035)	(4,962)	(59,275)	(758)	–	–	(79,030)
Net carrying amount	242,945	6,081	217,571	2,388	366	17,808	487,159
	Buildings and freehold land	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	256,980	11,043	276,846	3,146	366	17,808	566,189
Accumulated depreciation and impairment	(14,035)	(4,962)	(59,275)	(758)	–	–	(79,030)
Net carrying amount	242,945	6,081	217,571	2,388	366	17,808	487,159

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	Buildings and freehold land	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024, net of accumulated depreciation and impairment	242,945	6,081	217,571	2,388	366	17,808	487,159
Additions	–	221	2,937	–	–	24,824	27,982
Disposals	–	–	(33)	–	–	(217)	(250)
Transfers from construction in progress	18,200	549	5,915	–	–	(24,664)	–
Depreciation provided during the year	(12,651)	(2,328)	(32,912)	(506)	(86)	–	(48,483)
At 31 December 2024, net of accumulated depreciation and impairment	<u>248,494</u>	<u>4,523</u>	<u>193,478</u>	<u>1,882</u>	<u>280</u>	<u>17,751</u>	<u>466,408</u>
At 31 December 2024: Cost	275,180	11,813	285,665	3,146	366	17,751	593,921
Accumulated depreciation and impairment	(26,686)	(7,290)	(92,187)	(1,264)	(86)	–	(127,513)
Net carrying amount	<u>248,494</u>	<u>4,523</u>	<u>193,478</u>	<u>1,882</u>	<u>280</u>	<u>17,751</u>	<u>466,408</u>

	Buildings and freehold land and related improvements	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025 At 1 January 2025: Cost	275,180	11,813	285,665	3,146	366	17,751	593,921
Accumulated depreciation and impairment	(26,686)	(7,290)	(92,187)	(1,264)	(86)	–	(127,513)
Net carrying amount	<u>248,494</u>	<u>4,523</u>	<u>193,478</u>	<u>1,882</u>	<u>280</u>	<u>17,751</u>	<u>466,408</u>
At 1 January 2025, net of accumulated depreciation and impairment	248,494	4,523	193,478	1,882	280	17,751	466,408
Additions	21,562	951	27,719	1,236	174	22,943	74,585
Acquisition of a subsidiary	114,077	1,743	229,323	270	–	3,758	349,171
Disposals	(108)	–	(1,243)	–	–	–	(1,351)
Transfers from construction in progress	1,090	4,063	6,789	–	–	(11,947)	(5)
Foreign exchange gains, net	–	–	–	–	–	23	23
Depreciation provided during the year	(13,429)	(2,652)	(36,273)	(643)	(218)	–	(53,215)
At 31 December 2025, net of accumulated depreciation and impairment	<u>371,686</u>	<u>8,628</u>	<u>419,793</u>	<u>2,745</u>	<u>236</u>	<u>32,528</u>	<u>835,616</u>
At 31 December 2025: Cost	411,801	18,564	547,301	4,652	540	32,528	1,015,386
Accumulated depreciation and impairment	(40,115)	(9,936)	(127,508)	(1,907)	(304)	–	(179,770)
Net carrying amount	<u>371,686</u>	<u>8,628</u>	<u>419,793</u>	<u>2,745</u>	<u>236</u>	<u>32,528</u>	<u>835,616</u>

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	Buildings and freehold land and related improvements	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2026							
At 1 January 2026:							
Cost	411,801	18,564	547,301	4,652	540	32,528	1,015,386
Accumulated depreciation and impairment	(40,115)	(9,936)	(127,508)	(1,907)	(304)	–	(179,770)
Net carrying amount	<u>371,686</u>	<u>8,628</u>	<u>419,793</u>	<u>2,745</u>	<u>236</u>	<u>32,528</u>	<u>835,616</u>
At 1 January 2026, net of accumulated depreciation and impairment	371,686	8,628	419,793	2,745	236	32,528	835,616
Additions	–	906	14,978	1,129	34	86,872	103,919
Disposals	–	–	(331)	–	–	–	(331)
Transfers from construction in progress	1,372	2,761	6,140	–	–	(11,137)	(864)
Foreign exchange gains, net	–	–	–	13	–	106	119
Depreciation provided during the period	<u>(9,060)</u>	<u>(1,476)</u>	<u>(32,331)</u>	<u>(490)</u>	<u>(120)</u>	<u>–</u>	<u>(43,477)</u>
At 30 June 2026, net of accumulated depreciation and impairment	<u>363,998</u>	<u>10,819</u>	<u>408,249</u>	<u>3,397</u>	<u>150</u>	<u>108,369</u>	<u>894,982</u>
At 30 June 2026:							
Cost	413,173	22,230	567,788	5,794	574	108,369	1,117,928
Accumulated depreciation and impairment	(49,175)	(11,411)	(159,539)	(2,397)	(424)	–	(222,946)
Net carrying amount	<u>363,998</u>	<u>10,819</u>	<u>408,249</u>	<u>3,397</u>	<u>150</u>	<u>108,369</u>	<u>894,982</u>

The Company

	Furniture and fixtures	Plant and machinery	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	244	9,073	97	9,414
Accumulated depreciation and impairment	(189)	(7,210)	(92)	(7,491)
Net carrying amount	<u>55</u>	<u>1,863</u>	<u>5</u>	<u>1,923</u>
At 1 January 2023, net of accumulated depreciation and impairment	55	1,863	5	1,923
Additions	178	596	–	774
Disposals	(3)	(86)	–	(89)
Reversal of Accumulated Depreciation on Asset Disposal	3	80	–	83
Depreciation provided during the year	<u>(23)</u>	<u>(539)</u>	<u>–</u>	<u>(562)</u>
At 31 December 2023, net of accumulated depreciation and impairment	<u>210</u>	<u>1,914</u>	<u>5</u>	<u>2,129</u>
At 31 December 2023:				
Cost	419	9,583	97	10,099
Accumulated depreciation and impairment	(209)	(7,669)	(92)	(7,970)
Net carrying amount	<u>210</u>	<u>1,914</u>	<u>5</u>	<u>2,129</u>

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	Furniture and fixtures	Plant and machinery	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024:					
Cost	419	9,583	97	–	10,099
Accumulated depreciation and impairment . . .	(209)	(7,669)	(92)	–	(7,970)
Net carrying amount	210	1,914	5	–	2,129
At 1 January 2024, net of accumulated depreciation and impairment	210	1,914	5	–	2,129
Additions	25	652	–	1,096	1,773
Depreciation provided during the year	(46)	(448)	–	–	(494)
At 31 December 2024, net of accumulated depreciation and impairment	189	2,118	5	1,096	3,408
At 31 December 2024:					
Cost	444	10,235	97	1,096	11,872
Accumulated depreciation and impairment . . .	(255)	(8,117)	(92)	–	(8,464)
Net carrying amount	189	2,118	5	1,096	3,408
	Furniture and fixtures	Plant and machinery	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025					
At 1 January 2025:					
Cost	444	10,235	97	1,096	11,872
Accumulated depreciation and impairment . . .	(255)	(8,117)	(92)	–	(8,464)
Net carrying amount	189	2,118	5	1,096	3,408
At 1 January 2025, net of accumulated depreciation and impairment	189	2,118	5	1,096	3,408
Additions	44	1,202	–	158	1,404
Disposal	–	(23)	–	–	(23)
Transfers from construction in progress	–	1,096	–	(1,096)	–
Depreciation provided during the year	(48)	(794)	–	–	(842)
At 31 December 2025, net of accumulated depreciation and impairment	185	3,599	5	158	3,947
At 31 December 2025:					
Cost	488	11,997	97	158	12,740
Accumulated depreciation and impairment . . .	(303)	(8,398)	(92)	–	(8,793)
Net carrying amount	185	3,599	5	158	3,947
	Furniture and fixtures	Plant and machinery	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2026					
At 1 January 2026:					
Cost	488	11,997	97	158	12,740
Accumulated depreciation and impairment . . .	(303)	(8,398)	(92)	–	(8,793)
Net carrying amount	185	3,599	5	158	3,947
At 1 January 2026, net of accumulated depreciation and impairment	185	3,599	5	158	3,947
Additions	4	–	–	–	4
Depreciation provided during the period	(29)	(478)	–	–	(507)
At 30 June 2026, net of accumulated depreciation and impairment	160	3,121	5	158	3,444
At 30 June 2026:					
Cost	492	11,997	97	158	12,744
Accumulated depreciation and impairment . . .	(332)	(8,876)	(92)	–	(9,300)
Net carrying amount	160	3,121	5	158	3,444

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Certain of the Group’s buildings with net carrying amounts of approximately RMB48,699,000, RMB83,758,000, RMB288,469,000 and RMB333,497,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively, were pledged to secure interest-bearing bank borrowings (note 28).

Impairment testing of non-financial assets

Non-financial assets (including the property, plant and equipment, right-of-use assets, other intangible assets and prepayment for property, plant and equipment) of the Group are allocated to the several cash-generating units (“CGU”), the following two CGUs are identified with impairment indicators and are tested for impairment:

- Huzhou Kunlun cash-generating unit
- Changxing Kunlun cash-generating unit

Huzhou Kunlun cash-generating unit incurred loss in 2024 and 2025 but was profitable as at 30 June 2026, and is subject to impairment test for the financial year ended 2024 and 2025, the following table sets out the information of key assumptions for the value in use calculation of Huzhou Kunlun cash-generating unit:

	31 December	
	2024	2025
Pre-tax discount rate	17.5%	17.3%
Average revenue growth rate	6.5%	7.9%
Average gross profit margin	9.5%	8.9%

Changxing Kunlun cash-generating unit is new producing centre, the construction of Changxing Kunlun cash-generating unit commenced in December 2024 and incurred the delay of construction in mid-2025, accordingly, Changxing Kunlun cash-generating unit is subject to impairment test as at 31 December 2025 and 30 June 2026, the following table sets out the information of key assumptions for the value in use calculation of Changxing Kunlun cash-generating unit:

	31 December	30 June
	2025	2026
Pre-tax discount rate	17.3%	17.4%
Average revenue growth rate	13.2%	13.2%
Average gross profit margin	10.0%	10.0%

The calculation of value in use is based on the following assumptions:

The recoverable amount and carrying amount of Huzhou Kunlun Yienke Battery Materials Co., Ltd. are presented below, based on the results of the impairment testing, and no impairment of non-financial assets was provided at the end 2024 and 2025.

	31 December	
	2024	2025
	RMB'000	RMB'000
Recoverable amount	202,236	169,478
Carrying amount	161,958	162,875
Headroom	40,278	6,604

The recoverable amount and carrying amount of Changxing Kunlun New Materials Co., Ltd. are presented below, based on the results of the impairment testing, and no impairment of non-financial assets was provided as at 31 December 2025 and 30 June 2026.

	31 December	30 June
	2025	2026
	RMB'000	RMB'000
Recoverable amount	134,957	162,525
Carrying amount	61,667	63,058
Headroom	73,290	99,467

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15. LEASES

The Group as a lessee

The Group as a lessee has lease contracts for items of office premises and plant used in its operations. Leases of office premises generally have lease terms between 1.5 to 5 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years. Generally, the Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

(a) Right-of-use assets

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

The Group

	Leasehold land	Office premises	Total
	RMB’000	RMB’000	RMB’000
31 December 2023			
As at 1 January 2023	68,328	1,125	69,453
Additions	–	1,668	1,668
Depreciation charge	(1,402)	(1,230)	(2,632)
As at 31 December 2023	<u>66,926</u>	<u>1,563</u>	<u>68,489</u>
	Leasehold land	Office premises	Total
	RMB’000	RMB’000	RMB’000
31 December 2024			
As at 1 January 2024	66,926	1,563	68,489
Additions	–	710	710
Termination	–	(260)	(260)
Depreciation charge	(1,402)	(1,340)	(2,742)
As at 31 December 2024	<u>65,524</u>	<u>673</u>	<u>66,197</u>
	Leasehold land	Office premises	Total
	RMB’000	RMB’000	RMB’000
31 December 2025			
As at 1 January 2025	65,524	673	66,197
Additions	–	1,810	1,810
Acquisition of a subsidiary	38,728	–	38,728
Termination	–	(114)	(114)
Depreciation charge	(1,454)	(1,185)	(2,639)
As at 31 December 2025	<u>102,798</u>	<u>1,184</u>	<u>103,982</u>
	Leasehold land	Office premises	Total
	RMB’000	RMB’000	RMB’000
30 June 2026			
As at 1 January 2026	102,798	1,184	103,982
Additions	39,016	–	39,016
Acquisition of a subsidiary	–	–	–
Termination	–	–	–
Depreciation charge	(1,335)	(681)	(2,016)
As at 30 June 2026	<u>140,479</u>	<u>503</u>	<u>140,982</u>

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The Company

	Office premises
	<i>RMB’000</i>
31 December 2023	
As at 1 January 2023	440
New leases	1,382
Depreciation charge	<u>(901)</u>
As at 31 December 2023	<u>921</u>
	Office premises
	<i>RMB’000</i>
31 December 2024	
As at 1 January 2024	921
Depreciation charge	<u>(921)</u>
As at 31 December 2024	<u>—</u>
	Office premises
	<i>RMB’000</i>
31 December 2025	
As at 1 January 2025	—
Additions	1,574
Termination	<u>(787)*</u>
Depreciation charge	<u>(787)</u>
As at 31 December 2025	<u>—</u>

* The lease is terminated by the Company due to the reschedule of the lease contract to be entered by another entity of the Group as at the end of 2025.

(b) Lease liabilities

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

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at the beginning of year/period	585	560	541	328
New leases	1,668	710	1,810	—
Termination	—	(312)	(141)	—
Accretion of interest recognised during the year/period	20	24	41	4
Lease payments	<u>(1,713)</u>	<u>(441)</u>	<u>(1,923)</u>	<u>(165)</u>
Carrying amount at the end of year/period	<u>560</u>	<u>541</u>	<u>328</u>	<u>167</u>
Current portion	386	436	184	163
Non-current portion	<u>174</u>	<u>105</u>	<u>144</u>	<u>4</u>

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The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of year/period	—	—	—	—
New leases	1,382	—	1,574	—
Termination	—	—	(800)	—
Accretion of interest recognized during the year/period	13	—	26	—
Lease payments	(1,395)	—	(800)	—
Carrying amount at the end of year/period	—	—	—	—
Current portion	—	—	—	—
Non-current portion	—	—	—	—

The maturity analysis of lease liabilities is disclosed in note 42 to the Historical Financial Information.

Certain of the Group’s right-of-use assets with net carrying amounts of approximately RMB22,790,000, RMB22,320,000, RMB66,705,000 and RMB129,655,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively, were pledged to secure interest-bearing bank borrowings (note 28).

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

The Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain on early termination of leases	—	(54)	(27)	—	—
Expense relating to short-term leases	1,012	285	126	46	161
Interest on lease liabilities	20	24	41	22	4
Depreciation charge of right-of-use assets	2,632	2,742	2,639	1,312	2,016
Total amount recognised in profit or loss	3,664	2,997	2,779	1,380	2,181

The Company

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Expense relating to short-term leases	32	2	—	—	—
Interest on lease liabilities	13	—	26	12	—
Depreciation charge of right-of-use assets	901	921	787	392	—
Total amount recognised in profit or loss	946	923	813	404	—

(d) The total cash outflow for leases is disclosed in note 34(c) to the Historical Financial Information.

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16. INTANGIBLE ASSETS

The Group

	Software	Patents	Total
	RMB'000	RMB'000	RMB'000
31 December 2023			
At 1 January 2023:			
Cost	1,390	—	1,390
Accumulated amortisation	(418)	—	(418)
Net carrying amount	972	—	972
Cost at 1 January 2023, net of accumulated amortisation	972	—	972
Additions	2,162	—	2,162
Amortisation provided during the year	(584)	—	(584)
At 31 December 2023	2,550	—	2,550

	Software	Patents	Total
	RMB'000	RMB'000	RMB'000
31 December 2024			
At 1 January 2024:			
Cost	3,552	—	3,552
Accumulated amortisation	(1,002)	—	(1,002)
Net carrying amount	2,550	—	2,550
Cost at 1 January 2024, net of accumulated amortisation	2,550	—	2,550
Additions	655	—	655
Amortisation provided during the year	(1,052)	—	(1,052)
At 31 December 2024	2,153	—	2,153

	Software	Patents	Total
	RMB'000	RMB'000	RMB'000
31 December 2025			
At 1 January 2025:			
Cost	4,207	—	4,207
Accumulated amortisation	(2,054)	—	(2,054)
Net carrying amount	2,153	—	2,153
Cost at 1 January 2025, net of accumulated amortisation	2,153	—	2,153
Additions	945	—	945
Acquisition of a subsidiary	—	606	606
Amortisation provided during the year	(783)	(2)	(785)
At 31 December 2025	2,315	604	2,919

	Software	Patents	Total
	RMB'000	RMB'000	RMB'000
30 June 2026			
At 1 January 2026:			
Cost	5,152	606	5,758
Accumulated amortisation	(2,837)	(2)	(2,839)
Net carrying amount	2,315	604	2,919
Cost at 1 January 2026, net of accumulated amortisation	2,315	604	2,919
Additions	517	17	534
Amortisation provided during the period	(498)	(32)	(530)
At 30 June 2026	2,334	589	2,923

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The Company

	<u>Software</u>
	<i>RMB'000</i>
31 December 2023	
At 1 January 2023:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
Cost at 1 January 2023, net of accumulated amortisation	–
Additions	23
Amortisation provided during the year	(1)
At 31 December 2023	<u>22</u>

	<u>Software</u>
	<i>RMB'000</i>
31 December 2024	
At 1 January 2024:	
Cost	23
Accumulated amortisation	(1)
Net carrying amount	22
Cost at 1 January 2024, net of accumulated amortisation	22
Amortisation provided during the year	(5)
At 31 December 2024	<u>17</u>

	<u>Software</u>
	<i>RMB'000</i>
31 December 2025	
At 1 January 2025:	
Cost	22
Accumulated amortisation	(5)
Net carrying amount	17
Cost at 1 January 2025, net of accumulated amortisation	17
Additions	111
Amortisation provided during the year	(8)
At 31 December 2025	<u>120</u>

	<u>Software</u>
	<i>RMB'000</i>
30 June 2026	
At 1 January 2026:	
Cost	133
Accumulated amortisation	(13)
Net carrying amount	120
Cost at 1 January 2026, net of accumulated amortisation	120
Amortisation provided during the period	(20)
At 30 June 2026	<u>100</u>

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17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments, at fair value	53,437	68,437	67,542	68,582

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group received dividends of RMB625,000, nil, nil, nil and nil during the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026, respectively.

18. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Transferable certificate of deposit	—	72,258	—	—
Current				
Transferable certificate of deposit	—	21,239	32,036	32,467
Total	—	93,497	32,036	32,467

The above certificate deposits are issued by banks in Chinese mainland.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Convertible Bond	—	—	30,276	30,722
Current				
Wealth Management Products, at fair value	36,914	41,890	53,136	84,533
Total	36,914	41,890	83,412	115,255

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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Convertible Bond	—	—	30,276	30,722

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20. DEFERRED TAX

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

The Group

As at 31 December 2023							
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023	455	1,633	2,534	–	146	4,768	
Deferred tax credited/ (charged) to profit or loss during the year	(64)	91	(1,399)	6,651	(38)	5,241	
Gross deferred tax assets at 31 December 2023	<u>391</u>	<u>1,724</u>	<u>1,135</u>	<u>6,651</u>	<u>108</u>	<u>10,009</u>	
As at 31 December 2024							
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2024	391	1,724	1,135	6,651	108	10,009	
Deferred tax credited/ (charged) to profit or loss during the year	134	1,553	423	11,043	(52)	13,101	
Gross deferred tax assets at 31 December 2024	<u>525</u>	<u>3,277</u>	<u>1,558</u>	<u>17,694</u>	<u>56</u>	<u>23,110</u>	
As at 31 December 2025							
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2025	525	3,277	1,558	17,694	56	23,110	
Deferred tax credited/ (charged) to profit or loss during the year	1,146	652	(870)	5,425	(26)	6,327	
Gross deferred tax assets at 31 December 2025	<u>1,671</u>	<u>3,929</u>	<u>688</u>	<u>23,119</u>	<u>30</u>	<u>29,437</u>	
As at 30 June 2026							
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Fair value adjustments of investments at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	1,671	3,929	688	23,119	30	–	29,437
Deferred tax credited/(charged) to profit or loss during the period	2	5,432	(389)	2,586	6	805	8,442
Gross deferred tax assets at 30 June 2026	<u>1,673</u>	<u>9,361</u>	<u>299</u>	<u>25,705</u>	<u>36</u>	<u>805</u>	<u>37,879</u>

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

The Group

As at 31 December 2023						
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023	(5,850)	(969)	(198)	–	(7,017)	
Deferred tax (credited)/ charged to profit or loss during the year	(5,685)	–	56	(55)	(5,684)	
Deferred tax credited to other comprehensive income during the year . .	–	(1)	–	–	(1)	
Deferred tax liabilities at 31 December 2023	<u>(11,535)</u>	<u>(970)</u>	<u>(142)</u>	<u>(55)</u>	<u>(12,702)</u>	
As at 31 December 2024						
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2024	(11,535)	(970)	(142)	(55)	(12,702)	
Deferred tax charge/(credited) to profit or loss during the year . .	1,358	–	(12)	(284)	1,062	
Deferred tax credited to other comprehensive income during the year . .	–	(750)	–	–	(750)	
Deferred tax liabilities at 31 December 2024	<u>(10,177)</u>	<u>(1,720)</u>	<u>(154)</u>	<u>(339)</u>	<u>(12,390)</u>	
As at 31 December 2025						
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Debt investments at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	(10,177)	(1,720)	(154)	(339)	–	(12,390)
Deferred tax charge/(credited) to profit or loss during the year . .	1,087	–	(132)	333	–	1,288
Deferred tax credited to other comprehensive income during the year . .	–	135	–	–	(4)	131
Deferred tax liabilities at 31 December 2025	<u>(9,090)</u>	<u>(1,585)</u>	<u>(286)</u>	<u>(6)</u>	<u>(4)</u>	<u>(10,971)</u>

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As at 30 June 2026

	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Debt investments at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	(9,090)	(1,585)	(286)	(6)	(4)	(10,971)
Deferred tax charge to profit or loss during the period . .	1,306	–	35	(105)	–	1,236
Deferred tax credited to other comprehensive income during the period .	–	(156)	–	–	(10)	(166)
Deferred tax liabilities at 30 June 2026	<u>(7,784)</u>	<u>(1,741)</u>	<u>(251)</u>	<u>(111)</u>	<u>(14)</u>	<u>(9,901)</u>

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

The Company

As at 31 December 2023

	Fair value adjustments of equity investments at fair value through other comprehensive income	Total
	RMB'000	RMB'000
At 1 January 2023	(970)	(970)
Deferred tax (credited)/charged to profit or loss during the year . .	–	–
Deferred tax credited to other comprehensive income during the year	–	–
Deferred tax liabilities at 31 December 2023	<u>(970)</u>	<u>(970)</u>

As at 31 December 2024

	Fair value adjustments of equity investments at fair value through other comprehensive income	Total
	RMB'000	RMB'000
At 1 January 2024	(970)	(970)
Deferred tax charged/(credited) to profit or loss during the year . .	–	–
Deferred tax credited to other comprehensive income during the year	(750)	(750)
Deferred tax liabilities at 31 December 2024	<u>(1,720)</u>	<u>(1,720)</u>

As at 31 December 2025

	Fair value adjustments of equity investments at fair value through other comprehensive income	Debt investments at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2025	(1,720)	–	(1,720)
Deferred tax charged/(credited) to profit or loss during the year	–	–	–
Deferred tax credited to other comprehensive income during the year	135	(1)	134
Deferred tax liabilities at 31 December 2025	<u>(1,585)</u>	<u>(1)</u>	<u>(1,586)</u>

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	As at 30 June 2026				
	Fair value adjustments of equity investments at fair value through other comprehensive income	Debt investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026	(1,585)	(1)	–	–	(1,586)
Deferred tax charged/(credited) to profit or loss during the period	–	–	(3)	(111)	(114)
Deferred tax credited to other comprehensive income during the period	(156)	–	–	–	(156)
Deferred tax liabilities at 30 June 2026	<u>(1,741)</u>	<u>(1)</u>	<u>(3)</u>	<u>(111)</u>	<u>(1,856)</u>

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

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	14,947	29,437	35,004
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(2,693)</u>	<u>(4,227)</u>	<u>(10,971)</u>	<u>(7,026)</u>

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(970)</u>	<u>(1,720)</u>	<u>(1,586)</u>	<u>(1,856)</u>

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Group has accumulated tax losses and deductible temporary differences not recognized in Chinese Mainland and other regions of RMB78,760,000, RMB91,326,000, RMB202,875,000 and RMB122,202,000.

The accumulated tax losses will expire in ten years for offsetting against future taxable profits of the companies in which losses are incurred. Deferred tax assets have not been recognised in respect of these unused tax losses as they have arisen in the Company and subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilized in the foreseeable future.

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21. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	23,705	40,108	122,687	165,510
Work in progress	138	1,938	16,958	32,566
Finished goods	6,455	11,625	37,369	83,020
Total	<u>30,298</u>	<u>53,671</u>	<u>177,014</u>	<u>281,096</u>

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	113	5,889	–	–
Finished goods	4	18	18	–
Total	<u>117</u>	<u>5,907</u>	<u>18</u>	<u>–</u>

22. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost				
Trade receivables from third parties	825,337	547,740	1,009,496	1,353,598
Trade receivables from a related party (Note 38)	26,633	20,000	41,624	35,024
Financial assets at fair value through other comprehensive income				
Receivable vouchers	48,902	69,259	258	–
Impairment	(81,270)	(88,463)	(95,068)	(114,944)
Total trade receivables	<u>819,602</u>	<u>548,536</u>	<u>956,310</u>	<u>1,273,678</u>
Financial assets at amortised cost				
Bills receivable – commercial	200	–	–	2,747
Bills receivable – bank	40,286	32,203	139,702	205,261
Financial assets at fair value through other comprehensive income				
Bills receivable – bank	100,978	24,646	63,185	80,413
Impairment	–	–	(473)	(621)
Total bills receivables	<u>141,464</u>	<u>56,849</u>	<u>202,414</u>	<u>287,800</u>
Trade and bills receivables	<u>961,066</u>	<u>605,385</u>	<u>1,158,724</u>	<u>1,561,478</u>

Receivable vouchers are standardized digital debt certificates issued by a customer, a reputable third-party entity to its suppliers on its production-finance service platform. They reflect the creditor-debtor relationship under the basic trade contracts between the trading parties and promise payment upon maturity. These vouchers can be used for financing, splitting, transfer, or holding until maturity for collecting cashflows or selling, or both. Certain bills receivables are issued by reputable banks in Chinese mainland. The receivable vouchers issued by customer and bills receivables issued by reputable banks are classified as classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling. The fair value as at the end of each of the Relevant Periods approximates to the carrying value due to the short Maturity. The receivable vouchers and certain bills receivables issued by reputable banks in Chinese mainland are subject to impairment under the general approach and the impairment is considered to be minimal.

The Group’s trade terms with its customers are mainly on credit. The credit period is generally 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the

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Group’s trade and bills receivables relate to diversified customers, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing. As at the end of the Relevant Periods, the Group had certain concentration of credit risk. As at 31 December 2023, 2024 and 2025 and 30 June 2026, 65.6%, 41.4%, 34.9% and 37.6% were due from the Group’s largest debtor, and 77.7%, 58.5%, 62.8% and 65.0% were due from the Group’s five largest debtors.

As at 31 December 2023, trade receivables of RMB149,414,000 have been pledged for issuance bills acceptance note as disclosed in note 25 to the Historical Financial Information.

An ageing analysis of the Group’s trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	819,574	541,964	935,536	1,250,456
1 to 2 years	28	6,572	20,774	9,336
Over 2 years	–	–	–	13,886
Total	<u>819,602</u>	<u>548,536</u>	<u>956,310</u>	<u>1,273,678</u>

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

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
At beginning of year	81,045	81,270	88,463	95,068
Impairment losses, net	225	9,185	8,901	19,876
Amount written off as uncollectible	–	(1,992)	(2,296)	–
At end of year	<u>81,270</u>	<u>88,463</u>	<u>95,068</u>	<u>114,944</u>

As at 31 December 2023				
	Carrying amount		Impairment losses	
	RMB’000	Rate %	RMB’000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	74,944	8.3	(74,944)	100.0
– due from a reputable customer with long-term cooperation	605,401	67.2	(376)	0.1
– due from a related party	26,633	3.0	(993)	3.7
On a collective basis	193,894	21.5	(4,957)	2.6
Total	<u>900,872</u>	<u>100.0</u>	<u>(81,270)</u>	<u>9.0</u>

As at 31 December 2024				
	Carrying amount		Impairment losses	
	RMB’000	Rate %	RMB’000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	74,061	11.6	(74,061)	100.0
– due from a reputable customer with long-term cooperation	290,978	45.7	(220)	0.1
– due from a related party	20,000	3.1	(860)	4.3
On a collective basis	251,960	39.6	(13,322)	5.3
Total	<u>636,999</u>	<u>100.0</u>	<u>(88,463)</u>	<u>13.9</u>

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As at 31 December 2025				
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	75,244	7.1	(75,244)	100.0
– due from a reputable customer with long-term cooperation	366,927	34.9	(186)	0.1
– due from a related party	41,624	4.0	(1,490)	3.6
On a collective basis	567,583	54.0	(18,148)	3.2
Total	<u>1,051,378</u>	<u>100.0</u>	<u>(95,068)</u>	<u>9.0</u>

As at 30 June 2026				
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	116,170	8.4	(90,504)	77.9
– due from a reputable customer with long-term cooperation	446,700	32.2	(286)	0.1
– due from a related party	35,024	2.5	(1,261)	3.6
On a collective basis	790,728	56.9	(22,893)	2.9
Total	<u>1,388,622</u>	<u>100.0</u>	<u>(114,944)</u>	<u>8.3</u>

The Group applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known outstanding credit standing or financial difficulties. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed as at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, and any other available information concerning the creditworthiness of counterparties and influence from macro economy.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

The Group

As at 31 December 2023

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.9%	56.9%	100.0%	2.6%
Gross carrying amount (RMB'000) . .	192,616	65	1,213	193,894
Expected credit losses (RMB'000) . .	<u>3,707</u>	<u>37</u>	<u>1,213</u>	<u>4,957</u>

As at 31 December 2024

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	2.5%	52.6%	100.0%	5.3%
Gross carrying amount (RMB'000) . .	237,956	13,860	144	251,960
Expected credit losses (RMB'000) . .	<u>5,889</u>	<u>7,289</u>	<u>144</u>	<u>13,322</u>

As at 31 December 2025

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	2.2%	67.9%	100%	3.2%
Gross carrying amount (RMB'000) . .	559,452	7,045	1,086	567,583
Expected credit losses (RMB'000) . .	<u>12,281</u>	<u>4,781</u>	<u>1,086</u>	<u>18,148</u>

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As at 30 June 2026

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.9%	67.0%	100%	2.9%
Gross carrying amount (RMB’000) . .	779,458	10,430	840	790,728
Expected credit losses (RMB’000) . .	<u>15,065</u>	<u>6,988</u>	<u>840</u>	<u>22,893</u>

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at amortised cost				
Trade receivables from third parties . .	94,772	136,101	107,875	81,474
Trade receivables from subsidiaries . .	28,659	2,315	3	14,288
Impairment	(74,337)	(75,272)	(78,219)	(76,787)
Total trade receivables	<u>49,094</u>	<u>63,144</u>	<u>29,659</u>	<u>18,975</u>
Financial assets at amortised cost				
Bills receivable – bank	4,054	5,101	38,597	2,247
Financial assets at fair value through other comprehensive income				
Bills receivable – bank	787	5,360	6,336	202
Impairment	–	–	(131)	(134)
Total bills receivables	<u>4,841</u>	<u>10,461</u>	<u>44,802</u>	<u>2,315</u>
Trade and bills receivables	<u>53,935</u>	<u>73,605</u>	<u>74,461</u>	<u>21,290</u>

An ageing analysis of the Company’s trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	49,067	61,933	28,597	18,064
1 to 2 years	27	1,211	1,062	911
Total	<u>49,094</u>	<u>63,144</u>	<u>29,659</u>	<u>18,975</u>

The Company estimated that the expected loss rate for its trade receivables due from subsidiaries is minimal.

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

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
At beginning of year/period	74,517	74,337	75,272	78,219
Impairment losses, net	(180)	2,174	2,947	(1,432)
Amount written off as uncollectible . .	–	(1,239)	–	–
At end of year/period	<u>74,337</u>	<u>75,272</u>	<u>78,219</u>	<u>76,787</u>

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The Company

As at 31 December 2023				
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	72,709	76.7	(72,710)	100.0
On a collective basis	22,063	23.3	(1,627)	7.4
Total	94,772	100.0	(74,337)	78.4

As at 31 December 2024				
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	72,565	53.3	(72,566)	100.0
– due from a reputable customer with long-term cooperation	1,098	0.8	(1)	0.1
On a collective basis	62,438	45.9	(2,705)	4.3
Total	136,101	100.0	(75,272)	55.3

As at 31 December 2025				
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	73,749	68.4	(73,749)	100.0
– due from a reputable customer with long-term cooperation	–	–	–	–
On a collective basis	34,126	31.6	(4,470)	13.1
Total	107,875	100.0	(78,219)	72.5

As at 30 June 2026				
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
On an individual basis				
– due from customers with significant increase in credit risk	72,357	88.81	(72,357)	100.00
– due from a reputable customer with long-term cooperation	–	–	–	–
On a collective basis	9,117	11.19	(4,430)	48.60
Total	81,474	100	(76,787)	94.25

Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix:

As at 31 December 2023

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.9%	52.6%	100.0%	7.4%
Gross carrying amount (RMB'000) . .	20,796	58	1,209	22,063
Expected credit losses (RMB'000) . .	388	30	1,209	1,627

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As at 31 December 2024

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	2.2%	52.6%	100.0%	4.3%
Gross carrying amount (RMB’000) . .	59,898	2,396	144	62,438
Expected credit losses (RMB’000) . .	<u>1,301</u>	<u>1,260</u>	<u>144</u>	<u>2,705</u>

As at 31 December 2025

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	5.0%	67.9%	100.0%	13.1%
Gross carrying amount (RMB’000) . .	30,100	3,304	722	34,126
Expected credit losses (RMB’000) . .	<u>1,505</u>	<u>2,243</u>	<u>722</u>	<u>4,470</u>

As at 30 June 2026

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	22.7%	67.2%	100.0%	48.6%
Gross carrying amount (RMB’000) . .	4,888	2,778	1,451	9,117
Expected credit losses (RMB’000) . .	<u>1,112</u>	<u>1,868</u>	<u>1,451</u>	<u>4,431</u>

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current:				
Deposits and other receivables	10,467	10,467	10,019	10,449
Deductible input value-added tax	–	–	1,603	1,612
Prepayment for purchase of land use right	–	–	37,880	–
Prepaid rent	–	800	–	–
Prepayments	–	–	20,000	25,000
Prepayment for property, plant and equipment	4,738	539	13,824	24,174
Total	<u>15,205</u>	<u>11,806</u>	<u>83,326</u>	<u>61,235</u>
Current:				
Prepayments	20,018	41,917	20,408	25,526
Deposit for futures	–	–	2,000	1,522
Deferred [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits and other receivables	3,653	529	1,643	656
Deductible input value-added tax	23,770	23,506	17,217	13,333
Prepaid corporate income tax	–	706	–	5,087
Others	306	19	191	1,020
Impairment allowance	(142)	(110)	(115)	(118)
Total	<u>47,605</u>	<u>66,567</u>	<u>45,090</u>	<u>54,508</u>

Other receivables are unsecured and non-interest-bearing.

As of 31 December 2023, 2024 and 2025 and 30 June 2026, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

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

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	123	142	110	115
Impairment losses, net	211	(31)	94	3
Amount written off as uncollectible . .	(192)	(1)	(89)	–
At end of year/period	<u>142</u>	<u>110</u>	<u>115</u>	<u>118</u>

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Deposits and other receivables	8,660	8,660	8,660	8,660
Prepaid rent	–	800	–	–
Prepayments	–	–	20,000	25,000
Prepayment for PPE	4	4	4	–
Total	<u>8,664</u>	<u>9,464</u>	<u>28,664</u>	<u>33,660</u>
Current:				
Amount due from subsidiaries	388,042	374,468	112,754	118,548
Prepayments	3,578	3,532	13,929	7,851
Deferred [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits and other receivables	3,051	78	1,046	36
Deductible input value-added tax	–	671	587	1,123
Others	27	–	21	25
Impairment allowance	(117)	(87)	(87)	(87)
Total	<u>394,581</u>	<u>378,662</u>	<u>131,996</u>	<u>134,975</u>

The Company estimated that the expected loss rate for its other receivables due from subsidiaries is minimal.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	81,393	88,140	114,955	278,424
Cash held by other financial institution*	–	130	235	262
Less: pledged deposits	(57,854)	(46,786)	(68,255)	(81,493)
Total	<u>23,539</u>	<u>41,484</u>	<u>46,935</u>	<u>197,193</u>

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in				
RMB	23,539	39,229	43,156	189,446
EUR	–	2,225	3,191	1,409
HUF	–	30	213	5,524
USD	–	–	375	772
HKD	–	–	–	42
Total	<u>23,539</u>	<u>41,484</u>	<u>46,935</u>	<u>197,193</u>

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The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	948	7,288	2,766	41,025

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and deposits denominated in RMB	948	7,288	2,766	41,025

* As at 31 December 2024, 2025 and 30 June 2026, the Group had certain amounts of cash held in accounts managed by other financial institutions such as Alipay in connection with the provision of online and mobile payment services which have been classified as cash and cash equivalents.

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, 2024 and 2025 and 30 June 2026, restricted cash of RMB57,850,000, RMB39,709,000, RMB56,021,000 and RMB45,985,000, have been pledged for issuance of bank acceptance notes as disclosed in note 25 to the Historical Financial Information. The remaining restricted cash mainly represented deposits for bank guarantee.

25. TRADE AND BILLS PAYABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	237,754	229,304	741,381	1,023,138
Bills payable	232,145	110,762	196,430	215,877
Total	469,899	340,066	937,811	1,239,015

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	33,019	82,430	137,261	50,686

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

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within a year	469,899	340,056	937,546	1,238,794
1 to 2 years	–	10	264	128
Over 2 years	–	–	1	93
Total	469,899	340,066	937,811	1,239,015

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The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within a year	33,019	82,430	137,261	50,686

The trade and bills payables are non-interest-bearing and are normally settled on 30 to 90 days after receiving invoice.

The Group pledged trade receivables in the form of letters of credit of RMB149,414,000 as at 31 December 2023 to financial institutions as collateral, to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers.

As at 31 December 2023, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB36,923,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

As at 31 December 2024, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB110,762,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

As at 31 December 2025, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB186,052,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

As at 30 June 2026, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB187,770,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

26. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for purchase of property, plant and equipment	16,836	10,238	17,764	10,206
Construction payables and accruals	56,372	9,831	5,585	5,286
Accrued expenses	5,715	5,183	4,599	4,724
[REDACTED] expense payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits	510	444	369	99
Value-added tax and other tax payables	5,997	2,983	6,536	20,591
Deferred output VAT	36	4,004	3,244	5,919
Payroll payable	14,734	12,452	21,960	19,327
Advances from an investor	—	—	50,000	—
Others	423	924	71	—
Total	100,623	46,059	116,518	69,603

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for purchase of property, plant and equipment	702	746	784	77
Amount due to related parties	143	—	710	812
Accrued expenses	2,236	2,242	2,206	2,809
Deferred [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits	20	24	24	24
Value-added tax and other tax payables	832	47	28	47
Payroll payable	2,041	684	201	483
Advances from an investor	—	—	50,000	—
Others	162	135	—	—
Total	6,136	3,878	60,343	7,703

Other payables, accruals and other current liabilities are non-interest-bearing and repayable on demand.

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27. DEFERRED GOVERNMENT GRANTS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants:				
– related to assets	1,564	2,830	9,613	9,704
– related to expenses	4,300	300	1,400	2,900
Total	<u>5,864</u>	<u>3,130</u>	<u>11,013</u>	<u>12,604</u>
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	6,571	5,864	3,130	11,013
Government grants received:				
– related to assets	–	1,569	7,990	500
– related to expenses	–	–	1,400	1,500
Government grants released:				
– related to assets	(257)	(303)	(1,207)	(409)
– related to expenses	(450)	(4,000)	(300)	–
At December 31	<u>5,864</u>	<u>3,130</u>	<u>11,013</u>	<u>12,604</u>

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants:				
– related to assets	–	–	–	–
– related to expenses	4,300	300	–	–
Total	<u>4,300</u>	<u>300</u>	<u>–</u>	<u>–</u>
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	4,750	4,300	300	–
Government grants received:				
– related to assets	–	–	–	–
– related to expenses	–	–	–	–
Government grants released:				
– related to assets	–	–	–	–
– related to expenses	(450)	(4,000)	(300)	–
At December 31	<u>4,300</u>	<u>300</u>	<u>–</u>	<u>–</u>

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28. INTEREST-BEARING BANK BORROWINGS

The Group

As at 31 December 2023			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – unsecured	3.50-3.65	2024	10,011
Bank borrowings – secured	3.50	2024	9,599
Current portion of long term bank borrowings – secured	3.40-3.90	2024	54,873
Total – current			74,483
Non-current			
Bank borrowings – unsecured	4.05	2025	3,500
Bank borrowings – secured	3.40-3.50	2025-2027	91,449
Total – non-current			94,949
Total			169,432

As at 31 December 2024			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	3.20-3.65	2025	10,010
Current portion of long term bank borrowings – unsecured	4.05	2025	3,504
Current portion of long term bank borrowings – secured	3.50-3.60	2025	41,924
Total – current			55,438
Non-current			
Bank borrowings – secured	3.20-3.60	2025-2027	88,337
Total – non-current			88,337
Total			143,775

As at 31 December 2025			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – unsecured	2.50-3.65	2026	86,805
Current portion of long term bank borrowings – secured	2.50-3.30	2026	183,534
Current portion of long term bank borrowings – unsecured	2.50-3.30	2026	13,568
Total – current			283,907
Non-current			
Bank borrowings – secured	2.50-3.15	2027-2029	119,944
Bank borrowings – unsecured	2.50-3.15	2027-2029	30,445
Total – non-current			150,389

As at 30 June 2026			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank borrowings – secured	2.50-3.65	2026-2027	20,000
Bank borrowings – unsecured	2.50-3.65	2026-2027	182,715
Current portion of long term bank borrowings – secured	2.50-3.30	2026-2027	181,992
Current portion of long term bank borrowings – unsecured	2.50-3.30	2026-2027	63,495
Total – current			448,202

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	As at 30 June 2026		
	Effective interest rate (%)	Maturity	RMB’000
Non-current			
Bank borrowings – secured	2.50-3.15	2027-2032	101,970
Bank borrowings – unsecured	2.50-3.15	2027-2032	153,840
Total – non-current			255,810
Total			704,012

All bank borrowings were denominated in RMB and the carrying amounts approximate to their fair values as at 31 December 2023, 2024 and 2025 and 30 June 2026.

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Analysed into:				
Within one year	74,483	55,438	283,907	448,202
Year 1 to Year 3	80,973	88,337	140,187	124,402
Over 3 Years	13,976	–	10,202	131,408
Total	169,432	143,775	434,296	704,012

Notes:

- (i) As at 31 December 2023, the Group’s bank borrowings of RMB111,953,000 were secured by property, plant and equipment of RMB48,699,000, right-of-use assets of RMB22,790,000, and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2023, certain subsidiaries’ bank borrowings of RMB38,566,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

As at 31 December 2023, certain subsidiaries’ bank borrowings of RMB5,402,000 were guaranteed by the Company.

- (ii) As at 31 December 2024, the Group’s bank borrowings of RMB10,010,000 were secured by property, plant and equipment of RMB31,203,000, right-of-use assets of RMB4,267,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2024, the Group’s bank borrowings of RMB99,794,000 were secured by property, plant and equipment of RMB52,555,000, right-of-use assets of RMB18,053,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2024, certain subsidiaries’ bank borrowings of RMB30,467,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

- (iii) As at 31 December 2025, the Group’s bank borrowings of RMB82,397,000 were secured by property, plant and equipment of RMB21,687,000, right-of-use assets of RMB6,180,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2025, the Group’s bank borrowings of RMB104,957,000 were secured by property, plant and equipment of RMB179,750,000, right-of-use assets of RMB21,849,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2025, the Group’s bank borrowings of RMB125,708,400 were secured by property, plant and equipment of RMB87,032,000, right-of-use assets of RMB38,676,000, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2025, certain subsidiaries’ bank borrowings of RMB68,931,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

The increase in interest-bearing bank borrowings in 2025 was partly due to the acquisition of a subsidiary in 2025 as set out in note 33 to the Historical Financial Information.

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30. CONTRACT LIABILITIES

The Group

	As at 1 January	As at 31 December			As at 30 June
	2023	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances received from customers	7,196	836	33,697	26,661	45,531

The Company

	As at 1 January	As at 31 December			As at 30 June
	2023	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances received from customers	1,410	555	573	5,606	593

Contract liabilities include advances received to deliver electrolytes and other products. The changes in contract liabilities in 2023, 2024 and 2025 and 30 June 2026 was mainly due to the changes in advances received from customers in relation to the provision of electrolyte products.

31. SHARE BASE PAYMENT

The Group operates share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the scheme include Company’s directors, senior management, core technical personnel, core business personnel, consultant and other employees as they have a direct impact on the Company’s operational performance and future development.

In order to implement the Share Award Scheme, Tianjin Kunyu Corporate Management Consulting Partnership (Limited Partnership) (“Tianjin Kunyu”) was designated as share incentive platforms to hold shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platform.

On 9 October 2021, the Company granted 976,149 restricted share units (“RSUs”) (equivalent to RMB69,099 registered capital of the Company) under the share incentive scheme through Tianjin Kunyu to 27 eligible employees with exercise price of RMB 104.85 per RMB 1.00 registered capital (“[REDACTED] Share Incentive Scheme”). The fair value of the granted shares amounted to RMB 8,250,000, which was estimated as at the date of grant using the fair value provided by external valuers.

On 23 December 2021, the Company was converted into a joint stock company, with share capital of RMB30,000,000, the RSUs granted by the Company are equivalent to 543,373 shares of the Company.

In July 2024, a resigned employee transferred 26,947 RSUs (equivalent to 15,000 shares of the Company) through Tianjin Kunyu to an eligible employee with the transferred price of RMB35.06 per share, the fair value of RSUs granted was estimated at the date of grant by applying a discounting cashflow method and adjust for any applicable discount for lack of marketability (DLOM), taking into account the terms and conditions upon which the RSUs were granted. The following table lists the inputs to the model used:

	July 2024
Risk-free interest rate (%)	2.2
WACC (%)	15.0
Perpetual Growth Rate (%)	2.0
Discount for Lack of Marketability (%)	15.5

The RSUs granted were not subjected to service conditions, the Group recognised share award expense at grant date with an amount of RMB527,000 in full.

In December 2025, seven resigned employees transferred a total of 232,417 RSUs, equivalent to 129,374 shares of the Company, to five eligible employees at a transfer price of RMB64.00 per share. The fair value of these RSUs was determined as of the grant date, based on the Group’s capital injection agreement with Yichang Innovation and Mr. Guo Yingjun in September 2025.

The RSUs granted are subject to a three-year service period condition, and the total share award expense recognized was RMB279,000 for the year ended December 31, 2025 and RMB1,668,000 for the six months ended 30 June 2026.

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32. RESERVES

The Group

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

Capital reserve

a. Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

b. Share-based payment reserve

The share-based payment reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in note 31 to the Historical Financial Information.

c. Equity transaction with a non-controlling shareholder

Equity transaction with a non-controlling shareholder represents the difference between the consideration received upon the capital contribution from a non-controlling interest shareholder with the proportion of its respective equity interest in net assets of the subsidiary.

Other reserve

Other reserve includes: a) reserve resulted from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax; b) exchange fluctuation reserve*.

* The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Statutory surplus reserve

In accordance with the Company Law of the People’s Republic of China, each company in the PRC is required to allocate 10% of its statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company’s registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or to increase the registered capital of the company. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to retained profits. The Company transferred its safety production expenses from the special reserve fund to retained earnings, as it no longer holds the requisite regulatory qualification for the handling or trading of hazardous materials.

The Company

	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	718,135	1,170	7,259	5,493	10,818	742,875
Profit for the year	—	—	—	—	7,325	7,325
Other comprehensive income for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	3	—	3
Total comprehensive income for the year	—	—	—	3	7,325	7,328
Equity-settled share award expense	—	—	—	—	—	—
Transfer to statutory surplus reserve	—	629	—	—	(629)	—
At 31 December 2023	718,135	1,799	7,259	5,496	17,514	750,203
At 1 January 2024	718,135	1,799	7,259	5,496	17,514	750,203
Loss for the year	—	—	—	—	(3,915)	(3,915)

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	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	4,249	–	4,249
Total comprehensive income for the year	–	–	–	4,249	(3,915)	334
Equity-settled share award expense	527	–	–	–	–	527
At 31 December 2024	718,662	1,799	7,259	9,745	13,599	751,064
At 1 January 2025	718,662	1,799	7,259	9,745	13,599	751,064
Loss for the year	–	–	–	–	(22,942)	(22,942)
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(760)	–	(760)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	2	–	2
Total comprehensive loss for the year	–	–	–	(758)	(22,942)	(23,700)
Safety production reserve	–	–	(7,259)	–	7,259	–
Equity-settled share award expense	279	–	–	–	–	279
At 31 December 2025	718,941	1,799	–	8,987	(2,084)	727,643
At 1 January 2026	718,941	1,799	8,987	–	(2,084)	727,643
Loss for the year/period	–	–	–	–	(10,049)	(10,049)
Other comprehensive loss for the year/period:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	884	–	884
Total comprehensive loss for the year/period	–	–	–	884	(10,049)	(9,165)
Issue of shares	98,707	–	–	–	–	98,707
Equity-settled share award expense	1,664	–	–	–	–	1,664
At 30 June 2026	819,312	1,799	9,871	–	(12,133)	818,849

33. BUSINESS COMBINATION

Lizhong Sitong Light Alloys Group Co., Ltd. (“Lizhong Group”) is a listed company on the Growth Enterprises Market of Shenzhen Stock Exchange. Mrs. Gong is an individual shareholder. Lizhong Group and Mrs. Gong jointly own 100% equity interests in Shandong Lizhong New Energy Materials Co., Ltd. (“Shandong Lizhong”) before the commence of the business combination in November 2025.

On 6 November 2025, the Company entered into an equity transfer and capital injection agreement with Lizhong Group, Mrs. Gong, two individual investors Mr. Liu and Mr. Zhang (“Equity Transfer and Capital Injection Agreement”) targeting to acquire 51% equity interests of Shandong Lizhong at a cash consideration. Pursuant to a series of shareholder equity transfer and capital injection arrangements between the existing and new shareholders of Shandong Lizhong as elaborated in the Equity Transfer and Capital Injection Agreement, which involved:

- the Company agreed to acquire 51% equity interest in Shandong Lizhong through equity transfer and capital injection at a total cash consideration of RMB146,407,000;
- Lizhong Group agreed to make additional capital injection to Shandong Lizhong at a consideration of RMB78,094,000, and in conjunction with the paying up the previously registered share capital but not paid in Shandong Lizhong amounted to RMB33,000,000, Lizhong Group would achieve to own around 45.2% equity interest in Shandong Lizhong;
- Mr. Liu agreed to make additional capital injection to Shandong Lizhong at a consideration of RMB2,200,000 and in conjunction with the acquisition of certain share interests from Mrs. Gong, Mr. Liu would achieve to own around 1.3% equity interest in Shandong Lizhong;

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- iv) Mr. Zhang agreed to make additional capital injection to Shandong Lizhong at a consideration of RMB2,000,000 and achieve to own around 0.5% equity interest in Shandong Lizhong;
- v) Mrs. Gong agreed to conduct the series share transfer arrangements and achieve to own around 2.0% equity interest in Shandong Lizhong.

The capital injections from the Company, Lizhong Group, Mr. Liu and Mr. Zhang were agreed to be paid in two phases, with the first phase to pay up to 90% of the capital injections, and the remaining 10% of capital injections that are expected to be paid within 5 business days when certain predetermine conditions are met, respectively. These conditions mainly included the obtain of the approval from the shareholders and the board of directors of both the Company and Lizhong Group, the completion of the official register of the shares with respective shareholders, and the assignment of directors and management to Shandong Lizhong by the Company.

The above equity transactions and capital injections involves series of transactions among the shareholders to archive the overall commercial effects, these arrangements constituted an integrated part of the Equity Transfer and Capital Injection Agreement, accordingly the above transactions are accounted for as a single transaction.

The acquisition was made as part of the Group’s strategy to advance the technological upgrading, commercial scaling, and cost optimization of key electrolyte materials for liquid-state batteries. On 30 November 2025, all the conditions in the Equity Transfer and Capital Injections Agreement are met and fulfilled, the Company completed the acquisition of Shandong Lizhong, the Company obtained the control of the operating and financing activities of Shandong Lizhong, and Shandong Lizhong became an direct non-wholly-owned subsidiary of the Company.

By the end of 30 November 2025, the cash consideration paid by the Company was amounted to RMB134,407,000, the remaining consideration in percentage of 10% of the agreed capital injection amount of RMB12,000,000 is outstanding at acquisition date and recorded as consideration payables.

By the end of 30 November 2025, the non-controlling shareholders had made capital injection to Shandong Lizhong amounted to RMB74,065,000, and Lizhong Group had fully paid-up the previously registered but not paid share capital in Shandong Lizhong amounted to RMB33,000,000.

The fair values of the identifiable assets and liabilities of Shandong Lizhong as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Property, plant and equipment	<i>14</i>	349,171
Intangible assets	<i>16</i>	606
Right-of-use assets	<i>15(a)</i>	38,728
Cash and bank balances		6,511
Pledged deposits		1,019
Financial assets at fair value through profit or loss		20,000
Trade and bills receivables		43,613
Prepayments and other receivables		8,373
Capital injection receivable from non-controlling shareholders*		8,229
Capital injection receivable from the Company*		12,000
Inventories		20,706
Trade and bills payables		(26,023)
Other payables and accruals		(16,886)
Contract liabilities		(812)
Interest-bearing bank borrowings		(178,162)
Total identifiable net assets at fair value		287,073
Non-controlling interests		(140,666)
Goodwill on acquisition		—
Satisfied by:		
Cash		26,407
Capital injection paid		108,000
Consideration payable		12,000
Total		146,407

* The capital injection were received in December 2025 pursuant to the payment terms in the Equity Transfer and Capital Injection Agreement.

The fair values of the trade and bills receivables and prepayments and other receivables as at the date of acquisition amounted to RMB43,613,000 and RMB8,373,000, respectively. The gross contractual amounts of trade and bills receivables and prepayments and other receivables were RMB43,880,000 and RMB8,380,000, respectively, of which trade receivables of RMB267,000 and other receivables of RMB7,000 are expected to be uncollectible.

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No goodwill recognised upon the acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	(134,407)
Cash and bank balances acquired	6,511
Net outflow of cash and cash equivalents included in cash flows from investing activities	(127,896)
Total net cash outflow	(127,896)

Since the acquisition, Shandong Lizhong has contributed RMB30,085,000 to the Group’s revenue and RMB6,527,000 to the consolidated profit for the year ended 31 December 2025.

Had the combination taken place at the beginning of the year ended 31 December 2025, the revenue of the Group and the loss of the Group for the year would have been RMB1,806,672,000 and RMB5,224,000, respectively.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group endorsed certain bills receivables of RMB867,027,000, RMB1,059,368,000, RMB1,001,538,000 and RMB1,823,808,000 accepted by banks in Chinese mainland to certain of its suppliers in order to settle the trade payables and other payables due to such suppliers.

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,668,000, RMB710,000, RMB1,810,000 and RMB nil respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	79,129	585	79,714
Changes from financing cash flows	83,276	(1,713)	81,563
Interest expense	7,027	20	7,047
New leases	–	1,668	1,668
At 31 December 2023 and 1 January 2024	169,432	560	169,992
Changes from financing cash flows	(32,060)	(441)	(32,501)
Interest expense	6,403	24	6,427
New leases	–	710	710
Termination/modification	–	(312)	(312)
At 31 December 2024 and 1 January 2025	143,775	541	144,316
Changes from financing cash flows	104,055	(1,923)	102,132
Acquisition of a subsidiary	178,162	–	178,162
Interest expense	8,304	41	8,345
New leases	–	1,810	1,810
Termination/modification	–	(141)	(141)
At 31 December 2025 and 1 January 2026	434,296	328	434,624
Changes from financing cash flows	264,165	(165)	264,000
Interest expense	5,552	4	5,556
New leases	–	–	–
Termination/modification	–	–	–
At 30 June 2026	704,013	167	704,180

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(c) Total cash out flow for leases

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

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating activities .	1,012	285	126	46	161
Within financing activities .	1,713	441	1,923	820	165
Total	<u>2,725</u>	<u>726</u>	<u>2,049</u>	<u>866</u>	<u>326</u>

35. CONTINGENT LIABILITIES

In December 2025, a subsidiary of the Group is indicated as a defendant in a litigation matter raised by a customer of the Group alleging for compensation in connection with the quality defects in the electrolytes supplied by the subsidiary to the customer during the period from June 2024 to January 2025. The subsidiary of the Group is requested to compensate an amount of RMB15 million. The first court hearing is held on March 12, 2026, the litigation matter is in process and currently in the stage of collecting supporting evidence by both parties, including third-party professional entity to provide verification report on the product quality. Based on the foregoing, and taking into consideration the advice from the Company’s legal counsel as well as the progress of the case, the directors of the Company believe that the ultimate outcome of this litigation cannot be reliably estimated.

In June 2026, the subsidiary of the Group had agreed to entered into an agreement with the customer, pursuant to the agreement, the subsidiary of the Group agreed make a one-time settlement payment of RMB1.0 million to the customer to settle the dispute between the customer and the Group. The payment of RMB1.0 million is included in “other expense” in the consolidated statement of profit and loss.

36. PLEDGE OF ASSETS

Details of the Group’s assets pledged for trade and bills payables and secured bank borrowings are included in notes 14, 15, 22, 25, 28, respectively, to the Historical Financial Information.

37. COMMITMENTS

The Group had commitments for the construction in process project and commitments for the purchase of items of property, plant and equipment with aggregate amounts of RMB81,559,145, RMB69,739,495, RMB222,248,561 and RMB225,575,979 at the end of each of the Relevant Periods, respectively.

38. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A subsidiary’s non-controlling shareholder					
Purchases of products	176,956	24,448	—	—	—
Lease payments made for raw material containers . .	932	158	—	—	—
Sales of products	<u>198,388</u>	<u>32,948</u>	<u>10,704</u>	<u>—</u>	<u>10,556</u>

In the opinion of the directors of the Company, the above transactions were carried out in the normal course of business and on terms negotiated between the Group and the related party.

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(b) Outstanding balances with related parties

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade:				
A subsidiary's non-controlling shareholder				
Trade receivables	25,640	19,140	40,134	33,763

The trade receivables from the related party represents the net carrying amount of receivables. The trade receivables from the related party were unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	5,579	4,953	7,385	3,693	3,746
Pension scheme contributions	65	76	82	41	72
Total	5,644	5,029	7,467	3,734	3,818

Further details of directors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

(d) Guarantees provided by related parties

As at 31 December 2023:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	28,967	2024
Mr. Guo Yingjun	9,599	2024
Mr. Guo Yingjun	111,953	2024-2027

As at 31 December 2024:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	10,010	2025
Mr. Guo Yingjun	30,467	2026
Mr. Guo Yingjun	99,794	2025-2027

As at 31 December 2025:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	68,931	2026
Mr. Guo Yingjun	82,397	2026-2027
Mr. Guo Yingjun	104,957	2026-2027

As at 30 June 2026:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	78,047	2026-2027
Mr. Guo Yingjun	115,666	2026-2027
Mr. Guo Yingjun	51,896	2027

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As at 31 December 2023, certain of bills payables of RMB36,923,000 were guaranteed by Mr. Guo Yingjun.

As at 31 December 2024, certain of bills payables of RMB110,762,000 were guaranteed by Mr. Guo Yingjun.

As at 31 December 2025, certain of bills payables of RMB186,052,000 were guaranteed by Mr. Guo Yingjun.

As at 30 June 2026, certain of bills payables of RMB187,770,000 were guaranteed by Mr. Guo Yingjun.

The above guarantees by related parties are expected to be released before [REDACTED].

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
<i>Financial assets at fair value through profit or loss:</i>				
Financial assets at fair value through profit or loss	36,914	41,890	83,412	115,255
<i>Financial assets at amortised cost:</i>				
Trade receivables	770,700	479,277	956,052	1,273,678
Bills receivables – commercial	200	–	–	2,747
Bills receivables – bank	40,286	32,203	139,229	204,640
Financial assets included in prepayments, other receivables and other assets	14,120	10,996	13,547	13,647
Cash and cash equivalents	23,539	41,484	46,935	197,193
Pledged deposits	57,854	46,786	68,255	81,493
<i>Financial assets at fair value through other comprehensive income:</i>				
Bills receivable – bank	100,978	24,646	63,185	80,413
Receivable vouchers	48,902	69,259	258	–
Unlisted equity investments, at fair value	53,437	68,437	67,542	68,582
Transferable certificate of bank deposit	–	93,497	32,036	32,467
Total	1,146,930	908,475	1,470,451	2,070,115
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
<i>Financial liabilities at amortised cost:</i>				
Trade payables	237,754	229,304	741,381	1,023,138
Bills payable	232,145	110,762	196,430	215,877
Financial liabilities included in other payables and accruals	79,856	26,620	84,778	23,765
Interest-bearing bank borrowings	169,432	143,775	434,296	704,012
Total	719,187	510,461	1,456,885	1,966,792
<i>Financial liabilities at fair value through profit or loss:</i>				
Derivative financial instruments	–	–	–	661
Total	–	–	–	661

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40. TRANSFER OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024, 2025 and 30 June 2026, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “Endorsed Bills”) with a carrying amount of RMB33,537,000, RMB33,569,000, RMB100,378,000 and RMB182,140,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024, 2025 and 30 June 2026, the Group, endorsed certain bills receivable accepted by banks in the Chinese mainland to certain of its suppliers in order to settle the bills payables due to such suppliers with a carrying amount in aggregate of RMB 397,078,000, RMB177,168,000, RMB 245,600,000 and RMB718,577,000. At 30 June 2026, the Group discounted certain bills receivable to bank for cash with a carrying amount of RMB58,257,000. The endorsed bills and discounted bills receivables are collectively named as “Derecognised Bills”. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

At 31 December 2025, the Group, transferred certain receivable vouchers to banks in the Chinese mainland (the “Derecognised Receivable Vouchers”) with a carrying amount in aggregate of RMB87,747,000. The Derecognised Receivable Vouchers had a maturity of six months at the end of the reporting period. In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Receivable Vouchers is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Receivable Vouchers. Accordingly, it has derecognised the full carrying amounts of the Derecognised Vouchers. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Vouchers are not significant.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables at amortised, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for annual financial reporting.

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

The fair values of the non-current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates. Management has assessed that the fair values of short-term interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the transferable certificate of deposit classified as financial assets at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and the fair values approximate to their carrying values.

The fair values of the accounts receivables and bills receivable classified as financial assets at fair value through other comprehensive income have been calculated by discounting the expected future cash flows, which will mature within one year, and thus their fair values approximate to their carrying values.

The fair value of the unlisted equity investments at fair value through other comprehensive income have been estimated with reference to recent share transfer or capital injection transaction price of the underlying investments (Level 2) and market approach (Level 3). The management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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The Group invests in unlisted investments, which represent wealth management products issued by banks and securities companies and an unlisted company in Chinese Mainland. Fair value of the wealth management products was determined by the quoted price of the net asset value by financial institutions as at the end of each of the Relevant Periods. The Group also invested in convertible bond issued by certain unlisted company, the fair value of the convertible bond was determined by Binomial model as at 31 December 2025 and 30 June 2026.

The Group’s derivative financial instruments mainly include commodity derivatives. As at 30 June 2026, the fair value of the commodity derivative futures represents the difference between the quoted market price of commodity derivative contracts at period end and the quoted price at inception of the contracts.

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments at fair value through other comprehensive income together with a quantitative sensitivity analysis as at 31 December 2025 and 30 June 2026:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments . . .	Market Approach	Average PB multiple of peers	31 December 2025: 2.42	1% increase/(decrease) in the average PB multiple of peers would result in an increase/(decrease) in fair value by RMB137,000/RMB(137,000)
Unlisted equity investments . . .	Market Approach	Average PB multiple of peers	30 June 2026: 1.99	1% increase/(decrease) in the average PB multiple of peers would result in an increase/(decrease) in fair value by RMB567,000/RMB(567,000)
Unlisted equity investments . . .	Market Approach	Average PB multiple of peers	30 June 2026: 1.99	1% increase/(decrease) in the average PB multiple of peers would result in an increase/(decrease) in fair value by RMB123,000/RMB(123,000)

Unlisted equity investments measured at fair value was classified within Level 2 as at 31 December 2023 and 2024, as the valuation inputs were observable at that time. As at 31 December 2025, due to the loss of observability in the key valuation inputs utilized in the prior year, the investment was valued with market approach and have been transferred to Level 3.

Unlisted equity investments measured at fair value was classified within Level 2 as at 31 December 2023, 2024 and 2025, as the valuation inputs were observable at that time. As at 30 June 2026, due to the loss of observability in the key valuation inputs, the investment was valued with market approach and have been transferred to Level 3.

The following table lists the significant inputs to the Binomial model used to the valuation of convertible bond issued by certain unlisted company together with a quantitative sensitivity analysis as at 31 December 2025 and 30 June 2026:

Significant unobservable input	Range	Sensitivity of fair value to the input
Risk-free interest rate (%)	30 June 2026: 0.8	1% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by RMB(123,405)/RMB123,405
Coupon rate (%)	30 June 2026: 3	1% increase/(decrease) in the coupon rate would result in an increase/(decrease) in fair value by RMB137,465/RMB(137,465)
Risk-free interest rate (%)	31 December 2025: 1.6	1% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by RMB(3,028)/RMB3,028
Coupon rate (%)	31 December 2025: 3	1% increase/(decrease) in the coupon rate would result in an increase/(decrease) in fair value by RMB8,819/RMB(8,819)

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The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023				
Financial assets at fair value through profit or loss	—	36,914	—	36,914
Bills receivables – bank	—	100,978	—	100,978
Receivable vouchers	—	48,902	—	48,902
Unlisted equity investments, at fair value	—	53,437	—	53,437
Total	—	240,231	—	240,231
	==	==	==	==

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2024				
Financial assets at fair value through profit or loss	—	41,890	—	41,890
Bills receivables — bank	—	24,646	—	24,646
Receivable vouchers	—	69,259	—	69,259
Unlisted equity investments, at fair value	—	68,437	—	68,437
Transferable certificate of deposit	—	93,497	—	93,497
Total	—	297,729	—	297,729
	==	==	==	==

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2025				
Wealth Management Products, at fair value	—	53,136	—	53,136
Bills receivables – bank	—	63,185	—	63,185
Receivable vouchers	—	258	—	258
Unlisted equity investments, at fair value	—	53,807	13,735	67,542
Convertible Bond	—	—	30,276	30,276
Transferable certificate of deposit	—	32,036	—	32,036
Total	—	202,422	44,011	246,433
	==	==	==	==

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 30 June 2026				
Wealth Management Products, at fair value	—	84,533	—	84,533
Bills receivables-bank	—	80,413	—	80,413
Unlisted equity investments, at fair value	—	10,056	58,526	68,582
Convertible Bond	—	—	30,722	30,722
Transferable certificate of deposit	—	32,467	—	32,467
Total	—	207,469	89,248	296,717
	==	==	==	==

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Liabilities measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2026				
Derivative financial instruments	661	—	—	661
Total	661	—	—	661

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	900,872	900,872
Bills receivables**	141,464	—	—	—	141,464
Financial assets included in prepayments, other receivables and other assets	14,120	—	—	—	14,120
– Normal**	57,854	—	—	—	57,854
Pledged deposits	23,539	—	—	—	23,539
Cash and cash equivalents	236,977	—	—	900,872	1,137,849
Total	236,977	—	—	900,872	1,137,849

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	636,999	636,999
Bills receivables**	56,849	—	—	—	56,849
Financial assets included in prepayments, other receivables and other assets	10,996	—	—	—	10,996
– Normal**	46,786	—	—	—	46,786
Pledged deposits	41,484	—	—	—	41,484
Cash and cash equivalents	93,497	—	—	—	93,497
Transferable certificate of deposit	249,612	—	—	636,999	886,611
Total	249,612	—	—	636,999	886,611

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As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	1,051,378	1,051,378
Bills receivables**	202,887	–	–	–	202,887
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,547	–	–	–	13,547
Pledged deposits	68,255	–	–	–	68,255
Cash and cash equivalents	46,935	–	–	–	46,935
Transferable certificate of deposit	32,036	–	–	–	32,036
Total	363,660	–	–	1,051,378	1,415,038

As at 30 June 2026

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	1,388,622	1,388,622
Bills receivables**	288,421	–	–	–	288,421
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,647	–	–	–	13,647
Pledged deposits	81,493	–	–	–	81,493
Cash and cash equivalents	197,193	–	–	–	197,193
Transferable certificate of deposit	32,467	–	–	–	32,467
Total	613,221	–	–	1,388,622	2,001,843

* For trade receivables to which the Group applies the simplified approach for impairment, further summary details of which are included in note 22 to the Historical Financial Information.

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

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 22 to the Historical Financial Information.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s objective is to maintain a balance between continuity of funding and flexibility through equity and debt financing.

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

As at 31 December 2023

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	469,899	–	–	469,899
Financial liabilities included in other payables and accruals	79,856	–	–	79,856
Interest-bearing bank borrowings	75,449	82,181	15,569	173,199
Lease liabilities	492	245	55	792
Total	625,696	82,426	15,624	723,746

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As at 31 December 2024

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	340,066	–	–	340,066
Financial liabilities included in other payables and accruals	26,620	–	–	26,620
Interest-bearing bank borrowings	56,267	93,114	–	149,381
Lease liabilities	459	107	–	566
Total	<u>423,412</u>	<u>93,221</u>	<u>–</u>	<u>516,633</u>

As at 31 December 2025

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	937,811	–	–	937,811
Financial liabilities included in other payables and accruals	84,778	–	–	84,778
Interest-bearing bank borrowings	289,615	141,319	11,121	442,055
Lease liabilities	203	145	–	348
Total	<u>1,312,407</u>	<u>141,464</u>	<u>11,121</u>	<u>1,464,992</u>

As at 30 June 2026

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,239,015	–	–	1,239,015
Financial liabilities included in other payables and accruals	23,765	–	–	23,765
Interest-bearing bank borrowings	459,453	170,089	101,447	730,989
Lease liabilities	189	4	–	193
Total	<u>1,722,422</u>	<u>170,093</u>	<u>101,447</u>	<u>1,993,962</u>

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long term debt obligations with a floating interest rate.

The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group does not use any derivative contracts to hedge against its exposure to interest rate risk.

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

	Increase/(decrease) in basis points	Effect on profit before tax RMB'000
Year ended 31 December 2023		
RMB	100	(496)
RMB	(100)	496
Year ended 31 December 2024		
RMB	100	(462)
RMB	(100)	462
Year ended 31 December 2025		
RMB	100	(985)
RMB	(100)	985
Six months ended 30 June 2025 (unaudited)		
RMB	100	(744)
RMB	(100)	744
Six months ended 30 June 2026		
RMB	100	(1,976)
RMB	(100)	1,976

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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.

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

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Total debt	753,686	571,653	1,547,608	2,092,896
Total assets	1,784,116	1,579,228	2,734,288	3,527,198
Net gearing ratio	42.24%	36.20%	56.60%	59.34%

43. EVENTS AFTER THE RELEVANT PERIODS

On July 31, 2026, the Company and Enchem Co., Ltd. entered into an equity transfer agreement, pursuant to which our Company agreed to acquire the remaining 15.00% equity interest in Huzhou Kunlun. Upon completion of the transfer, Huzhou Kunlun will become a wholly-owned subsidiary of the Company.

44. 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 30 June 2026.