The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2023, 2024 and 2025 and the accompanying notes included in the Accountants' Report set out in Appendix I to this document. We have prepared our financial information in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States and the United Kingdom.

The following discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Forward-Looking Statements", "Risk Factors" and "Business" in this document.

OVERVIEW

We are a global leading material company specialized in new energy materials and advanced materials driven by innovative technology. We primarily engage in providing comprehensive lithium-ion battery materials as well as daily chemicals and specialty chemicals solutions to customers across the world.

We are a global leader in the field of electrolytes for lithium-ion batteries, distinguished by our innovative technology and vertically integrated capability, which encompasses the production of full value chain of key raw materials, including $LiPF_6$, LiFSI, additives and lithium carbonate. Leveraging our R&D platform and engineering advantages, as well as our cross-selling capabilities built through long-term partnerships with our customers, we have successfully expanded into the sectors of cathode materials (including $FePO_4$ and $LiFePO_4$) and adhesives for lithium-ion batteries (including PACK structural adhesive and binder), forming comprehensive solutions for lithium-ion battery materials. Furthermore, we have proactively positioned ourselves in advanced materials for emerging applications including intelligent driving, eVTOL, semiconductors, advanced engineering and AI related thermal management. Our next-generation offerings include solid-state electrolytes, specialty adhesives and encapsulant for automotive electronics and semiconductors, high-performance polymers (mainly including PEEK and PI) and high-efficiency cooling materials and flame-retardant materials.

Our business is mainly divided into two major segments, namely lithium-ion battery materials business as well as daily chemicals and specialty chemicals business. Our lithium-ion battery materials business mainly includes electrolyte and its core compositions, $FePO_4$, $LiFePO_4$, PACK structural adhesives and binders. Lithium-ion batteries are widely used in EV, ESS and consumer electronics sectors and are gradually expanding into emerging sectors, such as machinery, vessels, eVTOL and other intelligent applications. In recent years, we have strategically expanded into lithium-ion battery recycling, focusing on recycling of retired and waste lithium-ion batteries and recycling of lithium-ion battery materials in the production process. Our daily chemicals and specialty chemicals business primarily comprises daily chemicals such as carbomers, surfactants (including amino acid and amphoteric surfactants), silicone oil and cationic conditioner, as well as specialty chemicals such as silicone, rubber additives and other advanced materials. Daily chemicals are widely used in personal care and home care products, such as shampoo, body wash, laundry detergent and disinfectant and sterilization products. Specialty chemicals, on the other hand, are mainly applied across various industrial, construction and agricultural sectors.

For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB15,404.6 million, RMB12,518.3 million and RMB16,649.9 million, respectively. Our gross profit for the years were RMB3,993.0 million, RMB2,364.2 million and RMB3,703.2 million, respectively.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Accounting Standards**") which collective term includes all applicable individual IFRS Accounting Standards and Interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRS Accounting Standards, amendments, interpretations and annual improvements which are effective for the accounting period beginning from January 1, 2025 are consistently adopted by our Group during the Track Record Period. The material accounting policies that have been used in the preparation of this historical financial information are summarized in note 3 to the Accountant's Report included in Appendix I to this document. These policies have been consistently applied to all the periods presented in the historical financial information, unless otherwise stated. The historical financial information has been prepared on the historical cost basis, except for certain financial assets which are stated at fair values.

Accounting estimates and assumptions are used in preparation of the historical financial information. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in note 5 to the Accountant's Report included in Appendix I to this document.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The results of operations and the financial conditions of our Group have been, and/or will continue to be affected by a number of factors, including those key factors set out below:

Demands for Our Products in the Downstream Markets

We are a global leading material company specialized in new energy materials and advanced materials driven by innovative technology, which primarily provides comprehensive lithium-ion battery materials and daily chemicals and specialty chemicals solutions to customers across the world. Our results of operations have been and are expected to continue to be affected by the demand in downstream markets.

During the Track Record Period, we generated revenue from lithium-ion battery materials of RMB14,104.4 million, RMB10,974.2 million, and RMB15,050.5 million, accounting for 91.6%, 87.7% and 90.4% of our total revenue in 2023, 2024 and 2025, respectively. Our lithium-ion battery materials are primarily supplied to battery manufacturers, automotive manufacturers and consumer goods manufacturers, which are used in a wide variety of end markets, including EV, ESS and consumer electronics sectors, as well as emerging sectors such as machinery, vessels, eVTOL and robotics. The remaining portion of our revenue is largely generated by our daily chemicals and specialty chemicals business through the production and sale of daily chemicals and specialty chemicals products, such as carbomer, surfactants, silicone oil, cationic conditioner and other specialty chemicals for a wide range of personal care, industrial, agricultural and construction applications. For the years ended December 31, 2023 and 2024, our revenue decreased mainly due to intensified competition in the lithium-ion battery materials industry which led to a decrease in the average selling price of lithium-ion battery materials. In 2025, we recorded growth in both sales and financial performance, supported by accelerated growth in the downstream markets.

Developments in industry practices within downstream markets, such as the introduction of new technologies or standards, may influence demands for our products. Advances in alternative technologies could present both challenges and complementary opportunities for our product portfolio. The acceptance of more cost-effective substitutes for our products in the relevant markets could also have an impact on our business, financial condition and results of operations.

Supply of Key Materials and Our Ability to Produce, Recycle and Re-use Materials

Our operations depend on substantial amounts of key materials, the prices of which are inherently volatile and closely linked to global commodity market trends. Our key raw materials primarily comprise various chemicals, including lithium carbonate, $LiPF_6$, LiFSI, $FePO_4$, FEC, VC, DTD, DMC, EMC, fatty acid and ADP, the cost of which account for a substantial portion of our total cost of sales. Although we have expanded the production of certain upstream key materials, including FEC, VC, $LiPF_6$, LiFSI, $FePO_4$, high-purity lithium carbonate and various additives, so that we are able to meet some of our procurement needs internally, our key materials that are sourced from external providers accounted for a certain portion of our operating cost. Historically, the market prices for these materials have been subject to fluctuations in a manner that is characteristic of commodity markets, resulting in related fluctuations in our operating costs. In the years ended December 31, 2023, 2024 and 2025, our direct material costs (as a part of our cost of sales) were RMB8,830.4 million, RMB7,258.2 million and RMB10,091.6 million, respectively. For illustrative purposes only, assuming that all other factors affecting our financial performance remain constant (including assuming that material price fluctuations cannot be passed on to customers through price adjustment mechanisms), the sensitivity analysis of the impact of fluctuations in the average price of direct materials being 1% and 5% on our profit before income tax during the Track Record Period is as follows:

	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Fluctuations in the average price of direct materials			
-/+1%	+/-88,304	+/-72,582	+/-100,916
-/+5%	+/-441,522	+/-362,909	+/-504,579

We have built our differentiated competitive advantage by having established our self-production capability for the key materials of our products. This high level of self-sufficiency enables us to achieve significant cost advantages and ensures a stable core materials supply. In particular, we are self-sufficient in a wide variety of additives, an area with high entry barriers requiring significant investment and expertise. According to CIC, we are one of the few producers in China with the scale and research capabilities needed to develop and manufacture new additives in a cost-efficient and timely manner. This capability contributes directly to the development of new electrolyte products, helping to guarantee both the stability and quality of our electrolyte materials supply and to mitigate price volatility, especially for critical materials like $LiPF_6$, thereby supporting our profitability.

In addition, we have been taking measures to enhance supply security, manage price volatility, and lower costs. For key materials that are widely used and subject to notable market fluctuations, we make strategic purchases when prices are favorable based on our internal forecasts. We also conduct hedging activities to effectively manage the risks of significant price fluctuations of such raw materials and enhance the stability and sustainability of our operating performance. See "Business — Procurement and Suppliers — Hedging Policies." Moreover, we engage in retired and waste lithium-ion battery recycling and promote the circular use of materials by recovering by-products and hazardous materials generated in various manufacturing processes and utilizing them as raw materials in the production of other products. This approach not only increases the supply of raw materials, but also significantly reduces energy costs while controlling pollutant emissions. See "Business — Our Circular Economy Model." These initiatives enhance our cost efficiency and support sustainable production.

However, despite these efforts to ensure supply and manage costs, we may still be exposed to shortages or persistent price fluctuations of key materials, which could affect our business, financial condition, and results of operations.

Research and Development

We believe that R&D is one of the fundamental drivers of our growth, market leadership and overall financial condition. Our success over the years has been built on robust R&D capabilities and sustained investment in technological innovation. We have established an integrated R&D platform that leverages our deep expertise in four major chemical elements of lithium, fluorine, phosphorus and sulfur. This expertise forms the foundation for innovation, supporting the development of advanced materials and products that meet the needs of various industries. See "Business — Research and Development — Our Integrated Research and Development Platform."

Maintaining a leading position in our core markets is closely linked to our continuous R&D investment and our ability to translate research into commercially viable products. The performance of our business, and consequently our financial condition, depends significantly on our ability to maintain a technological edge, respond to industry-wide advancements and adapt swiftly to evolving customer demands and technological trends. In support of this, we remain committed to ongoing investment in R&D to keep our product portfolio relevant and competitive. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses amounted to RMB645.5 million, RMB668.2 million and RMB846.9 million, respectively, representing 4.2%, 5.3% and 5.1% of our total revenue in the respective period. We expect to continue strengthening our R&D capability to drive further product optimization and innovation. This focus will help differentiate our products, enhance their competitiveness in the market, and support our future growth and financial health.

Production Capacity Management

Our ability to manage and expand our production capacity has a significant impact on the growth in our revenue and market share expansion. As of December 31, 2025, we had 16 productions bases and one additional construction base currently under construction in the PRC. See "Business — Production — Our Global Network." Equipped with advanced equipment and the latest production technologies, our production bases are highly automated. Accordingly, we are able to produce products with premium quality and reliability, while ensuring cost efficiency. As of December 31, 2024, our electrolyte production capacity was the largest among all electrolyte producers in the world. Looking forward, we intend to continue to improve and maintain a high level of production capacity utilization and will actively seek opportunities to prudently expand our capacity internationally, aligning with developments in overseas market demand and customer service networks.

Change in Product Mix

Our business is principally focused on lithium-ion battery materials. Our lithium-ion battery materials products are primarily electrolyte, which is essential for enabling the movement of lithium-ions between the battery electrodes, and its core compositions. We have also successfully expanded into the sectors of cathode materials, comprising $FePO_4$ and $LiFePO_4$ and other material, such as binders, PACK structural adhesives for lithium-ion battery and lithium carbonate. During the Track Record Period, we generated revenue from lithium-ion battery materials of RMB14,104.4

million, RMB10,974.2 million and RMB15,050.5 million, accounting for 91.6%, 87.7% and 90.4% of our total revenue in 2023, 2024 and 2025, respectively. Gross profit margin of lithium-ion battery materials amounted to 25.3%, 17.5% and 21.3% for the years ended December 31, 2023, 2024 and 2025, respectively.

In addition to our focus on lithium-ion battery materials, we may seek to expand our product portfolio over time, including further investments in product development. During the Track Record Period, revenue from the sales of daily chemicals and specialty chemicals accounted for 6.6%, 9.2% and 7.7% for the years ended December 31, 2023, 2024 and 2025, respectively. Gross profit margin of daily chemicals and specialty chemicals amounted to 35.8%, 30.0% and 29.9% for the years ended December 31, 2023, 2024 and 2025, respectively. As the profit margins, cost structures and market dynamics can vary significantly across these product categories, changes in our product mix will have a direct impact on our overall gross margins. These changes in turn, are expected to affect our business performance and financial condition more broadly.

Competition

The barriers to the industry in which we operate include technology barriers, operation scope barriers, capital barriers, equipment-related barriers and customer barriers. We primarily compete with well-established domestic manufacturers that are in the business of producing large volumes of lithium-ion battery materials and daily chemicals and specialty chemicals, including those with extensive marketing and sales networks and strong industry experience.

The costs for lithium carbonate experienced significant fluctuations in recent years, rising between 2020 and 2022 as demand from the downstream market increased, then declining significantly from 2023 as overcapacity in lithium-ion battery materials industry developed and growth in downstream demand weakened. These changes have contributed to increased competition among the lithium-ion battery materials manufacturers, and we actively adjusted our pricing strategies to maintain our competitive position. As a result, we have sustained the position as the world's No. 1 electrolyte supplier in terms of shipment volumes during the Track Record Period, with a global market share of approximately 35.7% in 2024, according to CIC. As we expand into new business lines, geographic markets, and product categories, leveraging our leading positions in electrolyte and other lithium-ion battery materials as well as daily chemicals and specialty chemicals products, we believe we will be able to seize the opportunities that will arise alongside a dynamic and evolving competitive landscape.

In addition, new and existing competitors may strive to increase their market share with continued R&D efforts, optimized production processes and active marketing campaigns. However, we believe our strong capital resources, our vertical integration capability across the electrolyte value chain, strong synergies across our business segments, accumulation of intellectual property, sophisticated talent pool and deep-rooted relationship with customers give us an advantageous position among existing and incoming industry players.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of the historical financial information in conformity with IFRS requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are note readily apparent from other sources. Actual results may differ from these estimates.

Below is a summary of the accounting policies in accordance with IFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies. We do not expect such estimates and assumptions to be likely to change significantly in the future. See note 3 to the Accountants' Report set out in Appendix I to this document.

Revenue Recognition

Revenue arises mainly from the sales of lithium-ion battery materials, daily chemicals and specialty chemicals products. To determine whether to recognize revenue, we follow a 5-step process: (i) identifying the contract with a customer, (ii) identifying the performance obligations, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations, and (v) recognizing revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized either at a point in time or over time, when we satisfy performance obligations by transferring the promised goods to our customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Revenue from Sale of Goods

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

Revenue for sale of goods in China is recognized when we have delivered the products to the customers in accordance with the contract terms, and have received acceptance and other proof of receipt from the customers. Revenue for export sale of goods is recognized when we have declared the goods for customs clearance in accordance with the contract terms, and have obtained a customs declaration or received acceptance and other proof of receipt from the customers.

Property, Plant and Equipment

Property, plant and equipment (other than cost of right-of-use assets) are initially stated at acquisition cost or manufacturing costs (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by our management). They are subsequently stated at costs less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line basis over their estimated useful lives as follow:

Freehold land is not depreciated	
Buildings	15-30 years
Machinery	3-10 years
Transportation facilities	3-10 years
Electronic and other equipment	3-10 years

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

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

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

Derivative Financial Instruments and Hedge Accounting

We enter into a variety of derivative financial instruments to manage our exposure to foreign currency risks and commodity price risks, including forward currency contracts and commodity future contracts. Further details of derivative financial instruments are set out in note 24 to the Accountants' Report set out in Appendix I to this document.

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

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting, the risk management objective and our strategy for undertaking the hedge.

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

- there is "an economic relationship" between the hedged item and the hedging instrument.
- the effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that we actually hedge and the quantity of the hedging instrument that we actually use to hedge that quantity of hedged item.

We designate certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchanges rates and commodity price. See note 3.10 to the Accountants' Report set out in Appendix I to this document.

Impairment of Financial Assets

We consider a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

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

"Stage 3" would cover financial assets that have objective evidence of impairment at each reporting date of the Track Record Period.

"12-month ECL" are recognized for the Stage 1 category while "lifetime ECL" are recognized for the Stage 2 category.

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

Trade Receivables

For trade receivables, we apply a simplified approach in calculating ECL and recognize a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, we have established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables from related parties, we also perform the ECL assessment on individual basis.

To measure the ECL, except for trade receivables with significant outstanding balances which are assessed individually, the remaining trade receivables have been grouped based on shared credit risk characteristics and the days past due, and adjusted for forward-looking factors specific to the debtors and the economic environment.

Other Financial Assets Measured at Amortized Cost and Debt Investments at FVTOCI and Bills Receivables Measured at FVTOCI

We measure the loss allowance for other receivables and bill receivables at FVTOCI equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood of risk of default occurring since initial recognition.

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating,

- significant deterioration in external market indicators of credit risk, e.g., a significant increase in the credit spread and the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

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

For internal credit risk management, we consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including us, in full.

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortized cost are set out in note 44.2 to the Accountants' Report set out in Appendix I to this document.

Financial Guarantee Contracts

For a financial guarantee contract, we are required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that we expect to receive from the holder, the debtor or any other party.

Credit-impaired Financial Assets

At each reporting date, we assess on a forward-looking basis whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off Policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognized in profit or loss of the period in which the reversal occurs.

Accounting Estimates and Judgements

In the process of applying our Group's accounting policies, our management has made the following estimates and judgements based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of Non-Financial Assets (Other than Goodwill)

Items of property, plant and equipment, right-of-use assets, deposits paid for acquisition of property, plant and equipment, intangible assets and investments in subsidiaries in the Company's statements of financial position are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each cash-generating unit ("CGU"). For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statements of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

As of December 31, 2023, 2024 and 2025, the carrying amounts of property, plant and equipment, right-of-use assets, deposits paid for acquisition of property, plant and equipment, intangible assets and investments in subsidiaries in the Company's statements of financial position are disclosed in note 16, note 17, note 26 note 19 and note 21 to the Accountants' Report set out in Appendix I to this document, respectively.

Estimation of Impairment of Trade and Bills Receivables, and Other Receivables

We make allowances on items subjects to ECL (including trade and bills receivables, and other receivables and other financial assets measured at amortized cost) based on assumptions about risk of default and expected loss rates. We use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in note 3.11 to the Accountants' Report set out in Appendix I to this document.

As of December 31, 2023, 2024 and 2025, the aggregate carrying amounts of trade and bills receivables, and other receivables amounted to RMB5,424.0 million, RMB5,679.5 million and RMB7,900.8 million, net of loss allowance of RMB185.2 million, RMB307.4 million and RMB357.1 million, respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables, and deposits and other receivables and related credit losses in the periods in which such estimate has been changed.

Net Realizable Value of Inventories

Net realizable value of inventories is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. We reassess the estimation at each reporting date. During the Track Record Period, the provision for inventories, amounting to RMB171.0 million, RMB108.5 million and RMB172.4 million have been provided during the years ended December 31, 2023, 2024 and 2025, respectively.

Estimation of Fair Value of Financial Instruments Not Traded in an Active Market

As of December 31, 2023, 2024 and 2025, financial assets at FVTOCI that are not traded in an active market including unlisted equity investments were carried at fair value of RMB436.9 million, RMB412.9 million and RMB569.5 million, respectively. The fair values are determined by using valuation techniques, details of which are set out in note 44.7 to the Accountants' Report set out in Appendix I to this document. This involves developing estimates and assumptions consistent with how market participants would price the instrument. We base our assumptions on observable data as far as possible but this is not always available. In that case we use the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at each reporting date.

Impairment of Goodwill

We test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.23 to the Accountants' Report set out in Appendix I to this document. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenue and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. In addition, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the trends in inflation and market interest rates may progress or evolve. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 18 to the Accountants' Report set out in Appendix I to this document.

Useful Lives of Property, Plant and Equipment (Other than Right-of-Use Assets) and Intangible Assets

We depreciate the property, plant and equipment (other than right-of-use assets) and intangible assets over the estimated useful lives, using the straight-line method, commencing from the date the property, plant and equipment and intangible assets are available for use. The estimated useful life reflects the directors' estimates of the periods that we intend to derive future economic benefits from the use of our property, plant and equipment (other than right-of-use assets) and intangible assets. We assess annually the useful lives of property, plant and equipment (other than right-of-use assets) and intangible assets, and if the expectation differs from the original estimate, such a difference may impact the depreciation for the Track Record Period and the future period.

Estimation of Fair Value of Share Option at the Date of Grant

We used the Black-Scholes Option Pricing Model to determine the fair value of the share options as of the grant date, which is to be recorded in profit or loss over the vesting period. The model inputs are set out in note 38(b) to the Accountants' Report set out in Appendix I to this document. During the years ended December 31, 2023, 2024 and 2025, RMB(0.9) million, RMB(0.4) million, and RMB37.1 million of share option related employee compensation expenses have been recognized/(reversed) in profit or loss respectively.

Current and Deferred Income Taxes

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

DESCRIPTION OF PRINCIPAL CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

Revenue

Revenue by Types of Products

During the Track Record Period, we primarily generated our revenue through two main business segments, namely (i) lithium-ion battery materials products and (ii) daily chemicals and specialty chemicals products. Most of our revenue was derived from lithium-ion battery materials products, reflecting our strategic focus. We also generated a small portion of our revenue from daily chemicals and specialty chemicals products.

The table below sets forth the breakdown of the revenue by types of products and services for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Lithium-ion battery materials						
Electrolytes and Core Compositions	13,152,996	85.4	9,598,292	76.7	13,046,157	78.4
Cathode materials	632,575	4.1	897,787	7.2	1,324,497	7.9
Others[(1)]	318,782	2.1	478,146	3.8	679,885	4.1
Sub-total	14,104,353	91.6	10,974,225	87.7	15,050,539	90.4
Daily chemicals and specialty chemicals	1,016,795	6.6	1,160,567	9.2	1,284,577	7.7
Others[(2)]	283,492	1.8	383,505	3.1	314,777	1.9
Total	**15,404,640**	**100.0**	**12,518,297**	**100.0**	**16,649,893**	**100.0**

Notes:

(1) Others primarily include binders, PACK structural adhesives and lithium carbonate.

(2) Others primarily include revenue derived from the sales of by-products from lithium-ion battery materials production, trading of materials and the sales of scrap materials from the recycling of retired and waste lithium-ion batteries.

Sales Volume and Average Selling Price

The following table sets forth the sales volume and average selling price by products during the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**
	thousand tonnes	*RMB per tonne*	*thousand tonnes*	*RMB per tonne*	*thousand tonnes*	*RMB per tonne*
Lithium-ion battery materials	612	23,043	795	13,810	1,046	14,392
– Electrolyte and core compositions	405	32,482	537	17,862	773	16,885
Daily chemicals and specialty chemicals	109	9,302	140	8,297	128	10,010

The average selling price of our lithium-ion battery materials decreased from RMB23,043 per tonne in 2023 to RMB13,810 per tonne in 2024, which subsequently increased to RMB14,392 per tonne in 2025.

The average selling price of our lithium-ion battery materials was notably higher in 2022 before decreasing in 2023, primarily attributable to the market dynamics during that period. The elevated product prices in 2022 were primarily driven by a global shortage in lithium carbonate supply resulting from several concurrent factors, according to CIC. First, unprecedented growth in the EV industry drove surging demand for lithium-ion batteries globally. Second, structural supply constraints emerged as lithium carbonate production capacity could not expand quickly enough to meet this accelerated demand due to the long lead times required for developing new lithium mining and refining operations. Third, limited inventory buffers existed in the supply chain as the industry was unprepared for the rapid acceleration in EV adoption. These factors combined to create a severe supply-demand imbalance, resulting in a significant surge in global lithium carbonate prices that directly translated into higher average selling price for our lithium-ion battery materials.

In contrast, the subsequent price drop from 2023 to 2024 was mainly the result of a rebalancing of supply and demand dynamics, whereby excess lithium carbonate production capacity was rationalized and supply levels aligned more closely with actual demand following a period of significant oversupply, combined with intensified competition within the industry. As new lithium carbonate production capacity became operational globally and demand growth moderated from peak levels, the market transitioned from acute shortage to oversupply. Simultaneously, production capacity for lithium-ion battery materials, such as electrolytes, expanded significantly, leading to increased competition amongst electrolyte producers for market share. This intensified competition created pricing pressure beyond the decline in raw material costs, whilst customers gained greater negotiating leverage in a market characterised by ample supply, further pressuring average selling prices of lithium-ion battery materials.

Our average selling price of our lithium-ion battery materials subsequently increased from 2024 to 2025, primarily due to an increase in the sales volume of products with relatively higher average selling prices, such as PACK structural adhesives. Although prices of electrolyte and core compositions dropped during the first three quarters of 2025, improved supply-demand dynamics boosted prices in the fourth quarter, which stabilized the average selling prices for the entire year and resulted in a lower decline from 2024 to 2025 as compared to the prior year.

According to CIC, lithium carbonate prices are adjusted daily based on market supply and demand. Price fluctuations are driven by changes in both upstream supply and downstream demand. As lithium carbonate is a core raw material for electrolyte production, price changes are passed through to the electrolyte sector. Consequently, both materials follow similar price trends, which also affects our average selling price of lithium-ion battery materials.

Revenue by Geographic Region

During the Track Record Period, we generated most of our revenue from operations in China. The table below sets forth a breakdown of our revenue by geographic region for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
The PRC	14,943,319	97.0	11,969,614	95.6	16,016,376	96.2
Overseas[1]	461,321	3.0	548,683	4.4	633,517	3.8
Total	**15,404,640**	**100.0**	**12,518,297**	**100.0**	**16,649,893**	**100.0**

Note:

(1) Overseas revenue primarily refers to revenue derived from Southeast Asia, the United States and South Korea.

Cost of Sales

Our cost of sales mainly consisted of (i) direct material costs, representing costs of raw materials procured externally, (ii) manufacturing costs, and (iii) direct labor costs, all relating to the production of our products.

The table below sets forth a breakdown of our cost of sales by nature for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct material costs	8,830,431	77.4	7,258,176	71.5	10,091,583	78.0
Manufacturing costs	2,377,532	20.8	2,677,646	26.4	2,631,517	20.3
Direct labor costs	203,636	1.8	218,314	2.1	223,636	1.7
Total	**11,411,599**	**100.0**	**10,154,136**	**100.0**	**12,946,736**	**100.0**

Gross Profit and Gross Profit Margin

Gross profit is equal to our revenue less cost of sales. Our gross profit as a percentage of our revenue is our gross profit margin. The following table sets forth the gross profit and gross profit margin by business segments for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Lithium-ion battery materials	3,562,861	25.3	1,915,062	17.5	3,201,149	21.3
Daily chemicals and specialty chemicals	364,465	35.8	348,659	30.0	384,115	29.9
Others[(1)]	65,715	23.2	100,440	26.2	117,893	37.5
Total	**3,993,041**	**25.9**	**2,364,161**	**18.9**	**3,703,157**	**22.2**

Note:

(1) Others primarily include gross profit derived from the sales of by-products from lithium-ion battery materials production, trading of materials and the sales of scrap materials from the recycling of the retired and waste lithium-ion batteries.

Other Income, Net

Our other income, net mainly consisted of (i) interest income and (ii) government grants and subsidies related to incentives and support provided to us by the local government authorities.

The following table sets forth a breakdown of other income, net both in absolute amount and as a percentage of our total other income, net for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest income	101,086	39.6	91,461	39.8	82,085	34.1
Government grants and subsidies[(1)]	145,247	56.8	128,334	55.9	148,527	61.7

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Others[2]	9,303	3.6	9,864	4.3	10,169	4.2
Total	**255,636**	**100.0**	**229,659**	**100.0**	**240,781**	**100.0**

Notes:

(1) Government grants mainly relate to cash subsidies in respect of operating and development activities from government and additional deduction of input value-added tax for advanced manufacturing entities which are either unconditional grants or grants with conditions having been satisfied.

(2) Others primarily consisted of income from scrap sales.

Other Gains and Losses, Net

Our other gains and losses, net mainly consisted of (i) realized gains from hedge derivatives, (ii) net gains on disposal/deemed disposal of investments in subsidiaries and an associate, (iii) gain/(losses) on disposal of property, plant and equipment, and (iv) net foreign exchange gains resulted from changes in foreign exchange rates.

The table below sets forth a breakdown of our other gains and losses, net for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Realized gains from hedge derivatives	1,072	69,635	12,642
Gains on disposal/deemed disposal of interest in an associate and investments in subsidiaries, net	–	1,617	(1,306)
Gain/(losses) on disposal of property, plant and equipment	(10,047)	(1,015)	(52,112)
Net foreign exchange gains/(losses)	956	8,682	(18,314)
Others[1]	(5,135)	(16,842)	(15,575)
Total	**(13,154)**	**62,077**	**(74,665)**

Note:

(1) Others primarily consisted of donations and late payment charges.

Selling and Distribution Expenses

Our selling and distribution expenses mainly consisted of (i) employee benefit expenses related to our sales and marketing employees, (ii) business and exhibition costs related to our sales and marketing activities, (iii) material costs related to our sales and marketing activities, (iv) office expenses, and (v) share-based payments to our sales and marketing employees.

The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	26,036	25.8	31,449	41.9	35,976	50.1
Business and exhibition costs	58,584	58.0	32,066	42.7	26,743	37.2
Material costs	5,526	5.5	3,223	4.3	2,642	3.7
Office expenses	7,261	7.2	8,161	10.9	2,894	4.0
Share-based payments[(1)]	(2,575)	(2.6)	(1,841)	(2.6)	922	1.3
Others[(2)]	6,109	6.1	2,076	2.8	2,663	3.7
Total	**100,941**	**100.0**	**75,134**	**100.0**	**71,840**	**100.0**

Notes:

(1) A reversal of the share-based payments represents cancellation of share-based payment arrangements with certain sales and marketing employees due to unmet payment conditions.

(2) Others primarily consisted of consulting fees.

General and Administrative Expenses

Our general and administrative expenses mainly consisted of (i) employee benefit expenses related to our administrative employees, (ii) deprecation and amortization expenses related to general and administrative facilities, (iii) office expenses, (iv) tax and surcharges, (v) share-based payments to our administrative employees, and (vi) business costs related to our general and administrative activities.

The table below sets forth a breakdown of our general and administrative expenses for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	272,790	36.7	297,613	41.5	431,215	45.3
Depreciation and amortization	105,207	14.2	130,347	18.2	176,486	18.5
Office expenses	155,303	20.9	152,204	21.2	144,265	15.1
Taxes and surcharges	101,467	13.6	72,347	10.1	90,703	9.5
Share-based payments[(1)]	22,055	3.0	(30,483)	(4.3)	35,290	3.7
Business costs	34,391	4.6	32,504	4.6	29,065	3.1
Others[(2)]	52,046	7.0	62,307	8.7	45,312	4.8
Total	**743,259**	**100.0**	**716,839**	**100.0**	**952,336**	**100.0**

Notes:

(1) A reversal of the share-based payments represents cancellation of share-based payment arrangements with certain administrative employees due to unmet payment conditions.

(2) Others primarily consisted of professional service fees.

Research and Development Expenses

Our research and development expenses mainly consisted of (i) cost of research and development materials, (ii) employee benefit expenses related to our research and development employees, (iii) research- and development-related depreciation and amortization expenses, and (iv) share-based payments to research and development employees.

The table below sets forth a breakdown of our research and development expenses for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Material costs	400,663	62.1	341,857	51.2	332,221	39.2
Employee benefit expenses	156,519	24.2	223,342	33.4	247,218	29.2
Depreciation and amortization	48,191	7.5	73,904	11.1	106,739	12.6
Share-based payments[1]	(8,753)	(1.4)	(46,080)	(6.9)	27,355	3.2
Others[2]	48,922	7.6	75,190	11.2	133,415	15.8
Total	**645,542**	**100.0**	**668,213**	**100.0**	**846,948**	**100.0**

Notes:

(1) A reversal of the share-based payments represents cancellation of share-based payment arrangements with certain research and development employees due to unmet payment conditions.

(2) Others primarily consisted of outsourced testing fees and technical consulting fees.

Impairment Losses

Our impairment losses consisted of impairment losses on (i) inventories, (ii) trade and other receivables, (iii) property, plant and equipment; and (iv) goodwill.

The table below sets forth a breakdown of our impairment losses for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Impairment losses on						
– Inventories	171,014	82.5	108,480	35.3	172,363	73.6
– Trade and other receivables	25,240	12.2	123,238	40.1	61,749	26.4
– Property, plant and equipment	10,897	5.3	61,314	19.9	–	–
– Goodwill	–	–	14,318	4.7	–	–
Total	**207,151**	**100.0**	**307,350**	**100.0**	**234,112**	**100.0**

We experienced significant increases in impairment losses on inventories in 2023 and 2024 primarily due to increases in the provision for inventory write-downs for $FePO_4$, $LiFePO_4$ and lithium carbonate resulting from decreases in their respective market value.

Finance Costs

Our finance costs consisted of (i) interests on borrowings, (ii) interests on discounted bills receivables, and (iii) interest expenses on lease liabilities.

The table below sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interests on borrowings	193,540	215,563	182,201
Interests on discounted bills receivable	25,401	11,405	18,986
Interest expenses on lease liabilities	896	1,190	1,297
Total	**219,837**	**228,158**	**202,484**

Share of Results of Associates and Joint Ventures, Net

We recorded share of gains from our shares of results of associates and joint ventures, net in the amount of RMB5.5 million for the years ended December 31, 2023, and recorded net losses from our shares of results of associates and joint ventures, net in the amount of RMB10.3 million for the years ended December 31, 2024. For the year ended December 31, 2025, we recorded losses of RMB23.0 million. These results primarily reflect the shares of gains or losses in our associates and joint ventures.

Income Tax Expense

Our income tax expense represents the tax expenses arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate. For the years ended December 31, 2023, 2024 and 2025, our income tax expenses amounted to RMB482.1 million, RMB171.5 million and RMB194.4 million, respectively. We were subject to income tax in various jurisdictions during the Track Record Period, including mainland China, Hong Kong and other jurisdictions.

Mainland China

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for certain PRC entities of the Group are calculated at the statutory tax rate of 25% on their estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

During the Track Record Period, certain of our subsidiaries were qualified as "High and New Technology Enterprise" and under the relevant PRC laws and regulations or as entities engaged in development projects supported by government in the western region of the PRC. In either case, these subsidiaries were entitled to the 15% rate. For the subsidiaries that are recognized as small and micro-sized enterprises, the following tax policy applies: for annual income amount of RMB1 million or below, the taxable income amount should be computed at 25% of the annual income and subject to a tax rate of 20%. The preferential period is from January 1, 2023 to December 31, 2024. For annual income amount of over RMB1 million but less than RMB3 million, the taxable income amount should be computed at 25% of the annual income and subject to a tax rate of 20%. The preferential period is from January 1, 2022 to December 31, 2024. The preferential period of the aforementioned tax policy was extended to December 31, 2027 according to the relevant updated tax regulation.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim additional 100% of the qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

Hong Kong

Our subsidiaries domiciled in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% during the Track Record Period.

Other jurisdictions

Certain subsidiaries of the Group in overseas jurisdictions are subject to corporate income tax at a rate ranging from 10% to 30% during the Track Record Period.

See note 12 of the Accountants' Report in Appendix I to this document.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our revenue increased by 33.0% from RMB12,518.3 million in 2024 to RMB16,649.9 million in 2025. The increase was primarily due to the increases in revenue from our sales of lithium-ion battery materials and daily chemicals and specialty chemicals.

- Revenue from our sales of lithium-ion battery materials increased by 37.1% from RMB10,974.2 million in 2024 to RMB15,050.5 million in 2025, primarily due to an increase in the sales volume of electrolyte and core compositions.

    - Revenue from our sales of electrolyte and core compositions increased by 35.9% from RMB9,598.3 million in 2024 to RMB13,046.2 million in 2025, primarily due to an increase in their total sales volume by 43.9% from 537 thousand tonnes in 2024 to 773 thousand tonnes in 2025, primarily resulting from accelerated growth in the downstream markets. The average selling price of electrolyte and core compositions decreased by 5.5% from RMB17,862 in 2024 to RMB16,885 in 2025, in line with the general trend of the selling price of the relevant materials and their core raw material, lithium carbonate, in the market, and reflecting industry-wide supply-demand dynamics.

- Revenue from our sales of daily chemicals and specialty chemicals increased by 10.7% from RMB1,160.6 million in 2024 to RMB1,284.6 million in 2025, primarily due to (i) an increase in the average selling price of amphoteric surfactant products resulting from increases in the costs of the relevant raw materials and (ii) an increase in sales volume of amino acid surfactants and silicone oil resulting from increases in demands for these products from our customers.

- Revenue from our others decreased by 17.9% from RMB383.5 million in 2024 to RMB314.8 million in 2025, primarily due to the decrease in revenue from trading of materials.

Cost of Sales

Our cost of sales increased by 27.5% from RMB10,154.1 million in 2024 to RMB12,946.7 million in 2025, broadly in line with the increase in our sales volume.

Gross Profit and Gross Profit Margin

As a result of the forgoing, our gross profit increased by 56.6% from RMB2,364.2 million in 2024 to RMB3,703.2 million in 2025.

Our gross profit margin increased from 18.9% in 2024 to 22.2% in 2025, primarily due to an increase in the gross profit margin of our lithium-ion battery materials.

- Gross profit margin of our sales of lithium-ion battery materials increased by from 17.5% in 2024 to 21.3% in 2025, primarily due to a favorable cost structure resulting from our high self-supply ratio of key raw materials, which effectively insulated our cost of sales from market price fluctuations of key raw materials and thereby contributed to higher profit margins for our lithium-ion battery materials.

- Gross profit margin of our sales of daily chemicals and specialty chemicals remained stable at 30.0% in 2024 and 29.9% in 2025.

- Gross profit margin of others increased from 26.2% in 2024 to 37.5% in 2025, primarily due to reduced revenue from the low-margin materials trading.

Other Income, Net

Our other income, net remained relatively stable at RMB229.7 million in 2024 and RMB240.8 million in 2025.

Other Gains and Losses, Net

We recorded other net gains of RMB62.1 million in 2024, which returned to other net losses of RMB74.7 million in 2025, primarily due to (i) an decrease in realized gains from hedge derivatives, (ii) increased losses on disposal of property, plant and equipment, (iii) net foreign exchange losses in 2025 as compared to net foreign exchange gains in 2024 and (iv) losses on disposal of an associate.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB75.1 million in 2024 and RMB71.8 million in 2025.

General and Administrative Expenses

Our general and administrative expenses increased by 32.9% from RMB716.8 million in 2024 to RMB952.3 million in 2025, primarily due to increases in (i) employee benefit expenses, primarily in line with our strategy to attract and retain personnel amid the continued expansion of our operational scale as our business grows and (ii) share-based payments to our administrative employees mainly as a result of the vesting of the shares under the 2024 Share Incentive Plan.

Research and Development Expenses

Our research and development expenses increased by 26.7% from RMB668.2 million in 2024 to RMB846.9 million in 2025, primarily due to increases in (i) others resulting from increased R&D effort in lithium-ion battery materials, (ii) depreciation and amortization expenses related to the additional R&D machinery and equipment and (iii) employee benefit expenses reflecting the increased R&D activities.

Impairment Losses

Our impairment losses decreased by 23.8% from RMB307.4 million in 2024 to RMB234.1 million in 2025, primarily because impairment losses had been recognized in 2024 for relatively higher amount of long-aged receivables.

Finance Costs

Our finance costs decreased by 11.3% from RMB228.2 million in 2024 to RMB202.5 million in 2025, primarily due to a decrease in interest expenses on borrowings as a result of lower borrowing interest rates and the conversion of the convertible bonds in October and November 2025, upon which no further interest expenses were incurred.

Share of Results of Associates and Joint Ventures, Net

Our net losses of share of results of associates and joint ventures increased from RMB10.3 million in 2024 to RMB23.0 million in 2025.

Income Tax Expense

Our income tax expense increased by 13.4% from RMB171.5 million in 2024 to RMB194.4 million in 2025. Our effective income tax rate decreased from 26.4% in 2024 to 12.6% in 2025, primarily due to certain loss-making subsidiaries' non-recognition of deferred income tax in 2024 out of prudence.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB478.4 million in 2024 to RMB1,344.2 million in 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue decreased by 18.7% from RMB15,404.6 million in 2023 to RMB12,518.3 million in 2024. The decrease was primarily due to the decrease in revenue from the sales of lithium-ion battery materials.

- Revenue from our sales of lithium-ion battery materials decreased by 22.2% from RMB14,104.4 million in 2023 to RMB10,974.2 million in 2024, primarily due to the decrease in the average selling price of electrolyte and core compositions.

    - Revenue from our sales of electrolyte and core compositions decreased by 27.0% from RMB13,153.0 million in 2023 to RMB9,598.3 million in 2024, primarily due to a decrease in their average selling price, which decreased by 45.0% from RMB32,482 in 2023 to RMB17,862 in 2024, in line with the general trend of the selling price of the relevant materials and their core raw material, lithium carbonate, in the market, and reflecting industry-wide oversupply and more intense market competition. The decrease in their average selling price was partially offset by an increase in their total sales volume by 32.7% from 405 thousand tonnes in 2023 to 537 thousand tonnes in 2024, primarily resulting from sustained demands from our customers.

- Revenue from our sales of daily chemicals and specialty chemicals increased by 14.1% from RMB1,016.8 million in 2023 to RMB1,160.6 million in 2024, primarily due to higher sales volumes of silicone materials, amino acids, and amphoteric surfactants, which resulted from the newly developed daily chemicals that we developed to meet our customers' demands.

- Revenue from others increased by 35.3% from RMB283.5 million in 2023 to RMB383.5 million in 2024, primarily driven by increased revenue from the sales of by-products from lithium-ion battery materials production and trading of materials.

Cost of Sales

Our cost of sales decreased by 11.0% from RMB11,411.6 million in 2023 to RMB10,154.1 million in 2024, primarily due to a decrease in direct material costs, largely reflecting declines in the prices of raw materials reflecting the intensified competition among the relevant suppliers.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 40.8% from RMB3,993.0 million in 2023 to RMB2,364.2 million in 2024. Our gross profit margin decreased from 25.9% in 2023 to 18.9% in 2024, primarily due to decreases in profit margins from the sales of lithium-ion battery materials and daily chemicals and specialty chemicals.

- Gross profit margin of our sales of lithium-ion battery materials decreased from 25.3% in 2023 to 17.5% in 2024, primarily due to the decreased average selling price of our lithium-ion battery materials as a result of intensified competition among lithium-ion battery material companies, which led to lower profit margins for our lithium-ion battery materials.

- Gross profit margin of our sales of daily chemicals and specialty chemicals decreased from 35.8% in 2023 to 30.0% in 2024, as a result of (i) an increase in the cost of fatty acid, the key raw material for amphoteric surfactants and (ii) the completion of new production facilities for amphoteric surfactants that led to higher depreciation and amortization costs.

- Gross profit margin of others increased from 23.2% in 2023 to 26.2% in 2024, primarily due to the increased sales price of by-products from lithium-ion battery materials production.

Other Income, Net

Our other income, net decreased by 10.2% from RMB255.6 million in 2023 to RMB229.7 million in 2024, primarily due to (i) a decrease in government grants and subsidies received during the year and (ii) a decrease in interest income resulting from a decrease in the interest rates.

Other Gains and Losses, Net

We generated other net gains of RMB62.1 million in 2024, compared to other net losses of RMB13.2 million in 2023, primarily due to an increase in realized gains from hedge derivatives, as we expanded our commodity hedging activities to manage the risks of significant price fluctuations of raw materials at the end of 2023.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 25.6% from RMB100.9 million in 2023 to RMB75.1 million in 2024, primarily due to decreases in business and exhibition costs, reflecting our ongoing initiatives to improve cost efficiency and adapt our marketing activities to market trends.

General and Administrative Expenses

Our general and administrative expenses remained generally stable at RMB716.8 million in 2024 as compared to RMB743.3 million in 2023.

Research and Development Expenses

Our research and development expenses increased by 3.5%, from RMB645.5 million in 2023 to RMB668.2 million in 2024, primarily due to an increase in employee benefits expenses resulting from the growth in research and development employees in line with the demands from our research and development projects, partially offset by a decrease in material cost in line with the decrease in the average selling price of lithium-ion battery materials.

Impairment Losses

Our impairment losses increased by 48.4% from RMB207.2 million in 2023 to RMB307.4 million in 2024, primarily due to an increase in provisions for impairment of trade and other receivables relating to a customer whose operating conditions had deteriorated.

Finance Costs

Our finance costs remained generally stable at RMB228.2 million in 2024 as compared to RMB219.8 million in 2023.

Share of Results of Associates and Joint Ventures, Net

We recorded gains of shares of results of associates and joint ventures, net in the amount of RMB5.5 million in 2023 and net losses of shares of results of associates and joint ventures, net in the amount of RMB10.3 million in 2024.

Income Tax Expense

Our income tax expense decreased by 64.4% from RMB482.1 million in 2023 to RMB171.5 million in 2024. Our effective income tax rate increased from 20.7% in 2023 to 26.4% in 2024, primarily due to certain loss-making subsidiaries' non-recognition of deferred income tax in 2024 out of prudence.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 74.0% from RMB1,842.2 million in 2023 to RMB478.4 million in 2024.

DISCUSSION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories consisted of (i) raw materials, (ii) work in progress, (iii) finished goods, and (iv) goods in transit. Raw materials mainly represent materials used for the production of our lithium-ion battery material products and daily chemical and specialty chemical products. Work in progress and finished goods include lithium-ion battery materials products and daily chemicals and specialty chemicals products at various production stages. Goods in transit mainly include raw materials and finished products that have been shipped but had not yet been received at their respective warehouses or designated delivery locations. The table below sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	525,339	600,334	646,367
Work in progress	418,603	342,546	419,067
Finished goods	287,121	501,247	634,371
Goods in transit	111,803	73,752	76,617
	1,342,866	1,517,879	1,776,422
Less: Provision for inventory allowances	(171,014)	(154,189)	(157,312)
Total	**1,171,852**	**1,363,690**	**1,619,110**

Our inventories increased by 16.4% from RMB1,171.9 million as of December 31, 2023 to RMB1,363.7 million as of December 31, 2024, primarily due to (i) an increase in finished goods as a result of an increase in production volume, and (ii) an increase in raw materials to support sales growth. Our inventories increased by 18.7% to RMB1,619.1 million as of December 31, 2025, primarily due to (i) an increase in finished goods and work in progress as a result of an increase in production volume, and (ii) an increase in raw materials to support sales growth.

We closely monitor our inventory levels to optimize our inventory level in response to changes in customer demand and fluctuations in raw material prices. We also conduct regular inventory audits to ensure accuracy and accountability. As of December 31, 2023, 2024 and 2025, our provision for impairment of inventories amounted to RMB171.0 million, RMB154.2 million and RMB157.3 million, respectively.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Less than one year	1,117,736	1,248,724	1,540,592
One year or more	54,116	114,966	78,518
Total	**1,171,852**	**1,363,690**	**1,619,110**

The table below sets forth our average inventory turnover days for the periods indicated.

	For the Year ended December 31,		
	2023	2024	2025
Average inventory turnover days(1)	55.9	44.9	41.5

Note:

(1) Average inventory turnover days equal the average of opening balance and closing balance of the inventories for the relevant period divided by cost of sales for the same period and multiplied by 360 days.

Our inventory turnover days decreased from 55.9 days in 2023 to 44.9 days in 2024 and further decreased to 41.5 days in 2025, primarily due to our strengthened inventory management measures that sought to optimize our inventory turnover, including, for example, the establishment of an inventory early warning system that alerts us to potential problems in our inventory levels before they become critical as well as the formulation of more detailed procurement plans and closer monitoring of inventory levels.

As of February 28, 2026, RMB1,286.8 million, or 79.5% of our inventories as of December 31, 2025 had been used, consumed or sold subsequently.

Trade and Bills Receivables

Our trade and bills receivables primarily represented (i) trade receivables in relation to our ordinary course of business and (ii) bill receivables in relation to payments from our customers in the form of bank acceptance bills.

The table below sets forth the details of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Third parties	4,450,336	5,116,820	7,175,853
– Related parties	–	3,502	1,479
	4,450,336	5,120,322	7,177,332
Less: ECL allowance of trade receivables	(155,709)	(250,466)	(297,112)
	4,294,627	4,869,856	6,880,220
Bills receivables			
– Measured at fair value through other comprehensive income	1,107,983	655,211	947,532
– Measured at amortized cost	–	–	2,000
Less: ECL allowance of bills receivable	–	–	(56)
	1,107,983	655,211	949,476
Total	**5,402,610**	**5,525,067**	**7,829,696**

Our trade and bills receivables remained generally stable at RMB5,525.1 million as of December 31, 2024 as compared to RMB5,402.6 million as of December 31, 2023. Our trade and bills receivables increased by 41.7% from RMB5,525.1 million as of December 31, 2024 to RMB7,829.7 million as of December 31, 2025, primarily due to our revenue growth.

The table below sets forth an aging analysis of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	5,398,451	5,519,753	7,820,183
One to two years	4,159	5,314	9,513
Total	**5,402,610**	**5,525,067**	**7,829,696**

We generally grant credit periods up to 120 days to our customers. We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. For trade receivables, we have applied the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL at each reporting date. In calculating the ECL, we have established a provision matrix that is based on our historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables from related parties, we also perform the ECL assessment on individual basis. See note 3.11 to the Accountants' Report set out in Appendix I to this document.

The table below sets forth our average trade and bills receivables turnover days for the periods indicated.

	For the year ended December 31,		
	2023	**2024**	**2025**
Average trade and bills receivables turnover days(1)	146.4	157.1	144.4

Note:

(1) Average turnover days of trade and bills receivables is calculated based on the average balance of trade and bills receivables divided by revenue for the relevant year and multiplied by 360 days.

Our average trade and bills receivables turnover days increased from 146.4 days in 2023 to 157.1 days in 2024, primarily because we granted certain key customers an extended credit period as a result of intensified market competition. Our average trade and bills receivables turnover days decreased from 157.1 days in 2024 to 144.4 days in 2025, primarily due to our strengthened control over our outstanding receivables.

As of February 28, 2026, RMB3,188.7 million, or 39.2% of our trade and bills receivables as of December 31, 2025, had been subsequently settled.

Deposits, Prepayments and Other Receivables

The following table sets forth the breakdown of our deposits, prepayments and other receivables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Deposits paid for acquisition of property, plant and equipment	504,125	116,424	177,310
Deductible VAT	–	32,826	32,483
Deposits for land acquisitions	75,360	–	–
	579,485	149,250	209,793
Current			
Other receivables			
– Security and margin deposits	22,505	20,168	25,341
– Dividends receivable	–	6,969	–
– Others	28,391	184,283	105,665
	50,896	211,420	131,006
Less: ECL allowance	(29,531)	(56,942)	(59,894)
	21,365	154,478	71,112
Prepayments to suppliers	344,485	282,141	436,704
Deductible VAT	607,531	508,019	311,072
Deferred listing expenses	–	–	10,617
Others	–	–	1,015
	973,381	944,638	830,520
Total	**1,552,866**	**1,093,888**	**1,040,313**

Our non-current portion of deposits, prepayments and other receivables consisted of (i) deposits paid for acquisition of property, plant and equipment, (ii) deductible VAT and (iii) deposits for land acquisitions, mainly relating to deposits paid for acquisition of property, plant and equipment. Our non-current portion of deposits, prepayments and other receivables decreased by 74.2% from RMB579.5 million as of December 31, 2023 to RMB149.3 million as of December 31, 2024, primarily due to a decrease in deposits paid for acquisition of property, plant and equipment as the prepaid long-term receivable assets were received. Our non-current portion of deposits, prepayments and other receivables increased by 40.6% from RMB149.3 million as of December 31, 2024 to RMB209.8 million as of December 31, 2025, primarily due to an increase in deposits paid for acquisition of property, plant and equipment.

Our current portion of deposits, prepayments and other receivables consisted of (i) other receivables related to (a) security and margin deposits, (b) profit compensation receivable for performance shortfall in the Zhejiang Tianshuo equity acquisition, (c) dividends receivable, and (d) others, which primarily consist of refund from our suppliers, (ii) prepayments to suppliers for raw materials, (iii) deductible VAT and (iv) others. Our current portion of deposits, prepayments and other receivables decreased by 3.0% from RMB973.4 million as of December 31, 2023 to RMB944.6 million as of December 31, 2024, primarily due to a decrease in deductible VAT from similar timing differences, partially offset by an increase in other receivables as a result of higher refund from our suppliers. Our current portion of deposits, prepayments and other receivables decreased by 12.1% from RMB944.6 million as of December 31, 2024 to RMB830.5 million as of December 31, 2025, primarily due to primarily due to a decrease in deductible VAT and other receivables, partially offset by an increase in prepayments to suppliers.

As of February 28, 2026, RMB372.1 million, or 44.8% of our current portion of deposits, prepayments and other receivables as of December 31, 2025, had been subsequently settled.

Trade and Bills Payables

Our trade and bills payables primarily included trade and bills payables to our suppliers during the ordinary course of our business. During the Track Record Period, the normal credit terms for raw materials provided to us generally do not exceed 90 days.

The table below sets forth, as of the dates indicated, our trade and bills payables.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties	3,257,105	3,122,583	4,323,270
– Related parties	3,974	21,782	12,312
Bills payables	159,875	218,444	218,211
Total	**3,420,954**	**3,362,809**	**4,553,793**

Our trade and bills payables remained generally stable at RMB3,421.0 million as of December 31, 2023 and RMB3,362.8 million December 31, 2024. Our trade and bills increased from RMB3,362.8 million as of December 31, 2024 to RMB4,553,8 million as of December 31, 2025. primarily due to an increase in trade payables as a result of increased procurement of materials in line with the growth in sales volume of lithiumion battery materials.

The table below sets forth an aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,975,719	2,821,239	3,895,874
Between 1 year and 2 years	375,706	413,505	465,086
Between 2 years and 3 years	43,669	77,900	128,160
Over 3 years	25,860	50,165	64,673
Total	**3,420,954**	**3,362,809**	**4,553,793**

As of December 31, 2023, 2024 and 2025, our trade payables over one year were generally related to the acquisition of property, plant and equipment.

The table below sets forth the average trade and bills payables turnover days for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
Average trade and bills payables turnover days[(1)]	128.4	120.3	110.1

Note:

(1) Average turnover days of trade and bills payables is calculated based on the average balance of trade and bills payables divided by cost of sales for the relevant year and multiplied by 360 days.

Our average trade and bills payables turnover days remained generally stable at 120.3 days in 2024 as compared to 128.4 days in 2023. Our average trade and bills payables turnover days decreased from 120.3 days in 2024 to 110.1 days in 2025, primarily as we shortened payment terms for certain suppliers.

As of February 28, 2026, RMB1,830.7 million, or 40.2% of our trade and bills payables as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of (i) payables in relation to restricted share incentive scheme and employee share ownership scheme, (ii) employee benefits payables, (iii) value-added tax payables, (iv) accrued expenses, (v) other taxes payables, (vi) deposits received, and (vii) dividends payable.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Payables in relation to restricted share incentive scheme and employee share ownership scheme	245,583	110,671	61,122

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Employee benefits payables	138,996	147,434	254,603
Value-added tax payables	8,171	33,286	111,915
Accrued expenses	107,983	118,785	117,482
Other taxes payables	13,824	17,842	33,668
Deposits received	19,991	18,410	31,326
Dividends payable	8,022	4,607	166,896
Others[(1)]	3,709	2,068	–
Total	**546,279**	**453,103**	**777,012**

Note:

(1) Others primarily consist of changes in fair value of the hedged instrument.

Our other payables and accruals further decreased by 17.1% from RMB546.3 million as of December 31, 2023 to RMB453.1 million as of December 31, 2024, primarily due to a further decrease in restricted share repurchase obligation as a result of the exercise of the equity incentive plan. Our other payables and accruals increased by 71.5% from RMB453.1 million as of December 31, 2024 to RMB777.0 million as of December 31, 2025, primarily due to increases in (i) employee benefits payables, (ii) value-added tax payables, primarily as a result of the increase in gross profit of our lithium-ion battery materials products in December 2025, (iii) other tax payables, mainly due to increases in surcharges and stamp duty, and (iv) dividends payable, due to dividends declared but not yet paid as of December 31, 2025.

As of February 28, 2026, RMB 403.1 million, or 51.9% of our other payables and accruals as of December 31, 2025, had been subsequently settled.

Financial Assets at FVTOCI and FVTPL

The table below sets forth the breakdown of our financial assets at FVTOCI and FVTPL as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTOCI			
Listed equity investment at fair value	21,775	11,604	139,864
Unlisted equity investment at fair value	436,863	412,931	569,460
	458,638	424,535	709,324
Financial assets at FVTPL			
Structured deposits	–	–	180,000
Wealth management products	–	–	308,246
	–	–	488,246

Our financial assets at FVTOCI consisted of both listed and unlisted equity investments at fair value. Our financial assets at FVTOCI further decreased by 7.4% from RMB458.6 million as of December 31, 2023 to RMB424.5 million as of December 31, 2024, primarily due to a decrease in listed equity investment at fair value, partially offset by an increase in unlisted equity investment at fair value mainly, both mainly as a result of market fluctuations. Our financial assets at FVTOCI increased by 67.1% from RMB424.5 million as of December 31, 2024 to RMB709.3 million as of

December 31, 2025, primarily due to (i) increases in listed equity investments at fair value resulting from both an increase in their assessed value and our acquisition of listed shares and (ii) increases in unlisted equity investments at fair value resulting from an increase in their assessed value.

Our financial assets at FVTPL consisted of structured deposits and wealth management products. We had financial assets at FVTPL of RMB488.2 million as of December 31, 2025.

Unlisted equity investments at fair value are subject to Level 3 fair value measurement. Details of the fair value measurement of financial assets at FVTOCI, particularly the valuation techniques, significant unobservable inputs and sensitivity of fair value to the input, are disclosed in note 44.7 of the Accountants' Report in Appendix I to this document.

We have established management systems that specify the approval authority, information disclosure, authorization management, operation processes, financial accounting, supervision and risk control procedures of our wealth management activities, so as to standardize our financial product investments. The types of wealth management products and structured deposits we choose are low-risk products with high safety and good liquidity. Adhering to prudent investment principles, we conduct investment activities with an aim to improve capital utilization efficiency and investment returns on cash assets.

Our finance department manages our wealth management portfolio, primarily including the preparation of investment feasibility analysis, handling wealth management products, and conducting accounting procedures. We maintain oversight of wealth management products, including monitoring and evaluating the performance of wealth management products. In addition, we adhere to all applicable laws, regulations, and management policies regarding the proper disclosure of investment information.

Following the Listing, our investments in financial products will be conducted in accordance with the provisions of Chapter 14 of the Listing Rules.

Goodwill

Our goodwill represents an intangible asset that arises when a group acquires control of another business through a merger or acquisition. Our goodwill decreased from RMB214.7 million as of December 31, 2023 to RMB200.4 million as of December 31, 2024, primarily due to management recognized an impairment loss of RMB14.3 million based on their estimation of the recoverable amount of Chenzhou Zhonggui Technology Co., Ltd. As of December 31, 2025, our goodwill remained stable at RMB200.4 million.

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	1,171,852	1,363,690	1,619,110	2,207,690
Trade and bills receivables	5,402,610	5,525,067	7,829,696	9,719,964
Deposits, prepayments and other receivables	973,381	944,638	830,520	1,019,179

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Tax recoverable	23,261	8,248	3,556	405
Derivative financial instruments	1,518	907	302	118,178
Financial assets at FVTPL	–	–	488,246	739,706
Pledged deposits	34,096	18,385	25,722	17,867
Bank balances, deposits and cash				
– Time deposits with original maturity over three months	73,390	1,338,618	370,890	150,946
– Cash and cash equivalent	2,256,101	1,601,844	1,888,992	1,343,844
Total current assets	**9,936,209**	**10,801,397**	**13,057,034**	**15,317,779**
Current liabilities				
Trade and bills payables	3,420,954	3,362,809	4,553,793	5,186,530
Other payables and accruals	546,279	453,103	777,012	542,617
Contract liabilities	54,439	32,491	77,085	316,478
Borrowings	1,677,632	1,940,534	1,896,649	2,080,590
Lease liabilities	3,679	3,981	6,488	5,177
Derivative financial instruments	–	1,367	1,957	1,148
Income tax payable	241,323	81,576	180,321	370,961
Total current liabilities	**5,944,306**	**5,875,861**	**7,493,305**	**8,503,501**
Net current assets	**3,991,903**	**4,925,536**	**5,563,729**	**6,814,278**

Our net current assets increased by 22.5% from RMB5,563.7 million as of December 31, 2025 to RMB6,814.3 million as of February 28, 2026, primarily due to an increase in trade receivables, partially offset by an increase in trade payables.

Our net current assets increased by 13.0% from RMB4,925.5 million as of December 31, 2024 to RMB5,563.7 million as of December 31, 2025, primarily due to increases in trade and bills receivables, inventories and financial assets at FVTPL, partially offset by increases in trade and bills payables, other payables and accruals and income tax payable.

Our net current assets increased by 23.4% from RMB3,991.9 million as of December 31, 2023 to RMB4,925.5 million as of December 31, 2024, primarily due to an increase in time deposits with original maturity over three months, partially offset by a decrease in cash and cash equivalent, both resulting from the purchase of more time deposits.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

We have historically met our working capital and other capital requirements principally from a combination of cash generated from operations and borrowings. We had cash and cash equivalents of RMB2,256.1 million, RMB1,601.8 million and RMB1,889.0 million as of December 31, 2023, 2024 and 2025, respectively. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from operations, the net proceeds from the [**REDACTED**] and other possible equity and debt financing as and when appropriate. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net proceeds from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	2,274,216	881,536	1,182,243
Net cash used in investing activities	(3,892,519)	(1,010,752)	(331,538)
Net cash used in financing activities	(787,064)	(530,274)	(556,655)
Net (decrease)/increase in cash and cash equivalents	(2,405,367)	(659,490)	294,050
Cash and cash equivalents at the beginning of the year	4,657,619	2,256,101	1,601,844
Effect of foreign exchange rate changes	3,849	5,233	(6,902)
Cash and cash equivalents at end of year	2,256,101	1,601,844	1,888,992

Net Cash Generated from Operating Activities

Net cash generated from operating activities in 2023 was RMB2,274.2 million primarily due to the proceeds from sales of goods of RMB7,812.2 million, partially offset by (i) RMB2,963.1 million of cash paid for material and services, (ii) RMB1,466.9 million of income tax and other taxes paid, and (iii) RMB862.4 million of cash paid for salaries.

Net cash generated from operating activities in 2024 was RMB881.5 million primarily due to the proceeds from sales of goods of RMB4,951.5 million, partially offset by (i) RMB2,500.5 million of cash paid for material and services, (ii) RMB923.1 million of cash paid for salaries, and (iii) RMB534.8 million of income tax and other taxes paid.

Net cash generated from operating activities in 2025 was RMB1,182.2 million primarily due to the proceeds from sales of goods of RMB5,804.9 million, partially offset by (i) RMB3,052.0 million of cash paid for material and services, (ii) RMB986.0 million of cash paid for salaries, and (iii) RMB498.6 million of cash paid related to other operating expenses.

Net Cash Used in Investing Activities

For the year ended December 31, 2023, we had net cash used in investing activities of RMB3,892.5 million, mainly attributable to (i) RMB3,102.5 million used in the purchase of property, plant and equipment and intangible assets, (ii) RMB402.7 million used in the placement of time deposits and (iii) RMB214.8 million in cash outflow for the acquisition of a subsidiary, and (iv) RMB211.3 million used in the investments in associates and financial assets at FVTOCI.

For the year ended December 31, 2024, we had net cash used in investing activities of RMB1,010.8 million, mainly attributable to (i) RMB771.5 million used in the purchases of property, plant and equipment and intangible assets, and (ii) RMB470.0 million used in the placement of time deposits.

For the year ended December 31, 2025, we had net cash used in investing activities of RMB331.5 million, mainly attributable to (i) RMB659.1 million used in the purchase of property, plant and equipment, intangible assets and prepaid lease payments, (ii)RMB572.2 million used in the investments in associates and joint ventures and financial assets at FVTOCI, partially offset by (i) RMB768.5 million of a net decrease of time deposits and (ii) RMB145.1 million of proceeds from investment income.

Net Cash Generated Used in Financing Activities

For the year ended December 31, 2023, we had net cash used in financing activities of RMB787.1 million, mainly attributable to (i) RMB1,205.4 million used in repayments of borrowings, (ii) RMB1,147.8 million used in dividend paid to owners of the Company, partially offset by RMB1,905.2 million generated from proceeds from borrowings.

For the year ended December 31, 2024, we had net cash used in financing activities of RMB530.3 million, mainly attributable to (i) RMB2,087.8 million used in repayments of borrowings, (ii) RMB573.6 million used in dividend paid to owners of the Company, partially offset by RMB2,487.9 million of proceeds from borrowings.

For the year ended December 31, 2025, we had net cash used in financing activities of RMB556.7 million, mainly attributable to RMB2,222.0 million of repayment of borrowings, partially offset by proceeds from borrowings of RMB2,139.5 million.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current				
Borrowings	1,677,632	1,940,534	1,896,649	2,080,590
Lease liabilities	3,679	3,981	6,488	5,177
	1,681,311	1,944,515	1,903,137	2,085,767
Non-current				
Borrowings	4,196,179	4,454,188	987,489	973,780
Lease liabilities	31,254	27,417	29,942	31,223
Total	**5,908,744**	**6,426,120**	**2,920,568**	**3,090,770**

Borrowings

As of December 31, 2023, 2024 and 2025, we had borrowings of RMB5,873.8 million, RMB6,394.7 million and RMB2,884.1 million, respectively, while effective interest rates range of 2.03% to 4.25%, 0.55% to 3.00% and 0.93% to 2.42% per annum, respectively.

The table below sets forth the securities and guarantees in respect of our borrowings as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current				
Pledged borrowings	202,225	160,650	87,915	103,275
Mortgaged and guaranteed borrowings	571,723	494,742	378,554	365,045
Credit borrowings	120,000	385,940	521,020	505,460
Convertible bonds	3,302,231	3,412,856	–	–
	4,196,179	**4,454,188**	**987,489**	**973,780**
Current				
Pledged bank borrowings	39,143	41,726	72,849	58,103
Guaranteed borrowings	767,841	541,437	680,085	480,038
Mortgaged and guaranteed borrowings	135,023	204,787	238,556	228,292
Credit borrowings	730,954	1,145,108	855,159	1,263,952
Pledged and guaranteed borrowings	–	–	50,000	50,205
Convertible bonds	4,671	7,476	–	–
	1,677,632	1,940,534	1,896,649	2,080,590
Total	**5,873,811**	**6,394,722**	**2,884,138**	**3,054,370**

The table below sets forth the maturity profile of our borrowings as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank borrowings				
– Within one year	1,672,961	1,933,058	1,896,649	2,080,590
– Between one to two years	371,318	608,252	422,734	518,448
– Between two to five years	522,630	433,080	564,755	455,332
	2,566,909	2,974,390	2,884,138	3,054,370
Convertible bonds				
– Within one year	4,671	7,476	–	–
– Between one to two years	–	–	–	–
– Between two to five years	3,302,231	3,412,856	–	–
Total	**5,873,811**	**6,394,722**	**2,884,138**	**3,054,370**

Our current and non-current borrowings primarily consisted of (i) pledged borrowings, (ii) mortgaged and guaranteed borrowings, (iii) credit borrowings, and (iv) convertible bonds. Our pledged borrowings were mainly secured by investments in subsidiaries. Our guaranteed borrowings were guaranteed by us and our mortgaged borrowings were mainly secured by property, plant and equipment, and prepaid lease payments. During the Track Record Period and up to the Latest Practicable Date, none of our bank borrowings were guaranteed by any of our related parties. On September 23, 2022, the Company issued its 2022 Convertible Bonds in an aggregate principal amount of RMB3,410,500,000. The interest rates of the 2022 Convertible Bonds were 0.5%, 0.8% and 1.5% for the years ended December 31, 2023, 2024 and 2025, respectively. The 2022 Convertible Bonds were listed on Shenzhen Stock Exchange. See note 32 in the Accountants Report set out in Appendix I to this document.

Our borrowings increased from RMB5,873.8 million as of December 31, 2023, RMB6,394.7 million as of December 31, 2024, primarily to meet the operational demands and to support our business expansion. Our borrowings decreased from RMB6,394.7 million as of December 31, 2024 to RMB2,884.1 million, primarily due to the full conversion of our convertible bonds into shares in November 2025. Our borrowings remained generally stable at RMB3,054.4 million as of February 28, 2026 as compared to RMB2,884.1 million as of December 31, 2025.

As of February 28, 2026, the total bank facilities were RMB6,578.7 million, of which RMB3,728.3 million were utilized and RMB2,850.4 million remained available. Since February 28, 2026, borrowings of RMB441.3 million were obtained from commercial banks in the PRC, and borrowings of RMB277.7 million were repaid.

Our borrowings contain standard terms, conditions and covenants that are customary for commercial bank borrowings. Our Directors confirm that we did not experience any difficulty in obtaining borrowings, default in payments of borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities decreased from RMB34.9 million as of December 31, 2023 to RMB31.4 million as of December 31, 2024 primarily due to the lease payments made in relation to these properties. Our lease liabilities increased from RMB31.4 million as of December 31, 2024 to RMB36.4 million as of December 31, 2025, primarily due to new lease arrangements in 2025. Our lease liabilities remained generally stable at RMB36.4 million as of February 28, 2026.

Indebtedness Statement

As of the Latest Practicable Date, other than as disclosed above, we did not have any other borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

Since February 28, 2026 and up to the Latest Practicable Date, the Directors confirm that there had not been any material change in our indebtedness and contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of/For the Year ended December 31,		
	2023	2024	2025
Current ratio(1)	1.7	1.8	1.7
Quick ratio(2)	1.5	1.6	1.5
Liabilities-to-assets ratio(3)	43.4%	44.4%	33.0%
Gearing ratio(4)	43.5%	48.2%	16.2%

	As of/For the Year ended December 31,		
	2023	**2024**	**2025**
Net profit margin(5)	12.0%	3.8%	8.1%
Operating cash flow conversion ratio(6)	1.2	1.8	0.9
Average inventory turnover days(7)	55.9	44.9	41.5

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as of the same date.

(2) Quick ratio is calculated by subtracting inventories from total current assets, and then dividing the result by current liabilities as of the same date.

(3) Liabilities-to-assets ratio is calculated by dividing total liabilities by total assets as of the same date.

(4) Gearing ratio is calculated by dividing total debt, including its total borrowings and lease liabilities, for the year by total equity for the year.

(5) Net profit margin is calculated by dividing profit for the year by revenue.

(6) Operating cash flow conversion ratio is calculated by dividing net cash generated from operating activities by profit for the year.

(7) Average inventory turnover days is calculated by the average of opening balance and closing balance of the inventories for the relevant period divided by cost of sales for the same period and multiplied by 360 days.

RELATED PARTY TRANSACTIONS

Our Directors confirm that each of the related party transactions were conducted on arm's length basis and on normal commercial terms, which are considered fair, reasonable and in the interest of our Shareholders as a whole. See note 41 to the Accountants Report set out in Appendix I to this document.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were related to purchases of properties, plant and equipment and intangible assets. For the years ended December 31, 2023, 2024 and 2025, our capital expenditures were RMB3,102.5 million, RMB771.5 million and RMB659.1 million, respectively. We expect that our capital expenditures in 2026 will be primarily used for purchases of properties, plant and equipment and intangible assets. We expect to finance our capital expenditures through existing cash on hand, bank borrowings and the net proceeds from the [**REDACTED**]. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

The table below sets forth our capital commitments as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for:			
– Acquisition of property, plant and equipment	1,776,175	1,242,836	1,209,813

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities. As of the Latest Practicable Date, there have been no material changes to our contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not enter into any off-balance sheet transactions or arrangements.

DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to various types of financial risks in the ordinary course of our business, including credit risk, interest rate risk, foreign exchange risk, price risk and liquidity risk. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner. See note 44 to the Accountants' Report set out in Appendix I to this document.

Credit Risk

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

Our maximum exposure to credit risk for the components of the consolidated statements of financial position at December 31, 2023, 2024 and 2025 is represented by the carrying amount as disclosed in note 44.2 to Appendix I to this document.

Interest Rate Risk

Other than the interest-bearing bank deposits, we have no other significant-bearing assets bearing variable rates. We do not anticipate any significant impact to these interest-bearing assets resulting from the changes in interest rates, because we do not expect the interest rates of bank balances to change significantly.

Our bank borrowings bear variable rates expose our Group to cash flow interest rate risk. We have not hedged against such a risk as we do not see the benefit in so doing.

Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. We are exposed to foreign exchange risk primarily through business activities which give rise to receivables, payables and bank deposits that are denominated in a foreign currency that is not the entity's functional currency. The currencies giving rise to the foreign exchange risk are primarily US$ and EUR.

We do not hedge our foreign currency risk. However, our management monitors the foreign currency exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Price Risk

Equity Price Risk

We are exposed to equity price risk mainly arising from listed equity investments held by our Group that are classified as financial assets at FVTOCI.

Sensitivity analysis is performed by our management to assess the exposure of our Group's financial results to equity price risk of financial assets at FVTOCI at the end of each reporting period.

If the price of the listed equity investment at FVTOCI held by our Group had been 10% higher/lower as of December 31, 2023, 2024 and 2025, the other comprehensive income for the respective year would have been approximately RMB2.2 million, RMB1.2 million and RMB14.0 million higher/lower, respectively.

Commodity Price Risk

We are exposed to commodity price risk mainly arising from lithium carbonate, the price volatility of which could impact financial performance. We use derivative financial instruments, including commodity future contracts, to manage a portion of such risk.

Liquidity Risk

Liquidity risk relates to the risk that we will not be able to meet our obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. We are exposed to liquidity risk in respect of settlement of trade and other payables, lease liabilities, bank borrowing, convertible bonds and derivative financial instruments, and also in respect of its cash flow management. Our objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet our liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date that we can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which we are committed to pay.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》), the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號—上市公司現金分紅(2025年修訂)》) and Articles 145 through 148 of the Articles of Association, we distribute profits in cash, shares or a combination of cash and shares, and gives preference to cash distribution. In line with this approach, we have adopted an annual dividend policy. We do not have a fixed dividend distribution ratio. If we achieved profits in the previous financial year and have no unrecovered losses, then we should distribute cash dividends. On the premise that the funds required for the purchase of raw materials, expected major investment plans or major cash expenditures have been met, the Board of Directors may distribute interim dividends based on our operating profits and cash flow for the current period.

Any future plan to pay dividends will be made at the discretion of our Board of Directors and subject to approval of our Shareholders. Any declaration as well as the amount of such declaration and payment will be subject to our Articles of Association and the relevant laws. Even if we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

The table below sets forth the dividends attributable to the years indicated below.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Final dividend in respect of the previous year, declared and paid during the following year (tax inclusive)	1,152,625	571,072	185,965
Interim dividend	–	–	101,270
Total	**1,152,625**	**571,072**	**287,235**

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had distributable reserves of RMB3,790.2 million.

LISTING EXPENSES

Listing expenses represent professional fees, [**REDACTED**] and fees incurred in connection with the Listing and the [**REDACTED**]. Our listing expenses are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**]) accounted for [**REDACTED**] of the gross proceeds of the HK$[**REDACTED**], assuming that an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**] range stated in this document), among which, approximately HK$[**REDACTED**] is directly attributable to the issuance of Shares and will be charged to equity upon completion of the Listing, and approximately HK$[**REDACTED**] has been or will be charged to our consolidated statement of comprehensive income. The listing expenses we expect to incur would consist of approximately HK$[**REDACTED**] of [**REDACTED**] expenses and fees (including [**REDACTED**], SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately HK$[**REDACTED**] of [**REDACTED**] expenses and fees including fees for the Joint Sponsors, legal advisors and reporting accountant and approximately HK$[**REDACTED**] for other [**REDACTED**] fees and expenses.

The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to "*Unaudited Pro Forma Financial Information*" set out in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2025, and there is no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.