You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements as a result of various factors, including but not limited to those discussed in "Risk Factors" and elsewhere in this document.

OVERVIEW

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Our product portfolios include a wide range of metal products primarily comprising base metals, precious metals and critical metals. In 2025, we recycled 14 types of metal elements and sold more than 15 types of products. According to Frost & Sullivan, in terms of revenue of 2025, we ranked third in the hazardous waste recycling market in China for each copper and platinum-group metals, with a market share of 9.2% and 6.7%, respectively. According to the same source, in terms of revenue in 2024, we ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively.

Our origins could be traced back to the Institute of High Energy Physics of the Chinese Academy of Sciences (中科院高能物理研究所), making us one of the pioneers in China's resources recycling and utilization sector with specialty in solid waste and hazardous waste pollution prevention technology research, commercialization of scientific achievements, and provision of integrated solutions. Established in 1992, we have driven industrial transformation and upgraded through technological innovation leveraging over three decades of industry immersion. We have established a comprehensive business portfolio anchored in three core segments, namely resources recycling and utilization, environmental services and environmental engineering.

Resources Recycling and Utilization segment focuses on metal resources recycling. This involves the extraction of valuable elemental resources from solid waste or hazardous waste through physical or chemical processes and processing them into marketable products to achieve resource circularity. Our key metal products include electrolytic copper, electrolytic lead, refined bismuth, antimony oxide, gold ingots, silver ingots, platinum-group metals and nickel-based products. Moreover, our resource recycling and utilization segment also involves non-metal resources recycling. Our non-metal products primarily generated from recycling and utilization of plastic wastes and rubber tire wastes.

Environmental Services Projects Operation segment primarily includes operation of waste-to-energy incineration projects, where we utilize incineration methods to convert primarily household waste into thermal energy and furnace slag as the by-products. The generated thermal energy can be used for electricity and steam generation and the furnace slag can be further used as construction materials, thereby achieving resource recycling. Moreover, this segment also involves harmless treatment of solid waste and hazardous waste, which refers to the process of reducing the volume and toxicity of waste through incineration and landfilling, ultimately eliminating its pollution attributes. We operate our environmental services projects primarily under concession models, namely, build-operate-transfer (BOT) or transfer-operate-transfer (TOT).

Environmental Engineering Services segment involves us undertaking environmental engineering projects including landfill construction, soil and groundwater remediation, wastewater treatment, organic waste treatment and flue gas treatment. We provide efficient and sustainable solutions for environmental management and pollution control, facilitating environmental compliance and enhancing environmental quality, thereby contributing to a green and sustainable future.

We continuously strengthen our competitive edge through technological innovation. We have cultivated long-term strategic partnerships with renowned domestic and international research institutes and environmental enterprises. Notably, we were approved to establish a post doctoral research station in Zhongguancun Science Park Haidian Park. Several of our subsidiaries have been recognized as National Green Factories and National Specialized and Sophisticated 'Little Giant' Enterprises. As of December 31, 2025, our Company and our major subsidiaries held 493 patents and 37 software copyrights. As of the same date, we have spearheaded or participated in the formulation of 103 international, national, industry, and group standards and technical specifications. Our commitment to excellence has garnered nearly 100 national and provincial-level honors, including the Second Prize of the State Scientific and Technological Progress Award and the Second Prize of the National Technological Invention Award.

In 2023, 2024 and 2025, our revenue reached RMB10,580.4 million, RMB14,499.5 million and RMB14,732.3 million, respectively. During the same years, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million, respectively, at gross profit margins of 17.6%, 13.7% and 18.2%, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable IFRS. Our historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss ("**FVPL**") and financial assets measured at fair value through other comprehensive income ("**FVOCI**").

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountants' Report in Appendix I to this document.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by our Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors including the following:

Market Condition and Strategic Positioning

Driven by robust policy support, including the nationwide expansion of "Waste-Free City" pilots and the stringent enforcement of Extended Producer Responsibility (EPR) regulations, China's solid waste and hazardous waste recycling market has demonstrated substantial growth over the past five years. The market size expanded from RMB1,597.4 billion in 2020 to RMB2,147.9 billion in 2024, achieving a CAGR of 7.7%, according to Frost & Sullivan. Looking ahead, continued structural optimization and technological innovation are expected to catalyze a strategic shift within the sector, from pure capacity expansion toward enhanced quality and operational efficiency. China's solid waste and hazardous waste recycling market is expected to grow from RMB2,414.6 billion in 2025 to RMB3,504.3 billion in 2029, sustaining a CAGR of 9.8%. According to the same source, driven by national green development and resource security strategies, the size of China's metal resource recycling market grew from RMB1,168.9 billion in 2020 to RMB1,546.2 billion in 2024, at a CAGR of 7.2%, and expected to continue to grow at a CAGR of 10.6% reaching RMB2,653.9 billion in 2029, evolving toward innovation-led, high-quality growth and deeper supply-demand integration. Propelled by nationwide recycling infrastructure initiatives, supported by top-level policies such as the "Dual Carbon" goals and waste import bans, the market of non-metal resource recycling market expanded from RMB391.4 billion in 2020 to RMB546.1 billion in 2024, at a CAGR of 8.7%. The market is now transitioning toward technology-intensive and economically integrated development, thus is forecast to reach RMB762.7 billion in 2029 in market size, reflecting a CAGR of 7.3% from 2025 to 2029.

We, as a pioneer and leader in the solid waste and hazardous waste recycling industry in China, are expected to provide a robust platform for capturing a greater share of future growth in this market trend of consolidation towards enhanced quality and operation efficiency through technological innovation. In particular, our vertically integrated operations along the industry value chain strengthens our competitiveness in cost management, resilience to raw material price fluctuations and stable access to metal resources. We have three independent and synergistical closed-loop full cycle operations focusing on the recycling of industrial waste containing copper, lead and nickel. By using our proprietary technologies, we achieved the recovery rates of approximately 99% for platinum-group metals, gold and silver and attained a recovery rate of approximately 98.7% for copper and over 95% for bismuth, antimony, lead and nickel, respectively. In addition, through extended industrial chain collaboration and lean value-chain management, we are able to accelerate inventory turnover, strengthening both profitability and operational resilience.

Going forward, we also expect to realize a business growth through accelerating our global expansion. We are committed to building a diversified global ecosystem that integrates solid waste and hazardous waste resource utilization, waste-to-energy power generation, and environmental engineering. Our global expansion strategy target resource-abundant markets where evolving environmental standards create a compelling need for our services and solutions, specifically Southeast Asia, where we can address the shortfall in environmental infrastructure and target Central Asia and Africa markets for mining assets. See "Business – Our Competitive Strengths" and "Business – Our Strategies" in this document.

Prices of Raw Materials and Our Products

In 2023, 2024 and 2025, the cost of materials, fuel and power accounted for 67.5%, 79.0% and 81.5% of our total cost of sales, respectively. As a result, our financial performance is affected by the fluctuation of prices of raw materials, fuel and power. Particularly in recycling of metal business, where the prices of both raw materials and products are linked to bulk commodity benchmarks, primarily those published by the SMM and the SHFE. The price of our recycled metal products is normally priced by referencing these benchmarks over an agreed period, while our raw material costs are often determined by the same indices. This pricing structure creates exposure during the period between the purchase of raw materials and the subsequent sale of finished products. Fluctuations in the referenced indices during this interval can affect profitability. Specifically, a decline in metal prices before the sale is completed or a rise in metal prices after the sale is completed may limit our ability to recover the full cost of raw materials, thereby compressing margins. To manage this exposure, we enter into commodity futures contracts from time to time. The effectiveness of this hedging activity in mitigating price risk can vary and may not provide complete protection. Consequently, financial results remain susceptible to volatility in the market prices of relevant metals and price movements continue to constitute a significant factor influencing financial performance.

Product Portfolios

Our financial performance is influenced by the aggregated results of our business segments, namely (i) resources recycling and utilization, (ii) operation of environmental service projects and (iii) environmental engineering services, each of which operates with a different gross profit margin profile including the relative scale and individual gross margin performance of these segments. We achieved an overall gross profit margin of 17.6%, 13.7% and 18.2% in 2023, 2024 and 2025, respectively.

We enhanced the development of the resources recycling and utilization segment and realized a substantial increase in our gross profit in this segment from RMB480.3 million in 2023 to RMB945.8 million in 2024 and further to RMB1,704.3 million in 2025, leading to the contribution of this segment in our total gross profit from 25.8% in 2023 to 47.5% in 2024 and further to 63.5% in 2025. In the meantime, we actively adjust our product portfolios in this segment towards those with high profit margin, such as precious metals and critical metals. Leveraging our strong technological capabilities, we intend to continue to diversify and optimize our product portfolios to enhance profitability and economic returns. We will replicate and scale our core separation and purification technologies to extend further into downstream value chain activities, transforming basic recycled materials into higher-margin products. For example, in addition to extract bismuth from recycled streams, we deep-process it into high-purity bismuth oxide for the semiconductor industry thereby significantly elevating product value. Through our extraction technology advancement, the spectrum of our critical and precious metal products recovered from the same waste feedstock continues to broaden, increasing our profit margin per unit processed material. We aim to enhance our overall profitability as well as resilience of business by increasing resource utilization efficiency and diversifying our recoverable product portfolios. As a result, our gross profit margin of this segment also experienced an increase from 7.4% in 2023 to 8.5% in 2024, and further to 14.3% in 2025.

The revenue and profitability of our operation of environmental services projects depends on the aggregate power generation capacity of our waste-to-energy projects in operation, as well as the actual output efficiency. The operational efficiency in our electricity generation is primarily influenced by the availability and quality of raw materials, and the efficiency of our machinery and equipment. Utilization may also be affected by scheduled maintenance, unplanned outages, and the ramp-up period of newly commissioned facilities. In 2023, 2024 and 2025, the gross profit margin of our environmental services project operation were 45.8%, 48.2% and 45.5%, respectively.

During the Track Record Period, we strategically focus on projects with high quality by intentionally decreasing the number of environmental engineering projects we undertook. This decision was based on the segment's operational characteristics, which included high capital intensity, long cash conversion cycles, and sustained margin pressure. As a result, our gross profit of this segment decreased from RMB633.7 million in 2023 to RMB210.5 million in 2024 and further to RMB197.7 million in 2025, leading to the contribution of this segment in our total gross profit decreasing from 34.1% in 2023 to 10.6% in 2024 and further to 7.4% in 2025.

R&D Capability

R&D is one of the key drivers for our business growth. We are dedicated to technological innovation and the continuous development of new products and services. We focus on reform and improvement of key skills and technologies in order to increase the recovery rate of metals and reduce manufacturing costs. We collaborate with prestigious academic institutions and research academies to jointly develop core technologies that address critical industry challenges. We have made substantial investments in talent, technology and R&D to strengthen our market leadership, improve our financial performance, and reinforce our market position. In 2023, 2024 and 2025, our R&D expenses amounted to RMB324.0 million, RMB509.1 million and RMB458.5 million, representing 3.1%, 3.5% and 3.1% of our total revenue, respectively in each year during the Track Record Period. As of December 31, 2025, we had a dedicated team of 577 technology and R&D personnel. As of the same date, our Company and our major subsidiaries had 493 patents and 37 software copyrights and led or participated in the formulation of 103 international, national, and industry standards and technical specifications. We plan to maintain substantial investment in R&D to drive continuous innovation and strengthen our core competitiveness. For details, please refer to the section headed "Business – Research and Development".

Our Ability to Control Costs and Operating Expenses

Our ability to manage costs and enhance efficiency will impact on the results of our operations. Through management and process optimization, and technology upgrades, we have demonstrated strong execution capabilities and adaptability in managing costs and allocating resources effectively. In terms of cost control, we use centralized procurement, intelligent production scheduling, and energy efficiency initiatives to effectively manage production costs. Our cost of processing each ton of metal had been decreasing throughout the Track Record Period. These efforts have strengthened our resilience against raw material price fluctuations thereby supporting stable profitability. At the same time, we continue to advance automation and digital transformation across our production processes, improving efficiency and standardization while reducing non-essential expenditures and optimizing our cost structure. On the operational efficiency front, we have enhanced asset utilization, strengthened inventory management, and improved cash flow turnover, resulting in steady improvements in operational quality. During the Track Record Period, we maintained a stable and well-managed operating expense structure. In 2023, 2024 and 2025, our general and administrative expenses amounted to RMB572.1 million, RMB580.9 million and RMB620.7 million, respectively, representing 5.4%, 4.0% and 4.2% of our total revenue, respectively, in each year during the Track Record Period.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Some of our accounting policies require us to apply estimates and assumptions and complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. We continually evaluate the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. When reviewing our consolidated financial statements, you should consider, amongst other things: (i) information about our material accounting policy; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Information about our material accounting policy, estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policy and disclosures, are set forth in detail in Note 4 to the Accountants' Report in Appendix I to this document.

Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances.

Accounting Policies and Significant Judgments for Revenue Recognition

Our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

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

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, our Group presents the contract liability when the payment is made. A contract liability is our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Resources Recycling and Utilization

Resources recycling and utilization business primarily focuses on the recycling of metal resources and derives revenue from the production and sales of related metal products. These transactions constitute performance obligations satisfied at a point in time. Revenue is recognized when our Group delivers the products to the contracted delivery location, the customer confirms acceptance, the consideration has been received or the right to collect the consideration has been obtained, and the related economic benefits are highly probable to flow to our Group.

Environmental Services Projects Operation

Environmental services projects operation business mainly includes operation of waste-to-energy incineration projects and harmless treatment of solid waste and hazardous waste. For revenue from waste-to-energy incineration projects, our Group recognizes revenue when the State Grid confirms the on-grid electricity generation volume for the current month, based on such volume and the on-grid electricity tariff approved by the NDRC. With respect to revenue from the business of harmless treatment of solid waste and hazardous waste, our Group recognizes revenue when it confirms that the customer has accepted the relevant services.

We adopt the construction and operation transfer method to participate in the operation of infrastructure facilities. Our Group obtains the management right of the facility from the national administrative department (contract awarding party) and participates in the construction and operation of the facility. After the expiration of the management rights, our Group shall hand over the relevant project to the state administrative department. If the contract stipulates that our Group has the right to collect fees during a certain period of operation after the completion of the relevant infrastructure facility, but the amount of fees is uncertain, such right does not constitute an unconditional right to receive cash, and we recognize intangible assets when the relevant construction costs are incurred. These costs are amortized over the concession period on a straight-line basis or units-of-service basis.

Environmental engineering services

For engineering and construction contracts, our Group's performance creates or enhances an asset or work-in progress that the customer controls as the asset is created or enhanced and thus our Group satisfies a performance obligation and recognizes revenue over time. The progress of performance for the services provided is determined based on the proportion of completed work volume to the estimated total work volume, and revenue is recognized in line with such performance progress. When the performance progress cannot be reliably determined, if the costs incurred by our Company are expected to be recoverable, revenue is recognized equal to the amount of costs incurred until the performance progress can be reliably determined.

Allowance for Expected Credit Loss of Receivables and Contract Assets

The loss allowances for receivables and contract assets are based on assumptions about the risk of default and expected loss rates to determine the expected loss. Our Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

Our Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese Mainland. Our Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. Our Group has identified GDP as the most relevant factor, utilizes macroeconomic forecasts under three distinct scenarios, and assigns weights to these forecasts to derive weighted macroeconomic forecasts. Accordingly, the historical loss rates are adjusted based on these weighted forecasts to make the best estimate of credit losses under varying economic conditions.

Estimated Net Realizable Value of Inventories

In accordance with our Group's accounting policy, our Group estimated net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for direct sale, their net realizable value is determined as the amount equal to the estimated selling price of such inventories in the ordinary course of business, less the estimated selling expenses and relevant taxes and levies. For inventories requiring further processing, their net realizable value is determined as the amount equal to the estimated selling price of the finished goods to be produced therefrom in the ordinary course of business, less the estimated costs to complete, the estimated selling expenses and relevant taxes and levies. If certain portions of the same item of inventory are subject to contractual pricing while other portions are not, the net realizable value of each portion shall be determined separately.

It is reasonably possible that if there is a significant change in circumstances including our Group's business and the external environment, outcomes would be significantly affected.

Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

Our Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

Income Tax and Deferred Taxation

Our Group estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which our Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, contract assets, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the unused tax losses and the deductible temporary differences can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on our Group's results or financial position.

Impairment of Non-Financial Assets

Our Group tests at least annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, intangible assets, investments in associates and joint venture, investments in subsidiaries, as well as right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts are the higher of value-in-use ("**VIU**") calculations or fair value less costs of disposal ("**FVLCD**"). These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of our Group's non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect our Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss.

Fair Value Measurement of Financial Assets and Liabilities at Level 3 Fair Value Hierarchy

The fair value of financial instruments classified as level 3 is determined using valuation techniques. Our Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy, see Note 3.5 of the Accountants' Report in Appendix I of this document.

RESULTS OF OPERATIONS

	For the Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	10,580,366	14,499,545	14,732,257
Cost of sales	(8,721,412)	(12,509,746)	(12,047,999)
Gross profit	1,858,954	1,989,799	2,684,258
General and administrative expenses	(572,058)	(580,871)	(620,655)
Selling and marketing expenses	(143,587)	(97,683)	(106,424)
Research and development expenses	(324,018)	(509,082)	(458,549)
Net impairment losses on financial assets	(69,700)	(74,881)	(40,611)
Other income	133,011	162,264	131,175
Other gains/(losses), net	45,422	138,387	(204)
Operating profit	928,024	1,027,933	1,589,990
Finance income	1,546	2,493	3,146
Finance costs	(447,580)	(463,121)	(465,089)
Finance costs, net	(446,034)	(460,628)	(461,943)
Share of profit or loss of investments accounted for using the equity method	77,651	41,249	(6,536)
Profit before income tax	559,641	608,554	1,120,511
Income tax expenses	(51,477)	(65,336)	(80,879)
Profit for the year	508,164	543,218	1,039,632
Other comprehensive income for the year, net of tax	–	–	299
Total comprehensive income for the year	508,164	543,218	1,039,931

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated a majority of the revenue from sales of products derived from recycling of metal resources. In addition, we also generated revenue from (i) environmental services projects operation, which primarily includes electricity and steam sales and waste treatment services from our waste-to-energy incineration projects; and (ii) environmental engineering services. The table below sets out the breakdown of our revenue by segment for the years indicated.

Revenue by segment

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Resources Recycling and Utilization						
Revenue from sales of products derived from recycling of metal resources	5,557,080	52.5	9,976,392	68.8	10,923,400	74.2
Revenue from sales of products derived from recycling of non-metal resources	911,283	8.6	1,160,501	8.0	975,727	6.6
Subtotal	**6,468,363**	**61.1**	**11,136,893**	**76.8**	**11,899,127**	**80.8**
Environmental Services Projects Operation						
Revenue from waste-to-energy incineration projects	1,077,358	10.2	1,153,409	8.0	1,181,651	8.0
Revenue from harmless treatment of solid waste and hazardous waste projects	412,151	3.9	377,504	2.6	392,028	2.7
Others[1]	138,075	1.3	198,471	1.3	147,219	1.0
Subtotal	**1,627,584**	**15.4**	**1,729,384**	**11.9**	**1,720,898**	**11.7**
Environmental Engineering Services	**2,484,419**	**23.5**	**1,633,268**	**11.3**	**1,112,232**	**7.5**
Total	**10,580,366**	**100.0**	**14,499,545**	**100.0**	**14,732,257**	**100.0**

Note:

1. Mainly including three water treatment projects, as well as services provided by the Neijiang Project other than waste-to-energy incineration. See "Business – Our Business – Operation of Environmental Services Projects – Our Projects" for details.

Our total revenue increased by 37.0% from RMB10,580.4 million in 2023 to RMB14,499.5 million in 2024, primarily due to the substantial increase in our revenue from resources recycling and utilization. Our revenue increased by 1.6% from RMB14,499.5 million in 2024 to RMB14,732.3 million in 2025, primarily due to the increase in our revenue from recycling of resources recycling and utilization as a result of the improved production capacity of Jinchang GeoEnviron and newly added production capacity of Zhuhai Xinhong.

Our revenue from resources recycling and utilization increased by 72.2% from RMB6,468.4 million in 2023 to RMB11,136.9 million in 2024, primarily attributable to the substantial increase in revenue from recycling of metal resource as a result of (i) the increase in production volume of our Jiangxi Xinke production base which commenced operation in March 2023 and (ii) the increase in production volume of our Jingyuan GeoEnviron. Our revenue from resources recycling and utilization increased by 6.8% from RMB11,136.9 million in 2024 to RMB11,899.1 million in 2025, primarily due to the improved production capacity of Jinchang GeoEnviron and newly added production capacity of Zhuhai Xinhong.

Our revenue from environmental services projects operation increased by 6.3% from RMB1,627.6 million for the year ended December 31, 2023 to RMB1,729.4 million for the year ended December 31, 2024, primarily attributable to the increase in revenue from waste-to-energy incineration projects as a result of the increase in waste treatment volume. Our revenue from environmental services projects operation remained relatively stable from RMB1,729.4 million in 2024 to RMB1,720.9 million in 2025.

Our revenue from environmental engineering services decreased by 34.3% from RMB2,484.4 million in 2023 to RMB1,633.3 million in 2024, and further decreased by 31.9% in 2025, primarily as a result of our strategy to focus on high-quality projects.

Cost of Sales

Our cost of sales primarily consist of materials, fuel and power costs, employee compensation expenses, civil engineering and subcontracting costs, depreciation and amortization, equipment and installation costs, equipment usage fees and manufacturing overheads. In 2023, 2024 and 2025, our cost of sales was RMB8,721.4 million, RMB12,509.7 million and RMB12,048.0 million, respectively.

The table below sets forth the breakdown of our cost of sales by nature for the years indicated:

	For the year ended December 31					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Materials, fuel and power costs	5,888,467	67.5	9,882,941	79.0	9,826,996	81.5
Employee compensation expenses	445,812	5.1	436,260	3.5	398,241	3.3
Civil engineering and subcontracting costs	865,807	9.9	669,284	5.4	418,926	3.5
Depreciation and amortization	497,651	5.7	550,924	4.4	572,885	4.8
Equipment and installation costs	336,970	3.9	330,143	2.6	198,646	1.6
Equipment usage fees	207,572	2.4	108,127	0.9	72,562	0.6
Manufacturing overheads	291,539	3.3	355,478	2.8	355,499	3.0
Others	187,594	2.2	176,589	1.4	204,244	1.7
Total	8,721,412	100.0	12,509,746	100.0	12,047,999	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit margin represents gross profit divided by revenue. In 2023, 2024 and 2025, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million, respectively. In 2023, 2024 and 2025, our gross profit margin was 17.6%, 13.7% and 18.2%, respectively.

The table below sets forth the breakdown of our gross profit and gross profit margin by business segments for the years indicated:

	For the 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*	*%*
Resources Recycling and Utilization	480,250	7.4	945,778	8.5	1,704,251	14.3
Environmental Services Projects Operation	745,004	45.8	833,486	48.2	782,299	45.5
Environmental Engineering Services	633,700	25.5	210,535	12.9	197,708	17.8
Total	1,858,954	17.6	1,989,799	13.7	2,684,258	18.2

General and Administrative Expenses

Our general and administrative expenses mainly consist of employee compensation expenses, agency and consultancy fee, depreciation and amortization. In 2023, 2024, and 2025, our general and administrative expenses amounted to RMB572.1 million, RMB580.9 million and RMB620.7 million, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of employee compensation expenses, travelling expenses, business entertainment expenses, expenses for project tendering and bidding and other consulting fees. In 2023, 2024 and 2025, our selling and marketing expenses amounted to RMB143.6 million, RMB97.7 million and RMB106.4 million, respectively.

Research and Development Expenses

Our research and development expenses mainly consist of materials, fuel and power cost, employee compensation expenses and depreciation and amortization. In 2023, 2024, and 2025, our research and development expenses amounted to RMB324.0 million, RMB509.1 million and RMB458.5 million, respectively.

The table below sets forth the breakdown of our research and development expenses by nature for the years indicated:

	For the year ended December 31					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Materials, fuel and power costs	148,669	45.8	333,979	65.6	280,364	61.2
Employee compensation expenses	137,375	42.4	121,075	23.8	123,058	26.8
Depreciation and amortization	14,111	4.4	21,248	4.2	21,616	4.7
Other[(1)]	23,863	7.4	32,780	6.4	33,511	7.3
Total	324,018	100.0	509,082	100.0	458,549	100.0

Note:

(1) Include technology service fee, contracting costs, consultant fee and travelling expenses.

Net Impairment Losses on Financial Assets

Our Group has four types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash and term deposits;
- Trade receivable and contract assets;
- Notes receivables at amortized cost; and
- Other receivables.

In 2023, 2024 and 2025, our net impairment losses on financial assets amounted to RMB69.7 million, RMB74.9 million and RMB40.6 million, respectively.

Other Income

Our other income consists of government grants related to our assets and income, tax refund qualified as VAT refund-upon-levy policy and interest income from our term deposits classified as financial assets at amortized cost calculated using the effective interest method. In 2023, 2024 and 2025, our other income amounted to RMB133.0 million, RMB162.3 million and RMB131.2 million, respectively.

Other Gains/(losses), Net

Our other gains/(losses), net are primarily generated from disposal of financial instruments, property plant and equipment, associates and joint ventures. In 2023 and 2024, our other gains, net amounted to RMB45.4 million and RMB138.4 million, respectively. In 2025, our other losses, net amounted to RMB0.2 million.

Finance Costs, Net

Our finance costs, net mainly consist of (i) interest expenses on borrowings; (ii) financing handling fees and (iii) other financial expenses. In 2023, 2024 and 2025, our finance costs, net amounted to RMB446.0 million, RMB460.6 million and RMB461.9 million, respectively.

Income Tax Expenses

Our income tax expenses mainly consist of current tax and deferred tax. We recorded income tax expenses of RMB51.5 million, RMB65.3 million and RMB80.9 million in 2023, 2024 and 2025, respectively. The following set forth our principal applicable taxes and tax rates:

In accordance with the relevant regulations of the Enterprise Income Tax Laws (the "**EIT Law**") of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

During the Track Record Period, our Company and 17 of our subsidiaries obtained High and New Technology Enterprises certification ("**HNTE**") and were therefore entitled to a preferential corporate income tax rate of 15% for the Track Record Period. Among them, one of our subsidiaries newly obtained HNTE certification in 2024 and was therefore entitled to the 15% preferential corporate income tax rate for the year ended December 31, 2024, and two of our subsidiaries newly obtained HNTE certification in 2025 and were therefore entitled to the 15% preferential corporate income tax rate for the year ended December 31, 2025. The income tax provisions in respect of operations in Chinese Mainland are calculated at the applicable tax rates on the estimated assessable profits for the Track Record Period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Chinese Mainland, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (ii) they have operations in the Western Regions of Chinese Mainland that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions (Guo Fa [2020] No. 23) issued by the State Council of Chinese Mainland.

Tax exemptions and reductions from the subsidiaries of our Company in the operations of environmental protection, energy and water conservation mainly arise from (i) income derived by certain subsidiaries of our Company from the production of products that are not restricted or prohibited by the state and meet the relevant national and industrial standards, using resources specified in the Catalogue of Corporate Income Tax Preferential Policies for Comprehensive Utilization of Resources (資源綜合利用企業所得稅優惠目錄) as the main raw materials, 90% of such income shall be included in the total taxable income; and/or (ii) pursuant to the relevant provisions of "Notice on Issues Concerning the Corporate Income Tax Preferential Policies for Public Infrastructure Projects and Environmental Protection, Energy Conservation and Water Conservation Projects"(財政部國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知) (Caishui [2012] No.10) issued by the Ministry of Finance and the State Taxation Administration of the PRC, certain subsidiaries of our Company are entitled to the corporate income tax preferential policy of "three years of exemption and three years of half-rate reduction".

In 2023, 2024 and 2025, our effective tax rate, calculated as income tax expenses over profit before income tax, was 9.2%, 10.7% and 7.2%, respectively.

Profit for the Year

Our profit for the year amounted to RMB508.2 million, RMB543.2 million and RMB1,039.6 million, respectively, at a net profit margin of 4.8%, 3.7% and 7.1% in 2023, 2024 and 2025, respectively.

Other Comprehensive Income

Our other comprehensive income mainly consist of items that may be reclassified to profit or loss in subsequent periods, net of tax, including exchange differences on translation of foreign operations. For the years ended December 31, 2023 and 2024, there was no record of other comprehensive income; while for the year ended December 31, 2025, we recorded other comprehensive income of RMB0.3 million for currency translation differences of foreign operations.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 1.6% from RMB14,499.5 million in 2024 to RMB14,732.3 million in 2025, primarily due to the increase in revenue from resources recycling and utilization, partially offset by the decrease in revenue from environmental engineering services as a result of our strategy to focus on high-quality projects.

Our revenue from resources recycling and utilization increased by 6.8% from RMB11,136.9 million in 2024 to RMB11,899.1 million in 2025, primarily as a result of the improved production capacity of Jinchang GeoEnviron and newly added production capacity of Zhuhai Xinhong.

Our revenue from environmental services projects operation remained stable at RMB1,729.4 million in 2024 and RMB1,720.9 million in 2025.

Our revenue from environmental engineering services decreased by 31.9% from RMB1,633.3 million in 2024 to RMB1,112.2 million in 2025, primarily as a result of our strategy to focus on high-quality projects.

Cost of Sales

Our cost of sales decreased by 3.7% from RMB12,509.7 million in 2024 to RMB12,048.0 million in 2025, which is primarily due to (i) the decrease in cost of sales incurred from environmental engineering services as a result of the decrease in revenue from the same segment and (ii) the decrease in unit costs as a result of capacity ramp-up and continued process optimization in our resources recycling and utilization segment.

Gross Profit and Gross Profit Margin

Our gross profit increased by 34.9% from RMB1,989.8 million in 2024 to RMB2,684.3 million in 2025, primarily attributable to (i) the increase in sales volume of platinum-group metals, which generally carry higher gross profit margins; and (ii) the continued rise in metal prices. Due to the same reasons, our gross profit margin increased from 13.7% in 2024 to 18.2% in 2025.

General and Administrative Expenses

Our general and administrative expenses increased by 6.8% from RMB580.9 million in 2024 to RMB620.7 million in 2025, primarily due to the increase in year-end bonuses and performance based bonus.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 8.9% from RMB97.7 million in 2024 to RMB106.4 million in 2025, primarily due to (i) the increased incentive for our sales and marketing personnel and (ii) the increased marketing expenses for development of Zhuhai market.

Research and Development Expenses

Our research and development expenses decreased by 9.9% from RMB509.1 million in 2024 to RMB458.5 million in 2025, primarily as a result of our production processes becoming more stable, resulting in a decrease in process-related research and development expenses in our resources recycling and utilization segment.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased by 45.8% from RMB74.9 million in 2024 to RMB40.6 million in 2025, primarily due to the recovery of long-term receivables from our environmental engineering services projects. This was mainly due to gains realized from disposal of partial interests in EIT Ltd. and Vortexinfo Technology, and positive change on fair value of our interests in these companies as a result of increase in share prices in 2024.

Other Income

Our other income decreased by 19.2% from RMB162.3 million in 2024 to RMB131.2 million in 2025, primarily due to the decrease in government grants related to income and tax refund qualified as VAT refund-upon-levy policy during the year.

Other Gains/(Losses), Net

Our other gains/(losses), net change from other gains, net amounted to RMB138.4 million in 2024 to other losses, net amounted to RMB0.2 million in 2025. This was mainly due to the gains realized from disposal of partial interests in EIT Ltd. and Vortexinfo Technology in 2024 and positive change on fair value of our interests in these companies as a result of increase in share prices in the same year.

Finance Costs, Net

Our finance costs, net remained stable at RMB460.6 million in 2024 and RMB461.9 million in 2025.

Income Tax Expense

Our income tax expense increased by 23.8% from RMB65.3 million in 2024 to RMB80.9 million in 2025, primarily a result of the increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 91.4% from RMB543.2 million in 2024 to RMB1,039.6 million in 2025.

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

Revenue

Our revenue increased by 37.0% from RMB10,580.4 million in 2023 to RMB14,499.5 million in 2024 primarily as a result of substantial increase in our revenue from resources recycling and utilization.

Our revenue from resources recycling and utilization increased by 72.2% from RMB6,468.4 million in 2023 to RMB11,136.9 million in 2024, primarily attributable to the substantial increase in revenue from recycling of metal resource as a result of (i) the increase in production volume of our Jiangxi Xinke production base which commenced operation in March 2023 and (ii) the increase in production volume of our Jingyuan GeoEnviron.

Our revenue from environmental services projects operation increased by 6.3% from RMB1,627.6 million in 2023 to RMB1,729.4 million in 2024, primarily attributable to the increase in revenue from waste-to-energy incineration projects as a result of increase in waste treatment volume.

Our revenue from environmental engineering services decreased by 34.3% from RMB2,484.4 million in 2023 to RMB1,633.3 million in 2024, primarily as a result of our strategy to focus on high-value projects.

Cost of Sales

Our cost of sales increased by 43.4% from RMB8,721.4 million in 2023 to RMB12,509.7 million in 2024 due to substantial increase in material, fuel and power costs as a result of increase in sales from our resources recycling and utilization segment.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.0% from RMB1,859.0 million in 2023 to RMB1,989.8 million in 2024, primarily attributable to the increase in gross profit of resources recycling and utilization as a result of the increase in revenue from this segment causing by increase in production volume of our Jiangxi Xinke and Jingyuan GeoEnviron production bases, partially offset by the decrease in the gross profit of environmental engineering services as we strategically decreased the number of projects we undertook to focus on high-value projects leading to a decrease of revenue of this segment. Our gross profit margin decreased from 17.6% in 2023 to 13.7% in 2024, primarily due to the increase in revenue contribution from resource recycling and utilization as a percentage of total revenue whereby its gross profit margin remains relatively lower than that of the other two business segments.

General and Administrative Expenses

Our general and administrative expenses remained stable at RMB572.1 million in 2023 and RMB580.9 million in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 32.0% from RMB143.6 million in 2023 to RMB97.7 million in 2024, primarily due to (i) the decrease in expenses for project bidding as we undertook less new projects in 2024; and (ii) the decrease in salary and incentives for sales and marketing personnel.

Research and Development Expenses

Our research and development expenses increased by 57.1% from RMB324.0 million in 2023 to RMB509.1 million in 2024, primarily due to the increase in R&D related expenses as a result of technological development and testing of production process for Jiangxi Xinke and Jinchang GeoEnviron production bases in the resource recycling and utilization segment.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 7.4% from RMB69.7 million in 2023 to RMB74.9 million in 2024 due to the increase in trade receivables and note receivables.

Other Income

Our other income increased by 22.0% from RMB133.0 million in 2023 to RMB162.3 million in 2024. This increase was mainly due to the increase in the amount of tax refund as a result of the increase in procurement of raw materials which qualified for the VAT refund-upon-levy policy.

Other Gains/(Losses), Net

Our other gains/(losses), net increased by 204.7% from RMB45.4 million in 2023 to RMB138.4 million in 2024. This was mainly due to the gains realized from disposal of partial interests in EIT Ltd. and Vortexinfo Technology in 2024 and positive change on fair value of our interests in these companies as a result of increase in share prices.

Finance Costs, Net

Our finance costs, net increased by 3.3% from RMB446.0 million in 2023 to RMB460.6 million in 2024. Our finance cost increased by 3.5% from RMB447.6 million in 2023 to RMB463.1 million in 2024, primarily as a result of the increase in the balance of our bank loans.

Income Tax Expense

Our income tax expense increased by 26.9% from RMB51.5 million in 2023 to RMB65.3 million in 2024, primarily as a result of the increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 6.9% from RMB508.2 million in 2023 to RMB543.2 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	4,931,280	5,165,271	5,996,958	7,313,580
Prepayments and other receivables	544,849	860,601	910,007	1,272,009
Trade and notes receivables	1,820,629	2,183,498	2,489,740	2,362,912
Other financial assets at fair value through profit or loss	6,274	217,406	36,906	–
Derivative financial instruments	47,708	9,912	17,875	1,266
Note receivables at fair value through other comprehensive income	93,625	70,972	109,561	129,576
Restricted cash and term deposits	572,427	592,457	555,832	510,222
Cash and cash equivalents	1,293,451	1,430,529	1,545,741	1,590,859
Contract assets	2,863,555	2,688,952	2,049,666	2,096,231
Other current assets	935,613	878,381	827,232	738,904
Total current assets	13,109,411	14,097,979	14,539,518	16,015,559
Current liabilities				
Borrowings	6,923,200	7,526,700	7,428,785	8,258,722
Trade and notes payables	3,175,061	2,882,408	2,396,710	2,374,356
Contract liabilities	181,985	259,841	228,668	349,470
Lease liabilities	2,824	5,190	2,551	2,795
Current income tax liabilities	32,530	59,540	95,472	126,963
Accruals and other payables	845,956	571,631	660,711	610,083
Other current liabilities	5,036	18,820	14,861	27,619
Total current liabilities	11,166,592	11,324,130	10,827,758	11,750,008
Net current assets	1,942,819	2,773,849	3,711,760	4,265,551

Our net current assets increased by 42.8% from RMB1,942.8 million as of December 31, 2023, to RMB2,773.8 million as of December 31, 2024, primarily due to the increase in inventories, prepayments and other receivables, trade and notes receivables, cash and cash equivalent, which were attributable to our business growth, as well as the decrease in trade and notes payables, accruals and other payables as a result of settling the relevant liabilities, and was partially offset by the decrease in derivative financial instruments and the increase in borrowings and current income tax liabilities.

Our net current assets increased by 33.8% from RMB2,773.8 million as of December 31, 2024 to RMB3,711.8 million as of December 31, 2025, primarily due to the increases in inventories and trade and notes receivables attributable to our business growth, as well as the decreases in trade and notes payables and borrowings, and was partially offset by the decreases in contract assets and other financial assets at fair value through profit or loss and the increase in accruals and other payables.

Inventories

Our inventories primarily consist of raw materials, work-in-progress, finished goods, goods in transit, materials for consigned processing, packaging materials and contract fulfillment costs. The following table sets forth details of our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw Materials	2,023,646	1,608,486	1,398,700
Work-in-progress	2,353,584	3,158,125	3,795,775
Finished Goods	507,828	376,362	769,503
Goods in Transit	48,566	19,578	31,768
Materials for Consigned Processing	6,344	1,678	–
Packaging Materials	20,122	38,069	34,034
Contract Fulfillment Costs	34,131	9,981	100
Less: provision for impairment	(62,941)	(47,008)	(32,922)
	4,931,280	**5,165,271**	**5,996,958**

Our inventories increased by 4.7% from RMB4,931.3 million as of December 31, 2023 to RMB5,165.3 million as of December 31, 2024, and further increased by 16.1% to RMB5,997.0 million as of December 31, 2025 due to the increase in work-in-progress primarily due to the expansion of our production capacity and the extension of our production processes.

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days(1)	206.2	150.0	180.2

Note:

1. Calculated using the closing balances of the inventories for such year divided by cost of sales for the relevant year and multiplied by 360 days.

Our inventory turnover days decreased from 206.2 days in 2023 to 150.0 days in 2024, primarily due to the increase in utilization rate of our resources recycling and utilization segment, leading to shorter turnover days.

Our inventory turnover days increased from 150.0 days in 2024 to 180.2 days in 2025, primarily due to increase in work-in-progress as a result of adjustment of production technique and improvement of production process by one of our subsidiaries, thus leading to longer turnover days.

As of February 28, 2026, RMB1,279.3 million or 17.5% of our inventories as of December 31, 2025, had been sold or utilized.

Prepayments and Other Receivables

Our prepayments and other receivables increased by 58.0% from RMB544.8 million as of December 31, 2023 to RMB860.6 million as of December 31, 2024, primarily due to the increase in prepayment for raw materials as a result of the increased production capacity in the Company's metal resources recycling segment.

Our prepayments and other receivables increased by 5.7% from RMB860.6 million as of December 31, 2024 to RMB910.0 million as of December 31, 2025 primarily due to the increase in receivables as a result of disposal of the equity interest in subsidiaries.

Trade and Notes Receivables

Our trade and notes receivables primarily consist of trade receivables and notes receivables. The following table sets forth details of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,979,525	2,397,489	2,743,275
Notes receivables	2,578	10,745	6,460
Less: credit loss allowance	(161,474)	(224,736)	(259,995)
	1,820,629	2,183,498	2,489,740

Our trade and notes receivables increased by 19.9% from RMB1,820.6 million as of December 31, 2023 to RMB2,183.5 million as of December 31, 2024, and further increased by 14.0% to RMB2,489.7 million as of December 31, 2025, primarily due to the increase in receivables from our environmental engineering services segment.

We generally grant credit terms up to 90 days to our customers. During the Track Record Period, the majority of our trade receivables were outstanding for less than one year. The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,359,274	1,598,099	1,809,268
One to three years	570,532	683,223	711,888
Three to five years	39,344	104,562	190,018
More than five years	10,375	11,605	32,101
Total	**1,979,525**	**2,397,489**	**2,743,275**

The following table sets forth our trade receivables turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[(1)]	67.4	59.5	67.0

Note:

1. Calculated using the closing balances of the trade receivables for such year divided by the total revenue for the relevant year and multiplied by 360 days, as applicable.

Our trade receivables turnover days remained relatively stable throughout the Track Record Period at 67.4 days, 59.5 days and 67.0 days in 2023,2024 and 2025, respectively.

As of February 28, 2026, RMB587.2 million or 21.4% of our trade receivables as of December 31, 2025, had been settled.

Other Financial Assets at Fair Value through Profit or Loss

Our other financial assets at fair value through profit or loss that are classified as current assets significantly increased from RMB6.3 million as of December 31, 2023 to RMB217.4 million as of December 31, 2024, primarily due to the reclassification of the remaining equity interest in EIT Ltd. into other financial assets at fair value through profit or loss as a result of partial disposal of equity interests in the same entity. Our other financial assets at fair value through profit or loss decreased from RMB217.4 million as of December 31, 2024 to RMB36.9 million as of December 31, 2025, primarily due to the further disposal of our equity interest in EIT Ltd..

Derivative Financial Instruments

We primarily purchase commodity futures to hedge against the risks arising from significant fluctuations in the market prices of our metal products. Our derivative financial instruments changed from RMB47.7 million as of December 31, 2023 to RMB9.9 million as of December 31, 2024, and further to RMB17.9 million as of December 31, 2025, primarily due to our adjustments to futures positions based on trends in metal price fluctuations and our inventory levels.

Note Receivables at Fair Value through Other Comprehensive Income

Our note receivables at fair value through other comprehensive income consist of note receivables and digital receivables debentures. Our note receivables at fair value through other comprehensive income decreased by 24.2% from RMB93.6 million as of December 31, 2023 to RMB71.0 million as of December 31, 2024, and further increased by 54.4% from RMB71.0 million as of December 31, 2024 to RMB109.6 million as of December 31, 2025, primarily due to the increased amount settled by bank acceptance drafts by our customers in the recycling of non-metal resources sector.

Restricted Cash and Term Deposits

Our restricted cash and term deposits mainly consist of bill margin, pledged term deposits, letter of credit margin, cash deposits in the designated accounts for payment of wages of project labor, and frozen deposits. Our restricted cash and term deposits remained stable at RMB572.4 million as of December 31, 2023 and RMB592.5 million as of December 31, 2024. Our restricted cash and term deposits decreased by 6.2% from RMB592.5 million as of December 31, 2024 to RMB555.8 million as of December 31, 2025, primarily as a result of the decrease in pledged term deposits.

Contract Assets

Contract assets consist of the amount of our rights to consideration for works completed but unsettled resulting from environmental engineering services contracts and retention receivables held by contract customers. Our contract assets decreased by 6.1% from RMB2,863.6 million as of December 31, 2023 to RMB2,689.0 million as of December 31, 2024, and further decreased by 23.8% to RMB2,049.7 million as of December 31, 2025, primarily as a result of the decrease in newly recognized contracts assets as a result of our strategy to focus on high-quality environmental engineering services projects and the accelerated settlement with our existing customers of environmental engineering services segment.

Other Current Assets

Our other current assets mainly consist of deductible input VAT. Our other current assets remained stable at RMB935.6 million as of December 31, 2023, RMB878.4 million as of December 31, 2024, and RMB827.2 million as of December 31, 2025.

Trade and Notes Payables

Our trade payables mainly consist of subcontracting fee, raw material fee, equipment and construction fee. Our notes payable consist of commercial acceptance bill and banker's acceptance notes. The following table sets forth details of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes payables			
– Trade payables	2,793,206	2,774,972	2,302,385
– Notes payables	381,855	107,436	94,325
	3,175,061	**2,882,408**	**2,396,710**

Our trade and notes payables decreased by 9.2% from RMB3,175.1 million as of December 31, 2023 to RMB2,882.4 million as of December 31, 2024, and further decreased by 16.9% to RMB2,396.7 million as of December 31, 2025, primarily due to the decrease in procurement as a result of the decrease in the number of projects as we strategically focus on high-quality environmental engineering services projects.

Trade payables are normally settled within 90 days. The following table sets forth the 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 one year	2,144,162	1,623,310	1,143,097
One to three years	492,944	953,700	896,743
More than three years	156,100	197,962	262,545
Total	**2,793,206**	**2,774,972**	**2,302,385**

The following table sets forth our trade payables turnover days for the years indicated:

	For the year ended December 31,		
	2023	**2024**	**2025**
Trade payables turnover days(1)	115.3	79.9	68.8

Note:

1. Calculated using the closing balances of the trade payables for such year divided by the cost of sales for the relevant year and multiplied by 360 days.

Our trade payables turnover days decreased from 115.3 days in 2023 to 79.9 days in 2024 and further to 68.8 days in 2025, primarily due to the decrease in revenue contribution from our environmental engineering services segment, which generally has longer trade payables turnover days than the other two business segments.

As of February 28, 2026, RMB624.1 million or 27.1% of our trade payables as of December 31, 2025, had been settled.

Contract Liabilities

Our contract liabilities mainly consist of advance payment by our customers. Our contract liabilities increased by 42.8% from RMB182.0 million as of December 31, 2023 to RMB259.8 million as of December 31, 2024, primarily due to the increased advance payment by our customers as a business practice, which is in line with the increase in procurement as a result of increased sales in resources recycling and utilization.

Our contract liabilities remained relative stable at RMB259.8 million as of December 31, 2024 and RMB228.7 million as of December 31, 2025.

Lease Liabilities

Our lease liabilities increased by 83.8% from RMB2.8 million as of December 31, 2023 to RMB5.2 million as of December 31, 2024, primarily due to the increase in property leases.

Our lease liabilities decreased by 50.8% from RMB5.2 million as of December 31, 2024 to RMB2.6 million as of December 31, 2025, primarily due to no material newly entered lease agreements and payment of lease expenses during the period in 2025.

Current Income Tax Liabilities

Our current income tax liabilities increased by 83.0% from RMB32.5 million as of December 31, 2023 to RMB59.5 million as of December 31, 2024, and further increased by 60.3% to RMB95.5 million as of December 31, 2025, which was in line with the increase in profit before income tax.

Accruals and Other Payables

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Employee Benefits Payable	119,825	123,188	161,556
Amounts Due to Third Parties	112,521	58,157	76,626
Payable on Equity Acquisition	146,743	35,550	30,500
Obligation to Repurchase Restricted Shares	76,520	–	–
Deposits Payable	30,172	26,007	62,975
Amounts Due to Related Parties	5,729	9	–
Taxes other than Income Tax Payables	348,867	318,609	296,241
Payables dividend	–	–	14,350
Others	5,579	10,111	18,463
	845,956	**571,631**	**660,711**

Our accruals and other payables decreased by 32.4% from RMB846.0 million as of December 31, 2023 to RMB571.6 million as of December 31, 2024. This was mainly due to (i) refund of employees' contribution of the 2023 Share Incentive and Share Option Plan terminated in 2024 and (ii) payment of partial consideration of equity interest in two subsidiaries in 2023.

Our accruals and other payables increased by 15.6% from RMB571.6 million as of December 31, 2024 to RMB660.7 million as of December 31, 2025, primarily due to (i) the increase in accrued employee bonuses and performance-based remuneration as of December 31, 2025 and (ii) the increase in deposits payable by our suppliers.

Other Current Liabilities

Our other current liabilities increased by 273.7% from RMB5.0 million as of December 31, 2023 to RMB18.8 million as of December 31, 2024, primarily due to the increased tax payments as a result of the increased advance payment by our customers as a business practice, which is in line with our business growth in resources recycling and utilization. Our other current liabilities remained relatively stable at RMB18.8 million as of December 31, 2024 and RMB14.9 million as of December 31, 2025.

Non-Current Assets and Non-Current Liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	3,956,192	4,269,047	3,967,059
Right-of-use assets	358,174	370,219	305,990
Deferred tax assets	108,058	161,303	194,803
Intangible assets	8,112,030	7,974,993	7,611,185
Investments accounted for using the equity method	843,147	216,844	180,643
Trade and notes receivables	64,836	36,642	–
Other financial assets at fair value through profit or loss	19,165	58,925	58,705
Investment properties	53,412	49,940	48,307
Other non-current assets	58,483	31,881	52,270
Total non-current assets	**13,573,497**	**13,169,794**	**12,418,962**
Non-current liabilities			
Borrowings	5,028,483	5,567,014	4,974,928
Lease liabilities	9,231	8,964	4,910
Deferred tax liabilities	3,537	24,659	10,603
Deferred income	142,770	195,200	178,167
Provisions	208,106	251,828	288,498
Total non-current liabilities	**5,392,127**	**6,047,665**	**5,457,106**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, machinery and equipment, transport vehicles, other equipment and construction in progress.

Our property, plant and equipment increased by 7.9% from RMB3,956.2 million as of December 31, 2023 to RMB4,269.0 million as of December 31, 2024. This was mainly due to the construction investment of Jiangxi Xinke production base and Zhuhai Xinhong production base.

Our property, plant and equipment decreased by 7.1% from RMB4,269.0 million as of December 31, 2024 to RMB3,967.1 million as of December 31, 2025 as a result of the provision of depreciation and amortization.

Right-of-Use Assets

Our right-of-use assets primarily include the lease contracts for (i) land use rights, (ii) buildings and (iii) machinery and equipment we use in respect of our business operations.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Land use right	344,619	354,748	296,731
Buildings	8,691	12,327	7,830
Machinery and Equipment	4,864	3,144	1,429
	358,174	**370,219**	**305,990**
Lease liabilities			
Current	2,824	5,190	2,551
Non-current	9,231	8,964	4,910
	12,055	**14,154**	**7,461**

We leased properties for our own use, and these lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

Our right-of-use assets increased by 3.4% from RMB358.2 million as of December 31, 2023 to RMB370.2 million as of December 31, 2024, primarily due to increase in land use right in Guizhou province.

Our right-of-use assets decreased by 17.3% from RMB370.2 million as of December 31, 2024 to RMB306.0 million as of December 31, 2025, primarily due to the disposal of two land use rights in Guizhou province and Tianjin.

Deferred Tax Assets

Our deferred tax assets increased by 49.3% from RMB108.1 million as of December 31, 2023 to RMB161.3 million as of December 31, 2024, primarily due to (i) the increase in impairment provisions for trade and receivables and inventories as a result of the increase in our operation scale; and (ii) the recognition of deferred tax assets for deductible tax loss carryforwards.

Our deferred tax assets increased by 20.8% from RMB161.3 million as of December 31, 2024 to RMB194.8 million as of December 31, 2025, primarily due to the recognition of deferred tax assets for the expected improved performance of our Company.

Intangible Assets

Our intangible assets primarily consist of concession rights, software, patent right and goodwill. Our intangible assets remained relatively stable at RMB8,112.0 million as of December 31, 2023, RMB7,975.0 million as of December 31, 2024, and RMB7,611.2 million as of December 31, 2025.

Investments in Associates and Joint Ventures

Our investments in associates and joint ventures decreased by 74.3% from RMB843.1 million as of December 31, 2023 to RMB216.8 million as of December 31, 2024, primarily as a result of the disposal of equity interest in two associates.

Our investments in associates and joint ventures decreased by 16.7% from RMB216.8 million as of December 31, 2024 to RMB180.6 million as of December 31, 2025, primarily due to the impairment provision based on the actual performance of two associates.

Other Non-Current Assets

Our other non-current assets decreased by 45.5% from RMB58.5 million as of December 31, 2023 to RMB31.9 million as of December 31, 2024, primarily due to the transfer of our prepayments for land use rights made in 2023 from other non-current-assets to right-of-use-assets as we obtained such land use rights in 2024.

Our other non-current assets increased by 64.0% from RMB31.9 million as of December 31, 2024 to RMB52.3 million as of December 31, 2025, primarily due to the increase in prepayment for equipment procurement incurred as a result of technical upgrades in the resources recycling and utilization segment.

Other Financial Assets at Fair Value through Profit or Loss

Our other financial assets at fair value through profit or loss that are classified as non-current assets significantly increased from RMB19.2 million as of December 31, 2023 to RMB58.9 million as of December 31, 2024, primarily due to the reclassification of our investment in Vortexinfo Technology as a result of partial disposal of equity interests in Vortexinfo Technology.

Our other financial assets at fair value through profit or loss that are classified as non-current assets remained stable at RMB58.9 million as of December 31, 2024 and RMB58.7 million as of December 31, 2025.

We make investment decisions case-by-case after thoroughly considering a number of factors, including but not limited to the macroeconomic environment, general market conditions, the investment risk management, sources of investment, and the expected profit or potential loss of the investment.

To monitor and control the potential risks associated with our investment portfolio, we have adopted internal procedures to manage our investment. With the authorization of the Board and the supervision by our officer responsible for the supervision on our financial matters, our investment department is responsible for analyzing, evaluating and determining the investment plans in accordance with our cash management policies and internal approval process. Prior to modifying our existing investment portfolio, the proposal must be approved by our financial controller and general manager of our Company.

Investment Properties

Our investment properties remained stable at RMB53.4 million as of December 31, 2023, RMB49.9 million as of December 31, 2024 and RMB48.3 million as of December 31, 2025.

Deferred Tax Liabilities

Our deferred tax liabilities increased by 597.2% from RMB3.5 million as of December 31, 2023 to RMB24.7 million as of December 31, 2024, primarily due to the increase in unrealized gains of our equity interest in EIT Ltd. as a result of the increase in share prices.

Our deferred tax liabilities decreased by 57.0% from RMB24.7 million as of December 31, 2024 to RMB10.6 million as of December 31, 2025, primarily due to the decrease in unrealized gains on the remaining equity interests following the disposal of our equity interest in EIT Ltd..

Deferred Income

Our deferred income increased by interests of 36.7% from RMB142.8 million as of December 31, 2023 to RMB195.2 million as of December 31, 2024, primarily due to the government grants for our municipal waste-to-energy incinerator expansion projects and our food waste resource utilization projects.

Our deferred income decreased by 8.7% from RMB195.2 million as of December 31, 2024 to RMB178.2 million as of December 31, 2025, primarily due to the amortisation of deferred income and transfer the same to other income during the year.

Provisions

Our provisions increased by 21.0% from RMB208.1 million in 2023 to RMB251.8 million in 2024 and increased further by 14.6% to RMB288.5 million in 2025, primarily due to the increase in provisions to ensure the service quality of infrastructure related to operation of environmental services projects.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have historically funded our cash requirements principally from proceeds from our business operations, capital contributions from shareholders and bank borrowings. After the **[REDACTED]**, we intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the **[REDACTED]** from the **[REDACTED]**. We do not anticipate any changes in the availability of financing to fund our operations in the future.

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(1,001,481)	689,181	1,164,371
Net cash (used in)/ generated from investing activities	(1,174,029)	(437,652)	210,792
Net cash generated from/(used in) financing activities	2,267,371	(110,626)	(1,259,471)
Net increase in cash and cash equivalents	91,861	140,903	115,692
Cash and cash equivalents at beginning of the year	1,201,762	1,293,451	1,430,529
Effects of exchange rate changes on cash and cash equivalents	(172)	(3,825)	(480)
Cash and cash equivalents at the end of the year	1,293,451	1,430,529	1,545,741

Net Cash Used in/Generated from Operating Activities

Our net cash used in/generated from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation or amortization of non-current assets and interests); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

In 2025, we had net cash generated from operating activities of RMB1,164.4 million, which primarily represents profit before income tax of RMB1,120.5 million, adjusted by (i) non-cash or non-operating items, which primarily consist of finance cost of RMB465.1 million and depreciation and amortization of non-current assets of RMB639.9 million, partially offset by gain on disposal of associates and joint venture and other financial assets at FVPL of RMB52.7 million and net gains on financial instruments of RMB35.6 million; and (ii) movements in working capital, mainly consisting of a decrease in payables of RMB273.9 million, an increase in inventories of RMB854.0 million and a decrease in receivables of RMB65.8 million.

In 2024, we had net cash generated from operating activities of RMB689.2 million, which primarily represents profit before income tax of RMB608.6 million, adjusted by (i) non-cash or non-operating items, which primarily consist of finance cost of RMB463.1 million, depreciation and amortization of non-current assets of RMB625.1 million, partially offset by share of profit of associates, net of RMB41.2 million and gain on disposal of associates and joint venture and other financial assets at FVPL of RMB123.6 million and (ii) movements in working capital, mainly consisting of an increase in receivables of RMB494.7 million, decrease in payables of RMB163.4 million and increase in inventories of RMB245.9 million. As Jiangxi Xinke production base commenced operation in March 2023 and Jinchang GeoEnviron production base resumed operation in June 2024, our cash generated from operating activities improved in 2024.

In 2023, we had net cash used in operating activities of RMB1,001.5 million, which primarily represents profit before income tax of RMB559.6 million, adjusted by (i) non-cash or non-operating items, which primarily consist of finance cost of RMB447.6 million, depreciation and amortization of non-current assets of RMB552.9 million, partially offset by share of profit of associates, net of RMB77.7 million and (ii) movements in working capital, mainly consisting of an increase in receivables of RMB371.9 million and an increase in inventories of RMB2,273.0 million, partially offset by an increase in payables of RMB195.6 million. We recorded net cash used in operating activities in 2023 because Jiangxi Xinke production base only began to generate revenue in April 2023.

Net Cash Generated from/Used in Investing Activities

In 2025, our net cash generated from investing activities was RMB210.8 million, which was primarily attributable to the proceeds from disposal of other financial assets at fair value through profit or loss in the amount of RMB277.4 million and the proceeds of RMB100.7 million from the disposal of subsidiaries, partially offset by the payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB340.3 million.

In 2024, our net cash used in investing activities was RMB437.7 million, which was primarily attributable to the payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB894.9 million, partially offset by the proceeds from disposal of associates (i.e. EIT Ltd. and Vortexinfo Technology) of RMB425.6 million.

In 2023, our net cash used in investing activities was RMB1,174.0 million, which was primarily attributable to the payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB1,506.6 million, partially offset by the proceeds from disposal of other financial assets at fair value through profit or loss in the amount of RMB363.8 million and the proceeds of RMB151.4 million from the disposal of equity investments measured at fair value through profit or loss..

Net Cash Used in Financing Activities

In 2025, our net cash used in financing activities was RMB1,259.5 million, primarily attributable to the repayment of borrowings of RMB8,764.9 million and the interest payment of RMB440.3 million, partially offset by the proceeds from borrowings of RMB8,068.6 million.

In 2024, we had net cash used in financing activities of RMB110.6 million, primarily attributable to (i) the repayment of borrowings of RMB9,137.3 million; (ii) the payment of dividend of RMB656.4 million; and (iii) the interest payment of RMB412.3 million, partially offset by the proceeds from borrowings of RMB10,232.1 million.

In 2023, we had net cash generated from financing activities of RMB2,267.4 million, primarily attributable to the proceeds from borrowings of RMB7,633.0 million, partially offset by the repayment of borrowings of RMB4,814.9 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash and cash equivalents, available banking facilities, cash flows from operating activities and estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

INDEBTEDNESS

Indebtedness

As of December 31, 2023, 2024 and 2025, our indebtedness included bank borrowings and lease liabilities. The following table sets forth a 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	6,923,200	7,526,700	7,428,785	8,258,722
Lease liabilities	2,824	5,190	2,551	2,795
Non-current				
Borrowings	5,028,483	5,567,014	4,974,928	5,069,626
Lease liabilities	9,231	8,964	4,910	4,701
Total	**11,963,738**	**13,107,868**	**12,411,174**	**13,335,844**

Except for our indebtedness as disclosed above as of December 31, 2023, 2024 and 2025, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

As of the Latest Practicable Date, there was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this document.

Borrowings

As of December 31, 2023, 2024 and 2025 and Feburary 28, 2026, we had borrowings (including current and non-current portions) of RMB12.0 billion, RMB13.1 billion, RMB12.4 billion and RMB13.3 billion, respectively, mainly representing (i) secured bank borrowings, (ii) secured financial institution loans and (iii) unsecured bank loans, primarily to supplement our working capital. Our borrowings are primarily denominated in Renminbi. The annual interest rate on our bank loans ranged from 0.90% to 6.27% during the Track Record Period.

As of December 31, 2025, we had an aggregate of RMB2,368.1 million of bank borrowings guaranteed by Mr. Li and/or his spouse. We intend to repay or settle bank loan(s) to discharge the personal guarantees prior to the **[REDACTED]** with our internal resources. See "Relationship with Our Single Largest Shareholder – Independence from Our Single Largest Shareholder – Financial Independence" and Note 28 to the Accountants' Report in Appendix I to this document.

As of Feburary 28, 2026, our unutilized bank credit facilities amounted to RMB3.09 billion.

Lease Liabilities

As of December 31, 2023, 2024 and 2025 and Feburary 28, 2026, our total lease liabilities (including current and non-current portion) amounted to RMB12.1 million, RMB14.2 million, RMB7.5 million, and RMB7.5 million, respectively, which mainly represented our leases for our production facilities, offices, warehouses, staff apartments and machinery and equipment.

Our total lease liabilities increased by 17.4% from RMB12.1 million as of December 31, 2023 to RMB14.2 million as of December 31, 2024, primarily due to the increase of new leases.

Our total lease liabilities decreased by 47.2% from RMB14.2 million as of December 31, 2024 to RMB7.5 million as of December 31, 2025, mainly due to no material newly entered lease agreements and payment of lease expenses in 2025.

Our total lease liabilities remained relatively stable at RMB7.5 million as of December 31, 2025 and RMB7.5 million as of February 28, 2026.

OFF-BALANCE SHEET TRANSACTIONS

We had not entered into any material off-balance sheet transactions or arrangements as of the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were used for purchase of property, plant and equipment, intangible assets and other non-current assets, which amounted to RMB1,506.6 million, RMB894.9 million and RMB340.3 million, in 2023, 2024 and 2025, respectively. We funded these expenditures mainly with bank borrowings and cash generated from our business operations.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. See Note 43 to the Accountants' Report in Appendix I to this document. Our Directors believe that these transactions were conducted in the ordinary and usual course of business and they were conducted on an arm's length basis, and did not distort our results of operations or make our historical results unreflective of our future performance.

CONTINGENT LIABILITIES

Except as disclosed in Note 42 to the Accountants' Report in Appendix I to this document, we did not have any other contingent liabilities or guarantee as of February 28, 2026, being the latest practicable date for determining our indebtedness.

CAPITAL COMMITMENTS

The table below sets forth the major capital commitment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitments			
– Contracted, but not provided for	4,462	22,849	–
Intangible assets commitments			
– Contracted, but not provided for	3,537	4,164	–
Investment commitments			
– Contracted, but not provided for	–	2,800	–
	7,999	29,813	–

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	**2024**	**2025**
Return on equity(1)	5.4%	5.3%	8.7%
Return on assets(2)	1.9%	1.8%	3.1%
Gearing ratio(3)	118.2%	132.5%	116.3%
Gross profit margin(4)	17.6%	13.7%	18.2%
Net profit margin(5)	4.8%	3.7%	7.1%

Notes:

(1) Return on equity is calculated based on the profit for the year attributable to owners of our Company divided by equity attributable to owners of our Company at of the relevant year end and multiplied by 100%.

(2) Return on assets is calculated based on the profit for the year attributable to owners of our Company divided by total assets as of the relevant year end and multiplied by 100%.

(3) Gearing ratio is calculated based on total indebtedness (including borrowings and lease liabilities) divided by total equity and multiplied by 100%.

(4) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(5) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

Return on Equity and Return on Assets

Our return on equity remained relatively stable at 5.4% and 5.3% in 2023 and 2024, respectively. Our return on equity increased from 5.3% in 2024 to 8.7% in 2025, primarily due to the substantial improvement in the gross profit of our resources recycling and utilization segment.

Our return on assets remained relatively stable at 1.9% and 1.8% in 2023 and 2024, respectively. Our return on assets increased from 1.8% in 2024 to 3.1% in 2025, primarily due to the substantial improvement in the gross profit of our resources recycling and utilization segment.

Gearing Ratio

Our gearing ratio remained stable, which was 118.2%, 132.5% and 116.3% as of December 31, 2023, 2024 and 2025, respectively.

Gross Profit Margin and Net Profit Margin

See "Financial Information – Period-to-Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

FINANCIAL RISKS MANAGEMENT

Our Group's activities expose it to a variety of financial risks, including market risk, credit risk, liquidity risk and price risk. Our Group's overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return, and minimizes the adverse impact of risk on our Group's financial performance. Based on this risk management objective, the basic strategy of our Group's risk management is to identify and analyze the various risks faced by our Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range. For details, see Note 3 to the Accountants' Report in Appendix I to this document.

Foreign Exchange Risk

Our Group is primarily exposed to changes in USD, EUR and JPY exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD, EUR and JPY denominated financial instruments is stated in Note 3.1 of the Accountants' Report in Appendix I to this document.

Interest Rate Risk

Our Group's interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose our Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose our Group to fair value interest rate risk. Our Group determines the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

As of December 31, 2023, 2024 and 2025, total borrowings of our Group which were bearing at floating rates amounted to approximately RMB5,678.6 million, RMB5,687.4 million and RMB5,013.1 million, respectively.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents our Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables, our Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

Liquidity risk

Our Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of our Group is to regularly monitor our Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet our Group's liquidity requirements.

DIVIDEND AND DIVIDEND POLICY

Pursuant to the PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and 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 of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average net profits realized in the latest three years. The specific dividend pay-out ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

During the Track Record Period, we declared and paid dividends of RMB76.3 million, RMB656.4 million and RMB106.6 million, respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company had retained earnings of RMB4,054.9 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II – Unaudited **[REDACTED]** Financial Information to this document for details of our unaudited **[REDACTED]** adjusted consolidated net tangible assets.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** commission and other fees incurred in connection with the **[REDACTED]**. Assuming the **[REDACTED]** is not exercised and based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, **[REDACTED]** are estimated to be approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), comprising: (i) **[REDACTED]** fees of RMB**[REDACTED]** million (HK$**[REDACTED]** million); and (ii) non-**[REDACTED]**-related expenses of RMB**[REDACTED]** million (HK$**[REDACTED]** million), which are further categorized into: (a) fees and expenses of legal advisers and accountants of RMB**[REDACTED]** million (HK$**[REDACTED]** million); and (b) other fees and expenses of RMB**[REDACTED]** million (HK$**[REDACTED]** million), approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of which had been or is expected to be recognized in our consolidated statements of profit or loss, and approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of which is expected to be deducted from equity upon the completion of the **[REDACTED]**. The **[REDACTED]** expenses are expected to represent approximately **[REDACTED]**% of the **[REDACTED]** of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and that the **[REDACTED]** is not exercised. The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2025, which is the end date of the year reported in the Accountants' Report set out in Appendix I to this document, and there is no event since December 31, 2025 which would materially affect the information in the Accountants' Report as set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.